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SHARE CAPITAL AND DEBENTURES (PART IV)

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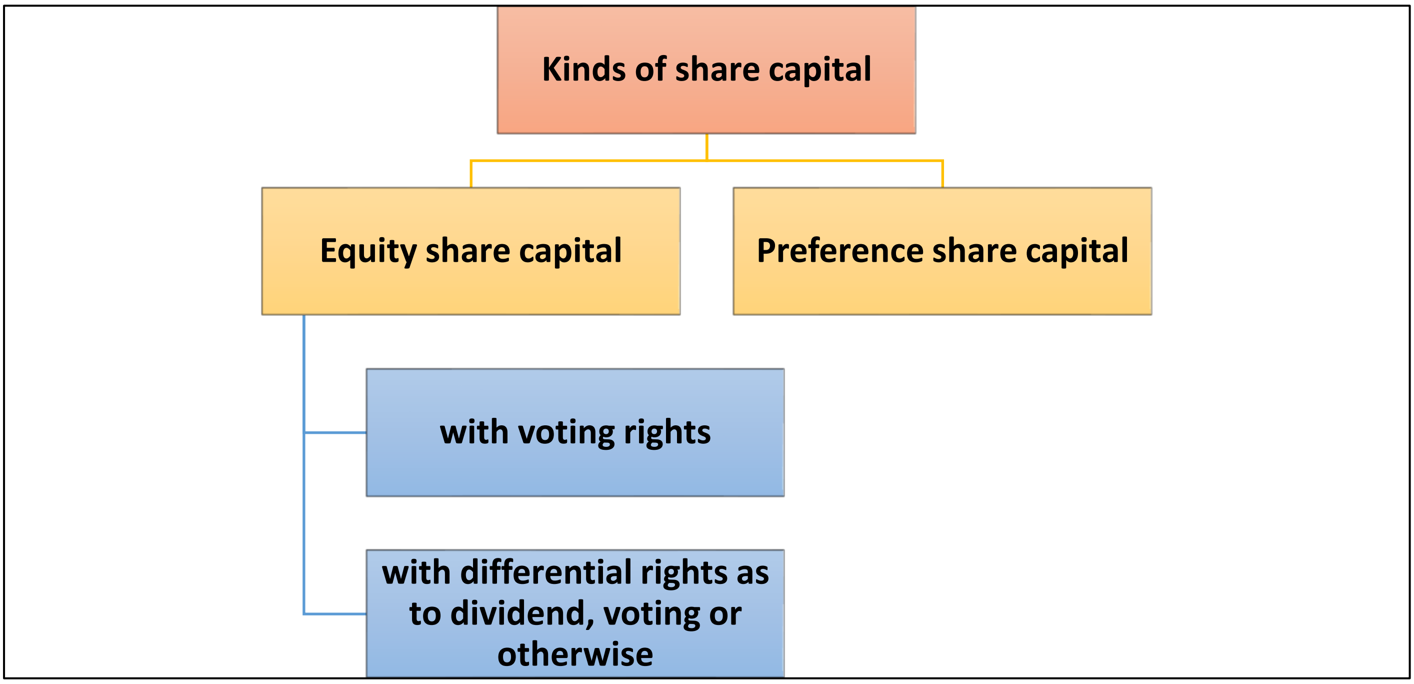
Introduction

- Chapter IV of Companies Act 2013, covering sections 43-72, deals with provisions regarding share capital and debentures.
- Shares represent ownership interest in a company with entrepreneurial risks and rewards whereas debentures depict lenders' interest in the company with limited risks and returns.
- Both the shares and debentures are presented in the Balance Sheet on the liabilities side of the issuer company and on the assets side of the investor and lender respectively.
- Legal provisions relating to these instruments are covered under Chapter IV of the Companies Act, 2013 (comprising sections 43 to 72) and the Companies (Share Capital & Debentures) Rules, 2014 as amended from time to time.
- The shares or debentures or other interest of any member in a company shall be movable property transferable in a manner provided by AOA of the company (Section 44).
- Registered Owner refers to a person whose name is entered in the register of members of the Company and thus known as the shareholder of the Company. Beneficial Owner refers to the person who enjoys the right of ownership of the shares irrespective of the title.

Types of Share Capital (Sec 43)

The definition of 'share' states that the term 'share' includes 'stock'. If a company undertakes to aggregate the fully paid up shares of various members as per their requests and merge those shares into one fund, then such fund is called 'stock'. In simple words we can say that 'stock' is a collection or bundle of fully paid-up shares.

A limited company having a share capital, after completing certain formalities, can convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination. Stock is stated in lump sum whereas a 'share' being the smallest unit is having face value.



- Equity shares are further classified as plain vanilla (same voting rights) or differential equity shares (differential with respect to dividend or voting rights or otherwise).

- Equity shares offer voting rights unlike preference shares. The dividend rate of equity shares changes year to year which generally depends on the amount of profit made by the company that year. The number of equity shares represents your ownership in the company.

- Preference share capital are instruments which have preferential right to dividend payment and preferential repayment during winding up of the company. **These shareholders can also participate in equity pool post the preferential entitlements.**

- The dividend paid to preference shareholders is either a fixed amount or an amount calculated at a fixed rate. This dividend can either be free or subject to income-tax.

<u>Equity Shares with Differential Rights</u>

In equity shares with differential rights, the differential rights are in respect of voting power and dividend. Generally, equity shares with higher voting rights carry lesser rate of dividend whereas equity shares with lower voting rights carry higher rate of dividend.

Rule 4 of the Companies (Share capital and Debenture) Rules, 2014 contains provisions which need to be followed while issuing equity shares with differential rights. These are stated as under:

- Conditions for the issue of equity shares with differential rights
  - AOA of the company authorizes the issue of shares with differential rights;

  - Issue of shares is authorized by an ordinary resolution passed at a general meeting of the shareholders;
  - Voting power in respect of shares with differential rights of the company shall not exceed **74 per cent** of total voting power;
  - The company has not defaulted in filing financial statements and annual returns for **3 financial years** immediately preceding the financial year in which it is decided to issue such shares;
  - The company has no subsisting default in payment of declared dividend or repayment of matured deposits/preference shares/debentures;
  - the company has not defaulted in payment of the dividend on preference shares or repayment of any term loan or employees dues;
  - the company has not been penalized by Court or Tribunal during the last three years of any offence under RBI Act, SEBI Act, SCRA Act, FEMA Act, etc.

- The company cannot convert its existing equity share capital with voting rights into equity share capital carrying differential voting rights and vice versa.

- The holders of the equity shares with differential rights shall enjoy all other rights such as bonus shares, rights shares, etc., which the holders of equity shares are entitled to.

Certificate of Shares (Sec 46)

A certificate of shares is required when shares are issued in physical form. A share certificate has to be distinctively numbered (Sec 45).

Important provisions:

- A certificate, issued under the common seal, if any, of the company or signed by two directors or by a director and the Company Secretary, wherever the company has appointed a Company Secretary, specifying the shares held by any person, shall be prima facie evidence of the title of the person to such shares. (Note: it is now optional for a company to have a common seal.)

