

DEMATERIALIZATION OF SHARES

Effective April 1, 2019, the issuance of further shares and transfer of existing shares by an unlisted Indian public company shall now be in dematerialised form.

1. What is Dematerialisation?

Dematerialisation is the process through which physical share certificates of an investor are converted to an equivalent number of securities in electronic form and credited to the investor's Depository Participant (DP) account.

2. Who is currently covered under Dematerialisation?

Until recently, dematerialisation was mandatory only for public listed Indian companies. With this, even unlisted Indian public companies are covered.

3. What are the benefits of Dematerialisation?

- Eliminates the issue of handling, protecting and storing physical share certificates
- Offers a higher level of transparency
- Offers increased security
- Offers ease of transfer, split, further issuance and consolidation of shares

4. Will Dematerialisation cover private unlisted companies?

Presently it does not cover private companies. However, given the digital

focus in India, it is possible that the government may extend the requirement of dematerialised shares to private companies too. In any case, given the security and ease of transfer it brings, it is advisable to opt for this methodology.

5. How does one Dematerialise shares?

Each investor must first open an account with a DP and then proceed for the Dematerialisation of certificates.

All physical certificates that are to be dematerialised must be defaced and surrendered with the DP. This step has been brought in as a measure to enhance transparency and investor protection.

6. How long does it take and who are the agencies involved?

Assuming the physical shares are available, and the necessary regulatory compliances are in place, the process of dematerialisation can be completed in 4 weeks.

OVERVIEW OF THE DEMATERIALIZATION PROCESS

	Weeks			
	1	2	3	4
Check existing secretarial records and ensure accuracy	✓			
Board approval for dematerialisation	✓			
Identify a suitable DP and draft the initial documentation		✓		
Liaising with DP for the activation of demat account(s).			✓	
DP intimates the concerned investor			✓	
Shares depicted in Demat account of concerned depositor				✓
Defacing of physical share certificates and deposit with DP				✓