

REGISTRATION OF CHARGES

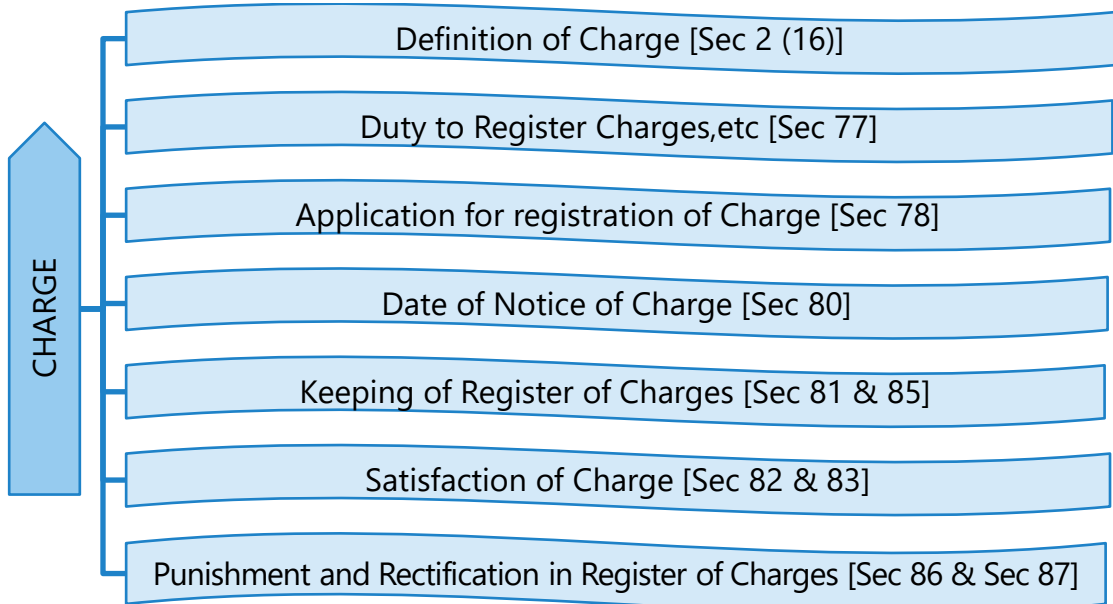


LEARNING OUTCOMES

At the end of this Chapter, you will be able to:

- ◆ Define Charge
- ◆ Know about Fixed Charge and Floating Charge
- ◆ Explain the steps involved in Registration of Charge
- ◆ Identify the consequences of non-registration of a Charge and the steps to be followed for registering Satisfaction of Charge
- ◆ Know the applicability of penal provisions in case of default

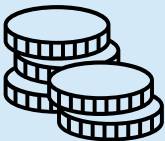
CHAPTER OVERVIEW



1. INTRODUCTION

Chapter VI	Consists of sections 77 to 87 as well as the Companies (Registration of Charges) Rules, 2014.
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Definition of Charge

 Loan taken	 created on the property or assets of a company
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Section 2(16) of the Companies Act, 2013 defines "charge" as an interest or lien created on the property or assets of a company or any of its undertakings or both as security and includes a mortgage.

an interest or lien

created on the property or assets

- of a company or
- any of its undertakings or
- both

It is created as Security for repayment of loan

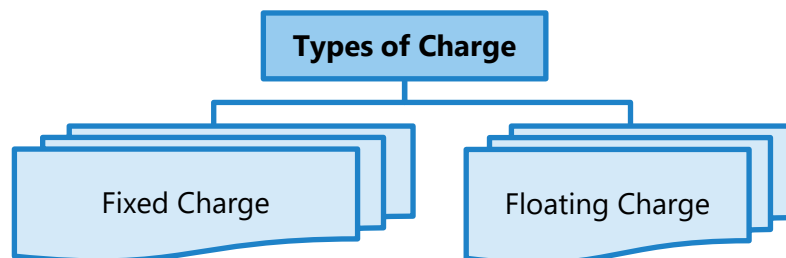
Charge includes Mortgage

Whenever a company borrows money by way of loans including term loans or working capital loans from financial institutions or banks or any other person by offering its property or assets as security or any of its undertakings, then a charge is created on such property or assets in favour of the lender.

Such a charge is compulsorily registrable under the provisions of the Companies Act, 2013 in accordance with Chapter VI and the Rules made in this regard.

Types of Charge

A charge may be either fixed or floating.



Fixed Charge

A 'Fixed Charge' is a charge on specific assets of the borrowing company. These assets are of permanent nature like land and building, machinery, office premises, etc. Further, these assets are identified at the time of creation of charge. A fixed charge is usually created by way of mortgage or by deposit of title deeds.

When a charge is created on such assets, the charge remains 'fixed' and the borrowing company is not permitted to sell such assets during the period of charge though it may use them.

Assets under fixed charge can be sold only with the permission or consent of the charge-holder.

A fixed charge is vacated when the money borrowed against the assets subject to fixed charge is repaid in full.

Example: Pearl Electronics Limited raised a term loan ` 10 lakh from Everest Commercial Bank Limited, against the security of its office building. In this case, the company shall create a charge on specific asset i.e. its office building and such charge shall be a fixed charge. The company can sell this particular office building either by repaying the borrowed amount in full or after seeking permission from the charge-holder i.e. lender bank.

Floating Charge

A 'Floating Charge' is created on assets or a class of assets which are of fluctuating or changing in nature- like raw material, stock-in-trade, debtors, etc. It is a charge upon assets both present and future. The assets under floating charge keep on changing because the borrowing company is permitted to use them for trading or producing final goods for sale. Thus, a floating charge is a charge that floats above ever-changing assets.

Example: A retail showroom in Lajpat Nagar, New Delhi contains numerous articles like clothes, apparels, footwears, kitchen items, cosmetics, etc. kept for sale. The owner of the showroom might have borrowed against the security of all these goods; but he may still sell or otherwise deal with them in the ordinary course of business. The buyer i.e. customer will get the items purchased by him free of charge.

Example: Smart Shoes Limited manufactures leather goods. The raw material in the form of leather, which is subject matter of floating charge, may be used by the company to manufacture leather goods without seeking any permission from the lender.

Thus, unlike a fixed charge, the assets offered as security by the company can be dealt with by it in the ordinary course of business. The buyer of the asset will get it free of charge.

Crystallization of a Floating Charge

When the creditor enforces the security due to the breach of terms and conditions of floating charge or the company goes into liquidation, the floating charge will become a fixed charge on all the assets available on that date. This is called **crystallization of a floating charge**.

A floating charge remains dormant until it becomes fixed or crystallizes. On crystallization of charge, the security (*i.e.* raw material, stock-in-trade, etc.) becomes fixed and is available for realization by the lender so that borrowed money is repaid. Crystallization of floating charge may occur when the terms and conditions of floating charge are violated or the company ceases to continue its business or the company goes into liquidation or the creditors enforce the security covered by the floating charge.

Example: Prism Limited had taken a loan from ABC Bank, on the security of its stock. Now, in the event of Prism Limited failing to repay the security interest or entering liquidation, the floating charge will change to a fixed charge. Once a floating charge gets converted to a fixed charge, the stock can neither be sold nor used by the company in its business operations.