- duplicate certificate of shares may be issued, if such certificate –
  - is proved to have been lost or destroyed; or
  - has been defaced, mutilated or torn and is surrendered to the company.

- A resolution passed by the Board is required to issue a physical share certificate.

- Where a share is held in depository form, the record of the depository is the prima facie evidence of the interest of the beneficial owner.

- If a company with intent to defraud issues a duplicate certificate of shares, the punishment shall be as under:

- the company shall be punishable with fine which shall not be less than **5 times** the face value of the shares involved in the issue of the duplicate certificate but which may extend to **10 times** the face value of such shares or **Rs 10 crores** whichever is higher; and
- every officer of the company who is in default shall be liable for action under section 447.

Note: The aforesaid requirements are not applicable in case of dematerialised shares or shares held in electronic form with any depository. In such a case, records of the depository will be treated as prima facie evidence of the interest of the beneficial owner.

Dematerialisation of Securities

After the depositories started functioning in India, the listed shares are required to be held in electronic form. Rule 9A of the Companies (Prospectus and Allotment of Securities) Rules, 2014, requires every unlisted public company (subject to exceptions) to issue the securities only in dematerialised form and also facilitate dematerialisation of all its existing securities. Therefore, it is not necessary for a private limited company to get its securities dematerialised.

At present, there are two depositories available in India i.e. NSDL and CDSL. Various depository participants (DPs) are linked to them. Dematerialised securities are held by the investors in their respective accounts with the DP which keeps a track of transfer, transmission, charge creation etc. There are necessary enabling legal enactments to facilitate all such procedures.

Voting Rights (Sec 47) & Variation of Shareholders' Rights (Sec 48)

Voting Rights of Members holding Equity Share Capital

- every member of a company limited by shares and holding equity share capital therein, shall have a right to vote on every resolution placed before the company; and
- his voting right on a poll shall be in proportion to his share in the paid-up equity share capital of the company.

Note: In case of equity shares other than equity shares with differential voting rights, each shareholder is entitled to vote on any resolution placed before the company i.e., in the Annual General Meeting (AGM) or Extra-ordinary General Meeting (EGM) of the members of the company. The voting right shall be proportionate to the paid-up capital of the class of shares involved.

Voting Rights of Members holding Preference Share Capital

- a right to vote only on resolutions placed before the company which directly affect the rights attached to his preference shares, and
- a right to vote on any resolution for the winding up of the company, or for the repayment or reduction of its equity or preference share capital.
- and his voting right on a poll shall be in proportion to his share in the paid-up preference share capital of the company.

Note: Where the dividend in respect of a class of preference shares has not been paid for a period of **2 years or more**, then such class of preference shareholders shall have a right to vote on all the resolutions placed before the company.

Proportion of Voting Rights: The proportion of the voting rights of equity shareholders to the voting rights of the preference shareholders shall be in the same proportion as the paid-up capital in respect of the equity shares bears to the paid-up capital in respect of the preference shares.

Exemption to a Private Company:

Section 47 shall not apply to a private company, where MOA or AOA of the private company so provides. However, the exemption shall be applicable to a private company which has not committed a default in filing its financial statements under section 137 or annual return under section 92 with the Registrar. Thus, Private Company could be more innovative in terms of voting rights if permitted by their AOA.

Variations of Shareholders' Rights

In case share capital of a company is divided into different classes of shares, it may sometimes be necessary for it to amend the rights attached to one or more classes of shares.

The important provisions are:

- The rights can be varied with the consent (in writing) of holders of **minimum three-fourths (75%)** of the issued shares of that class or by means of a special resolution passed at a separate meeting of the holders of the issued shares of that class.

- Where the holders of **minimum 10 per cent** of the issued shares of a class did not consent to such variation or vote in favour of the special resolution for the variation, they may apply to the Tribunal (NCLT) to have the variation cancelled, and where any such application is made, the variation shall not have effect unless and until it is confirmed by the Tribunal.

- An application to Tribunal, as mentioned in the above point, shall be made **within 21 days** after the date on which the consent was given or the resolution was passed.

- The decision of the Tribunal on the above mentioned application shall be binding of the shareholders.

- The company shall, **within 30 days** of the date of the order of the Tribunal, file a copy thereof with the Registrar.

Calls, Calls-in-Advance & Related Matters (Sec 49 to 51)

- When the shares are partly paid-up, the company issuing them can make calls, asking the shareholders to pay the amount 'called up' in respect of such partly paid-up shares.

- According to Section 49, these calls have to be made uniformly and there should be no differentiation for a given class of shareholders. (As per Explanation to Section 49, shares of the same nominal value on which different amounts have been paid-up shall not be deemed to fall under the same class.)

- According to Section 50, a company may, if so authorised by its articles, accept from any member, the whole or a part of the amount remaining unpaid on any shares held by him, even if no part of that amount has been called up (i.e. if authorised by the articles, a company is permitted to keep advance subscription or call money received in advance). However, a member of a company limited by shares shall have no voting right in respect of the 'advance amount' paid by him on 'calls' till the amount is duly called up.

- According to Section 51, the company is permitted to pay dividends in proportion to the amount paid-up on each share, if so authorised by the articles. In other words, advance payment will not lead to increased voting rights but delayed payment of call money could be the reason of decreased voting rights.

Issue of shares at premium or discount (Sec 52-54)

- When a company issues shares at a price higher than their face value, the shares are said to be issued at premium and the differential amount is termed as premium. A share having face value of Rs 10 is issued at a price of Rs 15. The amount over and above the face value of Rs 10 is called premium. So, premium is equal to Rs 5.

- Where the issue price is lower than the face value of the shares, such issue of shares is regarded as being issued at discount and the differential amount is known as discount. A share having face value of Rs 10 is issued at a lower price of Rs 9. The differential amount of Rs 1 is known as discount which is being allowed by the company.

Issue of shares on premium (Sec 52)

- Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premium received on those shares shall be transferred to a "securities premium account".

- Further, the provisions of the Companies Act, 2013 relating to reduction of share capital (which are very stringent) of a company shall, except as provided in this section, apply as if the securities premium account were the paid-up share capital of the company.

- Securities Premium Account can be applied by the company:
  - towards the issue of unissued shares of the company to the members of the company as fully paid bonus shares;
  - in writing off the preliminary expenses of the company;
  - in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company;
  - in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the company; or
  - for the purchase of its own shares or other securities under section 68.

- The securities premium account may be applied by such class of companies, as may be prescribed and whose financial statement comply with the accounting standards prescribed for such class of companies under Section 133:
  - in paying up unissued equity shares of the company to be issued to members of the company as fully paid bonus shares; or
  - in writing off the expenses of or the commission paid or discount allowed on any issue of equity shares of the company; or
  - for the purchase of its own shares or other securities under section 68.

Prohibition on Issue of Shares at Discount (Sec 53)

- Except sweat equity shares, a company is prohibited from issuing shares at a discount. Any share issued by a company at a discount shall be **void**.

- However, a company may issue shares at a discount to its creditors when its debt is converted into shares in pursuance of any statutory resolution plan or debt restructuring scheme in accordance with any guidelines or directions or regulations specified by RBI under the Reserve Bank of India Act, 1934 or the Banking (Regulation) Act, 1949.

