**Section 42**

MCA has enforced the provisions of Section 10 of the Companies (Amendment) Act, 2017 which amended the provision of **Section 42** (i.e. Issue of shares on private placement basis) of the Companies Act, 2013 effective from August 7, 2018. The entire Section 42 has been substituted. Major changes are:

* Return of allotment has to be filed within 15 days of the allotment;
* Money received under the private placement shall not be utilized unless the return of allotment is filed with the RoC;
* Private Placement offer letter shall not contain any right of renunciation.

Alongside, **Rule 14** of the Companies (Prospectus and Allotment of Securities) Rules, 2014 has also been amended. Major Changes are:

* The proposal must be previously approved by a Special Resolution;
* Explanatory statement annexed to the notice for shareholders’ approval shall give the following disclosures:
  1. Particulars of offer including date of passing of Board Resolution
  2. Kinds of securities offered and the price at which the offer or invitation is being made
  3. Basis or justification for the price at which the offer or invitation is being made
  4. Name and address of valuer who performed valuation
  5. Amount which the Company intends to raise by way of securities
  6. Material terms of raising such securities, proposed time schedule, purpose or objects of offer, contribution being made by the promoter or directors either as part of the offer or separately in furtherance of objects; principle terms of assets charged as securities.
* Special Resolution is not required in case of offer for non-convertible debentures such offer does not exceed the limit as specified in section 180(1)(c) and in such cases relevant Board resolution under section 179(3)(c) would be adequate.

Note: In case of offer for non-convertible debentures, where the proposed amount to be raised through such offer exceeds the limit as specified in section 180(1)(c), the company can pass a special resolution only once in a year for all the offers for such debentures during the year.

* Private Placement shall not be made to more than 200 persons in the aggregate in a financial year.
* Person subscribing to securities must make the payment from his bank account. The company shall keep the record of the Bank Account from which payment has been received. In case of joint holders, the subscription amount must be paid from the bank account of the first holder.
* Company can issue private placement offer cum application letter only after the relevant special resolution or Board resolution has been filed with the ROC.