




Articles of Association

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The Articles of Association of a company is one of the most essential documents of a company. It prescribes the rules, regulations and by-laws according to which the internal matters of the company are conducted. In simpler terms, it specifies the conduct of the business of a company and is a document of paramount significance for a company.

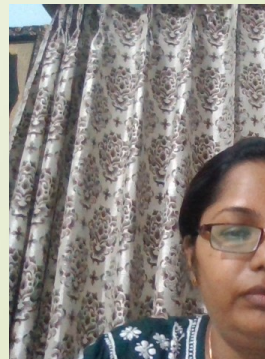
An AOA is often compared to a rulebook of a company since it regulates the internal management of a company while also giving powers and obligations to its officers and employees. This includes regulations for several details of the company and its workings, such as rights of the shareholders, qualifications of directors, binding effect of contracts, etc. Moreover, the Articles of Association even establishes contracts between, firstly, members of the company, and secondly, members and the company.





However, it must be noted that while the AOA establishes the regulations of the company, it is still subordinate to the Memorandum of Association. MOA acts as a constitutional document of the company that supersedes all other documents within the company.

If the AOA exceeds the scope laid down in the provisions of the MOA, then it would be considered ultra vires, as laid down by the Calcutta High Court in the landmark judgement of Shyam Chand v. Calcutta Stock Exchange (1945). Thus, in the event of a conflict between the two, the provisions laid down in the Memorandum of Association would prevail. Further, in case of any uncertainty of such provision in the MOA, it shall be read along with the AOA for a more harmonious interpretation and understanding.



Under the Companies Act of 2013, Section 2(5) covers the definition of Articles of Association. According to the aforesaid Section, AOA or 'Articles' contain all the rules and regulations framed by the Directors of the company to govern the internal management and governance, which can also be altered from time to time. In a nutshell, as mentioned earlier, it is a rulebook that regulates the inner workings of the company while binding the company to its workers and vice versa.



Objective of Articles of Association While the Memorandum of Association contains the fundamental elements based upon which the company is incorporated, the Articles of Association acts as a complementary document to the Memorandum that fulfils the following objectives:

- to act as a governing document that regulates the internal affairs and operations of the company with the rules and regulations framed in its articles;
- to provide clarity in regards to the procedures and rules that the company must follow, which should also be accessible by the shareholders of the company;
- to regulate the relationship between the company and its members (shareholders, directors, employees, etc.) along with the relationship among the members;
- to clarify the legal rights and obligations of the different classes of shareholders as well as the directors and other members;
- to cover any additional matters that the Company considers necessary for its governance and management.

In simple terms, the Articles of Association play a vital role in the workings of the company by ensuring that the internal affairs of the company are being conducted lawfully. It further ensures that the aforesaid affairs of the company align with the interests and objectives of the business of the company.

(AOA)



Schedule I of the Companies Act, 2013 contains the model Articles under the forms in Tables F, G, H, I and J. The required Companies, as mentioned earlier, are obligated to register the Articles of Association using these forms:

Tables in Schedule -

Table F-Form for the Articles of Association for a company limited by shares (as per Section 2 (22) of the Companies Act, 2013)

Table G-Form for the Articles of Association for a company limited by guarantee and having a share capital (as per Section 2 (21) of the Companies Act 2013)

Table H-Form for the Articles of Association for a company limited by guarantee and not having a share capital

Table I-Form for the Articles of Association for an unlimited company and having share capital [as per Section 2 (92) of the Companies Act 2013]

Table J -Form for the Articles of Association for an unlimited company and not having a share capital



Nature of Articles of Association (AOA)

As mentioned earlier, the Articles of Association is the rulebook of the company that acts as the bedrock upon which all the internal affairs of the company are conducted. The internal management and governance depend completely on the AOA. However, while it is an essential document for the company, the Memorandum of Association still supersedes its authority as a sort of 'Constitution' of the Company.

Importance of Articles of Association (AOA)

Both Articles of Association and Memorandum of Association are considered the most important statutory documents of a company. In the case of the Articles of Association, any new company would find it to be of utmost importance; even more so than a Memorandum in some cases since the Articles dictate the internal governance of a company.

Since many countries have a necessary requirement for both documents, they hold immeasurable power in the context of the legitimacy of a company and its foundation. In addition to that, it also acts as a vital document for shareholders who read and follow it for their due diligence before investing in the company through stocks and shares or to learn more about their rights and obligations in the company.



Scope of Articles of Association (AOA)

While the Articles of Association play a vital role in the running of the company, it is still bound by the Memorandum of Association, which acts as the 'supreme law' within the company. Due to this, the Articles of Association cannot exceed or be in contravention of the scope of the Memorandum.

Beyond that, the Articles of Association act as a legally binding document that not only clarifies the power and rights of the members and directors but also sets the obligations that can be accessed and have to be agreed upon by all the future members who are to join. Every contract the company has with its future hires, members or even legal representatives is based upon the clauses of these Articles.

It acts as the base legal system of the company, highlighting the duties and rights of the company towards its members and vice versa. The company can also add rules as per their own requirements but even those need to be signed and approved by every shareholder prior to its enactment.

The alteration of Articles of Association, while possible, is quite a lengthy and tedious procedure since the process needs to be approved by all the shareholders and Directors of the company as well as be filed to the Registrar of the Companies, who is appointed by the Ministry of Corporate Affairs.

All this is done to avoid any arbitrary or mischievous clauses that can lead to the