2. DUTY TO REGISTER CHARGES, ETC. [SECTION 77]

Section 77 of the Companies Act, 2013 contains provisions regarding registration of charges with the Registrar of Companies.

A. Registration of Charges

Registration by the company creating a charge: It shall be duty of the company creating a charge within or outside India, on its property or assets or any of its undertakings, whether tangible or otherwise and situated in or outside India, to register the particulars of the charge.

The subject-matter of the charge *i.e.* the property or assets or any of the company's undertakings, may be situated within India or outside India. Accordingly, charge may be created within India or outside India depending upon the location of the assets.

The property or assets charged may be tangible assets such as land and buildings, machinery or financial assets like investment in shares or debentures. It may be otherwise also, *i.e.* an intangible asset such as patent, copyright or trademark.

Note: The word 'otherwise' when used in a section would have the effect of widening the scope and operation of the provision.

When a charge is created by deposit of title deeds (normally banks agree for this mode of charge instead of proper mortgage), it is also registrable by the borrowing company.¹

Registration by the charge-holder: Section 78, **Application for registration of charge** (explained later) provides that in case the borrowing company creating a charge fails to register the charge within the prescribed period of 30 days, the person in whose favour the charge is created (*i.e.* lender) can get the charge registered.

Registration by the purchaser: Section 79 (explained later) covers another case of registration of charge where a company purchased some property in whose case a charge was already registered. In this case also, the company purchasing the property shall get the charge registered in its name in place of seller in the records of Registrar of Companies.

B. How to Register Charge²

The particulars of the charge in the prescribed form³ together with a copy of the instrument, if any, creating the charge duly signed by the company and the charge holder, shall be filed with the Registrar within 30 days of creation of charge along with the prescribed fee.

¹ As per Section 58 (f) of the Transfer of Property Act, 1882.

² As per Section 77 (1) and Rule 3 (1) of the Companies (Registration of Charges) Rules, 2014.

³ As per Rule 3, Form CHG-1 or Form CHG-9 (in case of debentures) is to be filled.

C. Verification of Instrument of Charge⁴

A copy of every instrument creating (or modifying) any charge and required to be filed with the Registrar, shall be verified as follows:

(a) **Where the instrument or deed relates solely to the property situated outside India**, the copy shall be verified by a certificate issued either-



- ◆ under the seal, if any, of the company, or
- ◆ under the hand of any director or company secretary of the company, or an authorised officer of the charge-holder, or
- ◆ under the hand of some person other than the company who is interested in the mortgage or charge;

(b) **Where the instrument or deed relates to the property situated in India (whether wholly or partly)**, the copy shall be verified by a certificate issued under the hand of any director or company secretary of the company or an authorised officer of the charge holder.



Thus, in case the instrument or deed relates solely to a property situated outside India, the copy may also be additionally verified by a certificate issued under the hand of some person other than the company who is interested in the mortgage or charge. This type of verification is not possible when the instrument or deed relates to the property situated in India, whether wholly or partly.

D. Extension of Time Limit

The original period within which a charge needs to be registered from the date of creation of charge is 30 days. In respect of extension of time limit for registration of charges, following provisions are applicable:



(i) **Charges created before 02-11-2018⁵**: In such cases, where the charge was created before 02-11-2018 but was not registered within the original period of 30

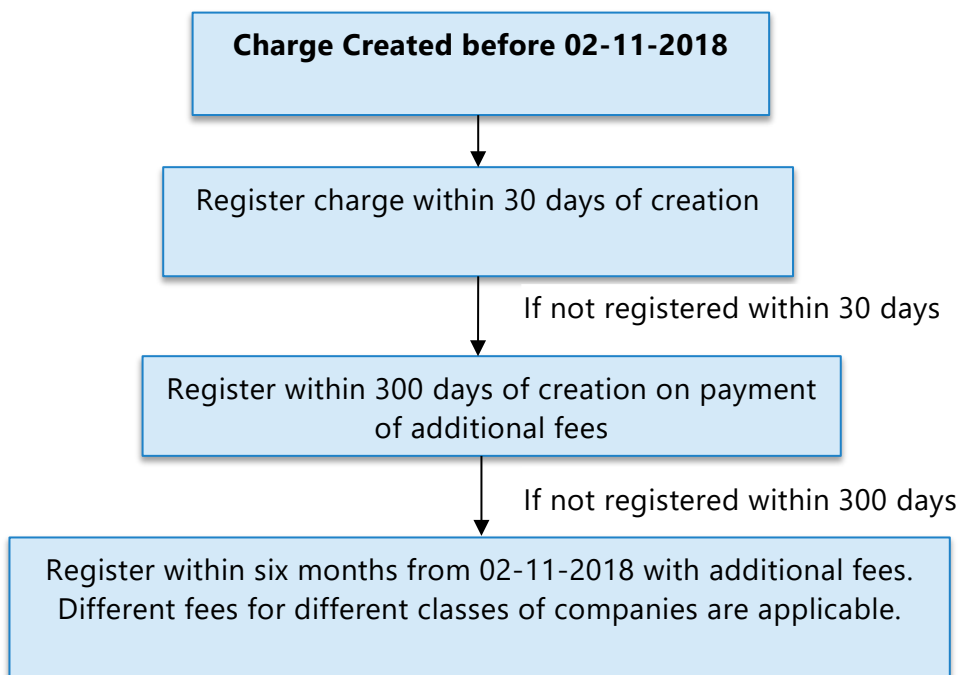
⁴ As per Rule 3 (4).

⁵ As per Clause (a) of First Proviso and also Clause (a) of Second Proviso to Section 77 (1).

days, the Registrar may, on an application by the company, allow such registration to be made within a period of 300 days of such creation.

Further, if the charge is not registered within the extended period of 300 days, it shall be done within six months from 02-11-2018 on payment of prescribed additional fees.

It is provided that different fees may be prescribed for different classes of companies.

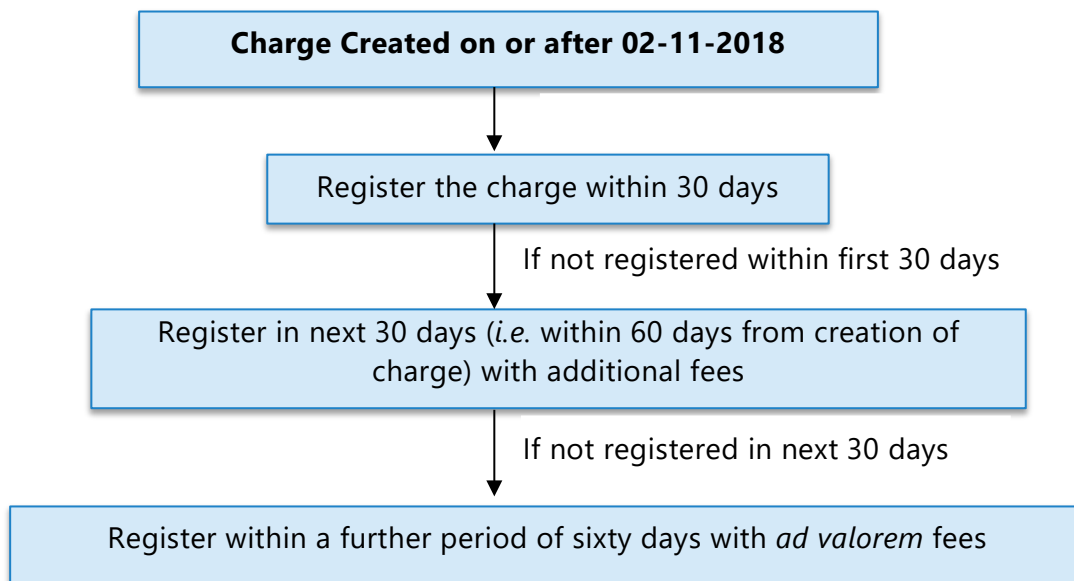


(ii) ***Charges created on or after 02-11-2018***⁶: In cases where the charge was created on or after 02-11-2018 but the registration of charge was not effected within the original period of 30 days, the Registrar may, on an application by the company, allow such registration to be made within a period of 60 days of such creation. In other words, a grace period of another 30 days is granted after the expiry of the original 30 days, on payment of additional fees as prescribed.

