Subject – Secretarial Practices
Subject code- BBA603 / BCH603
Lecture 9

Legal Rules . You should note that so far as the private companies are concerned, the Act does not lay down any restrictions as to the allotment of shares. But the Act has laid down certain restrictions regarding the allotment of shares by public companies.

When no public offer is made: Where a public company does not offer its shares to the public but arranges the capital privately, the company cannot proceed with the allotment unless it files with the Registrar of Companies at least three days before the first allotment, a statement in lieu of prospectus. If the allotment is made in contravention to this provision, it will be termed as 'irregular allotment' and it shall be voidable at the option of the allottee. In addition to this, every officer of the company, who is a party to such allotment, shall be punishable with fine which may extent to Rs. 1,000.

When an Offer is made to the Public: Where a company offers to shares to the public:

A prospectus must be issued and a copy of the same should be filed with the Registrar. You should note that the company cannot allot the shares immediately after issuing the prospectus. No allotment can be made until the beginning of the fifth day from the date of issue of prospectus. The fifth day is to be counted from the date of issue of prospectus was published or was otherwise notified to the public. The beginning of the fifth day is known as 'the time of the opening of the subscription lists'. The object of this provision is to enable the public to go through the prospectus and to decide whether to apply for the shares. The Companies Act, however, does not specifically provide for the time of closing the subscription list. It means that the company may keep the subscription list open for any length of time it wants. According to stock exchange regulations where the shares are listed on any stock exchange, the subscription list must be kept open for at least three days, In such cases, t!~e prospectus usually mentions the time of closing of the subscription lists.

Transfer:

It is an inherent right of a shareholder to transfer his shares to another person freely in case of a public company and under restrictions in case of a private company as provided in its Articles of Association. The Companies Act provides the guidelines for transferring of shares (Sees 108 to 113). Regulations 19 to 24 of the Table A provide a model of procedure.

According to the Act, a shareholder or transferor has to obtain a Share Transfer Deed or Instrument of Share Transfer (purchasable in the market) duly certified by a public servant, on which the shareholder as the transferor has to make endorsement of the shares in favour of the transferee and sign his name on necessary stamp.

The transferor shall hand over the share certificate together with the instrument to the transferee and take the money from the transferee by way of consideration. The transferee will send these documents to the company for acceptance and other necessary actions.