

Referencer
on
Reconciliation of
Share Capital Audit



**THE INSTITUTE OF
Company Secretaries of India**
IN PURSUIT OF PROFESSIONAL EXCELLENCE
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PREFACE

SEBI authorises practising Company Secretaries to undertake Reconciliation of Share Capital Audit to certify reconciliation of total shares of a company held in NSDL, CDSL and in physical form by the shareholders with the total admitted, issued and listed capital.

As a part of capacity building, the Institute brought out this Referencer on Reconciliation of Share Capital Audit. In addition to providing detailed methodology for conducting the Audit, the Referencer also covers other aspects such as scope of the audit, submission of certificate, professional liability, and documents to be verified/examined during the Audit process.

I wish to place on record my sincere thanks to Chairman and Members of the Capital Markets Committee of the ICSI for expediting the finalisation of the Referencer. I take this opportunity to express my sincere thanks to Mr. C Sudhir Babu, Council Member and the member of Capital Markets Committee for reviewing this publication and providing valuable inputs for making this publication comprehensive and self contained.

I commend the dedicated efforts put in by Ms Sonia Baijal, Deputy Director, Directorate of Academics and Professional Development for preparing the manuscript, incorporating suggestions and finalizing this publication under the guidance of Dr. S K Dixit, Director (Academics) and overall supervision of Mr. Sutanu Sinha Senior Director (Academics). I appreciate the valuable support provided by Ms. Khusboo Agarwal Mohanty and Mr. Nikhil Aggarwal, Assistant Education Officers in the preparation of this Referencer. I also appreciate the efforts of Ms. Anita Gupta, Administrative Officer and Mr. R P Bajaj, Desk Officer for providing technical support in the printing of this Referencer.

I am confident that the Referencer will facilitate the members and other users in understanding the nuances of Reconciliation of Share Capital Audit.

In any publication there is always scope for improvement. I would personally be grateful to the users and readers for offering their suggestions for further refinement.

(N K Jain)

Secretary & CEO

The Institute of Company Secretaries of India

C O N T E N T S

1. Introduction	1
2. Historical Background	1
3. Need for Certification	3
4. Applicability	3
5. Scope of Certificate	4
6. Submission of Certificate	5
7. Rights to Access the Records	5
8. Communication to earlier incumbent	5
9. Certification with Qualification	5
10. Penalty for Non-compliance	6
11. Professional Liability	7
12. Fees	7
13. Methodology for carrying out verification	7
14. Checklist for Reconciliation of Share Capital Audit	8
15. Documents to be Verified / Examined	20
16. Terminology	22

Annexures

A. SEBI Circular DGCC / FITTC/CIR-16 / 2002 dated December 31, 2002	24
B. SEBI Circular DGCC/FITTC/CIR-15/2002 dated December 27, 2002	26
C. SEBI Circular No.CIR/MRD/DP/ 30 /2010 dated September 06, 2010	27
D. Format for 'Reconciliation of Share Capital Audit' (www.bseindia.com)	29
E. Format for 'Reconciliation of Share Capital Audit' (www.nseindia.com)	32

Referencer

on

Reconciliation of Share Capital Audit

INTRODUCTION

Regulation 55A (1) of SEBI (Depositories and Participants) Regulations, 1996, requires every issuer to submit to the Stock Exchanges, audit report by a practicing company secretary or qualified chartered accountant on a quarterly basis, for the purposes of reconciliation of the total issued capital, listed capital and capital held by depositories in dematerialized form, the details of changes in share capital during the quarter and in principle approval obtained by the issuer from all stock exchanges where it is listed in respect of such further issued capital.

Sub-regulation (2) lays down that the audit report under sub-regulation (1) shall also give the updated status of the register of members of the issuer and confirm that security have been dematerialized as per requests within 21 days from the date of receipt of request by the issuer and where the dematerialisation has not been effected within the said stipulated period, the report shall disclose the reasons for such delay.

Further, sub-regulation (3) provides that the issuer shall immediately bring to the notice of the depositories and the stock exchanges, any difference observed in its issued, listed, and the capital held by depositories in dematerialized form.

HISTORICAL BACKGROUND

Securities and Exchange Board of India (SEBI) had earlier vide circular D&CC / FITTC/CIR-16 / 2002 dated December 31, 2002 directed that all issuer companies must immediately subject themselves to a Secretarial Audit to be undertaken, by a qualified Company Secretary or a Chartered Accountant. (**Annexure A**)

The circular dealt with certification of reconciliation of total shares of a company held in NSDL, CDSL and in physical form by the shareholders with the total admitted, issued and listed capital.

The listed companies are required to submit the said certificate to the stock exchange(s) where their shares are listed.

In line with the above understanding, SEBI in 2003, rightly introduced the requirement of Audit as stated above in the SEBI (Depositories and Participants) Regulations, 1996, through insertion of Regulation 55A under the heading as 'Audit'. The said regulation also requires every issuer to submit Audit Report on a quarterly basis, to the concerned Stock Exchanges by a qualified Company Secretary or a Chartered Accountant for the purposes of reconciliation of the total issued capital, listed capital and capital admitted in the two depositories and held in dematerialized form. In the common parlance, the terminology used for the said audit was 'Secretarial Audit' in the light of SEBI Circular No. D&CC/FITCC/CIR-16/2002-dated December 31, 2002. The Stock Exchanges also uploaded formats of the Report on their respective websites and titled them as 'Secretarial Audit'.

ICSI reiterated to SEBI that the expression 'Secretarial Audit' conveys a wider meaning and covers compliance of various laws, such as Companies Act, 1956, Securities Contracts (Regulation) Act, 1956, SEBI Act 1992, and rules, regulations made thereunder, Foreign Exchange Management Act, Competition Act, etc.

Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs also advised the companies to get the Secretarial Audit conducted by a competent professional.

