

Companies Act, 1956

Section 77 - Restrictions on purchase by company, or loans by company for purchase, of its own or its holding company's shares

1) No company limited by shares, and no company limited by guarantee and having a share capital, shall have power to buy its own shares, unless the consequent reduction of capital is effected and sanctioned in pursuance of (section 100) to (section 104) or of section (section 402) (2) No public company, and no private company which is a subsidiary of a public company, shall give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the company or in its holding company Provided that nothing in this sub section shall be taken to prohibit- (a) the lending of money by a banking company in the ordinary course of its business, or (b) the provision by a company, in accordance with any scheme for the time being in force, of money for the purchase of, or subscription for fully paid shares in the company or its holding company, being a purchase or subscription by trustees of or for shares to be held by or for the benefit of employees of the company, including any director holding a salaried office or employment in the company, or (c) the making by a company of loans, within the limit laid down in sub section (3), to persons (other than directors [***] or managers) bona fide in the employment of the company with a view to enabling those persons to purchase or subscribe for fully paid shares in the company or its holding company to be held by themselves by way of beneficial ownership (3) No loan made to any person in pursuance of clause (c) of the foregoing proviso shall exceed in amount his salary or wages at that time for a period of six months (4) If a company acts in contravention of sub-sections (1) to (3), the company, and every officer of the company who is in default, shall be punishable with fine which may extend to [ten] thousand rupees (5) Nothing in this section shall affect the right of a company to redeem any shares issued under (section 80) or under any corresponding provision in any previous companies law