If the charge is not registered within the extended period as above, the company shall make an application and the Registrar is empowered to allow such registration

⁶ As per Clause (b) of First Proviso and also Clause (b) of Second Proviso to Section 77 (1).

to be made within a further period of sixty days after payment of prescribed *ad valorem*⁷ fees.



Procedure for Extension of Time Limit⁸: The company is required to make an application to the Registrar in the prescribed form⁹ for seeking extension of time. The said application needs to be supported by a declaration from the company signed by its company secretary or a director that such belated filing shall not adversely affect the rights of any other intervening creditors of the company.

After receipt of application for extension of time period, the Registrar, on being satisfied that the company had sufficient cause for not filing the particulars and instrument of charge, if any, within the original period of thirty days, may allow registration of charge within the extended time period. Further, requisite additional fee or *ad valorem fee*, as applicable, shall also be paid.

⁷ *ad valorem* means in proportion to the estimated value of the transaction concerned. In this case it will be based on value of the charge i.e. the amount of loan advanced against security of the property.

⁸ As per Rule 4.

⁹ As per Rule 4 (2), the application shall be made in Form CHG-1 (for other than debentures) or in Form CHG-9 (for debentures).

E. Issue of Certificate of Registration¹⁰

Where a charge or modification is duly registered by the Registrar of Companies, a Certificate of Registration/Modification shall be issued by the Registrar in the prescribed form¹¹. The certificate so issued by the Registrar shall be conclusive evidence that the requirements of Chapter VI of the Companies Act, 2013 and the Rules made thereunder as to registration of creation of charge or modification of charge have been complied with.

F. Section 77 not to apply to certain charges

The application of Section 77 shall not be made to certain charges which are prescribed in consultation with the Reserve Bank of India.¹²



Note: Rule 3 (5) states that nothing contained in Rule 3 shall apply to any charge required to be created or modified by a banking company under section 77 in favour of the Reserve Bank of India when any loan or advance has been made to it under sub-clause (d) of clause (4) of section 17 of the Reserve Bank of India Act, 1934.



3. DEEMED NOTICE OF CHARGE [SECTION 80]

All charges registered with the respective Registrars of Companies are public documents. It implies that any person who wishes to lend money to the company against the security of such property or buy it can refer to the Ministry of Corporate Affairs (MCA) Portal and find out if there is any charge created on that asset.

It is to be noted that any document filed with the registrar for registration acts as Constructive Notice. Constructive means 'implied' or 'deemed'. Notice means "knowledge". So constructive notice means 'implied or deemed knowledge'. This means even though the third party has not referred to the public document, he would still be considered or deemed to have seen it. This is because a deeming provision creates a legal fiction.

¹⁰ As per Section 77 (2) and Rule 6.

¹¹ Certificate in Form No. CHG-2 shall be issued for fresh registration of charge (Where a charge is registered with the Registrar under section 77(1) or section 78) and Certificate in Form No. CHG-3 shall be issued for modification of charge. (Rule 6)

¹² As per Fourth Proviso to Section 77 (1), inserted by the Companies (Amendment) Act, 2017, w.e.f. 7th May 2018.

Accordingly, section 80 of the Companies Act, 2013 states as under:

"where any charge is registered under section 77, any person acquiring such property, assets, undertakings or part thereof or any share or interest therein shall be deemed to have notice of the charge from the date of such registration".

Thus, every person proposing to deal with a company should verify whether the asset is already under any charge or not by going through the record of charges maintained at the office of Registrar of Companies before entering into the transaction.

In case he enters into the transaction without making any enquiry and later on suffers loss because of charge, then he cannot claim the loss from the company, for it shall be deemed that he had notice of charge.

It is noteworthy that compulsory registration of charge also acts as a method of preventing a company from offering the same assets as security to borrow funds fraudulently from a different lender.

Example: Vishnu Marketing Limited obtained a term loan of rupees fifty lakh from Alpha Commercial Bank Limited by creating a charge on one of its office buildings and got the charge duly registered. Later on, if the building is sold to another person, say Neeraj, then he is deemed to have notice of such charge. In other words, it shall be presumed that Neeraj knew beforehand that the building was mortgaged to the bank for obtaining a loan. Therefore, Neeraj cannot plead against such presumption by contending that he did not know about the charge if he suffers any loss at a later date because of the mortgage.



4. CONSEQUENCES OF NON-REGISTRATION OF CHARGE [SECTION 77 (3) & (4)]

No charge created by a company shall be taken into account by the liquidator appointed under the Companies Act, 2013 or the Insolvency and Bankruptcy Code, 2016 or any other creditor unless it is duly registered and a certificate of registration of such charge is given by the Registrar.¹³

It means that the charge will become void against the liquidator and other creditors of the company. Simply stated, at the time of winding up, the creditor whose charge

¹³ As per Section 77 (3)

has not been registered will be reduced to the level of an unsecured creditor. Neither the liquidator nor any other creditor will give legal recognition to a charge that is not registered.

However, this shall not prejudice any contract or obligation for the repayment of the money secured by a charge.¹⁴ It implies that the debt is valid and may be enforced against the company through the courts by filing a suit, but the security is lost.

Further, it may be noted that failure to register charge shall not absolve a company from its liability in respect of any offence under Chapter VI.

Another important consequence of non-registration is that the charge-holder loses priority. Any subsequent registration of a charge (*i.e.* even if it is registered within the extended period instead of original thirty days) shall not prejudice any right acquired in respect of any property before the charge is actually registered.¹⁵

Example: Bank A advanced ₹ one crore to Vasudha Medicos Limited against the security of the company's land and building at Mulund. The charge was created by deposit of title deeds on 1st June 2026. The company did not register the charge within 30 days. Subsequently, the charge was registered on 12th August 2026 after payment of *ad valorem* fees and providing sufficient cause.

In the meantime, Bank B advanced ₹ two crore to Vasudha Medicos Limited against the security of the same property on 18th June 2026. This charge was duly registered on 26th June 2026.

Subsequently, Vasudha Medicos Limited goes into liquidation and the property realises only ₹ two crore.