An apprehension was being expressed that the same nomenclature 'Secretarial Audit' covered under Corporate Governance Voluntary Guidelines , 2009, issued by the Ministry of Corporate Affairs and 'Secretarial Audit' under SEBI Regulations as stated in the formats on Stock Exchanges, could result in confusion among the corporates and professionals.

It was being felt in the professional circles that Secretarial Audit encompasses a vast area relating to audit and examination of corporate and secretarial records of the company and cannot be restricted only to audit for reconciliation of capital.

Accordingly, the Institute initiated discussion with the regulators and Stock Exchanges that the term 'Secretarial Audit' be reworded and a clarification to this effect be issued to avoid confusion amongst corporates and professionals on the scope of Secretarial Audit.

In accordance with the concerns expressed, SEBI vide circular no. CIR/MRD/DP/ 30 /2010 September 06, 2010 modified the terminology from 'Secretarial Audit' to 'Reconciliation of Share Capital Audit' (Annexure C).

NEED FOR CERTIFICATION

Instances have been reported, in which the issuer companies have dematerialised shares in excess of admitted capital or without obtaining "in-principle" approval from the concerned stock exchanges where the shares are listed. These companies have made preferential allotment of shares usually against swaps and the promoters have dematerialised their holdings without the shares being listed on all the stock exchanges where the shares were listed.

An ideal situation is where the total issued and paid-up capital is duly listed on all the Stock Exchanges and the listing permissions are in place and the said listed Capital is admitted with both the Depositories for dematerialisation. The shares dematerialized plus the shares in physical form should be equal to issued / listed capital. The total shares actually dematerialised should not be in excess of the admitted capital. Admitted Capital refers/relates to the quantum of securities, which are admitted for getting dematerialised into the Depository.

APPLICABILITY

Every Listed Company is required to obtain the certificate with respect to tallying the total number of shares held in Depositories and in the physical form with that of the admitted, issued / paid-up and listed capital.

Every Listed Company is required to submit the certificate to the Stock Exchange(s) where its shares are listed within the prescribed time limit. The first certificate as on 31st December 2002 was required to be submitted within 60 days by the Company to the stock exchange(s) where the shares of the company are listed. The certificates for the subsequent quarters from the quarter ending 31st March, 2003 are required to be submitted within 30 days of the end of each quarter.

No precise period has been prescribed for the PCS to submit this certificate to the Company. However, it would be advisable for the PCS to give the certificate to the Company sufficiently well in advance to enable the Company to submit the same to the stock exchange (s) where the shares of the company are listed within the prescribed time limit.

SCOPE OF CERTIFICATE

The scope of the certificate would comprise the following:

- a. Tallying of
 - Total issued capital
 - Total paid-up capital
 - Total listed capital
 - Total admitted capital with both the Depositories (NSDL/CDSL)
- b. Updation of Register of Members (ROM).
- c. Confirmation of dematerialisation requests within 21 days.
- d. Shares pending confirmation for more than 21 days from the date of requests and reasons for delay, if any.
- e. Furnishing details of changes in share capital (due to rights, bonus, preferential issue, IPOs, buyback, capital reduction, amalgamation, de merger, etc.)
- f. Confirmation as to whether in-principle approval for listing in respect of all further issues have been received from all stock exchanges where the securities of the company are listed.

The certificate relates only to share capital (equity and preference) and not with respect to debts (debentures, bonds etc.).

If the company has equity shares with multiple ISIN's (due to existence of partly paid up shares etc.), reconciliation has to be done for each ISIN.

The PCS should also check:

- (i) Whether Registrar's Certificate with SEBI is renewed or not ?
- (ii) Whether there is any delay/defect with registrar in completing demat work.
- (iii) Whether any intimation is due to be given to Stock Exchanges, depositories ?
- (iv) Whether certificates received for demat have been destroyed after confirming demat requests ?
- (v) Whether any wrong confirmation of demat requests is given; if so financial impact of such errors.

In the course of the verification, if the PCS comes across any Forms, resolutions etc., not filed with Registrar of Companies then the same should be brought to the notice of the management of the Company for compliance. For example, if the company has altered

its authorized or paid-up share capital and has not filed necessary Forms with Registrar of Companies, then the same need not be reflected in the certificate, but should be brought to the notice of the management of the company.

SUBMISSION OF CERTIFICATE

Every Listed Company is required to submit the certificate issued by the Practising Company Secretary to the Stock Exchange(s) where its shares are listed within 30 days from the end of each quarter.

Stock Exchange(s) are required to bring to the notice of SEBI and both the Depositories any difference observed in the listed / issued capital of the company.

This certificate is required to be placed before the Board of Directors of the Company. The certificate may be placed before the Board of Directors before or after submitting the same to the Stock Exchange(s).

RIGHTS TO ACCESS RECORDS

Since SEBI has cast an obligation on the PCS to issue a 'certificate' reconciling share capital of a listed company, it is expected that the PCS issuing the certificate conducts a diligent verification / examination of the relevant registers, books and records maintained by the company and Registrars and Share Transfer Agents. Similarly, the Issuer Company and concerned Registrars and Share Transfer Agents shall facilitate and make it convenient for a PCS to have access to all necessary registers, records and books maintained in this connection.

COMMUNICATION TO EARLIER INCUMBENT

In view of the provisions of clauses (8) and (11) of Part I of the First Schedule to the Company Secretaries Act, 1980, whenever a new incumbent is assigned the certification work, he should communicate his appointment to the earlier incumbent by registered post.

CERTIFICATION WITH QUALIFICATION

The qualification, reservation or adverse remarks, if any, may be stated by the PCS at the relevant places in the Certificate. It is recommended that the qualifications, reservations or adverse remarks of PCS, if any, should be stated in thick type or in italics in the Compliance Certificate. If there are discrepancies that can be rectified

immediately, PCS should get such rectification done eg. information to be given to stock exchanges , depositories or updating ROM etc. All such discrepancies that cannot be rectified immediately and that are not in compliance with law , be reported as exceptions in the certificate. Management should be informed of such discrepancies in person by the PCS.

