



THE INSTITUTE OF
Company Secretaries of India

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

Statutory body under an Act of Parliament

(Under the jurisdiction of Ministry of Corporate Affairs)

MCA: SEPT/2024

September 09, 2024

Ms. Deepti Gaur Mukerjee
Secretary
Ministry of Corporate Affairs
Government of India
Shastri Bhawan
New Delhi – 110 001



Respected Madam,

Subject: Request for extension of timeline for requirement of DEMAT by Private Companies

Greetings of the Day!!!

In October 2023, the Ministry of Corporate Affairs (MCA) amended the Companies (Prospectus and Allotment of Securities) Rules 2014 by introducing Rule 9B. This Rule requires that, within eighteen months of the end of each financial year, every Private Company except small companies must (a) issue securities exclusively in dematerialised form, and (b) enable the dematerialisation of all its securities, in compliance with the Depositories Act, 1996 (22 of 1996) and related regulations.

Accordingly, private companies are required to facilitate the dematerialisation of its equity shares mandatorily by **September 30, 2024**.

We commend the MCA's decision to mandate DEMAT for private companies. This move will improve the efficiency, transparency, and security of share management, align private companies with public company practices, and streamline the issuance and transfer of shares by eliminating the need for physical certificates. This will also resolve many of the management disputes which arises out of the wrong handling and or non-availability of the physical share certificates.

Based on the feedback we have received from the professionals and other stakeholders, sharing with your goodself few of the concerns shared with us ;

- 1. Allotment of ISIN by CDSL / NSDL :** This ISIN can only be allotted by these two agencies viz CDSL and NSDL. They are the custodian of the shares which are there in the demat form. As of now, both of these agencies are really struggling with the over flow of work as allotment of ISIN is taking almost 30-45 days after completion of all documents and payment of fees.

Vision

"To be a global leader in promoting good corporate governance"

Motto

सत्यं वद। धर्मं चर। इष्टकारं कुरु। तृप्तये। अविद्वेद्युः कुरु।

Mission

"To develop high calibre professionals facilitating good corporate governance"



2. **Cost Considerations:** The process of dematerialisation in itself is very expensive, involving fees for depository services and potential costs for updating IT systems and processes. Total process for dematerialisation of shares includes an Agreement between the Company and Register and Transfer Agent (RTA) and Tripartite Agreement between Company and Register and Transfer Agent (RTA) and CDSL/NSDL. The one time registration cost for availing the services is around Rs. 25,000/- to 75,000/- and annual charges are also with in the range of Rs. 15,000 to Rs. 50,000/- based on the structure of the company. Many of such Companies may need time to plan and budget for these expenses.
3. **Regulatory Compliance:** These provisions of the Rule 9B is applicable on every company other than Small Companies. Accordingly, it is applicable on all companies which are either Holding or Subsidiary Companies or Section 8 Companies. Many a times these subsidiary companies are wholly owned subsidiaries and having only 2 shareholders and similarly Section 8 companies are being formed for the charitable and social cause and to comply with these Regulatory requirement is a hurdle in the smooth functioning of these entities and going against the principals of ease of doing business.
4. **Operational Challenges:** To complete the process the company has to obtain ISIN and keep the share in the Dematerilasied form with the help of RTA and all shareholders have to open a DEMAT account with the Stock broker duly registered with SEBI/CDSL / NSDL and other agencies. Many a times the shares of the Indian Companies are being held by the foreign individual or foreign corporates not having any valid PAN no. allotted by the Income Tax Authorities. It is really difficult to open a demat account with any of the broker without PAN card.

Further, after the target date of September 30, 2024, these Companies can only allot the securities in the DEMAT form, which may discourage the FDI inflows in India

Given the above challenges being faced by the Private Companies, we request you to please consider the following:

1. Exemption may be provided to companies falling in these categories :
 - a. Section 8 Companies
 - b. Wholly owned Subsidiary companies
 - c. Companies with only few family shareholder.
2. CDSL / NSDL may be asked to minimise the cost of allotment of ISIN and Annual Fees and to speed up allotment of numbers.
3. Extension of last date i.e September 30, 2024 which will certainly help stakeholders and provide private companies the necessary time to transition smoothly to the new system.



We shall be happy to provide any further information or clarification that may be desired in this regard.

Thanking you

Yours faithfully

A handwritten signature in blue ink, appearing to read 'B Narasimhan', is written above the typed name.

CS B Narasimhan
President,
The Institute of Company Secretaries of India