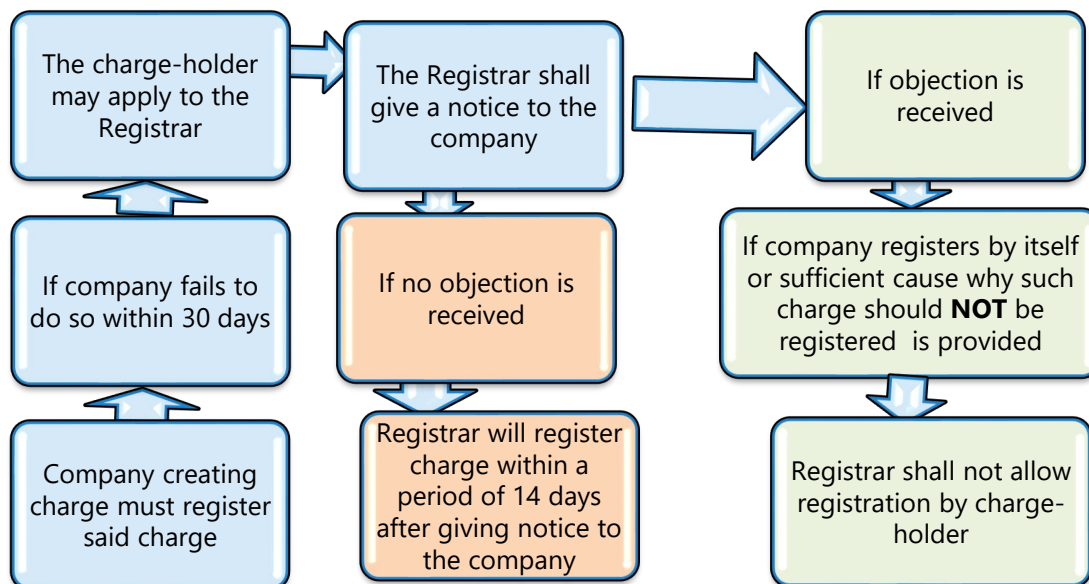
In such a situation, Bank B will get repayment of its loan in full, but Bank A will not realise anything because subsequent registration of the charge in favour of Bank A will not prejudice the right of Bank B which obtained its right before the charge in favour of Bank A was actually registered. Thus, Bank B gets priority over Bank A even though its charge was created later.

¹⁴ As per Section 77 (4)

¹⁵ As per Third Proviso to Section 77 (1).

5. APPLICATION FOR REGISTRATION OF CHARGE BY CHARGE-HOLDER [SECTION 78]

It can be seen from the above discussion that non-registration or delayed registration would seriously affect the interest of the charge-holder. Therefore, the law provides the charge-holder an opportunity in this respect. Section 78 of the Companies Act, 2013, empowers the holder of charge to get the charge registered in case the company creating the charge on its property fails to do so.



Accordingly, if a charge is created but the company primarily responsible for registering the charge fails to do so within the prescribed period of 30 days [as provided in section 77 (1)], the person in whose favour the charge is created (*i.e.* charge-holder) may apply to the Registrar for registration of the charge along with the instrument of charge within the prescribed time, form and manner.

On receipt of application from the charge-holder, the Registrar shall give a notice to the company and if no objection is received, allow such registration on payment of the prescribed fees within a period of 14 days after giving notice to the company.

However, the Registrar shall not allow such registration by the charge-holder, if the company itself registers the charge or shows sufficient cause why such charge should not be registered.

Recovery of fees: In case, registration is effected on an application made by the holder of charge, such person shall be entitled to recover from the company the amount of any fees or additional fees paid by him to the Registrar for the purpose of registration of charge.

6. ACQUISITION OF PROPERTY SUBJECT TO CHARGE AND MODIFICATION OF CHARGE [SECTION 79]

The provisions of section 77 relating to registration of charges shall, so far as may be, apply to:

- a. a company acquiring any property subject to a charge within the meaning of that section; or
- b. any modification in the terms or conditions or the extent or operation of any charge registered under that section.

The provisions contained in section 77 relating to registration of charge shall, as far as may be, apply in both the above situations.

A. Company acquiring any Property subject to Charge [Section 79 (a)]

In case of a property where charge is already registered and if it is sold with the permission of the holder of charge, it shall be the duty of the company acquiring it to get the charge registered in accordance with Section 77. In other words, the earlier charge should get vacated and, in its place, new charge should get registered by the company which has now acquired the property.

B. Modification of Charge when there is Change in Terms and Conditions, etc. [Section 79 (b)]

Section 79 (b) requires any modification in charge (*i.e.* change in terms and conditions or change in extent or operation of any charge, etc.) to be registered by the company in accordance with section 77.

‘Modification’ includes variation in any of the terms and conditions of the agreement including change in rate of interest which may be by mutual agreement or by operation of law. Variation in extent or operation of any charge is also a kind of modification. Even if the rights of a charge holder are assigned to a third party, it will be regarded as a modification.

Some examples of 'modification of charge' are as under:

1. where the charge is modified by varying any terms and conditions of the existing charge through an agreement;
2. where the modification is in pursuance of an agreement for enhancing or decreasing the limits;
3. where the modification is by ceding a *pari passu*¹⁶ charge;
4. where there is change in the rate of interest (other than bank rate);
5. where there is change in repayment schedule of loan (not applicable in case of working loans which are repayable on demand); and
6. where there is partial release of the charge on a particular asset or property.

Issue of Certificate of Modification

As per Rule 6, where the particulars of modification of charge is registered under section 79, the Registrar shall issue a certificate of modification of charge in Form CHG-3.

The certificate so issued by the Registrar shall be conclusive evidence that the requirements of Chapter VI of the Act and the Rules made thereunder as to registration of modification of charge have been complied with.

7. REGISTER OF CHARGES

Register of Charges to be kept by the Registrar

Section 81 of the Companies Act, 2013 contains provisions regarding Register of Charges to be kept by the Registrar.

Section 81 (1) states that the Registrar shall, in respect of every company, keep a register containing particulars of the charges registered under Chapter VI in the prescribed form and manner.

¹⁶ A *pari passu* charge-holder is entitled to a proportionate share in the mortgaged property. When this is ceded, the charge-holder will become a second charge-holder and as such his entitlement in the property will be subject to full satisfaction of the claim of the first charge-holder.

In addition, Rule 7 (1) states that the particulars of charges maintained on the Ministry of Corporate Affairs portal (www.mca.gov.in/MCA21) shall be deemed to be the register of charges for the purposes of Section 81.

Inspection of Register: According to section 81 (2) such register shall be open to inspection by any person on payment of such fees as may be prescribed for each inspection.

Similarly, Rule 7 (2) states that the Register shall be open to inspection by any person on payment of fee.

Register of Charges to be kept by the company

Section 85 of the Companies Act, 2013 contains provisions regarding Register of Charges to be kept by a company.

(i) According to section 85 (1):

- Every company shall keep a Register of Charges in the prescribed form¹⁷ and manner at its registered office.
- The Register shall include all charges and floating charges affecting any property or assets of the company or any of its undertakings, indicating in each case the prescribed particulars.

(ii) According to Proviso to section 85 (1):

- A copy of the instrument creating the charge shall also be kept at the registered office along with the Register of Charges.