PENALTY FOR NON-COMPLIANCE

The circular states that any non-compliance by the Issuer Company shall be viewed seriously and suitable action shall be initiated under the Depositories Act, 1996 against the Issuer Company and its Directors.

As per Section 20 of the Depositories Act, 1996 whoever contravenes or attempts to contravene or abets the contravention of the provisions of the Act or any regulations or bye-laws made thereunder shall be punishable with imprisonment for a term which may extend to ten years, or with fine which may extend to twenty five crore rupees, or with both.

Sub-section (1) of Section 21 of the Depositories Act, 1996 provides that where an offence under the Act has been committed by a company, every person who at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

The proviso to Sub-section (1) of Section 21 of the Depositories Act, 1996 states that nothing contained therein shall render any such person liable to any punishment provided in this Act, if he proves that the offence was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

Further Sub-section (2) of Section 21 of the Depositories Act, 1996 provides that notwithstanding anything contained in Sub-section (1) of the Depositories Act, where an offence under the Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

PROFESSIONAL LIABILITY

Any failure or lapse on the part of a PCS in issuing a certificate may attract disciplinary action for professional or other misconduct under the provisions of the Company Secretaries Act, 1980. Therefore, it becomes imperative for the PCS that he exercises great care and caution while issuing the certificate and also adheres to the highest standards of professional ethics and excellence in providing his services.

FEES

The scale of fees for certification may be based on criteria, like paid-up share capital, number of shareholders and man-hours involved etc.

METHODOLOGY FOR CARRYING OUT VERIFICATION

It would be advisable that the PCS requests the company for access to various documents and books including the Memorandum and Articles of Association of the company, Annual Reports of the last two to three years, Register of Members/ debenture holders, various statutory and other registers, the Minutes Books, copies of forms and returns filed with the Registrar of Companies etc. which he considers essential for the purpose.

The reasons for delay in demat, difference in capital, etc., may be stated by the PCS at the relevant places.

If the scope of work required to be performed, is restricted on account of limitations imposed by the client or on account of circumstantial limitations (like certain books or papers being in custody of another person or Government Authority) such constraints or limitations should be mentioned in the certificate.

PCS shall have due regard to the press releases, circulars and/or clarifications issued by the SEBI and the Depositories from time to time. It is recommended that a specific reference of such circulars at the relevant places in the certificate may be made, wherever necessary.

CHECK LIST FOR RECONCILIATION OF SHARE CAPITAL AUDIT

<i>SI. NO.</i>	<i>ITEM</i>	<i>CHECKLIST/DOCUMENTS TO BE CHECKED</i>
1.	For Quarter Ended	Verify the certificate for the previous quarter if any.
2.	ISIN	<ul style="list-style-type: none"> (i) Check the classes of shares issued and numbers of ISIN's issued to the company from weekly reports given by depositories / letters / correspondence with depositories. (ii) Verify the letter of Depository allocating International Securities Identification Number to the securities of the company. (iii) Form the concerned depository website.
3.	Face Value	<p>Check</p> <ul style="list-style-type: none"> (i) The Share certificate (ii) The authorized capital clause of the MOA (iii) MOA and Balance Sheet
4.	Name of the Company	Check the certificate of incorporation/ Memorandum of Association
5.	Registered Office Address	<p>Check:</p> <ul style="list-style-type: none"> (i) the Memorandum of Association (ii) e-Form No. 18 (Notice of situation or change of situation of registered office) (iii) MCA, concerned Stock Exchange website
6.	Correspondence Address	<ul style="list-style-type: none"> (i) Check the address given to stock exchange; depositories, share holder - is it the same where share registry activity is carried out. (ii) Check the letterhead /Website used by the company. (iii) Board Meeting Resolutions, Annual Reports and Stock Exchange Intimation letters.

<i>SI. NO.</i>	<i>ITEM</i>	<i>CHECKLIST/DOCUMENTS TO BE CHECKED</i>
7.	Telephone & Fax Nos.	<ul style="list-style-type: none"> (i) Check the letterhead/Website used by the company. (ii) Stock Exchange Website & MCA
8.	Email address	<ul style="list-style-type: none"> (i) Check the letterhead/Website used by the company. (ii) MCA
9.	Names of the Stock Exchanges where the company's securities are listed.	<ul style="list-style-type: none"> (i) Check quotations in financial dailies to find out where securities of the company are traded and basis of such trade. (ii) Check the permission letter received from the stock exchange(s). (iii) Annual Report of the company, Listing Approval letters, Annual Retruns, Annual Reports and concerned websites.
10.	Issued Capital	<p>Check</p> <ul style="list-style-type: none"> (i) the last audited balance sheet of the company (ii) Register of Members (iii) Minutes of Board and general meetings after the signing date of the last audited accounts (balance sheet), to ascertain any change in the capital. (iv) If PCS is continuously appointed, verification may be limited to a period after last audit. (v) General Meeting Resolution and concerned websites. <p><i>PCS should verify from the capital clause of the Memorandum of Association or the latest Balance sheet of the Company the Nominal Capital / authorized capital of the company.</i></p>
11.	Listed Capital (Exchange-wise) (as	<ul style="list-style-type: none"> (i) Check the letter(s) received by the company from Stock Exchange(s) for admission of trading of equity shares.

