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It is common place for holding companies in their ordinary course of business to enter into arrangements referred to as a “corporate guarantee”, where the holding company undertakes and provides a guarantee of repayment of loans which are lent by banks, financial institutions or other companies to such subsidiary companies. Such forms of corporate guarantees are furnished by the holding company in favor of its subsidiary companies without charging any consideration. Corporate guarantees are essentially contracts of guarantee and thus, encompassed by Section 126 of the Indian Contract Act, 1872 which reads as under: “126. ‘Contract of guarantee’, ‘surety’, ‘Principal debtor’, and ‘creditor’- A ‘contract of guarantee’ is a contract t.....