(iii) Provisions of Rule 10 are as under:

- According to Rule 10(1), the company shall enter in the Register particulars of all the charges registered with the Registrar on any of its property, assets or undertakings and the particulars of any property acquired subject to a charge as well as particulars of any modification of a charge and satisfaction of charge.
- According to Rule 10(2), the entries in the Register shall be made forthwith after the creation, modification or satisfaction of charge, as the case may be.

¹⁷ As per Rule 10 (1) the Register of Charges shall be maintained in Form CHG-7.

- According to Rule 10(3), the entries in the Register shall be authenticated by a director or the secretary of the company or any other person authorised by the Board for the purpose.

Inspection of Register of Charges and Instrument of Charges:

As regards inspection, section 85(2) states that the register of charges and the instrument of charges shall be open for inspection¹⁸ during business hours:

- (a) by any member or creditor without any payment of fees; or
- (b) by any other person on payment of prescribed fees. subject to such reasonable restrictions as the company may, by its articles, impose.

Preservation of Register:

According to Rule 10(4) the register of charges shall be preserved permanently and the instrument creating a charge or modification thereon shall be preserved for a period of eight years from the date of satisfaction of charge.



8. COMPANY TO REPORT SATISFACTION OF CHARGE [SECTION 82]

1. Intimation regarding Satisfaction of Charge

Section 82 of the Companies Act, 2013, requires a company to give intimation of payment or satisfaction¹⁹ in full of any charge earlier registered, to the Registrar in the prescribed form²⁰. The intimation needs to be given within a period of 30 days from the date of such payment or satisfaction.²¹

¹⁸ Regarding inspection, Rule 11 states that the Register of Charges and the instrument of charges kept by the company shall be open for inspection-

- (a) by any member or creditor of the company without fees;
- (b) by any other person on payment of fee.

¹⁹ Satisfaction here means the debt secured by the charge has been paid or otherwise discharged in full, so that the charge itself is no longer required.

²⁰ As per Rule 8 Form CHG-4 is to be used.

²¹ (1) In case of a *specified IFSC public company*, the Registrar may, on an application by the company, allow such registration to be made within a period of three hundred days of such creation on payment of such additional fees as may be prescribed (*vide Notification No. GSR 8 (E), dated 04-01-2017*).

Extended period of intimation: Proviso to Section 82(1) extends the period of intimation from thirty days to three hundred days. Accordingly, it is provided that the Registrar may, on an application by the company or the charge holder, allow such intimation of payment or satisfaction to be made within a period of **three hundred days** of such payment or satisfaction on payment of prescribed additional fees²².

2. **Notice to the Holder of Charge by the Registrar**²³

On receipt of intimation, the Registrar shall cause a notice to be sent to the holder of the charge calling upon him to show cause within such time as specified in the notice but not exceeding 14 days, as to why payment or satisfaction in full should not be recorded.

If no cause is shown by the charge-holder, the Registrar shall order entering of a memorandum of satisfaction in the register of charges kept by him and accordingly, he shall inform the company of having done so.

However, no notice is required to be sent, in case the intimation to the Registrar in this regard is in the specified form²⁴ and signed by the holder of charge.

If any cause is shown by the charge-holder, the Registrar shall record a note to that effect in the register of charges and inform the company.

3. **Issue of Certificate**

As per Rule 8 (2), in case the Registrar enters a memorandum of satisfaction of charge in full, he shall issue a certificate of registration of satisfaction of charge in Form No. CHG-5.

4. **Preservation of Records**²⁵

The instrument creating a charge or modification thereon shall be preserved for a period of eight years from the date of satisfaction of charge by the company.

(2) In case of a *specified IFSC private company*, the Registrar may, on an application by the company, allow such registration to be made within a period of three hundred days of such creation on payment of such additional fees as may be prescribed (*vide Notification No. GSR 9 (E), dated 04-01-2017*).

²² Rule 8(1) has been substituted *vide* the Companies (Registration of Charges), Amendment Rules, 2018 (w.e.f. 05-07-2018) to provide for giving of intimation within three hundred days instead of thirty days.

²³ As per Section 82 (2).

²⁴ As per Rule 8, Form CHG-4 is required to be filed for this purpose.

²⁵ As per Rule 10 (4).



9. POWER OF REGISTRAR TO MAKE ENTRIES OF SATISFACTION AND RELEASE IN ABSENCE OF INTIMATION FROM COMPANY [SECTION 83]

Section 83 of the Companies Act, 2013 empowers the Registrar to make entries with respect to the satisfaction and release of charges even if no intimation has been received by him from the company.

This situation would arise where the property subject to a charge is sold to a third-party and neither the company nor the charge-holder has intimated the Registrar regarding satisfaction of the earlier charge.

Accordingly, with respect to any registered charge if evidence is shown to the satisfaction of Registrar that the debt secured by charge has been paid or satisfied wholly or in part or that the part of the property or undertaking charged has been released from the charge or has ceased to form part of the company's property or undertaking, then he may enter in the register of charges a memorandum of satisfaction that:

- ◆ the debt has been satisfied in whole or in part; or
- ◆ part of the property or undertaking has been released from the charge or has ceased to form part of the company's property or undertaking.

This power can be exercised by the Registrar despite the fact that no intimation has been received by him from the company.

According to section 82 (4), section 82 shall not be deemed to affect the powers of the Registrar to make an entry in the register of charges under section 83 or otherwise than on receipt of an intimation from the company *i.e.* even if no intimation is received by him from the company.

Information to affected parties: According to section 83 (2), the Registrar shall inform the affected parties within 30 days of making the entry in the register of charges.

Issue of Certificate: As per Rule 8 (2), in case the Registrar enters a memorandum of satisfaction of charge in full, he shall issue a certificate of registration of satisfaction of charge in Form No. CHG-5.

10. INTIMATION OF APPOINTMENT OF RECEIVER OR MANAGER [SECTION 84]

Section 84 of the Companies Act, 2013 deals with the appointment of a receiver or manager and of giving intimation thereof to the company and the Registrar.

Accordingly,

- ◆ if any person obtains an order for the appointment of a receiver or a person to manage the property which is subject to a charge, or
- ◆ if any person appoints such receiver or person under any power contained in any instrument,

he shall give notice of such appointment to the company and the Registrar along with a copy of the order or instrument within 30 days from the passing of the order or making of the appointment.

In turn, the Registrar shall, on payment of the prescribed fees, register particulars of the receiver, person or instrument in the register of charges.

On ceasing to hold such appointment²⁶, the person appointed as above shall give a notice to that effect to the company and the Registrar. In turn, the Registrar shall register such notice.

11. PUNISHMENT FOR CONTRAVENTION [SECTION 86]

- (i) According to section 86 (1) of the Companies Act, 2013, if any company is in default in complying with any of the provisions of this Chapter, the company shall be liable to a penalty of five lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.
- (ii) According to section 86 (2)²⁷, section 447 relating to 'punishment for fraud' also becomes applicable in certain cases. Accordingly, if any person wilfully furnishes:
 - ◆ any false or incorrect information; or
 - ◆ knowingly suppresses any material information;

which is required to be registered under section 77, he shall be liable for action under section 447.

²⁶ As per Rule 9, the notice of appointment or cessation shall be filed with the Registrar in Form No. CHG-6.

²⁷ Section 86(2) was inserted by the Companies (Amendment) Act, 2019 w.r.e.f. 02-11-2018.