- Where any company fails to comply with the above provisions of Section 53, such company and every officer who is in default shall be liable to a penalty which may extend to an amount equal to the amount raised through the issue of shares at a discount or **Rs 5 lakh**, whichever is less, and the company shall also be liable to refund all monies received with interest at the rate of **12% per annum** from the date of issue of such shares to the persons to whom such shares have been issued.

Note: The restrictions mentioned in Sections 52 and 53 apply only in respect of issue of shares (either equity or preference shares) but not to the issue of any debt related products like bonds or debentures.

Issue of Sweat equity Shares (Sec 54)

- Sweat equity shares means such equity shares as are issued by a company to its directors or employees at a discount or for consideration, other than cash, for providing their know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.

- Sweat equity shares are issued to keep the employees of a company motivated by making them partner in the growth of the company.

- A company may issue sweat equity shares of a **class of shares already issued**, if the following conditions are fulfilled –
  - the issue is authorised by a special resolution passed by the company;
  - the resolution specifies the number of shares, the current market price, consideration, if any, and the class or classes of directors or employees to whom such equity shares are to be issued;
  - where the equity shares of the company are listed on a recognised stock exchange, the sweat equity shares are issued in accordance with the regulations made by SEBI in this behalf and if they are not so listed, the sweat equity shares are issued in accordance with Rule 8 of the Companies (Share and Debentures) Rules, 2014.

- The rights, limitations, restrictions and provisions as are for the time being applicable to equity shares shall be applicable to the sweat equity shares and the holders of such shares shall rank **pari passu** with other equity shareholders. Pari-passu is a Latin phrase meaning "equal footing."

Some of the important provisions contained in Rule 8 of the Companies (Share and Debentures) Rules, 2014, are:

- The special resolution authorising the issue of sweat equity shares shall be valid for making the allotment within a period of not more than twelve months from the date of passing of the special resolution.

- A company shall not issue sweat equity shares for more than **15 per cent** of the existing paid up equity share capital in a year or shares of the issue value of **Rs 5 crores**, whichever is higher. Provided that the issuance of sweat equity shares in the Company shall not exceed **25 percent** of the paid up equity capital of the Company at any time. Provided further that a startup company may issue sweat equity shares not exceeding **50 percent** of its paid up capital **upto 10 years** from the date of its incorporation or registration.

- Sweat equity shares issued to directors or employees shall be locked in/non-transferable for a period of **3 years** from the date of allotment.

- Sweat equity shares to be issued shall be valued at a price determined by a registered valuer as the fair price giving justification for such valuation.

- The valuation of intellectual property rights or of know how or value additions for which sweat equity shares are to be issued, shall be carried out by a registered valuer, who shall provide a proper report addressed to the Board of directors with justification for such valuation.

- Board of Directors shall, inter alia, disclose in the Directors' Report for the year in which such shares are issued, the specified details of issue of sweat equity shares.

- The company shall maintain a Register of Sweat Equity Shares. It shall be maintained at the registered office of the company or such other place as the Board may decide.

Issue & Redemption of Preference Shares (Sec 55)

Section 55 contains provisions for regulation of issue and redemption of preference shares. The important provisions are as follows:

- A company limited by shares cannot issue any preference shares which are irredeemable.

- A company limited by shares may, if so authorised by its AOA, issue preference shares which are liable to be redeemed within a period not exceeding **20 years** from the date of their issue.

- A company may issue preference shares for a period exceeding **20 years** (but not exceeding **30 years**) for infrastructure projects, subject to the redemption of **10%** of such preference shares beginning **21st year onwards** or earlier, on proportionate basis, at the option of such preferential shareholders.

- The issue of preference shares has to be authorized by passing a special resolution in the general meeting of the company.

- At the time of issue of preference shares, the company should not have subsisting default in the redemption of preference shares issued either before or after the commencement of this Act or in payment of dividend due on any preference shares.

- Preference shares can be redeemed **only** out of
  - Profits of the company which would otherwise be available for dividend, or
  - Proceeds of a fresh issue of shares made for the purposes of such redemption. (Fresh issue of shares can be of equity as well as preference or can be both.)

- Only fully paid preference shares can be redeemed.

- Where preference shares are proposed to be redeemed out of the profits of the company, there shall, out of such profits, be transferred, a sum equal to the nominal amount of the shares to be redeemed, to a reserve, to be called the **Capital Redemption Reserve (CRR) Account**.

- In case of such class of companies, as may be prescribed and whose financial statement comply with the accounting standards prescribed for such class of companies under section 133, the premium, if any, payable on redemption shall be provided for out of the profits of the company, before the shares are redeemed.

- If a company is not in a position to redeem any preference shares or to pay dividend on them, it may
    - with the consent of the holders of **three-fourths** in value of such preference shares, and
    - with the approval of the Tribunal on a petition made by it in this behalf,

  issue further redeemable preference shares equal to the amount due, including the dividend thereon, in respect of the unredeemed preference shares, and on the issue of such further redeemable preference shares, the unredeemed preference shares shall be deemed to have been redeemed.

  Note: The Tribunal shall, while giving approval, order the redemption forthwith of preference shares held by such persons who have not consented to the issue of further redeemable preference shares.

- The capital redemption reserve (CRR) account may be applied by the company in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares.

Transfer and Transmission of Securities (Sec 56)

Section 56 deals with the

- transfer and transmission of securities (in case of a company having share capital), or
- transfer of interest of a member (in case of a company having no share capital).

There is a difference between transfer and transmission. Transfer of shares means transferring title of shares voluntarily by one party to another. On the other hand, transmission of shares means transferring title of shares by the operation of law which a legal heir initiate.

Some of the important provisions are:

- A company can register a transfer of securities of the company on fulfilment of the below conditions:
    - There must be a proper instrument of transfer in the prescribed form,
    - The instrument should be duly stamped, dated and executed by or on behalf of the transferor and the transferee,

- The instrument should specify the name, address and occupation, if any, of the transferee,
- The instrument should be delivered to the company by the transferor or the transferee within a period of **60 days** from the date of execution,
- Along with the instrument, the certificate relating to the securities, or if no such certificate is in existence, the letter of allotment of securities should also be delivered to the company.

- Where an application is made by the transferor alone and relates to partly paid shares, the transfer shall not be registered, unless the company gives the notice of the application to the transferee and the transferee gives no objection to the transfer within two weeks from the receipt of notice.

- Time period for delivery of certificates by a company:

Particulars	Time Period for delivering the Certificates of all Securities allotted, transferred or transmitted
In the case of subscribers to the memorandum	Within **2 months** from the date of incorporation
In the case of any allotment of any of its shares by a company	Within **2 months** from the date of allotment
In the case of a transfer or transmission of securities	Within a period of **1 month** from the date of receipt by the company of the instrument of transfer or the intimation of transmission
In the case of any allotment of debenture	Within a period of **6 months** from the date of allotment

Note: Where the securities are dealt with in a depository, the company shall intimate the details of allotment of securities to depository immediately on allotment of such securities.

