



THE INSTITUTE OF  
Company Secretaries of India

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE  
Statutory body under an Act of Parliament

WESTERN  
INDIA  
REGIONAL  
COUNCIL

Date: April 29, 2026

To,  
CS Pawan G Chandak  
The President,  
The Institute of Company Secretaries of India (ICSI)

**Subject: Representation for facilitating ease of allotment of shares for increasing membership base of Section 8 companies**

Respected Sir,

We, the Western India Regional Council (WIRC) of the Institute of Company Secretaries of India (ICSI), respectfully submit this representation to highlight the practical challenges faced by Section 8 companies in increasing their membership base due to procedural complexities involved in allotment of shares, and to seek appropriate regulatory relaxation to facilitate ease of operations for such entities.

Section 8 companies are incorporated with charitable and not-for-profit objectives, where the concept of share capital does not denote commercial ownership or profit participation, but primarily serves as a mechanism to define membership. In practice, such companies often require periodic expansion of their membership base to enhance participation, strengthen governance, and effectively achieve their stated objects.

### Background

Many Section 8 companies function as associations, industry bodies, social organisations, or entities operating under Government-supported initiatives. In particular, a significant number of such companies have been established under various Cluster Development Schemes of the Central Government.

Under these schemes, it is often a prerequisite that the implementing entity be a company limited by share capital, so as to enable contribution by members and to ensure a structured mechanism for pooling resources. Accordingly, several Section 8 companies are incorporated as companies limited by shares to meet such scheme requirements.

However, while the share capital structure is adopted to facilitate member contribution, the primary objective of such entities continues to be not-for-profit in nature. In such cases, the allotment of shares is intrinsically linked to admission of members and participation in the cluster, rather than capital raising in the commercial sense.

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"To be a global leader in promoting good corporate governance"

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The existing legal framework governing allotment of shares, particularly under Section 62 (Further Issue of Share Capital) and Section 42 (Private Placement) of the Companies Act, 2013, imposes procedural requirements that are primarily designed for commercial entities engaged in capital raising.

**These include:**

- issuance of offer letters and maintenance of prescribed records;
- compliance with private placement procedures;
- adherence to strict timelines; and
- multiple filings and documentation requirements.

In the context of Section 8 companies, particularly those operating under cluster development schemes, such requirements result in:

1. Mismatch between regulatory intent and practical requirement
2. Operational delays in onboarding members
3. Increased compliance burden
4. Restricted access to opportunities

**Justification**

The justification for providing regulatory relaxation lies in the inherent nature of Section 8 companies as not-for-profit entities, where share capital is incidental and does not represent economic ownership or profit entitlement.

It is pertinent to note that a significant number of Section 8 companies in India have been established under cluster development frameworks, where members are typically engaged in livelihood-based activities such as artisans, small-scale industry owners, self-help group members, women entrepreneurs, and individuals engaged in *gruh udyog*.

These stakeholders often lack the technical expertise, resources, and professional support required to comply with complex procedural requirements such as valuation, private placement documentation, and regulatory filings.

Further, the requirement of maintaining a share capital structure under such schemes is driven by policy considerations relating to member contribution and accountability, and not for commercial capital raising. Therefore, the application of stringent provisions of Sections 42 and 62 creates a disproportionate compliance burden.

Allowing simplified procedures for allotment of shares for the purpose of admitting members would not alter the charitable character of the company, affect regulatory oversight under Section 8, or result in misuse of capital raising provisions.

On the contrary, such relaxation would facilitate ease of membership expansion, enable effective implementation of cluster development schemes, reduce procedural delays and



compliance burden, and align the regulatory framework with the functional realities of Section 8 companies.

Request

In view of the above, it is respectfully requested that:

1. Appropriate exemption or relaxation be granted to Section 8 companies from the applicability of Sections 42 and 62 of the Companies Act, 2013, in respect of allotment of shares for the purpose of increasing membership base, particularly in cases involving cluster development or similar Government-supported initiatives;
2. Alternatively, a simplified and separate mechanism be prescribed for allotment of shares by Section 8 companies for admission of members, distinct from the framework applicable to commercial entities; and
3. Necessary amendments or clarifications be issued to ensure that procedural requirements for share allotment are proportionate to the not-for-profit nature and operational needs of Section 8 companies.

We remain available for any discussions or clarifications in this regard and look forward to a favourable consideration of this representation.

Thanking you,

Yours sincerely,



**CS Yogesh Choudhary**  
**Chairman**  
**Western India Regional Council**