



## LexCognito

*This issue of LexCognito, which in Latin means 'awareness about law', seeks to provide you an insight into significant legal and regulatory developments that have taken place very recently in India.*

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### **Mandatory dematerialisation of securities of private companies (other than small company)**

The Ministry of Corporate Affairs (**MCA**) notified the Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2023 vide notification no: G.S.R. 802 (E), dated 27th October, 2023. Through this notification, the Government has mandated all private companies, other than small companies, to mandatorily dematerialise their shares by 30th September, 2024 in accordance with the Depositories Act, 1996 and regulations made thereunder.

MCA has further clarified through its notification that private companies that are not classified as small companies as on the last day of a financial year, ending on or after 31st March, 2023, shall comply with the provisions of this rule within 18 months of closure of such financial year. The term 'small company' has been defined by Section 2(85) of the Companies Act, 2013 to mean a company which has (i) paid up capital not exceeding INR 4 Crore; and (ii) turnover not exceeding INR 40 Crore.

Furthermore, it's explicitly stated that after 30th September, 2024, no private company can issue securities or buyback its securities or issue bonus shares or rights offer until the complete dematerialization of its securities held by its promoters, directors and key managerial personnel.

MCA has also compelled securities holders to have their securities dematerialized prior to the transfer of their securities or subscription of any securities on or after 30th September, 2024.

**CHRI Comment:** It should not be seen as a mandatory compliance, but as an opportunity to get all the securities dematerialised for numerous benefits it brings along including ease in payment of stamp duty, etc. This initiative by MCA is expected to boost transparency and oversight of the financial system. This move will not only streamline the business operations and compliance in India but also mitigates fraudulent activities associated with physical share transactions.

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[Company Court clears Insolvency Resolution Plan framed by Creditors themselves](#)

[Delhi High Court on Disqualification of Directors U/S 164\(2\) of the Companies Act 2013](#)

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Chambers of Rajan & Indraneel is a premier full service law firm headquartered at New Delhi, India and also having presence at Bengaluru. The Firm represents amalgamation of vast experiences and practices of its founder, partners and other professionals. Rajan D Gupta is a rank holder Chartered Accountant turned Corporate Lawyer. He is also a licensed Insolvency Resolution Professional. He has been associated with internationally renowned big law firms in past and has held senior level positions in firms like PwC, Fox Mandal, Khaitan & Co. and SRGR Law, etc. before starting the Firm.

We have a team of experienced Lawyers, Chartered Accountants, Company Secretaries and Insolvency Resolution Professionals with access to network of high quality experienced lawyers in all major commercial cities of India.

The Firm offers a wide range of expert legal services in the areas of corporate and commercial laws and specializes in representing major foreign and domestic corporations with diverse business interests in India. The Firm is professionally equipped to handle large sized and complex corporate transactions like Mergers & Acquisitions, Corporate Restructuring, Joint Ventures, Inbound & Outbound Investments, Private Equity and Venture Capital Investment Transactions, Real Estate Transactions, Infrastructure Projects, Project Finance, Power Projects, Non-Conventional Energy Projects, Highways & Road Projects and Corporate Taxation as well as GST, etc. The Firm also offers proven capabilities in litigation and dispute resolution practice areas, especially in handling international and domestic arbitrations as well as litigation in Supreme Court, various High Courts of India and various judicial and quasi-judicial tribunals/forums including at National Client Law Tribunal, Appellate Tribunals, Tax Tribunals, Competition Commission, Electricity Tribunal, Telecom Disputes Tribunal, Designated Authorities and other adjudicatory bodies.

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