<i>SI. NO.</i>	<i>ITEM</i>	<i>CHECKLIST/DOCUMENTS TO BE CHECKED</i>
	per company records)	<p>(ii) Listing Approval letters, Balance sheet and concerned website</p> <p><i>Admitted Capital : check the details of shares informed to depositories, check whether the same information is given to both the depositories or if there is any discrepancy.</i></p>
12.	Number of shares held in dematerialised form in CDSL	<p>(i) Request the Issuer / RTA to furnish a report giving the total number of Shares which have been dematerialised as held under CDSL.</p> <p>(ii) The total shares dematerialised, technically should be equivalent to the total number of Shares held in NSDL/CDSL/Depository Folio as reflected in the ROM.</p> <p>(iii) Though the certificate relates dematerialisation, PCS also needs to verify rematerialisation for the purpose of ensuring that ROM is updated upon rematerialisation.</p> <p><i>If listing is not done/ denied for any part of the shares, check if any shares in the range of distinctive numbers not intimated to depositories? If so, highlight the name of the shareholders who have dematerialized.</i></p>
13.	Number of shares held in dematerialised form in NSDL	<p>Request the Issuer/RTA to furnish a report giving the total number of shares, which have been dematerialised as held under NSDL.</p> <p><i>If listing is not done / denied for any part of the shares, check whether any shares in the range of distinctive numbers not intimated to depositories are being/have been dematerialized</i></p> <p><i>If so, highlight the name of the shareholders who have so dematerialized.</i></p>

<i>SI. NO.</i>	<i>ITEM</i>	<i>CHECKLIST/DOCUMENTS TO BE CHECKED</i>
14.	Physical	Request the Issuer/RTA to furnish a report giving the total number of shares, which are held by the Investors in physical form.
15.	Total No. of shares (12+13+14)	Request the Issuer/RTA to furnish a report giving the integrity check for the total Capital in the Register of Members (ROM).
16.	Reasons for difference if any, between (10&11), (10&15), (11&15)	<p>(i) Verify the total Capital, the PCS may ask the Issuer to furnish a report giving reference of the first and last distinctive numbers available in the Master. The last distinctive number would indicate the total available Capital as per the ROM/Master Creation Form.</p> <p>(ii) Sample checks can be carried out for a few of the dematerialized requests received and confirmed by the RTA to ensure that those Certificates have been moved and updated on the ROM and stands reflected in the NSDL / CDSL/Depository Folio.</p> <p>(iii) Request the Issuer/RTA to furnish a reconciliation statement from the NSDL and CDSL Server as at the end of the last day of the Quarter giving the total number of Shares in the respective Depositories as held by the various beneficiary holders of the Company.</p> <p>(iv) The Shares moved in NSDL/CDSL/ Depository Folio should be equal to the total number of Shares held in NSDL and CDSL. In case of difference, if any, explanation has to be sought from the Issuer/ RTA. The differences could arise on account of the following :</p> <p>(a) Distinctive master creation form / ROM updated but confirmation not</p>

<i>SI. NO.</i>	<i>ITEM</i>	<i>CHECKLIST/DOCUMENTS TO BE CHECKED</i>
		<p>given electronically or vice-versa Demat/ Remat</p> <p>(b) Excess confirmation given in the Depository. This may happen where a DP has generated two Demat Requests for the same set of Certificates, which through oversight has been confirmed by the Company/RTA.</p> <p>(v) Check the Beneficiary Position received by the Company/ RTA from NSDL and CDSL as at the beginning & end of the quarter.</p> <p>(vi) Check the Distribution Schedule maintained by the Company/ RTA for the shares held in the physical mode as at the beginning & end of the quarter.</p> <p>(vii) Check that the total of the shares shown in the Beneficiary Position of NSDL, CDSL and the Distribution Schedule (Physical Mode) tally with the total Paid - up Share Capital of the Company.</p> <p>Notes :</p> <ul style="list-style-type: none"> (1) For the purpose of carrying out the reconciliation, the PCS should insist and obtain the Reconciliation statement generated from NSDL/CDSL server and not consider the beneficiary position downloaded by the depositories. (2) Check that the issued capital is equal to or less than the Authorised Capital. (3) Check that the paid-up capital is equal to or less than the Issued Capital. (4) Check that the listed capital is equal to or less than the paid up capital.

<i>SI. NO.</i>	<i>ITEM</i>	<i>CHECKLIST/DOCUMENTS TO BE CHECKED</i>
		(5) Check that the Admitted Capital is equal to or less than the Paid-Up & Listed Capital.
17.	Certifying the details of changes in share capital during the quarter under consideration	<p>(i) Check minutes of Board meetings, committee meetings and general meetings to ascertain any change (increase or decrease) in the capital.</p> <p>(ii) In case of increase of capital through Rights Issue, ESOPs, Bonus Issue, Preferential Allotment of shares, check that</p> <ul style="list-style-type: none"> (1) the resolution passed in the General Meeting, (2) resolution for allotment of shares passed in the Board Meeting, (3) the effect of increase of share capital is reflected in the Register of Members, and necessary Forms etc. filed with the Registrar of Companies. <p>(iii) In case of reduction of capital by way of Buy Back of shares, Forfeiture of shares, Scheme of Arrangement, Reduction of Capital u/s. 100 of the Companies Act, 1956,check that:</p> <ul style="list-style-type: none"> (1) the resolution is passed in the General Meeting, (2) resolution passed in the Board Meeting and order(s) passed by High Court(s)/ BIFR (Now National Company Law Tribunal as per Companies (Second Amendment) Act, 2002, as and when notified) and <p>(iv) Obtain from the Company the listing permission received from all the Stock Exchanges where the shares of the Company are listed.</p> <p>(v) In case of further issue of shares</p>

