

## **Mandatory Conversion of Warrants issued prior to commencement of The Companies Act, 2013**

- Date of Notification : October 27, 2023
- Date of Commencement : October 27, 2023
- Issued by : Ministry of Corporate Affairs (MCA), Government of India
- Relevant Rules : The Companies (Prospectus and Allotment of Securities) Rules, 2014 as amended vide The Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2023 notified on October 27, 2023 (“Rules”)
- Applicability : to all Public Limited Companies
- Type of Securities covered : Share warrants issued prior to commencement of The Companies Act, 2013
- New Provisions [Rule 9(2) of the Rules] :
  - a. every Public Limited Company which issued share warrants prior to commencement of the Companies Act, 2013 (18 of 2013) and has not converted the same into shares till date (“such Companies”), is required to inform the Registrar of Companies (“ROC”) about the details of such share warrants in Form PAS-7 within a period of three (3) months from the commencement of the Rules;
  - b. such Companies are required to get the bearers of the share warrants to surrender share warrants to the company within six (6) months of the commencement of the Rules and get the shares dematerialised in their account and for this purpose such Companies shall place a notice for the bearers of share warrants in Form PAS-8 on the website of the company, *if any*, and shall also publish the same in a newspaper in the vernacular language which is in circulation in the district and in English language in an English newspaper, widely circulated in the State in which the registered office of the company is situated;

- c. In case any bearer of share warrant does not surrender the share warrants within the period referred hereinabove, such Companies shall convert the such share warrants into dematerialised form and transfer the same to the Investor Education and Protection Fund established under section 125 of the Act.

➤ Analysis of salient features of the New Provisions :

- a. All share warrants issued by Public Limited Companies prior to commencement of The Companies Act, 2013 need to be mandatorily converted into shares irrespective of the original tenure of the issue of warrants;
- b. Issue of shares post conversion of warrants need to be in dematerialised form only;
- c. Such type of Companies may require to increase its Authorised / Nominal Capital to accommodate conversion of warrants into shares;
- d. If the warrant holders do not surrender their warrants for conversion, the Company is required to transfer the corresponding shares post conversion of warrants into IEPF;
- e. If the shares are transferred to IEPF, such Companies are also required to file the form IEPF-4 with MCA;
- f. If such warrants are not fully paid-up in terms of their issue, the warrants need to be either fully paid-up before conversion or the amount need to be forfeited/refunded by the Company depending upon the terms of issue of the warrants;
- g. Conversion of warrants into shares may impact the shareholding pattern of such Companies and hence these Companies are also required to monitor the disclosures pertaining to Significant Beneficial Ownership (SBO) post conversion of warrants into shares;
- h. Conversion of warrants into shares may attract additional compliances based on capital criteria under the provisions of the Companies Act, 2013 and the rules related thereto for such Companies.

- i. The new provisions do not stipulate anything about the share warrants issued under the regime of the Companies Act, 2013 and is applicable to those share warrants only which were issued prior to commencement of the Companies Act, 2013.
- j. The new provisions are also not applicable to the share warrants issued by Private Limited Companies prior to commencement of the Companies Act, 2013.

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