12. RECTIFICATION BY CENTRAL GOVERNMENT IN REGISTER OF CHARGES [SECTION 87]

Rectification in Register of Charges

Section 87²⁸ of the Companies Act, 2013 and Rule 12 empowers the Central Government²⁹ to order rectification of Register of Charges in the following cases of default:

- (i) when there was omission in giving intimation to the Registrar with respect to payment or satisfaction of charge within the specified time;
- (ii) when there was omission or mis- statement of any particulars in any filing previously made to the Registrar. Such filing may relate to any charge or any modification of charge or with respect to any memorandum of satisfaction or other entry made under Section 82 (*Company to report satisfaction of charge*) or Section 83 (*Power of Registrar to make entries of satisfaction and release*).

Before directing that the 'time for giving the intimation of payment or satisfaction shall be extended' or the 'omission or mis- statement shall be rectified', the Central Government needs to be satisfied that such default was accidental or due to inadvertence or because of some other sufficient cause or it did not prejudice the position of creditors or shareholders.

The application in Form CHG-8 shall be filed by the company or any interested person.

The order of rectification shall be made by the Central Government on such terms and conditions as it deems just and expedient.

"According to Rule 12 of the Companies (Registration of Charges) Rules, 2014:

The Central Government may on an application filed in Form No. CHG-8 in accordance with section 87-

- (a) direct rectification of the omission or misstatement of any particulars, in any filing, previously recorded with the Registrar with respect to any charge or modification thereof, or with respect to any memorandum of satisfaction or other entry made in pursuance of section 82 or section 83,
- (b) direct extension of time for satisfaction of charge, if such filing is not made within a period of three hundred days from the date of such payment or satisfaction."

²⁸ As substituted by the Companies (Amendment) Act, 2019 w.r.e.f. 02-11-2018.

²⁹ Vide Notification No. S.O. 4090 (E), dated 19-12-2016, powers of the Central Government with respect to Section 87 stand delegated to the Regional Directors.

SUMMARY

- ◆ “Charge” means an interest or lien created on the property or assets of a company or any of its undertakings or both as security and includes a mortgage.
- ◆ A charge created by a company is required to be registered with Registrar within 30 days of its creation.
- ◆ A charge may be created within India or outside India.
- ◆ In case a charge was created **before 02-11-2018** but was not registered within 30 days, the Registrar may, on an application by the company, allow registration of charge within 300 days of such creation. In case registration is not made within the extended period, it shall be made within six months from 02-11-2018 on payment of prescribed additional fees. Different fees may be prescribed for different classes of companies.
- ◆ In case a charge was created **on or after 02-11-2018** but was not registered within 30 days, the Registrar may, on an application by the company, allow registration of charge within **60 days** of such creation on payment of prescribed additional fees. If the registration is not made within the extended period, the Registrar may, on an application, allow such registration to be made within a further period of **sixty days** after payment of prescribed *ad valorem* fees.
- ◆ If a company fails to register the charge, the charge-holder can make an application for registration of charge and can also recover the amount of any fees or additional fees paid by him from the company.
- ◆ Modification in the terms and conditions, etc. of charge also requires registration of charge afresh. On recording the particulars of modification of charge, the Registrar shall issue a certificate of modification of charge.
- ◆ Any person acquiring a property which is subject to charge shall be deemed to have notice of the charge from the date of such registration.
- ◆ The Registrar shall, in respect of every company, keep a register containing particulars of the charges registered under Chapter VI.
- ◆ Every company shall keep a Register of Charges at its Registered Office.
- ◆ The company shall give intimation to Registrar of payment or satisfaction in full of any charge within a period of 30 days from the date of such payment or satisfaction. If no intimation is given within 30 days, the Registrar may allow

such intimation to be made within 300 days of such payment or satisfaction on payment of prescribed additional fees.

- ◆ On receipt of intimation, the registrar shall issue a notice to the holder of charge calling upon him to show cause within such time not exceeding 14 days as to why payment or satisfaction in full should not be recorded as intimated to the Registrar. If no cause is shown, the Registrar shall order recording of memorandum of satisfaction.
- ◆ In case intimation of payment or satisfaction in full of charge is in prescribed form and signed by the holder of charge no notice shall be sent.
- ◆ In case, the company fails to send intimation of satisfaction of charge to the Registrar, the Registrar may enter in the register of charges memorandum of satisfaction on receipt of evidence to his satisfaction regarding the same.
- ◆ Where Registrar enters a memorandum of satisfaction of charge in full, he shall issue a certificate of registration of satisfaction of charge.
- ◆ If a company contravenes any provision relating to the registration of charges or modification or satisfaction of charges, the company and every defaulting officer is punishable.
- ◆ The Central Government is empowered to order rectification of Register of Charges in certain cases of default.

TEST YOUR KNOWLEDGE

Multiple Choice Questions

1. *Any person acquiring property, on which charge is registered under section 77, shall be deemed to have notice of the charge from:*
 - (a) *the expiry of thirty days of such charge*
 - (b) *the date of application for registration of the charge*
 - (c) *the date of acquiring the property*
 - (d) *the date of such registration*
2. *A charge was created by Cygnus Softwares Limited on its office premises to secure a term loan of ₹1 crore availed from Next Gen Commercial Bank Limited through an instrument of charge executed by both the parties on*

16th February, 2026. Inadvertently, the company could not get the charge registered with the concerned Registrar of Companies (ROC) within the first statutory period permitted by law and the default was made known to it by the lending banker with a stern warning to take immediate steps for rectification. The latest date within which the company must register the charge with the ROC so as to avoid paying ad valorem fees for registration of the charge is:

- (a) 27th April, 2026*
 - (b) 17th April, 2026*
 - (c) 2nd May, 2026*
 - (d) 16th June 2026*
- 3. The instrument creating a charge or modification thereon shall be preserved for a period of _____ years from the date of satisfaction of charge by the company.*
- (a) 5*
 - (b) 7*
 - (c) 8*
 - (d) 15*
- 4. An interest or lien created on the property or assets of a company or any of its undertakings or both as security is known as:*
- (a) Debt*
 - (b) Charge*
 - (c) Liability*
 - (d) Hypothecation*
- 5. Who cannot inspect the register of charges and instrument of charges, during business hours, without paying any fees:*
- (a) Any member of the company*
 - (b) The Creditor of the company*
 - (c) Persons other than member and creditor of the company*
 - (d) No person is allowed to inspect the register of charges*