<i>SI. NO.</i>	<i>ITEM</i>	<i>CHECKLIST/DOCUMENTS TO BE CHECKED</i>
		<p>(Where a Company has obtained an ISIN and admitted Shares in dematerialised form, for any additional Capital issued):-</p> <ul style="list-style-type: none"> (a) Check that the Company has received "In Principle Approval" from all the stock exchanges where the listing of shares is desired by the Issuer Company. If the Company has not received the approval from all or any of the stock exchange(s), the same has to be stated in the certificate. (b) Check the "Master Creation Form" submitted by the Issuer Company to the Depositories for admission of shares for Dematerialisation to ascertain the number of shares and distinctive numbers, which would be available for dematerialisation. (c) Obtain the letter of confirmation received from NSDL & CDSL for admission of share capital for Dematerialisation and ensure that the same number of shares and distinctive numbers are admitted as applied in "Master Creation Form". Until both these requirements are in place, the shares even if allotted can be retained only in physical form by the respective allottees. (v) Check that the Company has informed all the stock exchanges where its shares are already listed as required under the listing agreement for reduction of shares. If the Company has not informed to all or any of the stock

<i>SI. NO.</i>	<i>ITEM</i>	<i>CHECKLIST/DOCUMENTS TO BE CHECKED</i>
		<p>exchange, the same is to be stated in the certificate.</p> <p>(vi) Check should also be on consolidation/ subdivision of shares/ conversion of debt instrument into shares etc., consequent change in number of shares-effect on shares held in depositories.</p>
18.	Register of Members is updated (Yes/No) If not updated upto which date	<p>(i) Check that the request for physical transfer of shares, request for dematerialisation of shares received during the quarter has been given effect to in the Register of Members maintained by the company or RTA. A random sampling method may be adopted in case a company has received large number of application for transfer/dematerialisation of shares.</p> <p>(ii) Check records of the Share Transfer Committee Meeting/ Board Meeting in relation to approval for dematerialisation/ rematerialisation of shares, where company has direct connectivity with depositories and in those cases where the company has practice to do so though the work may have been assigned to RTA.</p> <p>Note:</p> <p>(i) <i>Format of Register of Members (ROM) has been Prescribed under Rule 7 of Companies (Issue of Share Certificates) Rules, 1960 and a company is required to maintain ROM under Section 150 of the Companies Act.</i></p> <p>(ii) <i>It may be noted that the RTA is required to maintain details of</i></p>

SI. NO.	ITEM	CHECKLIST/DOCUMENTS TO BE CHECKED
		<p><i>beneficiaries, and the name of the depositories appear in the Register of Members as an ostensible owner.</i></p> <p><i>(iii) Generally, ROM is maintained in electronic form. Normally in a database of ROM, certain critical fields are indexed which would facilitate verification of the specific record. For e.g. the fields, which are normally indexed are Certificate number, Distinctive number, Folio number and the name of the shareholder:</i></p> <ul style="list-style-type: none"> <i>(a) A query made on a Certificate number will disclose the details of the Certificate which has been issued.</i> <i>(b) A query made on a Distinctive number will disclose details of the Certificate number pertaining to that Distinctive number which has been issued.</i> <i>(c) A query made on a Folio number will disclose all the details of the Certificates including distinctive numbers, which are held under that Folio.</i> <i>(d) A query made on the name of a shareholder with ROM is maintained in electronic form. Normally in a database of ROM, certain critical fields are indexed which would facilitate verification of the specific record. e.g. the fields, which are normally indexed are certificate number, Distinctive number, folio number and the name of the shareholder.</i>
19.	Reference of previous	(i) Check the certificate for the previous quarter.

<i>SI. NO.</i>	<i>ITEM</i>	<i>CHECKLIST/DOCUMENTS TO BE CHECKED</i>
	quarter with regard to excess de-materialised shares, if any	<p>(ii) Check if SEBI / Stock Exchanges have ordered for extinguishments of any shares and its effect on shares held in depositories.</p> <p>(iii) Previous Annual returns, Annual reports and RTA Reports.</p>
20.	Has the company resolved the matter mentioned in point no.19 above in the current quarter ? If not, reason therefore ?	<p>(i) PCS may seek the information/letter of representation in this regard from the management of the company and report in the certificate.</p> <p>(ii) Previous Annual returns, Annual reports and RTA Reports.</p>
21.	Mention the total no. of requests, if any; confirmed after 21 days and the total no. of requests pending beyond 21 days with the reasons for delay : Total No. of demat requests confirmed after 21 Days : - No. of requests - No. of Shares	<p>(i) Check that the requests for dematerialisation of shares received by the company or RTA during the quarter have been given effect to within 21 days of the request. If any discrepancy is noticed the same should be mentioned in the audit report along with the reason.</p> <p>(ii) If requests received are in large numbers (where the physical verifications of the same would take time) the same can be checked by random sampling.</p> <p>(iii) Check that Depositories maintain history file, from which Company/RTA can take printout of demat requests made during the quarter showing date of DRN (date of request) and confirmation date on their server. The gap between DRN date and</p>

<i>SI. NO.</i>	<i>ITEM</i>	<i>CHECKLIST/DOCUMENTS TO BE CHECKED</i>
		<p>confirmation date shall not be more than 21 days.</p> <p>(iv) Check whether there are any demat requests received during the quarter and which are pending confirmation beyond 21 days as on the date of the certificate. If there are any such cases, the same should be stated with the reasons for the delay in confirmation. The PCS while carrying out the audit should take an exception report where there has been delay for the request which has been confirmed beyond period of 21 days of the generation of the request. The fault may be on the part of the DP in verifying and releasing the request within 24 hrs and/or delay in dispatch of documents to the issuer/ RTA whereby the documents may have been received beyond the period of five days from the generation of the request. The exception report should mention the reasons for the delay.</p> <p>(v) Check whether any demat request pending for more than 21 days needs to be rejected on the depositories system. if not rejected, get them rejected or mention in the certificate that request requiring attention for rejection have not been rejected.</p> <p>Note:</p> <p><i>(i) The 21 days period for giving effect to the request for dematerialisation is reckoned from the date of the request as generated by the Depository Participants upon</i></p>

