

Preface

The corporate landscape in India has evolved significantly, and with it, the governance framework has become more robust and intricate. The Companies Act, 2013, embodies this evolution, particularly in its provisions related to loans, investments, guarantees, and securities, which are pivotal for maintaining the integrity and financial prudence of corporate practices. Among these, Sections 185 and 186 play a crucial role in regulating the dealings between companies and their directors, and in governing the financial transactions that companies undertake.

The Institute of Company Secretaries of India (ICSI), as a premier institution committed to promoting good corporate governance, is pleased to present this **Guidance Note on Loan to Directors and Loan, Investment, Issue of Guarantee and Security by Companies (Sections 185 & 186 of the Companies Act, 2013)**. This Guidance Note has been meticulously prepared with the objective of making the provisions of these sections more accessible and understandable to professionals and stakeholders alike.

In our endeavour to enhance understanding and compliance, this Guidance Note has been crafted with a focus on clear and concise language, structured formatting, and a logical compilation of all provisions related to Sections 185 and 186. By presenting these sections together, we aim to offer a seamless flow and deeper insight into the legal framework, making it easier for practitioners to navigate and apply these provisions.

This publication goes beyond mere statutory interpretation. The publication includes relevant illustrations to clarify the law, and practical insights are provided through a Q&A format, addressing common scenarios and queries that professionals encounter. Furthermore, references to pertinent case laws have been incorporated to offer a judicial perspective and enrich the understanding of these sections.

This Guidance Note also addresses frequently asked questions, ensuring that recurring doubts and ambiguities are comprehensively covered, thereby serving as a one-stop reference for practitioners.

I place on record my sincere thanks to all the members of the Secretarial Standards Board (SSB) of the ICSI for their invaluable contributions during the formulation and finalization of this Guidance Note. Their collective expertise and dedication, under the exemplary leadership of CS Nagendra D. Rao, Chairman SSB and Former President, ICSI have been instrumental in shaping this comprehensive Guidance Note. Their

commitment to promoting clarity and accessibility in corporate governance is truly commendable, and I extend my deepest appreciation for their efforts.

I commend the dedicated efforts put in by CS Iqra Jabeen Ansari, Executive (Academics), CS Pradeep Chandra Joshi, Executive (Academics) and CS Richa Gupta, Executive (Academics) under the guidance of CS Anamika Chaudhary, Joint Director, in bringing out this Guidance Note. Their hard work and commitment, coupled with the stewardship of CS Asish Mohan, Secretary, ICSI, have been pivotal in the successful completion of this Guidance Note.

I am confident that this Guidance Note will be an invaluable resource for company secretaries, legal professionals, and corporate executives, aiding them in ensuring compliance with the law and fostering sound corporate governance practices.

I urge my professional colleagues to diligently ensure compliance with the provisions of Sections 185 and 186 and to actively promote good corporate governance in line with the guidance provided in this Note.

As improvement is a continuous process, this principle also applies to this Guidance Note. I would be personally grateful to the readers for their valuable suggestions and comments to further enhance this publication.

(CS B. Narasimhan)

President

The Institute of Company Secretaries of India