- **Transmission of securities:** The transfer of any security or other interest of a deceased person in a company made by his legal representative shall, even if the legal representative is not a holder thereof, be valid as if he had been the holder at the time of the execution of the instrument of transfer.

- In the following cases, transmission of shares shall take place:

  - **Death:** When a shareholder expires, his shares need to be transmitted to his legal representative.
  - **Insolvency:** When a shareholder becomes insolvent, his shares are to be transmitted to his Official Receiver.
  - **Lunacy:** When a shareholder becomes lunatic, his shares are to be transmitted to his administrator appointed by the Court.

- Where any default is made in complying with the above provisions of Section 56, the company and every officer of the company who is in default shall be liable to a penalty of **fifty thousand rupees**.

- Where any depository or depository participant, with an intention to defraud a person, has transferred shares, it shall be liable under Section 447 along with the liability mentioned under the Depositories Act, 1996.

Punishment for Personation of Shareholder (Sec 57)

If any person deceitfully personates—

- as an owner of any security or interest in a company, or
- as an owner of any share warrant or coupon issued in pursuance of the Companies Act, 2013, and

thereby obtains or attempts to obtain any such security or interest or any such share warrant or coupon, or receives or attempts to receive any money due to any such owner, such person shall be punishable with

- imprisonment for a term which shall be minimum **1 year** but which may extend to **3 years** and
- fine which shall not be less than **Rs 1 lakh** but which may extend to **Rs 5 lakh**.

Refusal of Registration and Appeal against Refusal (Sec 58)

It is possible that a company may refuse registration of transfer or transmission. For instance, a private company is required to restrict the right to transfer its shares by providing so in its AOA. However, this right to prohibit transfer is not absolute but it should be reasonable so that it is in the interest of the company.

Section 58 contains the procedure which needs to be followed by a company while refusing to register the transfer of securities. It also contains process of filing appeal against such refusal. The important provisions of this section are:

- If a private company limited by shares refuses to register the transfer of, or the transmission by operation of law of the right to any securities or interest of a member in the company, then the company shall send notice of refusal to the transferor and the transferee or to the person giving intimation of such transmission, within a period of **30 days** from the date on which the instrument of transfer, or the intimation of such transmission, was delivered to the company.

- The securities or other interest of any member in a public company are freely transferable. It is provided that any contract or arrangement between two or more persons in respect of transfer of securities shall be enforceable as a contract.

- The transferee may appeal to the Tribunal against the refusal
    - within a period of **30 days** from the date of receipt of the notice or
    - in case no notice has been sent by the company, within a period of **60 days** from the date on which the instrument of transfer or the intimation of transmission, was delivered to the company.

- If a public company without sufficient cause refuses to register the transfer of securities within a period of **30 days** from the date on which the instrument of transfer or the intimation of transmission, is delivered to the company, the transferee may,
    - within a period of **60 days** of such refusal or
    - where no intimation has been received from the company, within **90 days** of the delivery of the instrument of transfer or intimation of transmission,

      appeal to the Tribunal.

- The Tribunal, while dealing with an appeal may, after hearing the parties, either dismiss the appeal, or by order—
    - direct that the transfer or transmission shall be registered by the company and the company shall comply with such order within a period of **10 days** of the receipt of the order; or
    - direct rectification of the register and also direct the company to pay damages, if any, sustained by any party aggrieved.

- If a person contravenes the order of the Tribunal, he shall be punishable with
    - imprisonment for a term not less than **1 year** but may extend to **3 years** and
    - fine not less than **Rs 1 lakh** which may extend to **Rs 5 lakh**.

Rectification of Register of Members (Sec 59)

- If the name of any person is, without sufficient cause,
    - entered in the register of members of a company, or
    - after having been entered in the register, is, omitted therefrom, or
    - if a default is made, or unnecessary delay takes place in entering in the register, the fact of any person having become or ceased to be a member,

then the person aggrieved, or any member of the company, or the company may appeal in such form as may be prescribed, to the Tribunal, or to a competent court outside India, specified by the Central Government by notification, in respect of foreign members or debenture holders residing outside India, for rectification of the register.

- The Tribunal may, after hearing the parties to the appeal by order,
  - either dismiss the appeal, or
  - direct that the transfer or transmission shall be registered by the company within a period of **10 days** of the receipt of the order, or
  - direct rectification of the records of the depository or the register and in the latter case, direct the company to pay damages, if any, sustained by the party aggrieved.

- The provisions of Section 59 shall not restrict the right of a holder of securities, to transfer such securities. Further, any person acquiring such securities shall be entitled to voting rights unless the voting rights have been suspended by an order of the Tribunal.

- Where the transfer of securities is in contravention of any of the provisions of the Securities Contracts (Regulation) Act, 1956 (SCRA), the Securities and Exchange Board of India Act, 1992 (SEBI) or the Companies Act, 2013 or any other law for the time being in force, the Tribunal may, on an application made by the depository, company, depository participant, the holder of the securities or the Securities and Exchange Board, direct any company or a depository to set right the contravention and rectify its register or records concerned.

Publication of authorised, subscribed & paid-up capital (Sec 60)

- Where any notice, advertisement or other official publication, or any business letter, billhead or letter paper of a company contains a statement of the amount of the authorised capital of the company, such notice, advertisement or other official publication, or such letter, billhead or letter paper shall also contain a statement, in an equally prominent position and in equally conspicuous characters, of the amount of the capital which has been subscribed and the amount paid-up.

- In case of default in compliance with the above requirement, the company will be liable to pay a penalty of **Rs 10,000** and every officer of the company who is in default shall be liable to pay a penalty of **Rs 5,000** for each default.

Alteration of Share Capital (Sec 61-70)

Power of Limited Company to Alter its Share Capital (Sec 61)

A limited company having a share capital is empowered to alter its capital clause of MOA. The provisions are as under:

- A limited company having a share capital may, if so authorised by its articles, alter its memorandum in its general meeting to —
  - increase its authorised share capital by such amount as it thinks expedient;
  - consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares,

NOTE: No consolidation and division which results in **changes in the voting percentage** of shareholders shall take effect unless it is approved by the **Tribunal** on an application made in the prescribed manner.

  - convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination;
  - sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum, so, however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
  - cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

- The cancellation of shares shall not be deemed to be a reduction of share capital.

Further issue of share capital (Sec 62)

An existing company can expand its business operations and raise funds through the issue of right or bonus shares to existing shareholders in proportion to the shares held by them, private placement and preferential allotment.

A rights issue involves pre-emptive subscription rights to buy additional securities in a company offered to the company's existing security holders. It is a non-dilutive pro rata way to raise capital.

Preferential allotment refers to bulk allotment of fresh issue of shares by a company to individuals, venture capitalists and companies at a pre-determined price. Usually, a company chooses to make a preferential allotment to people who want to acquire a strategic stake in the company.

The expression 'Preferential Offer' means an issue of shares or other securities, by a company to any select person or group of persons on a preferential basis and does not include shares or other securities offered through a public issue, rights issue, employee stock option scheme, employee stock purchase scheme or an issue of sweat equity shares or bonus shares or depository receipts issued in a country outside India or foreign securities.

