

Checklist on Reduction of Share Capital

A company proposing to reduce its share capital is required to take the following procedural steps:

Checklist	Section	Document/information	Remark
1. If there is provision in Articles of Association authorizing reduction of share capital.	----	AOA	
2. If there is <i>NO SUCH PROVISION</i> then the articles have to be first altered.	14, 101, 117, 146, 114 (2)	<ul style="list-style-type: none"> • Board resolution • Special Resolution • Notice of Meeting • Altered Article of Association • MGT_14 	
3. Call EGM and pass Special Resolution for alteration of MOA	66(1), 102, 101,146, 114 (2)	<ul style="list-style-type: none"> • Board resolution • Special Resolution • Notice of Meeting • Altered Article of Association • MGT_14 	

7. File MGT-14 along with a certified true copy of the special resolution(s), copy of explanatory statement under Section 102 and copy of altered Memorandum of Association and Articles of Association with the ROC within thirty days of the passing of the resolutions along with the prescribed filing fee for its registration under Section of the Act.

8. Apply to National Company Law Tribunal for confirmation of the capital reduction by way of a petition in Form No.RSC-1 of the NCLT (Procedure for Reduction of Share Capital of Company) Rules, 2016 (notified on 15th December, 2016).

9. A petition to confirm a reduction of share capital shall be accompanied along with following documents and a fee of Rs. 5,000:

- The list of creditors duly certified by the managing director or in his absence by the two directors, as true and correct, which is made on a date not earlier than fifteen days prior to the date of filing of an

application showing the details of the creditors of the company, class wise indicating their names, addresses and amount owned to him.

- A certificate from the auditor of the company to the effect that the list of creditors referred in above clause is true and fair.
- A certificate from the auditor and director of the company that the company has not defaulting in repayment of deposits and interest thereon.
- A certificate from the Statutory Auditor to the effect that all the accounting treatment has been in conformity to the Accounting Standards as prescribed under section 133 of the Companies Act.
- A certified true copy of the memorandum and articles of association of the company.
- A certified true copy of the notice of the general meeting together with the explanatory statement annexed to the notice, at which the special resolution had been passed.
- A certified true copy of the special resolution authorizing the reduction of share capital.
- A certified true copy of the latest audited balance sheet and profit and loss account of the company together with all the schedules and other papers attached/annexed thereto.
- A certified true copy of the minutes of proceedings at the general meeting at which the special resolution for reduction of share capital was passed.
- An affidavit verifying petition.
- Memorandum of Appearance with copy of board resolution.
- Bank Draft of Rs. 5,000 evidencing the payment of fees.
- Other requisite attachment.

10. National Company Law Tribunal will give notice to Central Government, Registrar of Companies and SEBI within 15 days from filing of petition.

11. The Notice to the creditors (as per list submitted to NCLT) in the Form RSC-3 shall be sent to each creditors within the seven days from the direction of the NCLT or such other period as may be prescribed by

the NCLT for their objections, if any and the creditors will send their representations and objections within the three months.

12. Publish the notice in Form RSC-4 within the seven days from the directions of NCLT. Notice shall be published in a vernacular newspaper in the principal vernacular language of the district in which the registered office of the company is situated, and in an English newspaper in English language, both having a wide circulation in that district.

13. The Company or the person who was directed to issue the notice shall file an affidavit in the Form RSC-5 confirming the despatch and publication of the Notice.

Here, it may be noted that all concerned parties will make their representations within the three months from the date of receipt of notice and where no representations has been made from the side of Central Government, Registrar of Companies, SEBI and Creditors, it shall be presumed that they have no objections for the said reduction.

14. The Company shall submit the NCLT, within the seven days of expiry of period up to which representations has been sought, the representations and objections so received and company reply on it.

15. At the hearing of petition the NCLT may, if it thinks fit gives such directions as may deem fit and issue its order.

16. File the order of the NCLT with Registrar of Companies in Form No. INC-28 within the 30 days from the date of Order.

17. Collect the existing share certificate and destroy them and issue fresh share certificates (in case of shares issued in physical form) or otherwise contact with RTA and Share Transfer Agent.

18. Take all other steps in accordance with the scheme of reduction of share capital of the company as approved by the Court, e.g. to pay-up share capital which is in excess of the wants of the company.

19. The company must send to the concerned stock exchanges in case of listed company three copies of all the notices, circulars etc. issued and/or published in newspapers by the company in connection with the reduction of the share capital of the company as per the Listing Agreements signed with the stock exchanges.