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Quick Bites - ALLOTMENT OF SHARES- COMPANIES ACT, 2013

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Detailed article on different class of allotments has already been published on www.csdiveshgoyal.info

Allotment is one of the most common and important provisions under the Companies Act, 2013. Many sections deal with Allotment of Shares, some examples are given below. In this editorial, the author will be discussing about the common questions faced in relation to allotment of shares.

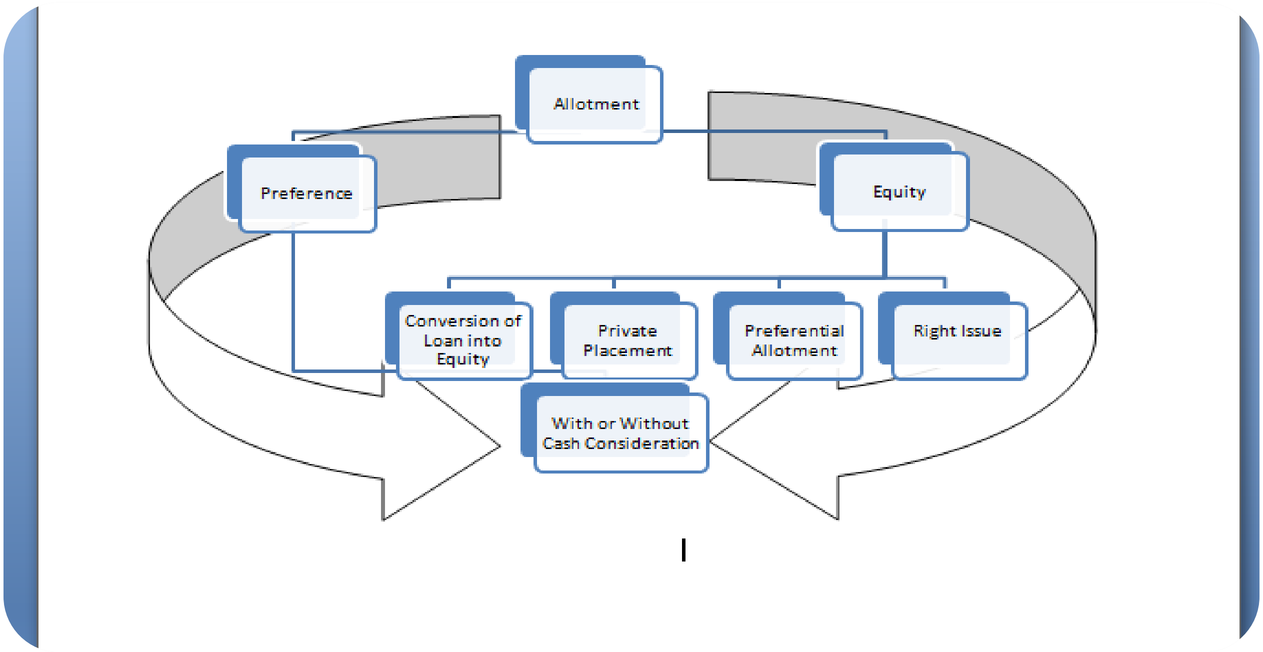
List of Sections:

- Section 42 (Private Placement)
- Section 62 (Further Issue of Share Capital)
- Section 55 (Issue or Redemption of Preference Shares)

Types of Allotment:

- Right Issue of Shares
- Preferential Allotment of Shares - http://www.csdiveshgoyal.info/2018/08/private-placement-of-shares.html
- Private Placement of Shares- http://www.csdiveshgoyal.info/2018/08/private-placement-of-shares.html
- Issue of shares other than cash consideration- http://www.csdiveshgoyal.info/2019/06/guidelines-allotment-of-shares-other.html

- Issue of Preference shares
- Conversion of Loan into Equity - http://www.csdiveshgoyal.info/2018/02/process-of-conversion-of-loan-into.html



	FAQ's
1.	**Which type of securities can be issueD u/s 62 Further issue of share capital?**
	Under Section 62, Company can issue only two typeS of securities i.e. equity shares and Preference Shares.
2.	**If a company having both type of shareholders i.e. equity and preference. Then offer for new equity or preference can be give to preference share holders?**
	As per section 62(1)(a) offer for right issue can be give only to Equity Share Holders.
3.	**If a Company wants to issue shares to new shareholder, whether offer through right issue u/s 62(1) can be given to them?**
	Right issue offer can be given to only existing shareholders of the Company.
4.	**Whether existing shareholders renounce the offer in favour of any third person/ outsider?**
	Section 62 allows existing share holders to renounce their offer to anyone, even outsiders also like individual, body corporate, NRI etc.
5.	**Whether shares can be issued on the face value under Right Issue of shares?**
	Section 62 allows issuing shares on face value.
6.	**If shares issued on premium u/s 62 then whether valuation report is required?**

	As per provision u/s 62, there is no need of valuation report for issuance of shares on premium as right issue of shares.
7.	**Whether it is mandatory to receive subscription money of right issue of shares in Bank Account?**
	Section 62 nowhere restricts to accept subscription money in cash. Therefore, this can be received in cash also instead of bank account.
8. PP	**Whether Valuation required for issue of shares u/s 42 Private Placement.**
	As per provisions of section 42 it is mandatory to obtain valuation report for Private Placement of Shares/ Preferential Allotment of Shares.
9.	**Whether Merchant Banker issues valuation report for the purpose of Section 42?**
	First under Companies Act, 2013 valuation report can be issue only by Registered Valuer. Therefore, Valuation report obtained from CA or Merchant Banker is not valid u/s 42.
10.	**Whether subscription money received u/s 42 can be used before filing of PAS-3?**
	Subscription money received through private placement of shares can't transfer from separate bank account to regular bank account of company till the date of filing of PAS-3.
11.	**Whether company can issue private placement offer letter before filing of e-form MGT-14?**
	As per rule 8 of section 42, Company can't issue offer letter before filing of e-form MGT-14. Therefore, it is very clear that private

	placement of shares can't be happen in back dated.

12.	For preferential allotment of shares which sections are need to comply?
	For Preferential allotment of shares company needs to follow section 62 read with section 42 and rules relating to same.
13. CASH	**Whether Company can issue security like (debentures, share warrant etc) u/s 62(1)(c) other than cash consideration?**
	Section 62(1) states about only issue of 'Shares' but its doesn't include securities. Therefore securities can't be issued for other than cash consideration under Companies Act, 2013.
14.	**Whether valuation report required for issue of shares for consideration other than Cash?**
	Valuation report from registered valuer is mandatory for issue of shares for consideration other than cash.
15. Loan	**Whether loan can be converting into Equity Shares, Preference Shares and Debentures?**
	As per section 62(3), loan can be converting only into shares (equity or preference). Loan can't be converting into debenture or other securities.
16.	**If Company has not passed SR or not filed MGT-14 at the time of acceptance of Loan. Whether such loan can be converted into Shares?**
	As per 62(3), passing of SR and filing of MGT-14 at the time of acceptance of loan is foremost condition. Without fulfilling this

	requirement loan can't be converted into shares.

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