Descriptive Questions

1. *How will a copy of an instrument evidencing creation of charge and required to be filed with the Registrar be verified?*
2. *What is 'Floating Charge'? When does it get crystallised?*
3. *Define the term "charge" and also explain what is the punishment for default with respect to registration of charge as per the provisions of the Companies Act, 2013.*
4. *Renuka Soaps and Detergents Limited realised on 2nd May, 2026 that particulars of charge created on 10th March, 2026 in favour of a Sankalp Commercial Bank Limited were not registered with the Registrar of Companies. What procedure should the company follow to get the charge registered? Would the procedure be different if the company realised its mistake of not registering the charge on 7th June, 2026 instead of 2nd May, 2026? Explain with reference to the relevant provisions of the Companies Act, 2013.*
5. *Mr. Antriksh purchased a commercial property in Delhi belonging to NRT Limited after entering into an agreement with the company. At the time of registration, Mr. Antriksh came to know that the title deed of the company was not free and the company expressed its inability to get the title deed transferred in Antriksh's name contending that he ought to have the knowledge of charge created on the property of the company. Explain, whether the contention of NRT Limited is correct?*
6. *'A company is required to keep a Register of Charges at its Registered Office'. Considering this statement, mention the provisions of the Companies Act, 2013 in respect of keeping of Register of Charges by the companies.*
7. *ABC Limited created a charge in favour of OK Bank which was duly registered. Later on, the Bank enhanced the facility by another ₹ 20 crore. Due to inadvertence, the modification in the original charge was not registered. Advise the company as to the course of action to be pursued in this regard.*
8. *Ranjit acquired a property from PQR Limited which was mortgaged to Pyramid Bank. He settled the dues to Pyramid Bank in full and the same was registered with the sub-registrar who noted that the mortgage had been settled. But neither the company nor Pyramid Bank filed particulars of satisfaction of charge with the jurisdictional Registrar of Companies. Can Ranjit approach the*

Registrar and seek any relief in this regard? Discuss this matter in the light of provisions of the Companies Act, 2013.

9. (i) *Referring to the provisions of the Companies Act, 2013, examine the validity of the following:*

Safar Limited having a net worth of ₹ 130 crore wants to accept deposits from its members. It has approached you to advise whether it falls within the category of an eligible company? What special care has to be taken while accepting such deposits from members?

- (ii) *Moon Light Ltd. is having its establishment in USA. It obtained a loan there creating a charge on the assets of the foreign establishment. The Company received a notice from the Registrar of Companies for not filing the particulars of charge created by the Company on the property or assets situated outside India. The Company wants to defend the notice on the ground that it shall not be the duty of the company to register the particulars of the charge created on the assets not located in India. Do you agree with the stand taken by the Company? Give your answer with respect to the provisions of the Companies Act, 2013.*

10. *Vital Pharmacy Limited is engaged in the manufacturing of medicines to cure skin diseases. It has established a unit in Germany. It registered few patents in Germany and raised funds by creating a charge on its stock in Germany and the patent rights. The company registered the charge. created on its stock but did not register the charge created on the patent rights.*

The Company received a notice from the Registrar of Companies for not filing the particulars of charge created by the Company on the property or assets situated outside India. The Company wants to defend the notice on the ground that it shall not be the duty of the company to register the particulars of the charge created on the patents obtained outside India and also as they are intangible in nature.

Referring to the provisions of the Companies Act, 2013, examine the validity of the company's claim.

ANSWERS

Answer to MCQ based Questions

1.	(d) the date of such registration
2.	(b) 17 th April, 2026
3.	(c) 8
4.	(b) Charge
5.	(c) Persons other than member and creditor of the company

Answer to Descriptive Questions

1. A copy of every instrument evidencing any creation or modification of charge and required to be filed with the Registrar shall be verified as follows:
 - (a) **in case property is situated outside India:** where the instrument or deed relates solely to the property situated outside India, the copy shall be verified by a certificate issued either under the seal, if any, of the company, or under the hand of any director or company secretary of the company or an authorised officer of the charge holder or under the hand of some person other than the company who is interested in the mortgage or charge;
 - (b) **in case property is situated in India (whether wholly or partly):** where the instrument or deed relates to the property situated in India (whether wholly or partly), the copy shall be verified by a certificate issued under the hand of any director or company secretary of the company or an authorised officer of the charge holder.
2. A 'Floating Charge' is a type of charge that is created on assets or a class of assets which are of fluctuating or changing in nature. The assets which are under floating charge may include raw material, stock-in-trade, debtors, etc.
It is a charge created upon a class of assets both present and future.
The assets under floating charge keep on changing because the borrowing company is permitted to use them in the ordinary course of business.

The buyers of the assets covered under floating charge will get them free of charge.

Crystallization of a Floating Charge

In the following events, a floating charge will get crystallised or fixed:

- (i) When the creditor enforces the security due to the breach of terms and conditions of floating charge like there is non-payment of interest or default in repayment of instalments as per the terms of agreement.
- (ii) When the company ceases to continue its business.
- (iii) When the borrowing company goes into liquidation.

A floating charge remains dormant until it becomes fixed or crystallised. On crystallisation of charge, the security (*i.e.* raw material, stock-in-trade, etc.) becomes fixed and is available for realization so that borrowed money is repaid.

3. The term charge has been defined in section 2 (16) of the Companies Act, 2013 as 'an interest or lien created on the property or assets of a company or any of its undertakings or both as security and includes a mortgage'.

Punishment for contravention – According to section 86 of the Companies Act, 2013, if any company is in default in complying with any of the provisions of Chapter VI, the company shall be liable to a penalty of five lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.

Further, if any person willfully furnishes any false or incorrect information or knowingly suppresses any material information which is required to be registered under section 77, he shall be liable for action under section 447 (punishment for fraud).

4. The charge in the present case was created after 02-11-2018. The relevant provisions of the Companies Act, 2013 applicable in the present case are as explained below:

Initially, the prescribed particulars of the charge together with the instrument of charge, if any, by which the charge is created or evidenced, or a copy thereof, duly verified by a certificate, are to be filed with the Registrar within 30 days of its creation. [Section 77 (1)]. In this case particulars of charge were not filed within the prescribed period of 30 days.

However, the Registrar is empowered under clause (b) of first proviso to section 77 (1) to extend the original period of 30 days by another 30 days (*i.e.* sixty days from the date of creation) on payment of prescribed additional fee. Taking advantage of this provision, Renuka Soaps and Detergents Limited should immediately file the particulars of charge with the jurisdictional Registrar of Companies after satisfying him through making an application that it had sufficient cause for not filing the particulars of charge within 30 days of its creation.

If the company realises its mistake of not registering the charge on 7th June, 2026 instead of 2nd May, 2026, it shall be noted that a period of sixty days has already expired from the date of creation of charge. However, Clause (b) of Second Proviso to Section 77 (1) provides another opportunity for registration of charge by granting a further period of sixty days but the company is required to pay *ad valorem* fees. Since the first sixty days from creation of charge have expired on 9th May, 2026, Renuka Soaps and Detergents Limited can still get the charge registered within a further period of sixty days from 9th May, 2026 after paying the prescribed *ad valorem* fees. The company is required to make an application to the Registrar in this respect giving sufficient cause for non-registration of charge.

5. According to section 80 of the Companies Act, 2013, where any charge on any property or assets of a company or any of its undertakings is registered under section 77 of the Companies Act, 2013, any person acquiring such property, assets, undertakings or part thereof or any share or interest therein shall be deemed to have **notice of the charge** from the date of such registration.

Thus, Section 80 clarifies that if any person acquires a property, assets or undertaking in respect of which a charge is already registered, it would be deemed that he has complete knowledge of charge from the date of its registration. Mr. Antriksh, therefore, ought to have been careful while purchasing property and should have verified beforehand that NRT Limited had already created a charge on the property.

In view of above, the contention of NRT Limited is correct.

6. In respect of keeping of Register of Charges by a company, Section 85 of the Companies Act, 2013 and Rules 10 as well as 11 of the Companies (Registration of Charges) Rules, 2014 are relevant.

