

February 2025

Extension in the timeline for mandatory dematerialisation of securities for private companies till June 30, 2025

The Ministry of Corporate Affairs (“MCA”) *vide* notification dated October 27, 2023, had issued the Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2023 (“**Amendment Rules 2023**”). In terms of the Amendment Rules 2023, Rule 9B was inserted to the Companies (Prospectus and Allotment of Securities) Rules, 2014 and the key provisions under Rule 9B are as follows:

1. on and from October 1, 2024 (“**Effective Date**”), every private company can issue securities only in dematerialised form;
2. prior to the Effective Date, every private company is required to facilitate dematerialisation of all its securities;
3. every private company making any offer for issue of any securities or buyback of securities or issue of bonus shares or rights offer (post the Effective Date) is required to ensure that before making such offer, entire holding of securities of its promoters, director and key managerial personnel in such company has been dematerialised; and
4. every holder of securities of a private company is required to ensure that, on and from the Effective Date, (a) any transfer of securities by such holder can only be undertaken in dematerialised form; and (b) any further subscription of securities of the private company (whether through private placement, bonus shares or rights offer) can be undertaken subject to all existing securities held by the holder in the private company being in dematerialised form.

(hereinafter collectively referred to as the “**Demat Requirements**”).

Subsequently, MCA, *vide* notification dated February 12, 2025, has notified the Companies (Prospectus and Allotment) Rules, 2025 (“**Amendment Rules 2025**”). Pursuant to the Amendment Rules 2025, the MCA has further amended Rule 9B (*issue of securities in dematerialised form by private companies*) of the Companies (Prospectus and Allotment of Securities) Rules, 2014 to extend the Effective Date for the Demat Requirements to June 30, 2025. The Demat Requirements do not apply to a ‘small companies’, additionally the ‘producer companies’ can comply with the dematerialisation of their securities by March 31, 2028¹.

The public companies are already required to maintain and transact their shares in dematerialised form starting from October 2, 2018. The extension to the Effective Date is granted in line with market stakeholders’ consultation to ensure better compliances and transparency. Further, the Demat Requirements aim to facilitate the share transfer process by making it more efficient and reduce the company’s expense of printing and distribution of physical certificates.

¹ According to, MCA, *vide* [notification](#) dated September 20, 2024.

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