SI. NO.	ITEM	CHECKLIST/DOCUMENTS TO BE CHECKED
		<p><i>entering particulars of shares submitted for demat in the server of Depositories.</i></p>
		<p><i>(ii) The DP generating a demat request has to complete the process of verification and releasing the said request. It is normally expected that the DP will verify and release the request within 24 hrs.</i></p>
		<p><i>Demat Request Form(DRF) thereafter alongwith the physical Certificate is posted/couriered to the concerned issuer/RTA.</i></p>
		<p><i>Allowing further five days for receipt of the documents by the issuer/RTA, the processing and confirmation of request by the RTA should not take more than 14 days from the date of receipt of the documents.</i></p>
22.	Name, Telephone and Fax No. of the Compliance Officer of the Company.	<p>(i) Request the company to furnish details of the compliance officer.</p> <p>(ii) Stock Exchange website, Board meeting resolutions and Annual reports.</p>
23.	Name, Address, Telephone and Fax No., Registration No. of the Auditor	<p>PCS may furnish his particulars as required.</p>
24.	Appointment of Common agency for share registry	<p>(i) Check whether the company is carrying out its whole of the share registry work either under one agency or in-house.</p>

<i>SI. NO.</i>	<i>ITEM</i>	<i>CHECKLIST/DOCUMENTS TO BE CHECKED</i>
	work if yes (name and address)	(ii) Board Meeting resolutions and Annual reports.
25.	Any other detail that the auditor may like to provide, (e.g. BIFR company, delisting from SE, company changed its name etc.)	(i) The PCS may furnish any other relevant detail relating to securities. (ii) Details of the websites searched, concerned Stock exchange sites and Company records.

DOCUMENTS TO BE VERIFIED / EXAMINED

1. Documents

- 1.1 Appointment letter to conduct audit for issue of certificate.
- 1.2 Certified copy of memorandum and articles of association.
- 1.3 Latest audited account(s).
- 1.4 Letter of intent / Master Creation Form submitted to depository.
- 1.5 Confirmation letter from depositories for admission of shares for demat (which also gives ISIN).
- 1.6 Copy of Listing permission from all stock exchanges, where securities are listed.
- 1.7 Copy of latest annual return filed with the Registrar of Companies.
- 1.8 Latest copy of Distribution schedule filed with stock exchange.
- 1.9 Copy of e-Form No.2 filed with Registrar of Companies for allotment of shares.
- 1.10 Copy of e-Form No.5 filed with Registrar of Companies for change in authorized share capital.

- 1.11 Return of buy-back of shares filed with Registrar of Companies.
- 1.12 Certified copy of the resolution passed by the Board for forfeiture and re-issue of forfeited shares.
- 1.13 Certified copy of the Court order and e-Form 21 filed with Registrar of Companies for reduction of capital.
- 1.14 Certified copy of the order issued by Court(s) / BIFR authorities for Amalgamation Scheme / Restructuring and e-Form 21 filed with Registrar of Companies.
- 1.15 Copy of in-principle approval obtained from Stock Exchanges for listing of shares.
- 1.16 Latest copy of quarterly shareholding pattern filed with the stock exchange(s).
- 1.17 Copy of the Prospectus/Letter of Offer/Information Memorandum issued by the company.

2. Registers

- 2.1 Minutes of board meeting and general meeting.
- 2.2 Register of Members.
- 2.3 Register of Demat / Rematerialisation.
- 2.4 Beneficiary details furnished by Depositories.

3. DRF form and Correspondence with the client

4. Annual Report of the company

TERMINOLOGY

Issuer Company means any company making an issue of securities.

Authorised capital means the number and par value, of each class of shares that an enterprise may issue in accordance with its instrument of incorporation. This is also referred to as the nominal or face value of the shares, which the company is authorised to issue by its Memorandum of Association.

Issued Capital means the portion of the authorised share capital, which has actually been offered for subscription. This includes any bonus shares allotted by the corporate enterprise.

Paid-up Capital : The reference to the Paid-up Capital is similar to the reference provided in the Companies Act. As per Section 2 (32) of the said Act, "paid-up capital" or "capital paid-up" includes capital credited as paid-up.

Paid-up Capital means that part of the subscribed share capital for which consideration in cash or otherwise has been received. This includes any bonus shares allotted by the corporate enterprise.

Listed Capital : Sub-section (23A) of Section 2 of the Companies Act, 1956 defines a listed company. The term 'listed capital' may accordingly be construed as that part of capital of a listed company, which has been granted permission for trading on a recognized stock exchange.

Companies are required to make application to stock exchange for permission for trading in its securities. Accordingly, when a Company raises any fresh Capital, it is mandatory as per Clause 24 of the Listing Agreement to make an application to the Stock Exchange for listing and also obtain permission from the Stock Exchange for having the listed capital permitted for trading on Stock Exchange where they are listed. The listing permission should be sought and obtained from all the Stock Exchanges where the Shares are listed.

Admitted Capital: Admitted Capital refers/relates to the quantum of securities, which are admitted for getting dematerialised into the Depository.

Accordingly, a company before dematerialising the Shares will have to make an application to the respective Depositories after filling a "Master Creation Form" (MCF) giving the various salient features of the securities, which are to be admitted into the Depository. The quantum of shares, which are admitted into the

Depository for the first time based on the Master Creation Form submitted by the Company, is verified by the respective Depositories with the Share Capital listed with the Stock Exchange. In other words, as a natural corollary the admitted Shares must not be more than listed Capital.

ISIN refers to the International Standard Identification Number. This is unique for each security issued by a Company. The ISIN number is allocated by NSDL and CDSL.

A Company cannot have more than one ISIN except for cases where Shares are allotted and are partly paid-up. There may be exception to this rule, which could have been granted by respective Depositories on a case to case basis. Such an exception will be granted by the Depository only in consultation with SEBI.