(i) According to section 85 (1):

- Every company shall keep a Register of Charges in the prescribed form and manner at its registered office.

Note: Rule 10 (1) specifies Form CHG-7 in which the Register of Charges shall be maintained.

- The Register shall include all charges and floating charges affecting any property or assets of the company or any of its undertakings, indicating in each case the prescribed particulars.

(ii) According to Proviso to section 85 (1):

- A copy of the instrument creating the charge shall also be kept at the registered office along with the Register of Charges.

(iii) Provisions of Rule 10 are as under:

- *Entry of Particulars of all Charges:* According to Rule 10 (1), the company shall enter in the Register particulars of all the charges registered with the Registrar on any of its property, assets or undertakings and the particulars of any property acquired subject to a charge as well as particulars of any modification of a charge and satisfaction of charge.
- *When to make Entries:* According to Rule 10 (2), the entries in the Register shall be made forthwith after the creation, modification or satisfaction of charge, as the case may be.
- *Who can authenticate Entries:* According to Rule 10 (3), the entries in the Register shall be authenticated by a director or the secretary of the company or any other person authorised by the Board for the purpose.

Inspection of Register of Charges and Instrument of Charges: As regards inspection, section 85 (2) states that the register of charges and the instrument of charges shall be open for inspection during business hours:

- (a) by any member or creditor without any payment of fees; or
- (b) by any other person on payment of prescribed fees.

Similarly, regarding inspection, Rule 11 states that the Register of Charges and the instrument of charges kept by the company shall be open for inspection-

- (a) by any member or creditor of the company without fees;
- (b) by any other person on payment of fee.

Preservation of Register: According to Rule 10 (4) the Register of Charges shall be preserved permanently. However, the instrument creating a charge or modification thereon shall be preserved for a period of eight years from the date of satisfaction of charge.

7. ABC Limited is advised to immediately file an application for rectification of the Register of Charges in Form No. CHG-8 with the Central Government in accordance with Section 87 of the Companies Act, 2013.

Section 87 and Rule 12 empower the Central Government to order rectification of Register of Charges in the following cases of default:

- (i) when there was omission in giving intimation to the Registrar with respect to payment or satisfaction of charge within the specified time;
- (ii) when there was omission or mis-statement of any particulars in any filing previously made to the Registrar. Such filing may relate to any charge or any modification of charge or with respect to any memorandum of satisfaction or other entry made under Section 82 (*Company to report satisfaction of charge*) or Section 83 (*Power of Registrar to make entries of satisfaction and release*).

Before directing that the 'time for giving the intimation of payment or satisfaction shall be extended' or the 'omission or mis-statement shall be rectified', the Central Government needs to be satisfied that such default was accidental or due to inadvertence or because of some other sufficient cause or it was not of a nature to prejudice the position of creditors or shareholders of the company.

The application in Form CHG-8 shall be filed by the company or any interested person. Therefore, OK Bank can also proceed under Section 87 as aforesaid.

The order of rectification shall be made by the Central Government on such terms and conditions as it deems just and expedient.

8. Section 83 of the Companies Act, 2013 empowers the Registrar to make entries with respect to the satisfaction and release of charge even if no intimation has been received by him from the company. Accordingly, with respect to any registered charge if an evidence is shown to the satisfaction of Registrar that the debt secured by charge has been paid or satisfied in whole or in part or that the part of the property or undertaking charged has been released from the charge or has ceased to form part of the company's property or undertaking, then he may enter in the register of charges a memorandum of satisfaction that:

- ◆ the debt has been satisfied in whole or in part; or
- ◆ the part of the property or undertaking has been released from the charge or has ceased to form part of the company's property or undertaking.

This power can be exercised by the Registrar despite the fact that no intimation has been received by him from the company.

Information to affected parties: The Registrar shall inform the affected parties within 30 days of making the entry in the Register of Charges.

Issue of Certificate: As per Rule 8 (2), in case the Registrar enters a memorandum of satisfaction of charge in full, he shall issue a certificate of registration of satisfaction of charge in Form No. CHG-5.

Therefore, Ranjit can approach the Registrar and show evidence to his satisfaction that the charge has been duly settled and satisfied and request the Registrar to enter a memorandum of satisfaction noting the release of charge.

9. (i) According to Rule 2(1)(e) of the Companies (Acceptance of Deposits) Rules, 2014, an "eligible company" as referred to in section 76(1) of the Companies Act, 2013 means a public company, having a net worth of not less than one hundred crore rupees or a turnover of not less than five hundred crore rupees and which has obtained the prior consent of the company in general meeting by means of a special resolution and also filed the said resolution with the Registrar of Companies before making any invitation to the public for acceptance of deposits.

However, an 'eligible company', which is accepting deposits within the limits specified under section 180 (1) (c), may accept deposits by means of an ordinary resolution.

According to Rule 4 (a) of the Companies (Acceptance of Deposits) Rules, 2014, an 'eligible company' shall accept or renew any deposit from its members, if the amount of such deposit together with the amount of deposits outstanding as on the date of acceptance or renewal of such deposits from members does not exceed ten per cent. of the aggregate of the paid-up share capital, free reserves and securities premium account of the company.

Safar Limited is having a net worth of ₹ 130 crores. Hence, it falls in the category of 'eligible company'.

The fact that turnover has not been stated in the question will not affect this answer, since fulfilling any one criteria will be sufficient.

Thus, Safar Limited has to ensure that acceptance of deposits from its members together with the amount of deposits outstanding as on the date of acceptance or renewal of such deposits from the members, in no case, exceeds 10% of the aggregate of the paid-up share capital, free reserves and securities premium account of the company.

- (ii) According to section 77 of the Companies Act, 2013, it shall be duty of the company creating a charge within or outside India, on its property or assets or any of its undertakings, whether tangible or otherwise and situated in or outside India, to register the particulars of the charge.

Thus, charge may be created within India or outside India. Also the subject-matter of the charge i.e. the property or assets or any of the company's undertakings, may be situated within India or outside India.

In the given question, the company has obtained a loan by creating a charge on the assets of the foreign establishment.

As per the above provisions, it is the duty of the company creating a charge within or outside India, on its property or assets or any of its undertakings, whether tangible or otherwise and whether situated in or outside India, to register the particulars of the charge.

Hence, the stand taken by Moon Light Ltd. not to register the particulars of charge created on the assets located outside India is not correct.

10. Registration by the Company creating a Charge

According to **Section 77** of the Companies Act, 2013, it shall be the duty of every company creating a charge within or outside India, on its property or assets or any of its undertakings, whether tangible or otherwise, and situated in or outside India, to register the particulars of the charge signed by the company and the charge-holder together with the instruments, if any, creating such charge in such form, on payment of such fees and in such manner as may be prescribed, with the Registrar within thirty days of its creation.

In the given question, Vital Pharmacy has raised funds by creating charge on its stock and patent rights in Germany. As per the provisions of the Companies Act, 2013, the company is required to register charge on its tangible as well as intangible assets, and situated in or outside India. However, in the given question, the company has registered charge on its stock but not on the patents (being outside India and intangible in nature).

In the light of the provisions of the Act and facts of the question, the contention of the company is incorrect, as it is the duty of the company to register the charge on its tangible as well as intangible assets, and situated in or outside India.