

Chapter - 4 "Share Capital and debentures"

Part - IV (Sec. 61 to 66)

I. Further Issue of Shares (Sec. 62)

II. Alteration and Reduction of Capital (Sec. 61, 64, 65)

III. Issue of Bonus Shares (Sec. 63)

(xiii) Persons to whom offer shall be made of further issue of shares (Sec. 62):

(a) Existing Shareholders

(b) Employees

(c) Others

- Where at any time, a company having share capital proposes to increase its subscribed capital by issue of further shares, such shares shall be offered to existing shareholders, in proportion to existing paid-up share capital, by sending a letter of offer, subject to following conditions:

(i) Offer shall be made by a notice specifying no. of shares offered and limiting a time not less than 15 days and not exceeding 30 days from date of offer within which offer, if not accepted, shall be deemed to have been declined.

(ii) Unless Articles provide otherwise, offer shall be deemed to include a right to renounce two shares in favour of any other person.

(iii) BOD may dispose the shares in following cases:

(a) Existing s/h does not respond within the specified time; OR

(b) on receipt of earlier intimation from the existing shareholder that he declines to accept the offer.

(b) Offer to Employees:

Further shares shall be offered to employees under ESOP subject to Special Resolution passed at general meeting of the company and such conditions as prescribed.

(Refer Rule 12 from the book)

* Ordinary resolution

(for reading purpose)

required in case of private company.

✓ (c) Offer to Others: Further shares shall be offered to any person, if it is authorised by special resolution

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either for cash or for consideration

Other than cash

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if the price of such shares is determined by the Valuation Report of a regd. Valuer.

Other provisions of Sec. 62: - Reading from Book -

(xiv) Alteration of Share Capital : (Sec. 61 and 64)

(A) Sec. 61 : A limited company, having share capital, if authorised by Articles, alter its MoA to:

- (a) increase its authorised share capital;
- (b) Consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; [10 shares x ₹1 → 1 share x ₹10]
- (c) Convert all or any of its paid up capital into stock and reconvert stock into fully paid shares
- (d) sub-divide its shares into shares of smaller amount; [1 share x ₹10 → 10 shares x ₹1]
- (e) Cancel the shares that have not been taken by any person and diminish the share capital by amount of shares so cancelled.

[Authorised Capital : 50 Lac.]	- 46 Lac.
Issued = 50 Lac ✓	- 46 Lac
Subscribed Capital : 46 Lac ✓	- 46 Lac

(B) Sec. 64:

- Where a company alter its share capital, in any of the manner specified u/s 61, company shall file a notice in form SH-7 along with altered MoA, with the Registrar

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within 30 days of such alteration.

- If SH-7 not filed with the Registrar, the company, and every officer of the company in default, shall be liable to a penalty of ₹ 500 for each day during which such default continues, subject to a maximum of

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 ₹ 5 lakhs in case of Company and ₹ 1 lakh in case of Officer in default

(xv) Reduction of Share Capital: Sec. 66

A company limited by shares, may reduce its share capital in any manner and in particular, may:

- (a) Extinguish or reduce the liability on any of its shares in respect of unpaid share capital

$$\left[\text{for Ex: } \underline{\text{₹ 10 (f.v.)}} - \underline{\text{₹ 6 (paid up)}} - \underline{\text{₹ 4 (unpaid)}} \right]$$

$$\text{Alt-I: } \underline{\text{₹ 6 (fully paid up)}} - \underline{\text{₹ 6 (f.v.)}}$$

$$\text{Alt-II: } \underline{\text{₹ 8 (f.v.)}} - \underline{\text{₹ 5 (paid-up)}} - \underline{\text{₹ 3 (unpaid)}}$$

$$\text{Alt-III: } \underline{\text{₹ 5 (f.v.)}} - \underline{\text{₹ 3 (paid-up)}} - \underline{\text{₹ 2 (unpaid)}}$$

- (b) Cancel any paid up share capital which is lost or is unrepresented by available assets.

$$\text{B/S = Assets = 50 Lac } \left[\begin{array}{l} \text{Over} \\ \text{valued} \\ \text{₹ 30 Lac} \end{array} \right]$$

- (c) pay off any paid up share capital which is in excess of the requirements of company.

$$\left. \begin{array}{l} \text{Capital rec. A/c Dr } 30 \text{ Lac} \\ \text{To Asset A/c } 30 \text{ Lac} \end{array} \right\}$$

Procedure for Reduction of Share Capital:

(i) Company is required to pass a special resolution in general meeting of the company and an application is to be made to Tribunal in this regard.

(ii) Tribunal shall give notice of every such application to the C.G., ROC and Creditors of the company

and

shall take into consideration, the representation, if any made to it, by them within a period of 3 months from date of receipt of notice.

(iii) Tribunal, if satisfied as to settlement / satisfaction of claims of Creditors, may make an order confirming the reduction of share capital on such terms and conditions as it considers fit.

(iv) Tribunal's Order shall be published by the company in such manner as directed by Tribunal.

(v) A certified copy of Tribunal Order shall be delivered to ROC within 30 days of receipt of copy of order, who shall register the same and issue a certificate to that effect.

v. Imp.

(Xxi) - Issue of Bonus Shares (Sec. 63)

→ (Noting of entire Sec. 63 in Notebook) - (H.W.)

✓ Bonus shares - Unissued share capital $\xrightarrow{\text{II}}$ Issued share capital.

(without consideration)

↓ through

Capitalisation of reserves

✓ free reserves, securities premium a/c, CRR

Note: Revaluation reserves → not permitted

✓ Condition: → Articles | Board Resolution | fully paid up shares | no default.