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Whether Valuation Report required to be issued for cash as well as non-cash transactions ?

Existing Equity shareholders

Sec.62 (1) (a) of Companies Act - If the company intends to increase of its subscribed capital through the mode of FURTHER ISSUE, can be done making an offer to the existing equity shareholders proportion to the respective paid up capital. In this regard, the letter of offer must be sent to the relevant shareholders. Ensure the letter of offer should have a limited time not exceeding thirty days So technically it is an RIGHTS ISSUE.

Existing employees

Similarly 62 (1) (b) of Companies Act : Apart from existing equity shareholders , another way is stock option to get funds from existing employees under Stock option scheme.

Whether valuation report required for 62 (1) (a) and 62 (1) (b)

Sec. 62 (1) and 62 (b) - In the first instance, the sub section (1) (a) of Section 62 allows raising of capital by the Company through further issue. The offer can be made in proportional to existing shareholders. Such offer needs to be sent through LETTER OF OFFER. Scheme employees' Stock option permitted to the employees under Sec. 62 (1) (b).

In both the above situations, No Valuation Report is required.

Sec.62 (1) (c) of Companies Act,2013

Valuation Report required in the following situation : - Preferential Allotment

However, 62 (1) (c) allows raise capital to any other person other than existing or non existing for cash or non cash transaction, if the share price is determined the Registered Valuer through Valuation Report. The Section also allows the above sub sections i.e. 62 (1) (a) or 62 (1) (b) to raise the capital through special resolution if the share price is determined by the Valuation Report considering cash or non cash transactions. It means funds can be raised from outsiders as well as from existing equity shareholders for cash or other than cash transaction.

In simple : Special Resolution attracts Valuation Report even for 62 (1) (a) and 62(1) (b).

Further to, determination price by the Registered Valuer not required to Listed Companies. – **So Valuation Report not required for Listed Companies** if attracting Sec.62 (1) (c) of Companies Act,2013

Sec. 62 (3) of Companies At, 2013

However, the conversion to equity from debentures or loan does not attract the Valuation Report. For example if the Company issued any debentures or a taken a loan with an option to convert into equity need not require Valuation Report if it was approved in General Meeting through special resolution before issue of such debentures or acquiring loan. Yet, the conceptof valuation not applicable, where the term of conversion of loans/debentures to equity shares.

Reference :

1. Source Retrieved from the ebook; mca.gov.in; <http://ebook.mca.gov.in/Actpagedisplay.aspx?PAGENAME=17441>
2. Source : Retrieved; Companies (**Share Capital and Debentures**) Rules, 2014- https://www.mca.gov.in/Ministry/pdf/NCARules_Chapter4.pdf