

**1 Kinds of Share Capital (Sec. 43)**

**1. Equity Share Capital**

- With voting rights.
- With differential rights (subject to Rules):
  - Approval by **Ordinary Resolution**.
  - Max **26%** of post-issue share capital.
  - Company must have consistent track record (profitability, compliance).

**2. Preference Share Capital**

- Preferential rights:
  - Dividend (fixed rate, before equity).
  - Repayment of capital on winding-up.
- Types: Participating / Non-participating, Redeemable / Convertible, Cumulative / Non-cumulative.

⚡ *Exam Note:* Differential rights → important short question.

---

**2 Voting Rights (Sec. 47)**

- **Equity:** One vote per share (proportional to paid-up value).
  - **Preference:** Only on –
    - Matters directly affecting rights.
    - If dividend arrears > 2 years.
- 

**3 Variation of Shareholders' Rights (Sec. 48)**

- Allowed if authorised by AOA + approved by **¾ in value** (special resolution).
  - Dissenting shareholders may appeal to NCLT within **21 days**.
  - NCLT may cancel variation if unjust.
- 

**4 Share Capital Structure**

- **Authorised / Nominal Capital** – max permissible.

- **Issued Capital** – portion offered for subscription.
  - **Subscribed Capital** – portion actually taken by public.
  - **Called-up Capital** – portion demanded by company.
  - **Paid-up Capital** – portion actually paid.
- 

#### **5 Calls on Shares (Secs. 49–50)**

- Must be **uniform** for same class of shares.
  - **Calls in Advance (Sec. 50):**
    - Allowed if AOA permits.
    - Interest payable (not compulsory).
    - No extra voting rights.
- 

#### **6 Issue of Shares at Premium & Discount**

- **Sec. 52 – Securities Premium A/c:**  
Can be used for –
    1. Issue of bonus shares.
    2. Writing off preliminary expenses.
    3. Writing off commission/discount on issue of shares.
    4. Premium on redemption of preference shares/debentures.
    5. Buy-back (Sec. 68).
  - **Sec. 53 – Issue at Discount:**
    - Prohibited → void.
    - Exception: Sweat equity shares (Sec. 54).
- 

#### **7 Sweat Equity Shares (Sec. 54)**

- Issued to employees/directors for know-how, IPR, or value addition.
  - **Conditions:**
    - Special Resolution.
    - Lock-in: **3 years**.
    - Limit: 25% of paid-up equity (for start-ups → 50% up to 10 years).
-

## 8 Issue of Preference Shares (Sec. 55)

- Only **redeemable** (no perpetual pref. shares).
  - Redemption allowed from –
    - Profits (transfer equal amount to Capital Redemption Reserve), OR
    - Fresh issue of shares.
  - If unredeemable → issue further redeemable shares with  $\frac{3}{4}$  approval + NCLT consent.
- 

## 9 Further Issue of Shares (Sec. 62)

- **Rights Issue:** Offered to existing shareholders in proportion.
  - **Employees Stock Option Scheme (ESOPs):** Special Resolution + conditions.
  - **Preferential Allotment:** Must comply with SEBI guidelines.
- 

## 10 Bonus Shares (Sec. 63)

- Issued free to existing shareholders.
  - Sources: Free reserves, Securities Premium, Capital Redemption Reserve.
  - Not from: Revaluation reserve, unrealised gains, reserves created from revaluation.
- 

## 1 1 Reduction of Share Capital (Sec. 66)

- Allowed by **Special Resolution** + approval of NCLT.
  - Modes:
    - Extinguish unpaid capital.
    - Cancel paid-up capital lost/unrepresented by assets.
    - Pay off excess capital.
- 

## 1 2 Buy-Back of Shares (Sec. 68–70)

- Max **25% of paid-up capital & free reserves**.
  - Debt-equity ratio  $\leq 2:1$  after buy-back.
  - Must be completed within **1 year** of approval.
  - Sources: Free reserves, Securities Premium, Proceeds of fresh issue (not of same kind).
  - Procedure: Special Resolution (if  $>10\%$ ) or Board resolution ( $\leq 10\%$ ).
-

### **1 3 Debentures (Sec. 71)**

- Can be secured/unsecured.
- Convertible debentures → require Special Resolution.
- Debenture Redemption Reserve (DRR) → mandatory for certain companies.
- Debenture Trustees → appointed to protect debenture-holders' interests.

⚡ *Exam Note:* Debenture holders = Creditors, not owners.

---

### **1 4 Nomination (Sec. 72)**

- Shareholders/debenture-holders can nominate person to whom securities will transfer in case of death.
- 

### **1 5 Penalties & Offences**

- Issue at discount → void, penalty on company + officers.
  - Default in redemption of preference shares → penalty + interest.
  - Non-compliance with Sec. 62, 66, 68 → penalties up to **₹5 lakh (company) & ₹1 lakh (officer)**.
- 

### **⚡ Quick Revision Capsule (Exam Special)**

- **Sec. 43:** Kinds of share capital.
- **Sec. 47:** Voting rights.
- **Sec. 48:** Variation of rights.
- **Sec. 52–54:** Premium, Discount, Sweat Equity.
- **Sec. 55:** Redeemable Preference Shares.
- **Sec. 62:** Further Issue (Rights/ESOP/Preferential).
- **Sec. 63:** Bonus Shares.
- **Sec. 66:** Reduction of Capital.
- **Sec. 68–70:** Buy-back.
- **Sec. 71:** Debentures.
- **Sec. 72:** Nomination.