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**Some important changes happened in the Corporate and Legal world in the month of August, 2019:**

### **1. Amendments in the Companies (Share Capital and Debenture) Rules, 2014**

MCA vide notification dated 16<sup>th</sup> August, 2019 has granted powers to Central Government to amend the Companies (Share Capital and Debenture) Rules, 2014.

- a) These rules may be called the Companies (Share Capital and Debenture) Amendment Rules, 2019. They shall come into force on the date of their publication in Official Gazette.
- b) The following changes have taken place in Rule 4, Rule 5, Rule 12 and Rule 18 (hereinafter referred to as the principle rule):

~ For clause (c): Shares with differential right shall not be more than twenty six percent of the post-issue paid up equity shares capital including differential right issued at any point of time , following clause shall be substituted, "the voting power in respect of share with differential rights shall not be more than seventy four per cent of the total voting power including voting power in respect of equity shares with differential rights issued at any point of time."

~For the word "director", the word "director or company secretary" shall be substituted.

~ For the word "Department of Industrial Policy and Promotion", the word "Department for Promotion of Industry and Internal Trade" shall be substituted.

~ For the word "five years", the word "ten years" shall be substituted.

~ For sub-rule (7) following shall be substituted, "The company shall comply with the requirement of the Debenture Redemption Reserve(DRR) and investment or deposit of sum in respect of Debenture maturing during the year ending on the 31<sup>st</sup> day of march of the following year, in accordance with the conditions given below:

1. Debenture Redemption Reserve shall be created out of profits of the company.
2. The limits with respect to adequacy of DRR as the case may be, shall be as under:-



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- ~ DRR is not required to be maintained when debentures are issued by All India Financial Institution for both public as well as privately placed debenture.
- ~ For all other Financial Institution, DRR shall be applicable to Non-Banking Finance Companies registered with Reserve Bank of India.
- ~ For listed companies (other than All India Financial Institution and Banking companies) DRR is not required in case of public issue of debenture, NBFC registered with Reserve Bank of India and for Housing Finance Companies registered with National Housing Bank;
- ~ For unlisted companies, (other than All India Financial Institution and Banking Companies as specified in (a);
- ~ For NBFCs and Housing Finance Companies DRR, is not required to be maintained in case of privately placed debentures.
- ~ For all other listed companies adequacy for DRR shall be ten percent of outstanding Debentures.

In case of companies required to maintain DRR, the companies shall on or before 30<sup>th</sup> day of April in each year in respect of debentures issued by the company deposit or invest a sum which shall not be less than fifteen per cent. of the amount of its debenture maturing for the year ending on 31<sup>st</sup> day of March of the next year by using any one or more methods for investment or deposit.

Provided, that the amount remaining invested or deposited in DRR shall not fall below fifteen percent of the amount of debenture maturing for the year.

c) The methods for investment or deposit are as follows:

- ~ in deposit with any schedule bank, free from lien and charge;
- ~ in unencumbered securities of the Central Government or any State Government;
- ~ in unencumbered securities, mentioned in Indian Trusts Act, 1882:

d) In case of partly convertible debentures DRR shall be maintained for only convertible portion.

e) The amount credited in DRR shall be utilized only for the purpose of redemption of debenture.



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**Impact:** Shares with Differential voting rights shall not be more than seventy four percent of total voting power.

## 2. Amendment to the Companies (Incorporation) Rules, 2014

MCA vide circular dated 28<sup>th</sup> August, 2019 has issued an amendment for the Companies (Incorporation) Rules, 2014:

- a) These rules may be called the Companies (Incorporation) Seventh Amendment Rules, 2019. They shall come into force on the date of their publication in the Official Gazette.
- b) Form RD-1 which refers to Form for filing application to Regional Director and RD GNL-5 which refers to Form for filing addendum for rectification of defects or incompleteness have been substituted.

**Impact:** Revised forms have been introduced for convenience of stakeholders.

## 3. Notification of Companies (Amendment) Act, 2019

According to the notification dated on 14<sup>th</sup> August, 2019 the Central Government has hereby appointed 15<sup>th</sup> August, 2019 as the date on which following provisions of the said Act shall come into force.

Sr. No.	Particulars
1.	Section 6
2.	Section 7
3.	Section 8
4.	Section 14
5.	Section 20
6.	Section 31
7.	Section 33
8.	Section 34
9.	Section 35
10.	Section 37
11.	Section 38

**Impact:** Central Government has appointed 15<sup>th</sup> August, 2019 as the date on which above mentioned sections are notified.

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We suggest readers to draw their conclusions after taking into consideration various other relevant sections, rules to be notified from time to time and applicable Secretarial Standards, Accounting Standards and Guidance notes and other notifications, circulars and amendments notified from time to time.

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