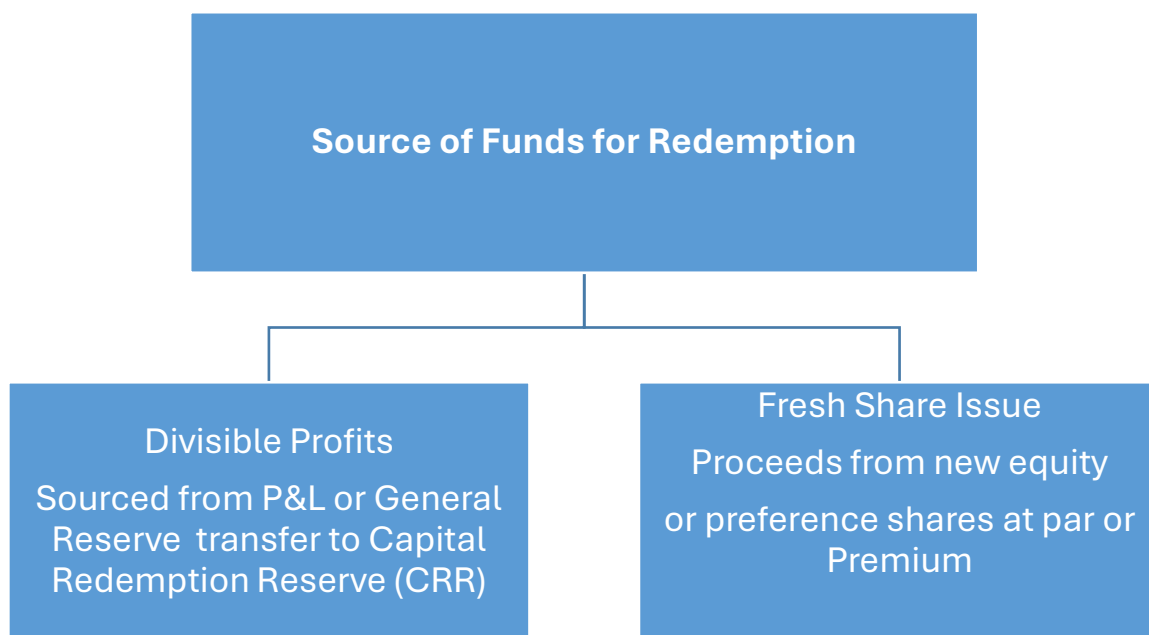


Core Legal Framework & Conditions as per Companies Act, 2013 Section 55

Category	Legal Rule & Requirements
AOA Authorization	The Articles of Association (AOA) must explicitly authorize both the issue and redemption.
Approvals	Requires passing a Special Resolution (SR) in a general meeting of the company.
Max Tenure (Normal)	Cannot exceed 20 years from the date of issuance.
Max Tenure (Infra)	Infrastructural projects can extend to 30 years , provided at least 10% are redeemed annually starting from the 21st year.
Default Check	The company must have no active defaults regarding prior share redemptions or due dividends.
Payment Status	Only fully paid preference shares are legally permitted to be redeemed.



Key Financial & Accounting Rules

- **Capital Reduction:** Redemptions **do not** reduce the authorized capital of the company.
- **CRR Utilization:** The balance in the **Capital Redemption Reserve (CRR)** can only be deployed to issue fully paid **bonus shares**.
- **Redemption Premium:** Must be provided out of the **Securities Premium Account** or the **Profit & Loss (P&L) Account**.

- **Defaulting Shareholders:** Unpaid amounts from defaulting holders are moved to a **Preference Share Redemption Suspense Account** and listed under *Other Current Liabilities* on the Balance Sheet.
- **Journal entries for Redemption of Redeemable Preference Shares**

No	Transaction	Entries
1	Convert partly paid shares into fully paid share	i) Preference Share Final Call A/C Dr. To Preference Share Capital A/C ii) Bank A/C Dr. To Preference Share Call A/C
2	Transfer preference share capital to shareholders A/c	Redeemable Pref. share capital A/c Dr. Premium on redemption of shares A/c Dr. To Preference share holder A/c
3	Write off premium on redemption	Security premium A/c Dr. To Premium on redemption of shares A/c
4	Redemption of shares from Profit of the company	General Reserve A/c Dr. P & L A/c Dr. To Capital redemption reserve A/c
5	Redemption of shares from Fresh issue of shares	i. At Par: Bank A/C Dr. To Share Capital A/C ii. At Premium: Bank A/C Dr. To Share Capital A/C To Securities Premium A/C
6	Payment to preference share holders	Preference share holder a/c Dr. To Bank A/c
7	Preference shareholder is defaulter in payment	Preference share holder a/c Dr. To Bank A/c To Preference share Redemption Suspense A/c