Distinctive Numbers : Shares issued in physical form have a unique number, which is called distinctive number. Generally the last distinctive number indicates the total issued/paid-up capital. Additional capital, if any, raised by the company will have the distinctive number in a continuous manner after the last distinctive number originally issued.

Updation of Register of Members (ROM)

The updation of ROM means recording the details of the present registered holder for a given Certificate, which has been issued by the Company. Technically, when a transfer takes place from Mr. A to Mr. B, the ROM is updated so that the shares which were in the Folio number of Mr. A are now reflected in the Folio number of Mr. B. Similarly, when shares are received for dematerialisation from Mr. A, the shares are debited to the Folio of Mr. A and credited to the Folio of NSDL/CDSL.

SEBI CIRCULAR D&CC/FITTC/CIR – 16/2002*Dated : December 31, 2002***Chairman / Managing Director,****All Issuer Companies**

Dear Sir,

Sub : SECRETARIAL AUDIT

It has been decided that all the issuer companies shall subject themselves to a secretarial audit to be undertaken by a qualified Chartered Accountant or a Company Secretary, for the purposes of reconciliation of the total admitted capital with both the depositories and the total issued and listed capital. The audit shall cover the following aspects and certify among others:

1. That the total of the shares held in NSDL, CDSL and in the physical form tally with the issued / paid-up capital.
2. That the Register of Members (RoM) is updated.
3. That the dematerialisation requests have been confirmed within 21 days and state the shares pending confirmation for more than 21 days from the date of requests and reasons for delay.
4. The details of changes in share capital (due to rights, bonus, preferential issue, IPO, buyback, capital reduction, amalgamation, de-merger etc) during the quarter and certify in case of listed companies whether in-principle approval for listing from all stock exchanges was obtained in respect of all further issues.

The issuer companies shall submit the audit report on a quarterly basis to the stock exchange/s where they are listed. Any difference observed in the admitted, issued and listed capital shall be immediately brought to the notice of SEBI and both the Depositories by the stock exchanges. The first report in regard to the capital as on December 31, 2002, shall be submitted to all the stock exchanges where the issuer company are listed within 60 days, thereafter it shall be submitted every quarter starting from March 31, 2003, within 30

days of the end of each quarter. This report shall also be placed before the Board of Directors of the issuer company.

Any non compliance by the issuer company shall be viewed seriously and suitable action shall be initiated under the Depositories Act, 1996 against the issuer company and its Directors.

Yours faithfully,

R M JOSHI

SEBI CIRCULAR DECC/FITTC/CIR-15/2002

Dated : December 27, 2002

To,

All Stock Exchanges, Depositories and custodians

Dear Sir,

**Sub : Depository and Custodial Division - Circular No. 15
Appointment of common agency for share registry work**

In many cases the issuer companies are having an internal department or a division (by whatever name called) for handling of physical share work and an out side agency for handling the work of electronic connectivity. This kind of arrangement is leading to delay in dematerialisation, non-reconciliation of share holding due to lack of proper co-ordination among the concerned agencies or departments, which is adversely affecting the interest of the investors.

It has therefore been decided that all the work related to share registry in terms of both physical and electronic should be maintained at a single point i.e. either in-house by the company or by a SEBI registered R & T Agent.

The above instructions should be implemented as early as possible, but in any case not later than February 01, 2003.

Yours faithfully,

s/d

R. M. Joshi

SEBI CIRCULAR CIR/MRD/DP/ 30 /2010

Dated : September 06, 2010

To,

All Stock Exchanges and Depositories

Dear Sir/Madam,

**Sub : Clarification on submission of Audit report
under Regulation 55A of SEBI
(Depositories and Participants) Regulations, 1996**

Please refer to regulation 55A of the SEBI (Depositories and Participants) Regulations, 1996, the Circular No. D&CC/FITTC/CIR-16/2002 dated December 31, 2002 and the Circular No. SEBI/MRD/Policy/Cir-13/2004 dated March 3, 2004.

2. The aforementioned regulation and circulars necessitate every issuer to submit audit report on a quarterly basis to the stock exchanges audited by a qualified chartered accountant or a practicing company secretary, for the purpose of reconciliation of share capital held in depositories and in physical form with the issued / listed capital.
3. SEBI has received representations for changing the term 'Secretarial Audit' as it encompasses a wider area pertaining to examination of corporate and secretarial records of the company and cannot be restricted to merely audit for reconciliation of share capital.
4. Upon examination, it has been decided to modify the terminology 'Secretarial Audit' as mentioned in the circular No. D&CC/FITTC/Cir-16/2002 dated December 31, 2002 to 'Reconciliation of Share Capital Audit'. SEBI Circular No. D&CC/FITTC/Cir-16/2002 dated December 31, 2002 stands amended to the extent as above.
5. The Stock Exchanges are advised to:
 - 5.1 make necessary amendments, if required, to the relevant bye-laws/rules and regulations/circulars for the implementation of the above decision immediately.
 - 5.2 bring the provisions of this circular to the notice of the Issuers of the Exchange and also to disseminate the same on the website.

