

Companies Act Fundamentals

Alteration of Capital by limited company



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Applicable Law

- Chapter IV- Share Capital and Debentures - Section 43-72 of the Companies Act 2013

- The Companies (Share Capital and Debentures) Rules, 2014.

- Act means – Companies Act 2013
- Rules means - The Companies (Share Capital and Debentures) Rules, 2014.

Alteration of Capital by limited company

Alteration of Share Capital

- In accordance with Section 61 of the Act a limited company having a share capital derives its power to alter its share capital through its articles of association. As per the section the company may alter its memorandum in its general meeting to
 - (i) increase its authorised share capital by such amount as it thinks expedient;
 - (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. Provided no consolidation and division which results in changes in the voting percentage of shareholders shall take effect unless it is approved by the Tribunal on an application made in the prescribed manner;
 - (iii) convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination;

Alteration of Share Capital

- (iv) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum, so, however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
- (iv) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.
- The cancellation of shares shall not be deemed to be a reduction of share capital.

Alteration of Share Capital

- Section 64 of the Act provides that , where
 - (a) a company alters its share capital in any manner specified under section 61 (1) ;
 - (b) an order made by the Government under sub-section (4) read with sub-section (6) of section 62 has the effect of increasing authorized capital of a company; or
 - (c) a company redeems any redeemable preference shares, the company shall file a notice in the prescribed form with the Registrar within a period of thirty days of such alteration or increase or redemption, as the case may be, along with an altered memorandum.

- Rule 15 provides Where a company alters its share capital in any manner specified in sub-section (1) of section 61, or an order is passed by the Government increasing the authorized capital of the company in pursuance of sub-section (4) read with sub-section (6) of section 62 or a company redeems any redeemable preference shares, the notice of such alteration, increase or redemption shall be filed by the company with the Registrar in Form No. SH.7 along with the fee

Penalty



- Where any company fails to comply with the provisions of Section 64 (1), such company and every officer who is in default shall be liable to a penalty of five hundred rupees for each day during which such default continues, subject to a maximum of five lakh rupees in case of a company and one lakh rupees in case of an officer who is in default.

Thank you



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Passion, Integrity, Excellence**

Thank You

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