Private Placement was already discussed under the previous chapter "prospectus, allotment and private placement".

Private Placement covers all kinds of securities, however, Preferential Allotment covers only equity shares and convertible securities. Therefore, it can be concluded that every Preferential Issue is a Private Placement but vice versa is not true.

The important provisions of Section 62 are as follows:

1) Where at any time, a company having a share capital proposes to increase its subscribed capital by the issue of further shares, such shares shall be offered—

   a) to persons who, at the date of the offer, are holders of equity shares of the company in proportion to the paid-up share capital on those shares by sending a letter of offer (right issue of shares)

   b) to employees under a scheme of employees' stock option, subject to special resolution passed by company ('employees' stock option' means the option given to the directors, officers or employees of a company or of its holding company or subsidiary company or companies, if any, which gives such directors, officers or employees, the benefit or right to purchase, or to subscribe for, the shares of the company at a future date at a predetermined price.)

   c) to any persons, if it is authorised by a special resolution, either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report of a registered valuer (private placement & preferential allotment).

Conditions for right issue of shares

- The offer shall be made by notice specifying the number of shares offered and limiting a time not being less than **15 days** or such lesser number of days as may be prescribed and not exceeding **30 days** from the date of the offer within which the offer, if not accepted, shall be deemed to have been declined. (Note: The notice shall be dispatched through registered post or speed post or through electronic mode or courier or any other mode having proof of delivery to all the existing shareholders at least three days before the opening of the issue.

- **Right of renunciation:** unless AOA of the company otherwise provide, the offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person. (The notice of offer should contain a statement of this right of renunciation.)

- After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner which is not disadvantageous to the shareholders and the company.

Conditions for issue of ESOP

A listed company while issuing shares under ESOP Scheme shall follow the provisions of SEBI (Share Based Employee Benefits) Regulations, 2014. However, in case an unlisted company desires to issue shares under ESOP Scheme to its directors, officers or employees, Rule 12 of the Companies (Shares and Debentures) Rules, 2014 requires certain conditions to be fulfilled. Some of the important provisions are as under:

- Issue of Employees' Stock Option Scheme need to be approved by the shareholders of the company by passing a special resolution.
- The company shall make the specified disclosures in the explanatory statement annexed to the notice for passing of the resolution.
- The companies granting option to its employees pursuant to Employees Stock Option Scheme will have the freedom to determine the exercise price in conformity with the applicable accounting policies, if any.
- There shall be a minimum period of **one year** between the grant of options and vesting of option.
- The company shall have the freedom to specify the lock-in period for the shares issued pursuant to exercise of option.
- The Employees shall not have right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of option granted to them, till shares are issued on exercise of option.
- The option granted to employees shall not be transferable to any other person.
- The option granted to the employees shall not be pledged, hypothecated, mortgaged or otherwise encumbered or alienated in any other manner.
- In the event of the death of employee while in employment, all the options granted to him till such date shall vest in the legal heirs or nominees of the deceased employee.
- Except in the event of death as mentioned above, no person other than the employees to whom the option is granted shall be entitled to exercise the option.
- In case the employee suffers a permanent incapacity while in employment, all the options granted to him as on the date of permanent incapacitation, shall vest in him on that day.
- In the event of resignation or termination of employment, all options not vested in the employee as on that day shall expire. However, the employee can exercise the options granted to him which are vested within the period specified in this behalf, subject to the terms and conditions under the scheme granting such options as approved by the Board.

2) Section 62 shall not apply to the increase of the subscribed capital of a company caused by the exercise of an option attached to the debentures issued or loan raised by the company to convert such debentures or loans into shares in the company.

3) Where any debentures have been issued, or loan has been obtained from any Government by a company, and if that Government considers it necessary in the public interest so to do, it may, by order, direct that such debentures or loans or any part thereof shall be converted into shares in the company on such terms and conditions as appear to the Government to be reasonable in the circumstances of the case even if terms of the issue of such debentures or the raising of such loans do not include a term for providing for an option for such conversion.

However, where the terms and conditions of such conversion are not acceptable to the company, it may, within **60 days** from the date of communication of such order, appeal to the Tribunal which shall after hearing the company and the Government pass such order as it deems fit.

4) In determining the terms and conditions of conversion, the Government shall have due regard to the financial position of the company, the terms of issue of debentures or loans, as the case may be, the rate of interest payable on such debentures or loans and such other matters as it may consider necessary.

5) Where the Government has, by an order, directed that any debenture or loan or any part thereof shall be converted into shares in a company and where no appeal has been preferred to the Tribunal or where such appeal has been dismissed, the memorandum of such company shall, where such order has the effect of increasing the authorised share capital of the company, stand altered and the authorised share capital of such company shall stand increased by an amount equal to the amount of the value of shares which such debentures or loans or part thereof has been converted into.

Bonus Shares (Sec 63)

Bonus shares are shares issued proportionately by a company to its current shareholders as fully paid-up shares free of cost.

The important provisions of Section 63 are:

- A company may issue fully paid-up bonus shares to its members, in any manner whatsoever, out of—
  - its free reserves;
  - the securities premium account; or
  - the capital redemption reserve account.

  Note: A company cannot issue bonus shares out of reserves created by the revaluation of assets (called revaluation reserve).

- A company can capitalise its profits or reserves for the purpose of issuing fully paid-up bonus shares only if
  - it is authorised by its AOA;
  - it has, on the recommendation of the Board, been authorised in the general meeting of the company;
  - it has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it;
  - it has not defaulted in respect of the payment of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus;
  - the partly paid-up shares, if any outstanding on the date of allotment, are made fully paid-up;
  - it complies with such conditions as may be prescribed (As per Rule 14 of Companies (Share capital and debenture) Rules, 2014, a company which has once announced the decision of its Board recommending a bonus issue, shall not subsequently withdraw the same.)

- The bonus shares shall not be issued in lieu of dividend.

- Note: It is permissible for a company to capitalise its profits or reserves for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by the members of the company.

Notice to be given to Registrar for alteration of Share Capital (Sec 64)

The important provisions are:

- Where
    - a company alters its share capital in any manner specified in section 61; or
    - an order made by the Government under section 62 has the effect of increasing authorised capital of a company; or
    - a company redeems any redeemable preference shares,

  the company shall file a notice in the prescribed form with the **Registrar** within **30 days** of such alteration or increase or redemption, as the case may be, along with an altered memorandum.

- If a company fails to file the above notice in the prescribed time, such company and every officer who is in default shall be liable to a penalty of **Rs 500 for each day** during which such default continues, subject to a maximum of **Rs 5 lakh** in case of a company and **Rs 1 lakh** in case of an officer who is in default.

Unlimited Company to provide for Reserve Share Capital on conversion into Limited Company (Sec 65)

Reserve Capital refers to that portion of the increased nominal capital or uncalled share capital of an organisation which shall not be called up, except in the event of winding up.

An unlimited company having a share capital may, by a resolution for registration as limited company under this Act, do either or both of the following things, namely—

- increase the nominal amount of its share capital by increasing the nominal amount of each of its shares, subject to the condition that no part of the increased capital shall be capable of being called up except in the event and for the purposes of the company being wound up;

- provide that a specified portion of its uncalled share capital shall not be capable of being called up except in the event and for the purposes of the company being wound up.

