1.7 · Inspection, Inquiry and Investigation P13 · Module 1 · Chapter XIV, s.206–229

SM pp. 133–140 (8 pages). The **lowest-weight** Companies Act topic: 6 marks in 7 papers (Jun'23 4-mark case; Dec'23 MCQ on "seizure"). Tier **C**: learn the definitions and numbers for an MCQ.

THREE WORDS (SM)

- **Inspection**: a careful look or official visit to check that everything is **correct and legal**; **routine, not negative**. [SM 133]
- **Inquiry**: an official process to **discover facts** about something bad; negative unless the report is clean. [SM 133]
- **Investigation**: a **deeper probe** to gather evidence for prosecution of a suspected violation; always negative. Inspection may lead to investigation. [SM 133]
- **Seizure**: the **forcible taking of property** by a law-enforcement official from a person suspected of violating the law (Dec'23 MCQ). **Search**: an examination of records to confirm ownership and claims. [SM 135]

REGISTRAR'S POWERS (s.206, s.207)

- **Call for information:** on scrutiny of documents or information received, the ROC may by **written notice** require information, explanations or documents within a reasonable time; past officers too. If not given, inadequate, or affairs unsatisfactory → a **further notice** to produce books for inspection (reasons recorded). [SM 133–134]
- **Inquiry (s.206(4)):** if satisfied (on information or **anyone's representation**) that the business is carried on for a **fraudulent or unlawful purpose**, or in breach of the Act, or **investor grievances** are not addressed: the ROC informs the company of the allegations in a **written order**, gives it a **reasonable opportunity of being heard**, and inquires. The **CG may direct** the ROC or an inspector to inquire. Fraud → officers liable under **s.447**. [SM 134]
- The CG may also order **inspection** by an inspector or a statutory authority (s.206(5)). [SM 134]
- Directors, officers and employees must produce documents and assist. The ROC or inspector has **civil court powers (CPC)**: discovery, summons and examination on oath, inspection anywhere (SM MCQ 69). [SM 135]
- **Disobedience:** up to **1 year** in jail and a fine of **₹25,000 to ₹1 lakh**. On conviction, the director or officer **vacates office** and is disqualified. [SM 135]

1 Search and seizure, inspection report, investigation, SFIO

SEARCH AND SEIZURE (s.209) · REPORT (s.208)

- If the ROC or inspector believes books of the company, its KMP, directors, auditor or CS are likely to be **destroyed, mutilated, altered, falsified or secreted**: with an order of the **Special Court**, he may enter, search and seize. [SM 135–136]
- Return them as soon as possible; they may be called for again for a further **180 days**. The CrPC applies to searches. [SM 136]
- **s.208:** the inspecting person reports to the **CG**, possibly recommending further investigation. [SM 136]

⚠ The SM prints the return deadline as the "one hundred and eighteenth day". The Act says the **180th day**.

INVESTIGATION (s.210, 212, 213)

- **s.210:** the **CG** may order an investigation on an ROC or inspector's report, on the company's **special resolution**, or in the **public interest**. It **must** order one if a court or the **Tribunal** so orders. [SM 136]
- **s.212 SFIO** (Serious Fraud Investigation Office, SM MCQ 62): the CG may assign the investigation to the SFIO on the same grounds, or **on request of a CG or State department**. Then **no other agency** proceeds under this Act and records are transferred. The SFIO Director appoints an investigating officer with inspector's powers; interim and final reports go to the CG, which may direct **prosecution**. [SM 136–137]
- **s.213 (on application to the NCLT):** by at least **100 members** or holders of **one-tenth of voting power** (share capital), or **one-fifth** of members (no share capital), with evidence. Or by any person, if there is intent to defraud, oppression, fraud or misfeasance in formation or management, or members are denied information. The Tribunal may order an investigation by inspectors appointed by the CG; if allegations are proved, **s.447** applies. [SM 137]

OWNERSHIP, INSPECTORS, EMPLOYEES

- **s.216:** the CG may investigate **ownership**: who is financially interested, who controls or influences policy, and who are the **beneficial owners**. [SM 137–138]
- **s.217:** officers, employees and agents (past ones too) preserve and produce books and assist. The inspector keeps books at most **180 days** (+ **180** more if needed again). **Civil court powers**; help from police and authorities; reciprocal arrangements with foreign States. [SM 138]
- **s.218:** during an investigation, the company needs **Tribunal approval** to discharge, suspend, punish or worsen the terms of any employee (SM MCQ 68: NCLT). If there is no reply within **30 days**, it may proceed; appeal to the NCLAT within **30 days**. [SM 138–139]

RELATED BODIES, SEIZURE, RESTRICTIONS, AFTERMATH

- **s.219:** an inspector may also investigate the **holding or subsidiary** companies, bodies managed by the same MD, bodies whose Board follows the company, and past MDs or employees, **with CG approval**. [SM 139]
- **s.220:** the inspector may **seize** books likely to be destroyed, after allowing copies, and keep them until the investigation ends. [SM 139]
- **Restrictions on securities:** the Tribunal may impose them for up to **3 years**, and freeze assets. [SM 139–140]
- **s.224:** the CG may **prosecute**, or bring proceedings in the company's name for **damages or recovery of property** (with indemnity for costs). **s.225:** expenses are paid first by the CG and recovered from convicted persons, the company, or the applicants. [SM 140]

ANSWER FRAME · ROC INQUIRY ON SHAREHOLDERS' COMPLAINT (JUN'23 Q2(a))

(i) Power: yes. Under s.206(4) the ROC may inquire where, on information or a **representation by any person**, he is satisfied that the business is carried on for a **fraudulent or unlawful purpose**. **(ii) Procedure:** inform the company of the allegations by **written order** → call for information or explanations → give a **reasonable opportunity of being heard** → inquire, with **civil court powers** → report to the CG (s.208). **(iii) Complaint withdrawn:** the inquiry is the ROC's **statutory function** in the public interest once he is satisfied, so it is not tied to the complainants and **may continue** (reasoning; the SM is silent). **(iv)** The **CG may direct** the ROC or an inspector to carry out the inquiry. [SM 134–136]

62 SFIO	**Serious Fraud Investigation Office**	68 punishing an employee during investigation needs	**NCLT approval**
67 investigation is in chapter	**XIV**	69 investigator's powers per	**Civil Procedure Code**

Numbers: s.207 jail **1 yr**, fine **₹25,000–₹1 lakh** · seized books returned by the **180th** day (SM misprint) + **180** · s.213: **100** members / **1/10** voting power / **1/5** members · inspector holds books **180 + 180 days** · s.218: **30 days** / appeal **30 days** · securities restricted up to **3 years**.