

## Certificate of Shares (Sec 46) [Part-2]

*Continued from Geeta Saar 33<sup>rd</sup> edition*

### 10. Issue of renewed share certificate

A share certificate can be renewed by the company in the following cases:

1. In case the shares are sub-divided;
2. In case the shares are consolidated;
3. where the share certificate is defaced, mutilated, torn or old, decrepit, worn out;
4. where the pages on the reverse for recording transfers have been duly utilized;

However, the share certificate in lieu of which it is issued is to be surrendered to the company.

In case the Board thinks fit, the company may charge such fee which should not exceed Rs. Fifty per certificate issued on splitting or consolidation of share certificate(s) or in replacement of share certificate(s) that are defaced, mutilated, torn or old, decrepit or worn out.

Any such certificate is issued by the company, it shall be stated on the face of the share certificate and be recorded in the Register maintained for the purpose, that it is "Issued in lieu of share certificate No..... sub-divided/replaced/on consolidation" and also that no fee shall be payable pursuant to scheme of arrangement sanctioned by the High Court or Central Government.

### 11. Replacement of all the share certificate

A company may replace all the existing certificates by new certificates upon sub-division or consolidation of shares or merger or demerger or any reconstitution without requiring old certificates to be surrendered. However, the provision of rule 5(1), 5(2) and 5(3) has to be complied with [supra].

### 12. Issue of Duplicate Share Certificate

A company may issue the duplicate share certificate by following the below-mentioned conditions (Rule 6 of the Companies (Share Capital and Debentures) Rules, 2014):

1. It can be issued in lieu of those that are lost or destroyed
2. It requires the prior consent of the Board or of any committee of the Board subject to any regulation imposed by the board in this regard  
*[Circular No. 19/2014 dated 12th June 2014]*

3. With payment of such fee as the Board may think fit which should not be exceeding Rs. Fifty per certificate;
4. It can be issued on such reasonable terms, such as furnishing supporting evidence and indemnity and the payment of out-of-pocket expenses incurred by the company in investigating the evidence produced;
5. On the face of the duplicate certificate, it shall prominently be displayed on the certificate “duplicate issued in lieu of share certificate No.....” and the word “duplicate” shall be stamped or printed.
6. The duplicate share certificate is to be issued by the unlisted company within three months and by the listed company within forty five days from the date of submission of complete documents with the company respectively.

### **13. Register of Renewed and Duplicate Share Certificates**

The company is required to maintain a register of Renewed and Duplicate Share Certificates and entries pertaining to the renewed and duplicate share certificate has to be made the register forthwith. The format of such register is prescribed as per Form SH-2 as prescribed under the Companies (Share Capital and Debentures) Rules, 2014. The content of such register are as follows:

1. Folio No.;
2. Name of the person(s) to whom Renewed / Duplicate share certificate is issued;
3. Date of approval of issue of Renewed/Duplicate share certificate;
4. Class of shares;
5. Date of issue of original share certificate;
6. Original share certificate number;
7. Total number of shares in the original share certificate;
8. Distinctive numbers of the shares;
9. Date of Renewed/ Duplicate Share Certificate;
10. Reasons for issue of Renewed/Duplicate Share Certificate;
11. Number of the Renewed share certificate, if applicable;
12. Total Number of Shares in the Renewed / Duplicate Share Certificate;
13. Reference to entry in Register of Members;
14. Remarks;

The cross reference is also required to be maintained in the remark column of the Register of Members. The register shall be kept at the registered office of the company or at such other place where the Register of Members is kept and it shall be preserved permanently and shall be kept in the custody of the company secretary of the company or any other person authorized by the Board for the purpose.

All entries made in the Register of Renewed and Duplicate Share Certificates shall be authenticated by the company secretary or such other person as may be authorised by the Board for the purposes of sealing and signing the share certificate.

#### **14. Maintenance of share certificate forms and related books and documents**

Rule 7(1) of Companies (Share Capital and Debenture) Rules, 2014 provides that all blank forms to be used for issue of share certificates shall be printed and printing shall be done only on authority of a resolution of the Board. In case the company intends to print the share certificates on the periodical basis, the company shall pass a Board Resolution beforehand. However, in case the company does not maintain the physical copies of blank share certificates in such case whether the company is required to mandatorily maintain the blank share certificates or such shares certificates can be printed at the time of issue of such certificate needs to be examined.

As the shares are movable property, and accordingly should be available either in material, physical form or dematerialized form. In case the company does not have the facility for dematerialization or is not required to issue shares in dematerialised form, then the company is required to issue the shares only in physical form that is by way issue of such share certificates. Thus, it is necessary for the company to have the share certificates printed at the time of issue of shares. The same shall be under the authority of Board. Further the blank share certificates being maintained by the company if any are to be kept in the custody of Company Secretary or such other person as may be authorised by the Board of Directors.

Thus, the Company may either take a blanket Board approval for printing of blank share certificates and issue the certificates as and when required or the Company may pass the Board Resolution for printing of share certificate along with the authorization for issue of share certificate.

The blank share certificate has to be consecutively machine numbered. The forms and the blocks, engravings, facsimiles and hues relating to the printing of such forms shall be kept in the custody of the secretary or such other person as the Board may authorise for the purpose and the company secretary or other person aforesaid shall be responsible for rendering an account of these forms to the Board. The rule does not provide any time line or periodicity for rendering an account of these forms to the Board.

#### **15. Responsibility for the maintenance, preservation and safe custody of all books and documents**

As per Rule 7(2) of the Companies (Share Capital and Debentures) Rules, 2014, the following persons shall be responsible for the maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates, including the blank forms of share certificates:

1. the committee of the Board, if so authorized by the Board; or
2. where the company has a company secretary, the company secretary; or

3. where the company has no company secretary, a Director specifically authorised by the Board for such purpose.

## 16. Time for keeping the book and documents (Rule 7(3))

All books and documents relating to the issue of share certificates is required to be preserved not less than thirty years. However, in case of dispute, it has to be preserved permanently.

It is further provided all certificates surrendered to a company is required to be defaced. The defacing is to be done only by way of either stamping or printing the word "cancelled" in bold letters. It is to be noted that it cannot be defaced by making crossing by pen or pencil since the word used is printing.

Such surrendered share certificate can be destroyed after the expiry of three years from the date on which they are surrendered, under the authority of a resolution of the Board and in the presence of a person duly appointed by the Board in this behalf.

However, if cancellation of certificate is made as per the requirement of section 6 of the Depositories Act, 1996 read with regulation 54 of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, where any person who has entered into an agreement with a depository participant for availing its services is required to surrender the certificate of security, for which he seeks to avail the services of a depository then the provision of rule 7(3) of the Companies (Share Capital and Debentures) Rules, 2014 shall not apply.

## 17. Offence and Compoundability

Since there is no penalty prescribed for the non-compliance of this section hence provisions of section 450 shall become applicable and accordingly, the company and every officer of the company who is in default or such other person shall be punishable with fine which may extend to ten thousand rupees, and where the contravention is continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which contravention continues. If a company with intent to defraud issues a duplicate certificate of shares, the company shall be punishable with fine which shall not be less than five times the face value of the shares involved in the issue of the duplicate certificate but which may extend to ten times the face value of such shares or rupees ten crores whichever is higher and every officer of the company who is in default shall be liable for action under section 447. The offence under this section is compoundable. However, if liability is incurred under Section 447, it is not compoundable.

*(Concluded...)*

*Contents of Geeta Saar, as extracted from ICSI Premier on Company Law, is as per notified law as on 30<sup>th</sup> September, 2016.*