Reduction of Share Capital (Sec 66)

A business must maintain its capital as a fundamental tenet of good financial management. Occasionally, though, it can be necessary for the business to reduce its capital.

For example, in the following situations:

- accumulated business losses
- assets or reduced or doubtful value (like unsound investments proving bad)
- having surplus capital which cannot be gainfully employed, etc.

the company may have to reduce its capital in order to keep the financial health of the company intact.

The important provisions are:

- Subject to confirmation by the Tribunal on an application by the company, a company limited by shares or limited by guarantee and having a share capital may, by a special resolution, reduce the share capital in any manner and in particular, may—
    - extinguish or reduce the liability on any of its shares in respect of the share capital not paid-up;
    - either with or without extinguishing or reducing liability on any of its shares,—
        - cancel any paid-up share capital which is lost or is unrepresented by available assets; or
        - pay off any paid-up share capital which is in excess of the wants of the company,

  The company shall also alter its memorandum by reducing the amount of its share capital and of its shares accordingly.

  Note: No such reduction shall be made if the company is in arrears in the repayment of any deposits accepted by it, either before or after the commencement of this Act, or the interest payable thereon.

- The Tribunal shall give notice of every application made to it (as mentioned above) to
    - the Central Government,
    - Registrar,
    - SEBI (only in the case of listed companies), and
    - the creditors of the company

  and shall take into consideration the representations, if any, made to it by them within a period of **3 months** from the date of receipt of the notice.

- The Tribunal may, if it is satisfied that the debt or claim of every creditor of the company has been discharged or determined or has been secured or his consent is obtained, make an order confirming the reduction of share capital on such terms and conditions as it deems fit. It is provided that no application for reduction of share capital shall be sanctioned by the Tribunal unless the accounting treatment, proposed by the company for such reduction is in conformity with the accounting standards specified in Section 133 or any other provision of this Act and a certificate to that effect by the company's auditor has been filed with the Tribunal.

- The order of confirmation of the reduction of share capital by the Tribunal shall be published by the company in such manner as the Tribunal may direct.

- The company shall deliver a certified copy of the order of the Tribunal and of a minute approved by the Tribunal showing—
    - the amount of share capital;
    - the number of shares into which it is to be divided;
    - the amount of each share; and
    - the amount, if any, at the date of registration deemed to be paid-up on each share,

to the **Registrar** within **30 days** of the receipt of the copy of the order, who shall register the same and issue a certificate to that effect.

- Nothing in this section is applicable to buy back of securities because buy-back is being covered under Section 68.

- A member of the company shall not be liable to any call or contribution in respect of any share held by him exceeding the amount of difference between the amount paid on the share and the amount of the share as fixed by the order of reduction.

- Where the name of any creditor entitled to object to the reduction of share capital under this section is, by reason of his ignorance of the proceedings for reduction or of their nature and effect with respect to his debt or claim, not entered on the list of creditors, and after such reduction, the company commits a default, within the meaning of Insolvency and Bankruptcy Code, 2016, in respect of the amount of his debt or claim-
    - every person, who was a member of the company on the date of the registration of the order for reduction by the Registrar, shall be liable to contribute to the payment of that debt or claim, an amount not exceeding the amount which he would have been liable to contribute if the company had commenced winding up on the day immediately before the said date; and
    - if the company is wound up, the Tribunal may, on the application of any such creditor and proof of his ignorance as aforesaid, if it thinks fit, settle a list of persons so liable to contribute, and make and enforce calls and orders on the contributories settled on the list, as if they were ordinary contributories in a winding up.

- If any officer of the company—
    - knowingly conceals the name of any creditor entitled to object to the reduction;
    - knowingly misrepresents the nature or amount of the debt or claim of any creditor; or
    - abets or is privy to any such concealment or misrepresentation as aforesaid,

he shall be liable under Section 447.

Difference between Alteration of Share Capital and Capital Reduction

Alteration of Share Capital	Capital Reduction
It is covered under Section 61.	It is covered under Section 66.
There is a need to alter the Capital Clause of MOA as authorised capital is affected.	There may or may not be a change in the capital clause.
As compared to reduction of share capital, the procedure of alteration is simpler, more adaptable and takes less time.	As compared to alteration, it is a longer process as multiple stakeholders' clearances are required.
The interests of creditors are not affected.	The interests of creditors are affected. So, it is required to take NOC from them.
Approval of court/tribunal is not required at the time of alteration.	Approval of court/tribunal is required at the time of capital reduction.

Restriction on Purchase by Company or giving of Loans by it for Purchase of its Shares (Sec 67)

A company cannot buy its own shares, in principle, because it will lead to reduction of its share capital affecting the creditors. However, this restriction is not absolute. If the prescribed procedure as laid by Section 67 is followed, the company is permitted to buy its own shares and the prohibition shall not apply.

The important provisions are:

- No company limited by shares or by guarantee and having a share capital shall have power to buy its own shares unless the consequent reduction of share capital is effected under the provisions of this Act.

- Generally, a company cannot give any financial assistance (loan, guarantee, etc.) for the purpose of purchase or subscription of its own shares by any person. However, there are certain exceptions where a company may provide the financial assistance:

    - the lending of money by a banking company in the ordinary course of its business;
    - the provision is made by a company for lending of money in accordance with any scheme approved by company through special resolution for the purchase of fully paid up shares in the company or its holding company, if the purchase of the shares held by trustees for the benefit of the employees or such shares held by the employee of the company;
    - the giving of loans by a company to persons in the employment of the company other than its directors or key managerial personnel, for an amount not exceeding their salary or wages

for a period of **6 months** with a view to enabling them to purchase or subscribe for fully paid-up shares in the company or its holding company to be held by them by way of beneficial ownership.

- Nothing in Section 67 shall affect the right of a company to redeem any preference shares issued under this Act or under any previous company law.

- If a company contravenes the provisions of this section, the punishment shall be as under:

    - The company will be punishable with fine which shall not be less than **Rs 1 lakh** but which may extend to **Rs 25 lakh**.
    - Every officer of the company who is in default will be punishable with imprisonment for a term which may extend to **3 years** and with fine which shall not be less than **Rs 1 lakh** but which may extend to **Rs 25 lakh**.

Buy-Back of Securities (Sec 68-70)

Buy-back refers to re-acquisition by a company of its own securities. The money is being returned back to the investors through buy-back.

Sec 68: Power of Company to Purchase its Own Securities

The important provisions are:

- Buy-back can be made out of:
    - Free reserves (it includes securities premium account for this section);
    - Securities premium account; or
    - Proceeds of the issue of any shares or other specified securities (specified securities include ESOP or other securities as notified).

  Note: Buy-back of any kind of shares or other specified securities cannot be made out of the proceeds of an earlier issue of the same kind of shares or same kind of other specified securities.

- Conditions for buy-back:

    - Buy-back should be authorised by AOA of the company.

    - A special resolution authorising the buy-back needs to be passed in general meeting of the company (special resolution is not needed if buy-back is **10% or less** of total paid-up equity capital and free reserves of the company **and** such buy-back has been authorised by BOD by means of a resolution passed at its meeting).

