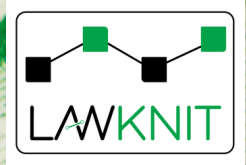


28th August, 2024



Dematerialisation

Snapshot

- Private Companies are required to dematerialize entire shareholding by the end of September 2024
- Registered AIFs are required to ensure that all its investments are held in demat form
- Cutoff date is end of September 2024

Immediate Actions

- Companies/AIF to check if the company is required to demat its shares
- Apply to a Depository for dematerialisation and securing International Security Identification Number (ISIN) for each type of securities issued by company and inform securities holder's of such ISIN
- Check if promoter, director and KMP has a demat a/c
- Demat the holdings of promoter, director and KMP
- Ensure securities are issued in demat form after Cutoff Date

MCA changes

- Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2023 ("PAS Rules 2023"), has mandated that all private companies **other than small companies** are required to dematerialize the entire shareholding by the end of **September 2024 ("Cutoff Date")**;
- To be considered a small company, the private company should fulfil the criteria of small company as on or after 31st March 2023;
- Any time after the Cutoff Date, if the company wishes to (i) issue any securities (through rights issue, private placement, or bonus shares issuance route); or (ii) buyback any securities; the company will need to ensure that entire holding of securities of their promoters, directors, and Key Managerial Personnel (KMP) has been dematerialized;
- Any transfer of securities after the Cutoff Date will be done only through dematerialized form;
- These changes do not apply to government companies

SEBI changes

- Any investment (primary/ secondary) by AIF in an investee company, after Cutoff Date, should be held in demat form.
- Investments made prior to Cutoff Date can be held in physical form: (i) if the investee company falls under the exception provided by the MCA above; and (ii) provided that AIF, on its own, or along with other SEBI registered intermediaries/entities which are mandated to hold their investments in demat form, does not exercise control over investee company.
- Investments made prior to Cutoff Date, which is not exempted as above will need to be held in demat form by 31st Jan 2025, unless the AIF tenure expires **before 31st Jan 2025.**

Contact: In case of any queries/clarifications, please feel free to reach out to Mr. Arunabh Choudhary at arunabh@lawknit.co, Mr. Amol Apte at amol.apte@lawknit.co; Ms. Tanvi Muraleedharan at tanvi.muraleedharan@lawknit.co;

Disclaimer: This document has been made for generic information and discussion perspective and shall not be considered as legal advice. No one should act or advise to act on it without seeking proper legal advice.