

MKG CA EDUCATION

LIST OF
IMPORTANT
CASE LAWS
BASED ON
COMPANIES ACT

PART 2

11/21/2021

<u>CASE LAW</u>	<u>FACTS OF THE CASE</u>	<u>DECISION</u>
[Hari Nagar Sugar Mills Ltd. vs. S.S. Jhunhunwala].	From the date of incorporation mentioned in the certificate, the company becomes a legal person separate from the incorporators; and there comes into existence a binding contract between the company and its members as evidenced by the Memorandum and Articles of Association	
[State Trading Corporation of India vs. Commercial Tax Officer].	A company on registration acquires a separate existence and the law recognises it as a legal person separate and distinct from its members	
[Spencer & Co. Ltd. Madras vs. CWT Madras].	It may be noted that under the provisions of the Act, a company may purchase shares of another company and thus become a controlling company. However, merely because a company purchases all shares of another company it will not serve as a means of putting an end to the corporate character of another company and each company is a separate juristic entity	
Heavy Electrical Union vs. State of Bihar].	The law recognizes such a company as a juristic person separate and distinct from its members. The mere fact that the entire share capital has been contributed by the Central Government and all its shares are held by the President of India and other officers of the Central Government does not make any difference in the position of registered company and it does not make a company an agent either of the President or the Central Government	
<u>Ashbury Railway Carriage and Iron Company Limited v. Riche-(1875)</u>	The facts of the case are: The main objects of a company were: (a) To make, sell or lend on hire, railway carriages and wagons; (b) To carry on the business of mechanical engineers and	However, it was held by the Court that the contract was null and void. It said that the terms general contractors was associated with mechanical engineers, i.e. it had to be read in connection with the company's main business. If, the term general contractor's was not so

	<p>general contractors.</p> <p>(c) To purchase, lease, sell and work mines.</p> <p>(d) To purchase and sell as merchants or agents, coal, timber, metals etc.</p> <p>The directors of the company entered into a contract with Riche, for financing the construction of a railway line in Belgium, and the company further ratified this act of the directors by passing a special resolution. The company however, repudiated the contract as being ultra-vires. And Riche brought an action for damages for breach of contract. His contention was that the contract was well within the meaning of the word general contractors and hence within its powers. Moreover it had been ratified by a majority of share- holders.</p>	<p>interpreted, it would authorize the making of contracts of any kind and every description, for example, marine and fire insurance.</p>
Guinness vs. Land Corporation of Ireland	<p>The articles of association of a company are its rules and regulations, which are framed to manage its internal affairs. Just as the memorandum contains the fundamental conditions upon which the company is allowed to be incorporated, so also the articles are the internal regulations of the company.</p>	
[S.S. Rajkumar vs. Perfect Castings (P) Ltd.]	<p>The document containing the articles of association of a company is a business document; hence it has to be construed strictly. It regulates domestic management of a company and creates certain rights and obligations between the members and the company</p>	
<u>The Royal British Bank vs. Turquand</u>	<p>The articles of a company stated that the directors could borrow money on behalf of the company, if they are so authorised by a resolution passed by the shareholders in G.M.</p> <p>The directors borrowed money from T without obtained any authorization from shareholders.</p>	<p>It was held that borrowing of money by the directors without any authorization from the shareholders amounted to a mere internal irregularity and since T had no knowledge of such irregularity he would not be prejudiced by such internal irregularity.</p>

	T had lent the money to the company assuming that the shareholders had authorised the directors to borrow money as per the requirements of the articles.	
<u>Howard vs. Patent Ivory Manufacturing Co</u>	Where the directors could not defend the issue of debentures to themselves because they should have known that the extent to which they were lending money to the company required the assent of the general meeting which they had not obtained	
<u>Anand Bihari Lal vs. Dinshaw & Co.</u>	The plaintiff accepted a transfer of a company's property from its accountant, the transfer was held void. The plaintiff could not have supposed, in absence of a power of attorney that the accountant had authority to transfer of the company's property.	
<u>Ruben v Great Fingall Consolidated</u>	In this case the plaintiff was the transferee of a share certificate issued under the seal of the defendant's company. The company's secretary, who had affixed the seal of the company and forged the signature of the two directors, issued the certificate. The plaintiff contended that whether the signature were genuine or forged was apart of the internal management, and therefore, the company should be estopped from denying genuineness of the document.	But it was held, that the rule has never been extended to cover such a complete forgery.
<u>GRIFFITH V/S PAGET</u>	<ul style="list-style-type: none"> • The articles of a company required that company can borrow money on bond signed by its 2 directors • Company borrow on bond signed by 1 director only. 	• Court held that company is not liable to repay the loan.
<u>Jubilee Cotton Mills V Lewis</u>	<ul style="list-style-type: none"> • <u>On 6th January</u> The required documents were delivered to the 	<u>Decision of Court</u> The allotment was held to be valid since the certificate of incorporation

	<p>registration of a company.</p> <ul style="list-style-type: none"> • <u>On 8th January</u> The registrar issued the certificate of incorporation • <u>Date on certificate</u> The registrar dated the certificates as 6th January to 8th January • <u>Date of Allotment</u> On 6th January some shares were allotted to Lewis. 	<p>could not be challenged. Thus certificate of incorporation is conclusive evidence as to all administrative acts relating to incorporation and as to the date of incorporation.</p>
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