- Buy-back should be **25% or less** of the aggregate of paid-up capital and free reserves of the company (Note: the buy-back of equity shares in any financial year shall not exceed 25% of its total paid up equity capital in that financial year).

- The ratio of the aggregate debts (secured and unsecured) owed by the company after buy back should not be more than **twice** the paid up capital and its free reserves. (Note: As per Central Government notification, the debt to capital and free reserves ratio shall be **6:1** for government companies which carry on Non-Banking Finance Institution activities and Housing Finance activities.)

- All the shares or other specified securities for buy-back should be fully paid-up.

- The buy-back of the shares or other specified securities listed on any recognised stock exchange should be in accordance with SEBI regulations.

- An offer of buy-back can't be made within a period of **1 year** from the date of the closure of the preceding offer of buy-back.

* The notice of the meeting at which special resolution is proposed to be passed shall be accompanied by an explanatory statement stating –
    - a full and complete disclosure of all the material facts
    - the necessity for the buy-back
    - the class of shares or securities intended to be purchased under the buy back
    - the amount to be invested under the buy-back
    - the time limit for completion of buy-back

* Every buy-back shall be completed within **1 year** from the date of passing the special resolution or a resolution passed by the Board at general meeting authorising the buy-back.

* For the purpose of buy back, there are three options available to a company from where securities could be bought back. Buy-back may be

    - from the existing shareholders or security holders on a proportionate basis; or
    - from the open market; or
    - by purchasing the securities issued to employees of the company pursuant to a scheme of stock option or sweat equity.

* In case a special resolution or board resolution has been passed for buy-back, the company needs to file a **declaration of solvency** with the Registrar and SEBI (only for listed co.) before making such buy-back. The declaration needs to be signed by at least 2 directors (one of whom should be managing director). The declaration needs to be verified by an affidavit to the effect that the Board has made a full inquiry into the affairs of the company as a result of which they have formed an opinion that it is capable of meeting its liabilities and will not be rendered insolvent within a period of one year from the date of declaration of solvency adopted by the Board.

- Where a company buys back its own securities or other specified securities, it shall extinguish and physically destroy the shares or securities so bought-back within **7 days** of the last date of completion of buy-back.

- Where a company completes a buy-back of its shares or other specified securities, it shall not make further issue of same kind of shares including allotment of further shares within a period of **6 months** except by way of bonus issue or in the discharge of subsisting obligations such as conversion of warrants, stock option schemes, sweat equity or conversion of preference shares or debentures into equity shares.

- When a company buys-back its shares or other specified securities, it shall maintain a register of the shares or securities so bought, the consideration paid for the shares or securities bought-back, the date of cancellation of shares or securities, the date of extinguishing and physically destroying the shares or securities and such other particulars as may be prescribed.

- A company, after completion of the buy-back, has to file with the Registrar and the SEBI (only for listed co.), a return containing such particulars, as may be prescribed, relating to the buy-back **within 30 days** of such completion.

- Penalty for default:
    - The company will be punishable with fine which shall not be less than **Rs 1 lakh** but which may extend to **Rs 3 lakh**; and
    - Every officer of the company who is in default will be punishable with fine which shall not be less than **Rs 1 lakh** but which may extend to **Rs 3 lakh**.

Sec 69: Transfer of certain sums to Capital Redemption Reserve Account

The important provisions are:

- Where a company purchases its own shares out of free reserves or securities premium account, then a sum equal to the nominal value of the share so purchased shall be transferred to CRR account and details of such transfer shall be disclosed in the balance sheet.

- CRR account can be applied by the company, in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares.

Sec 70: Prohibition for Buy-Back in Certain Circumstances

The important provisions are:

- A company cannot purchase, directly or indirectly, its own shares or other specified securities –
    - through any subsidiary company including its own subsidiary companies; or
    - through any investment company or group of investment companies; or

- if a default is made by the company in repayment of deposits, interest payment thereon, redemption of debentures or preference shares or payment of dividend to any shareholder or repayment of any term loan or interest payable thereon to any financial institutions or banking company.

Note: If the default is remedied and a period of **3 years** has lapsed after such default ceased to subsist, then such buy-back is not prohibited.

- A company cannot purchase, directly or indirectly, its own shares or other specified securities if that company has not complied with the provisions of:
  - Section 92 (Annual Report),
  - Section 123 (Declaration and Payment of Dividend),
  - Section 127 (Punishment for failure to distribute dividends), and
  - Section 129 (Financial Statement).

Section 71: Debentures

Debenture includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not.

Some important characteristics of debentures are as follows:

There is generally a pre-fixed rate of interest on a debenture.

There are no voting rights available on a debenture.

A debenture certificate is issued to successful applicants.

A debenture is a movable property trasnferable as per AOA of the company.

Types of debentures:

On the basis of security:

1. Secured debentures: Also called mortgage debentures, these debentures have a charge placed against the company's assets as security. So, the holders of such debentures have a right to recover principal amount along with any unpaid interest out of the assets mortgaged by the company.

2. Unsecured debentures: These debentures do not have any charge of the assets of the company.

On the basis of redeemability:

1. Redeemable debentures: They have a particular date of redemption mentioned on the debenture certificate. On that date, the debenture holders will get back their money.

2. Irredeemable debentures: Also called perpetual debentures, they do not carry any specific time of redemption on their repayment terms.

On the basis of convertibility to shares:

1. Convertible debentures: Holder of these debentures have a right to convert their debentures into equity shares of the company. They can be fully convertible or partially convertible.

2. Non-convertible debentures: Holders of these debentures do not have an option to convert their debentures into equity shares.

The important provisions are:

- After getting approval by a special resolution passed at a general meeting, a company may issue debentures with an option to convert such debentures into shares, either wholly or partly, at the time of redemption.

- A company cannot issue any debentures carrying any voting rights.

- Secured debentures can be issued by a company subject to the following conditions:

    - The date of redemption of such debentures should not exceed **10 years** from the date of issue. However, companies connected to infrastructure sector can issue secured debentures for a period exceeding **10 years** but not exceeding **30 years**.
    - Such an issue of debentures shall be secured by the creation of a charge on the properties or assets of the company or its subsidiaries or its holding company or its associates companies.
    - The company shall appoint a **debenture trustee** before the issue of prospectus or letter of offer for subscription of its debentures. Further, not later than **60 days** after the allotment of the debentures, it shall execute a debenture trust deed to protect the interest of the debenture holders.
    - The security for the debentures by way of a charge or mortgage shall be created by the company in favour of the debenture trustee.

- Where debentures are issued by a company, the company shall create a **debenture redemption reserve (DRR) account** out of the profits of the company available for payment of dividend and the amount credited to such account shall not be utilised by the company except for the redemption of debentures. In case of partly convertible debentures, DRR shall be created in respect of non-convertible portion of debenture.

- A company cannot issue a prospectus or make an offer or invitation to the public or to its members exceeding **500** for the subscription of its debentures unless the company has appointed one or more debenture trustees before such issue or offer.

