Companies Act, 1956

Section 294A - [Prohibition of payment of compensation to sole selling agents for loss of officein certain cases. 3

64) 64. Inserted by the Companies (Amendment) Act, 1965, w.e.f. 15/10/1965. (1) A company shall not pay or be liable to pay to its sole selling agent any compensation for the loss of his office in the following cases:- (a) where the appointment of the sole selling agent ceases to be valid by virtue of sub-section (2A) of (section 294) ; (b) where the sole selling agent resigns his office in view of the reconstruction of the company or of its amalgamation with any other body corporate or bodies corporate and is appointed as the sole selling agent of the reconstructed company or of the body corporate resulting from the amalgamation; (c) where the sole selling agent resigns his office, otherwise than on the reconstruction of the company or its amalgamation as aforesaid; (d) where the sole selling agent has been guilty of fraud or breach of trust in relation to, or of gross negligence in, the conduct of his duty as the sole selling agent; (e) where the sole selling agent has instigated, or has taken part directly or indirectly in bringing about, the termination of the sole selling agency. (2) The compensation which may be paid by a company to its sole selling agent for loss of office shall not exceed the remuneration which he would have earned if he had been in office for the unexpired residue of his term, or for three years, whichever is shorter, calculated on the basis of the average remuneration actually earned by him during a period of three years immediately preceding the date on which his office ceased or was terminated, or where he held his office for a lesser period than three years, during such period.] SECTION 294AA : [Power of Central Government to prohibit the appointment of sole sellingagents in certain cases.66 3 (65) 65. Inserted by the Companies (Amendment) Act, 1974, w.e.f. 1/2/1975. (1) Where the Central Government is of opinion that the demand for goods of any category, to be specified by that Government, is substantially in excess of the production or supply of such goods and that the services of sole selling agents will not be necessary to create a market for such goods, the Central Government may, by notification3 (67) 67. For notification issued under this sub-section (1), refer Taxmann's Master Guide to Companies Act, in the Official Gazette, declare that sole selling agents shall not be appointed by a company for the sale of such goods for such period as may be specified in the declaration. (2) No company shall appoint any individual, firm or body corporate, who or which has a substantial interest in the company, as sole selling agent of that company unless such appointment has been previously approved by the Central Government (3) No company having a paid-up share capital of rupees fifty lakhs or more shall appoint a sole selling agent except with the consent of the company accorded by a special resolution and the approval of the Centra] Government (4) The provisions of sub-sections (5), (6) and (7) of (section 294) shall, so far as may be, apply to the sole selling, or the sole purchasing or buying agents of a company (5) A company seeking approval under this section shall furnish such particulars as may be prescribed 3 (68) 68. "section 280," omitted by the Companies (Amendment) Act, 1965, w.e.f. 15/10/1965. (6) Where any appointment has been made of a sole selling agent by a company before the commencement of the Companies (Amendment) Act, 1974, and the appointment is such that it could not have been made except on the authority of a special resolution passed by the company and the approval of the Central Government, if sub-section (2), sub-section (3) and sub-section (8), were in force at the time of such appointment, the company shall obtain such authority and approval within six months from such commencement, and if such authority and approval are not so obtained the appointment of the sole selling agent shall stand terminated on the expiry of six months from such commencement (7) If the company in general meeting disapproves the appointment referred to in sub section (3) such appointment shall, notwithstanding anything contained in sub section (6), cease to have effect from the date of the general meeting (8) The provisions of this section except those of sub section (1), shall apply so far as may be to the appointment by a company of a sole agent for the buying or purchasing of goods on behalf of the company Explanation in this section,- (a) ' appointment" includes "re-appointment', (b) "substantial interest",- (i) in relation to an individual, means the beneficial interest held by such individual or any of his relatives, whether singly or taken together, in the shares of the company, the aggregate amount

paid-up on which exceeds five lakhs of rupees or five per cent of the paid-up share capital of the company, whichever is the lesser (ii) in relation to a firm, means the beneficial interest held by one or more partners of the firm or any relative of such partner, whether singly or taken together, in the shares of the company, the aggregate amount paid up on which exceeds five lakhs of rupees or five per cent of the paid up share capital of the company whichever is the lesser, (iii) in relation to a body corporate, means the beneficial interest held by such body corporate or one or more of its directors or any relative of such director, whether singly or taken together in the shares of the company, the aggregate amount paid-up on which exceeds five lakhs of rupees or five per cent of the paid-up share capital of the company, whichever is the lesser]