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CORPORATE UPDATE

DEMATERIALIZATION OF SECURITIES OF UNLISTED PUBLIC COMPANIES

INTRODUCTION

Dematerialization is the process by which physical certificates of an investor are converted to an equivalent number of securities in electronic form. In simple meaning, a Dematerialized form of securities means keeping your securities in electronic mode with Depository same as keeping our money with Bank.

Any unlisted Public Company may avail Demat facility either from NSDL or CDSL or both.

RULE 9A OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014

It provides for Issue of securities in dematerialized form by unlisted public companies. Hence, this Rule is only applicable to the unlisted Public Company.

Rule 9A shall not apply to an unlisted public company which is:

- (a) a Nidhi;
- (b) a Government company or
- (c) a wholly owned subsidiary.”

Rule 9A of the Companies (Prospectus and Allotment of Securities) Rules, 2014 which deals and provides for the dematerialization of Securities by the Unlisted Public Companies.

Every unlisted public company shall –

- (a) Issue the securities only in dematerialized form; and
- (b) Facilitate dematerialization of all its existing securities.

ACTS APPLICABLE

1. Companies Act, 2013;
2. Depositories Act, 1996;
3. SEBI (Depositories and Participants) Regulations 1996; and
4. SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993

PROCESS OF AVAILING DEMAT FACILITY

1. Appoint Registrars to an Issue and Share Transfer Agents (RTA).
2. Appoint Depository with whom Demat Facility to be availed.
3. Hold Board Meeting to Authorize Signatory for availing Demat Facility
4. Prepare the required documents as required by your RTA and send to the RTA for its further processing.

DOCUMENTS REQUIRED:-

1. Letter of intent cum Master Creation Form
2. Net worth certificate from a Chartered Accountant as per last audited annual report
3. List of Authorised signatory with Board Resolution with specimen signature
4. Certified true copy of Memorandum & Articles of Association
5. Audited annual reports for the last two years - Certified to be true copies.
6. If there is any variation in face value of shares or reduction in capital or change in the authorized capital after the last balance sheet date, the company has to provide a certified true copy of Form SH-7.
7. If the company is already admitted in CDSL, the ISIN activation letter from CDSL to be submitted or vice versa in case of NSDL
8. Tripartite agreement in triplicate (3 copies) each
9. Certified true copy of TAN & GST Certificate of the Company

Note: Format of the documents will be provided by the RTA.

For FAQ's refer SEBI circular: - https://www.sebi.gov.in/sebi_data/faqfiles/jan-2017/1485859328096.pdf

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