- The role of a debenture trustee is to take steps to protect the interests of the debenture-holders and redress their grievances. Debenture trustee can convene the meeting of debenture-holders according to the rules specified in this regard.

- Any provision contained in a trust deed for securing the issue of debentures, or in any contract with the debenture-holders secured by a trust deed, shall be void in so far as it would have the effect of exempting a trustee thereof from, or indemnifying him against, any liability for breach of trust, where he fails to show the degree of care and due diligence required of him as a trustee, having regard to the provisions of the trust deed conferring on him any power, authority or discretion.

  Note: The liability of the debenture trustee shall be subject to such exemptions as may be agreed upon by a majority of debenture-holders holding not less than **three-fourths in value** of the total debentures at a meeting held for the purpose.

- A company has to pay interest and redeem the debentures in accordance with the terms and conditions of their issue.

- Where at any time the debenture trustee comes to a conclusion that the assets of the company are insufficient or are likely to become insufficient to discharge the principal amount as and when it becomes due, the debenture trustee may file a petition before the Tribunal and the Tribunal may, after hearing the company and any other person interested in the matter, by order, impose such restrictions on the incurring of any further liabilities by the company as the Tribunal may consider necessary in the interests of the debenture-holders.

- Where a company fails to redeem the debentures on the date of their maturity or fails to pay interest on the debentures when it is due, the Tribunal may, on the application of any or all of the debenture-holders, or debenture trustee and, after hearing the parties concerned, direct, by order, the company to redeem the debentures forthwith on payment of principal and interest due thereon.

- A contract with the company to take up and pay for any debentures of the company may be enforced by a decree for specific performance.

- Central Government has the power to prescribe the procedure, for securing the issue of debentures, the form of debenture trust deed, the procedure for the debenture-holders to inspect the trust deed and to obtain copies thereof, quantum of debenture redemption reserve required to be created and such other matters.

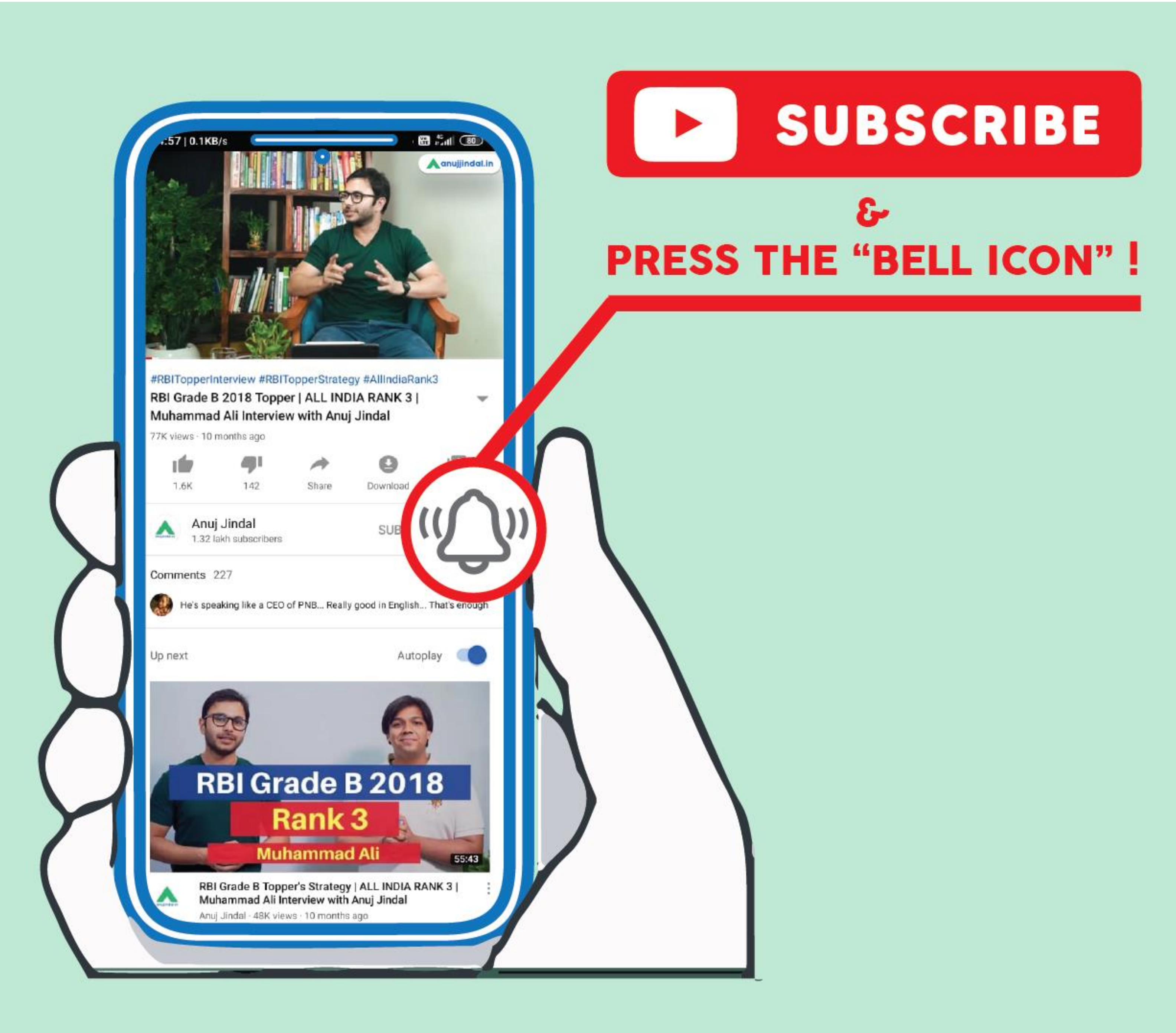
Other important provisions relating to debentures (which are not a part of this Chapter) are:

- Before the issue of debentures, BOD of the company shall obtain approval of the shareholders through special resolution if the borrowings by issuing debentures together with the amount already borrowed exceed the aggregate of company's paid-up share capital, free reserves and securities premium amount. Temporary loans obtained from the company's bankers in the ordinary course of business are not to be included in the borrowings.

- If a company having share capital makes allotment of any debentures, it is required to file with the jurisdictional Registrar a Return of Allotment within **30 days** of such allotment.

Power to Nominate (Sec 72)

- Every holder of securities of a company may, at any time, nominate any person to whom his securities shall vest in the event of his death.
- Where the securities of a company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, any person to whom all the rights in the securities shall vest in the event of death of all the joint holders.
- Where the nominee is a minor, it shall be lawful for the holder of the securities making the nomination to appoint any person to become entitled to the securities of the company in the event of the death of the nominee during his minority.
- The request for nomination should be recorded by the Company within a period of **2 months** from the date of receipt of the duly filled and signed nomination form.
- A nomination may be cancelled, or varied by nominating any other person in place of the present nominee, by the holder of securities who has made the nomination, by giving a notice of such cancellation or variation, to the company.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Vasant Kesari

Cleared SEBI

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NET with 98 Percentile

Anushka Keshri

JRF with 96.92 Percentile

Vaishali Jadon

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JRF with 72 Percentage

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NET with 68 Percentage

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