6. The Depositories are advised to:
 - 6.1 make necessary amendments, if required, to the relevant byelaws/rules and regulations/circulars for the implementation of the above decision immediately.
 - 6.2 bring the provisions of this circular to the notice of the Registrar and Share Transfer Agents and also to disseminate the same on the website.
7. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 read with Section 19 of the Depositories Act, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

This circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

Harini Balaji
Deputy General Manager
022-26449372
harinib@sebi.gov.in

Annexure D

Format for Reconciliation of Share Capital Audit Report*
(Separate for each ISIN)

(details should be certified by the auditors)

- | | |
|--|----------------------|
| 1. For Quarter Ended | <input type="text"/> |
| 2. ISIN : | <input type="text"/> |
| 3. Face Value : | <input type="text"/> |
| 4. Name of the Company | <input type="text"/> |
| 5. Registered Office Address | <input type="text"/> |
| 6. Correspondence Address | <input type="text"/> |
| 7. Telephone & Fax Nos. | <input type="text"/> |
| 8. Email address | <input type="text"/> |
| 9. Names of the Stock Exchanges where the company's securities are listed: | |

Number of shares	% of Total Issued Cap.
<input type="text"/>	<input type="text"/>

10. Issued Capital

<input type="text"/>	<input type="text"/>
----------------------	----------------------

11. Listed Capital (Exchange-wise)

(as per company records)

<input type="text"/>	<input type="text"/>
----------------------	----------------------

12. Held in dematerialised form in CDSL

<input type="text"/>	<input type="text"/>
----------------------	----------------------

13. Held in dematerialised form in NSDL

<input type="text"/>	<input type="text"/>
----------------------	----------------------

* Reproduced from www.bseindia.com website of Bombay Stock Exchange of India Ltd.

14. Physical

--	--

15. Total No. of shares (12+13+14)

--

16. Reasons for difference if any, between

(10 & 11), (10 & 15), (11 & 15) :

--

17. Certifying the details of changes in share capital during the quarter under consideration as per table below :

<i>Particulars ***</i>	<i>No. of shares</i>	<i>Applied / Not Applied for listing</i>	<i>Listed on stock Exchanges (Specify Names)</i>	<i>Whether intimated to CDSL</i>	<i>Whether intimated to NSDL</i>	<i>In-prin. appr. pending for SE (Specify Names)</i>

*** Rights, Bonus, Preferential Issue, ESOPs, Amalgamation, Conversion, Buyback, Capital Reduction Forfeiture, Any other (to specify).

18. Register of Members is updated (Yes/No)

--

If not, updated upto which date

--

19. Reference of previous quarter with regards

to excess dematerialised shares, if any.

--

20. Has the company resolved the matter mentioned in point no. 19 above in the current quarter ? If not, reason why ?

--

21. Mentioned the total no. of requests, if any, confirmed after 21 days and the total no. of requests pending beyond 21 days with the reasons for delay :

<i>Total No. of demat requests</i>	<i>No. of request</i>	<i>No. of shares</i>	<i>Reasons for delay</i>
Confirmed after 21 Days			
Pending for more than 21 days			

22. Name, Telephone & Fax No. of the Compliance Officer of the Co.

--

23. Name, Address, Tel. & Fax No., Regn.
no. of the Auditor

24. Appointment of common agency for share registry work

If yes (name & address).

25. Any other detail that the auditor may like to provide. (e.g. BIFR company,
delisting from SE company changed its name etc.).

Format for Reconciliation of Share Capital Audit*
(Separate for each ISIN)

(details should be certified by a qualified Chartered Accountants
or a Practising Company Secretary)

1. For Quarter Ended	<input type="text"/>						
2. ISIN :	<input type="text"/>						
3. Face Value :	<input type="text"/>						
4. Name of the Company	<input type="text"/>						
5. Registered Office Address	<input type="text"/>						
6. Correspondence Address	<input type="text"/>						
7. Telephone & Fax Nos.	<input type="text"/>						
8. Email address	<input type="text"/>						
9. Names of the Stock Exchanges where the company's securities are listed:	<table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: center;">Number of shares</th> <th style="text-align: center;">% of Total Issued Cap.</th> </tr> </thead> <tbody> <tr> <td><input type="text"/></td> <td><input type="text"/></td> </tr> <tr> <td><input type="text"/></td> <td><input type="text"/></td> </tr> </tbody> </table>	Number of shares	% of Total Issued Cap.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Number of shares	% of Total Issued Cap.						
<input type="text"/>	<input type="text"/>						
<input type="text"/>	<input type="text"/>						
10. Issued Capital	<input type="text"/>						
11. Listed Capital (Exchange-wise) (as per company records)	<input type="text"/> <input type="text"/>						
12. Held in dematerialised form in CDSL	<input type="text"/> <input type="text"/>						
13. Held in dematerialised form in NSDL	<input type="text"/> <input type="text"/>						
14. Physical	<input type="text"/> <input type="text"/>						
15. Total No. of shares (12+13+14)	<input type="text"/>						

* Reproduced from www.nseindia.com website of National Stock Exchange of India Ltd.

16. Reasons for difference if any, between (10 & 11), (10 & 15), (11 & 15) :

--

17. Certifying the details of changes in share capital during the quarter under consideration as per table below :

Particulars ***	No. of shares	Applied / Not Applied for listing	Listed on stock Exchanges (Specify Names)	Whether intimated to CDSL	Whether intimated to NSDL	In-prin. appr. pending for SE (Specify Names)

*** Rights, Bonus, Preferential Issue, ESOPs, Amalgamation, Conversion, Buyback, Capital Reduction Forfeiture, Any other (to specify).

18. Register of Members is updated (Yes/No)

--

If not, updated upto which date

--

19. Reference of previous quarter with regards to excess dematerialised shares, if any.

--

20. Has the company resolved the matter mentioned in point no. 19 above in the current quarter ? If not, reason why ?

--

21. Mentioned the total no. of requests, if any, confirmed after 21 days and the total no. of requests pending beyond 21 days with the reasons for delay :

Total No. of demat requests	No. of requests	No. of shares	Reasons for delay
Confirmed after 21 Days			
Pending for more than 21 days			

22. Name, Telephone & Fax No. of the Compliance Officer of the Co.

--

23. Name, Address, Tel. & Fax No.,
Regn. no. of the certifying CA/CS.
24. Appointment of common agency
for share registry work .
If yes (name & address).
25. Any other detail that the auditor may like to provide. (e.g. BIFR company,
delisting from SE).
