Govt directs all unlisted companies to dematerialise shares by September

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The government plans to make it compulsory for unlisted companies to get their shares dematerialised by September, according to government officials.

The corporate affairs ministry wants all unlisted companies with paid-up capital of more than Rs 50 million to digitalise shares by June-end. Others can do so by September.

The aim is to make transactions more transparent.

"The National Securities Depository Ltd (NSDL) and the Central Securities Depository Ltd (CDSL) will have pre-verified shares in electronic mode, which will help settle transactions in an effective manner," according to a senior government official.

When shares in the electronic form are available with the depositories, it acts as primary evidence for those who hold the shares.

It is not always possible to track the ownership of shares in the physical format. The move is likely to bring an end to benami transactions, according to experts.

The government is also in discussion with the NSDL and the CSDL to fix enrolment rates for these companies. The ministry has asked these registries to reduce joining fees.

At present, companies have to pay around Rs 30,000 as joining fee in addition to goods and services tax (GST). Companies are also required to pay an annual custody fee of Rs 8 per folio in NSDL.

The NSDL and the CDSL are registered with the Securities and Exchange Board of India (Sebi).

Sebi rules require all listed companies to dematerialise shares. There are around 70,000 public limited companies that are unlisted.

More than one million private limited companies are registered with the corporate affairs ministry.

Dematerialisation, or demat, involves conversion of physical stocks into electronic form.

India has around 6,000 listed companies, and almost all shares are held in the demat form.

(Business Standard)