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October 17, 2024

MCA:OCT/2024

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

Ministry of Corporate Affairs
Dy. No. 757
Date 17/10/2024

Respected Madam,

Subject: Practical difficulties faced while processing dematerialisation process by Private Companies.

With reference to Rule 9B of The Companies (Prospectus and Allotment of Securities) Rules, 2014, private companies (other than small companies) are mandated to issue securities in dematerialised form and facilitate the dematerialisation of all existing securities as per the Depositories Act, 1996. In this regard, we previously submitted a letter on September 9, 2024, requesting an extension for meeting the DEMAT requirements outlined in Rule 9B (copy enclosed).

We wish to draw your attention to several **practical difficulties** encountered by private companies during the dematerialisation process as under:

1. Backlog and Delays in ISIN Creation

As of now, there is a significant backlog in the issuance of ISINs. Approximately 25,000 applications are pending with NSDL, and 8,000 with CDSL, resulting in a processing delay of 30-45 days even after the submission of required documentation and payment. Further, delays from Registrar and Transfer Agents (RTAs) in processing documentation add to the challenge, making it difficult for companies to comply in a timely manner.

2. High Costs

The dematerialisation process involves substantial costs, including depository fees and IT system upgrades. Registration costs for companies range between **₹25,000 and ₹75,000**, with annual fees between **₹15,000 and ₹50,000**.

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Mission

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3. Operational Complexities

Private companies are required to obtain ISINs and dematerialize their shares through an RTA, while shareholders shall open DEMAT accounts with registered brokers. This process is particularly challenging for foreign shareholders, who face difficulties in obtaining a PAN, which is necessary for opening DEMAT accounts.

It is important to note that several companies have already completed their part of the dematerialisation process, including submission of necessary documents and payments. However, the delays at NSDL, CDSL, and RTAs which is beyond their control and have created a bottleneck.

We respectfully request that such companies that have complied with their obligations but are awaiting responses from these agencies, may not be held liable for any penal consequences till December 31, 2024.

We appreciate your attention to this matter and are happy to provide further details or clarifications if required.

Thank you for your consideration.

Yours faithfully,

CS B Narasimhan
President
The Institute of Company Secretaries of India