

Article of Association

This E-content covers the following topics related to Article of Association:

What is Article of Association (AOA)?

Why a company need Articles of Association?

Features of Articles of Association,

Provisions for Entrenchment,

Who can enforce Articles of Association?

Do Articles of Association override the Companies Act,

Form of Article,

Contents of AOA,

Where do you find Articles of Association and Signing of AOA?

Sl. No.	Particulars	Details
1.	What is Article of Association (AOA)?	The Articles of Association is similar to a rule book, within a company. This document contains internal detailed governing aspects of the company's organisation. These include shares, (issue and rights attached), details in manner of holding the company meetings, the role and powers of the directors. Section 2(5) of the Companies Act, 2013 defines the "Article of Association." AOA contains all the rules and regulations that govern the company policy. According to the Companies Act, 2013, every company must have its own AOA.

2.	Why does your company need Articles of Association?	Every company formed in India under Companies Act is required to have articles, without which a company cannot legally be formed. This requirement applies to all types of Companies				
3.	Features of Articles of Association	<ol style="list-style-type: none"> 1. It is a part of the constitution of an organization. 2. A contract between the members and among the members themselves. 3. It lays down the duties of shareholders. 4. Few statutory clauses should be included in the article of associations. Other clauses can be chosen to make the by-laws of the organization. 5. Article of Association can be inspected by anyone as they are a public document. 				
4.	Provisions for Entrenchment	<p>The word “entrench” means to establish an attitude, habit, or belief so firmly that change is very difficult or unlikely. An entrenchment clause is the one which makes certain amendments either impossible or difficult. The articles may contain provisions for entrenchment to the effect that specified provisions of the articles and may be altered only if conditions or procedures as that are more restrictive than those applicable in the case of a special resolution, are met or complied with. The provisions for entrenchment shall only be made by</p> <ol style="list-style-type: none"> 1. Private Company New Company: During formation of a company Existing Company: By an amendment in the Articles agreed to by all the members of the company and by passing a Board resolution 2. Public Company New Company: During formation of a company Existing Company: By passing a special resolution 				
5.	Can Articles of Association be enforced and by whom?	<p>The Articles of a company bind the company to its members, and vice-versa and binds the members to each other, they constitute a contract amongst themselves. A member may sue the company and vice-versa to enforce and restrain breach of the articles of the company.</p>				
6.	Do Articles of Association override the Companies Act?	<p>Section 6 of the Companies Act 2013 states that the Companies Act overrides the Articles. In the case of existing companies, in so far as their articles are inconsistent with the Companies Act, the requirements of the Companies Act will override those of the existing articles.</p>				
7.	Form of Article	<table border="1"> <thead> <tr> <th>Table</th> <th>Form</th> </tr> </thead> <tbody> <tr> <td>Table F</td> <td>AOA of a company limited by shares</td> </tr> </tbody> </table>	Table	Form	Table F	AOA of a company limited by shares
Table	Form					
Table F	AOA of a company limited by shares					

Table G	AOA of a company limited by guarantee and having share capital
Table H	AOA of a company limited by guarantee and not having share capital
Table I	AOA of an unlimited company and having share capital
Table J	AOA of an unlimited company and not having share capital

Depending upon the applicability, a company may adopt all or any of the regulations contained in the model Article.

8.	Contents	<p>Share capital and variation of rights includes sub-division, rights of various shareholders, the relationship of these rights, share certificates, payment of commission.</p> <p>Lien of shares: To retain or hold the possession of shares in case the member is unable to pay his debt to the company</p> <p>Calls on shares: It includes the whole or part unpaid amount on each share which has to be paid by the shareholders on the demand of the company.</p> <p>Transfer of shares: includes the process for the transfer of shares by the shareholder (transferor) to other person (transferee).</p> <p>Transmission of shares: includes title devolution by succession, death, marriage, insolvency, etc.</p> <p>Forfeiture of shares: The AOA provides for the forfeiture of shares if the purchase requirements of shares are not met with –fails to pay the call money, instalment.</p> <p>Alteration of capital: Increase, decrease or reclassification of capital must be done as the Articles of Association provide.</p> <p>Conversion of shares in stock: In consonance with the AOA, the company can convert the shares into stock by an ordinary resolution in a general meeting.</p> <p>Capitalisation of Profits: Use of a company's retained earnings to pay a bonus to shareholders in the form of dividends or additional stock shares</p> <p>Buy-back of Shares: Under the provisions of AOA, the Company has the right to buy-back shares issued to shareholders</p>
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		<p>General meetings and proceedings: All the provisions relating to the general meetings and the manner to be conducted are contained in the Articles of Association.</p> <p>Voting rights and Proxy: – The members or the appointment of proxy shall have the right to vote on certain company matters and the manner in which voting can be carried out is provided in the Articles of Association.</p> <p>Board of Directors, Meetings and Proceedings: The appointment, remuneration, qualifications, powers and proceedings of the Board of Directors’ meetings are detailed out in Articles of Association.</p> <p>Key Managerial Personnel: The Articles of Association provides for appointment, remuneration, powers of CEO, CS, CFO or Manager</p> <p>Dividends and reserves: The Articles of association of a company provides for the distribution of dividend to the shareholders.</p> <p>Accounts and Audits: Manner in which books of accounts are to be kept is detailed in AOA.</p> <p>Borrowing Powers: Every company has powers to borrow; the same has to be consonance with Articles of Association of the company.</p> <p>Winding Up: Provisions relating to the winding up of the company and must be done accordingly.</p>
9.	Where do you find Articles of Association?	The Articles of Association of a Company are available under Public documents section on Ministry of Corporate Affairs portal.
10.	Signing of AOA	The AOA is required to be signed by all subscribers using their Digital Signature Certificates (DSC) , who are further required to add their names, addresses and occupation, in the presence of at least one witness, who must attest the signatures with his own signature and details.

Conclusion: The article of a company is an important document which is company’s rule book, defines the responsibilities of its directors, the different means by which the shareholders may exert their control over the directors and the company. While the memorandum defines the objectives of the company, the articles lay down the rules through which the objectives are to be achieved. In cases of conflict, Act overrides the Articles ;-

The entrenchment provisions in the Articles of a company is to protect the interests of all the minority shareholders by ensuring that amendment in Articles of Association shall be possible after obtaining the requisite prior approval of the shareholders. The Articles of a

company bind the company to its members, and vice-versa and binds the members to each other, they constitute a contract amongst themselves.