

Rödl & Partner

DEMATERIALIZATION OF SECURITIES

Compliance is key



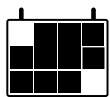
Dematerialisation of Securities



The Ministry of Corporate Affairs (“MCA”) vide notification on 27th October 2023 introduced the Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2023 (“the Rules”). The MCA vide these Amendment Rules, has inserted a new Rule, that is, Rule 9B which provides for issue of securities in dematerialised form by Private Companies.



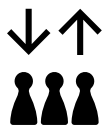
The Rules state that every Private Company, other than a small company, shall issue the securities only in dematerialised form and facilitate dematerialisation of all securities.



A Private Company which as on last day of a financial year, ending on or after 31st March 2023, is not a small company as per audited financial statements for such financial year, shall within 18 (eighteen) months of closure of such financial year, comply with the provisions of these Rules.



Every Private Company making any offer for issue of securities or buyback of securities or issue of bonus shares or rights offer, after the date when it is required to comply with the Rules, shall ensure that before making such offer, entire holding of securities has been dematerialised.



Accordingly, holding of securities (including shares, debentures etc.) of such a Private Company in existing physical share certificates are required to be dematerialised and held in such form by 30th September 2024. After this date, there could be no issue / transfer / buyback / any other corporate action through physical share certificates and the same could be undertaken via dematerialised shares only.

Your Contact



RUSHAK TADKALKAR
Associate Partner
Team Lead-Restructuring &
Banking and Finance

T +91 20 6625 7100
rushak.tatkalkar@roedl.com



RITESH TOSHNIWAL
Senior Associate
Company Secretary

T +91 20 6625 7100
ritesh.toshniwal@roedl.com



ANISHA RAHEJA
Senior Associate
Company Secretary

T +91 20 6625 7100
anisha.raheja@roedl.com

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www.roedl.com/india

Our Offices

📍 AHMEDABAD

Regus unit No. 310, East Wing / B Wing, Privillion Building, Iscon Crossroads, Sarkhej- Gandhinagar Highway
Ahmedabad - 380 054

T +91 976 990 0330
ahmedabad@roedl.com

📍 BANGALORE

Awfis Space Solutions, 3rd Floor, No. 16/2, Prestige Dotcom, Field Marshal Cariappa Road, Srinivas Nagar, Shanthala Nagar, Ashok Nagar, Residency Road
Bengaluru - 560025

T +91 96 9976 5947
bangalore@roedl.com

📍 CHENNAI

Fagun Towers, 8th Floor, Office No 3, No 74, Ethiraj Salai, Egmore
Chennai - 600 008

T + 91 44 4210 3391
chennai@roedl.com

📍 DELHI

Tower 1, 15th Floor, AIPL Business Club
Golf Course Extension Road, Sector 62
Gurugram | Gurgaon 122 018

T +91 124 6749 701
delhi@roedl.com

📍 MUMBAI

Lodha Supremus-Unit no-707
Senapati Bapat Marg, Upper WorliOpp.
Kamala Mill Compound
Lower Parel (W)
Mumbai - 400 013

T +91 22 6266 0800
mumbai@roedl.com

📍 PUNE

Lunkad Sky Cruise
B - Wing, Survey No. 210/3
Viman Nagar
Pune - 411 014

T +91 0 2066 2571 00
pune@roedl.com