



**Corporate
Professionals**

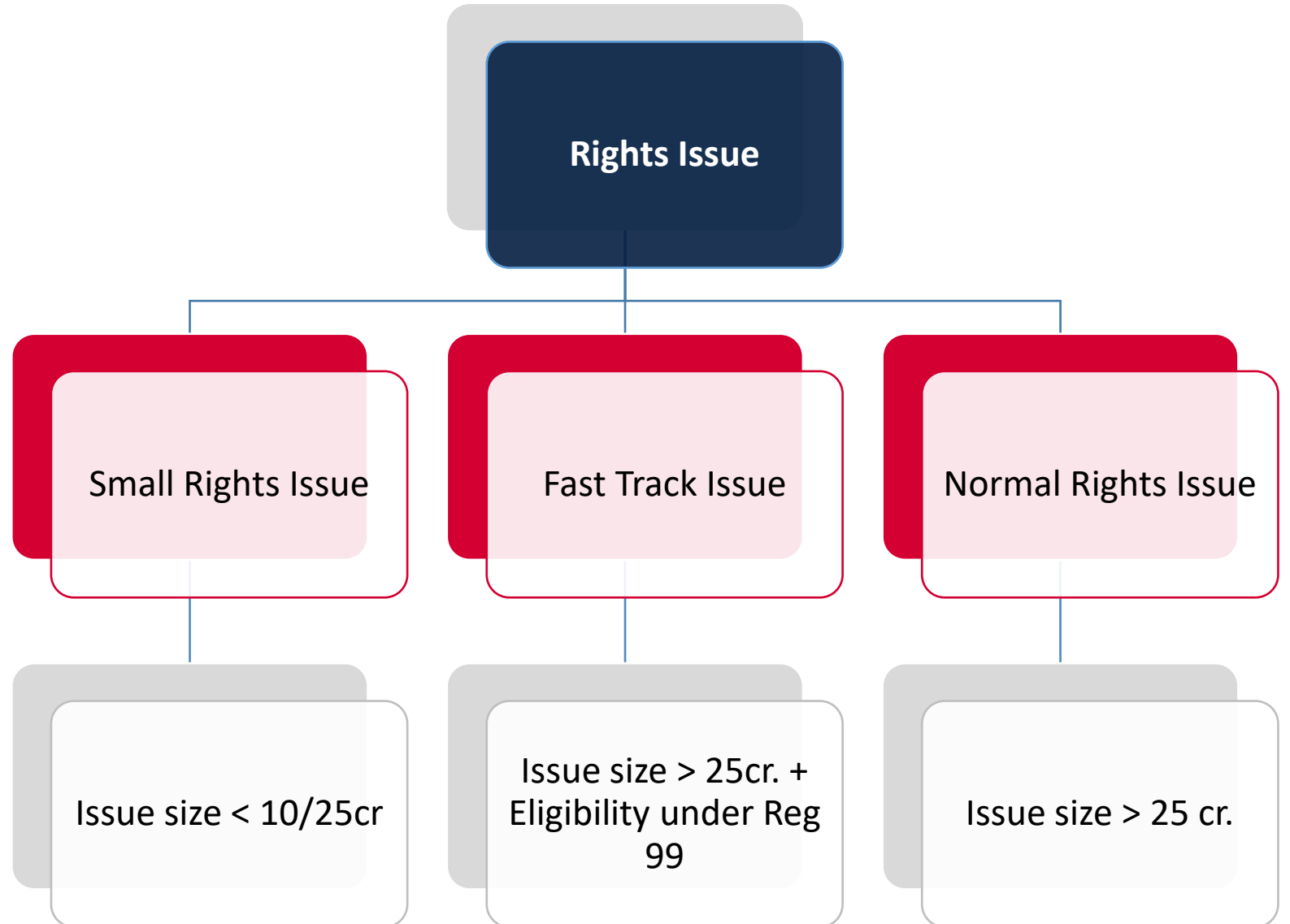
RIGHTS ISSUE

FUND RAISING AMID COVID

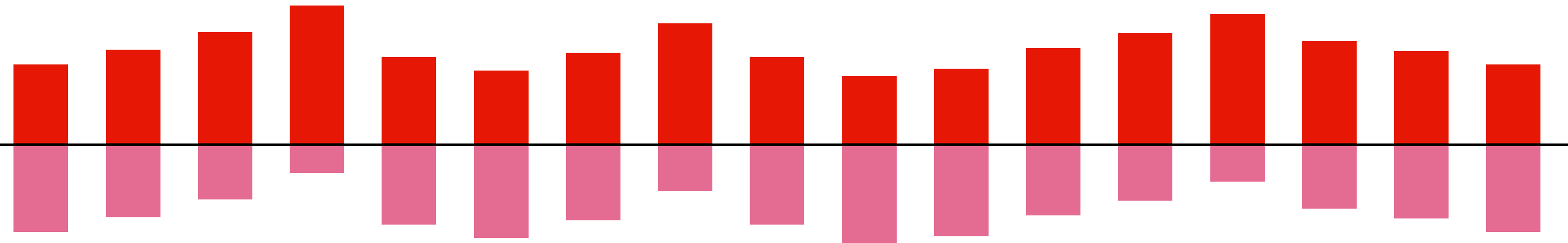


Right Issue under SEBI ICDR Regulations can be categorized as follows:

**Based on the Issue size
and Eligibility criteria:**



COMPARISON BETWEEN:
SMALL RIGHTS ISSUE/
FAST TRACK ISSUE/
NORMAL RIGHTS ISSUE

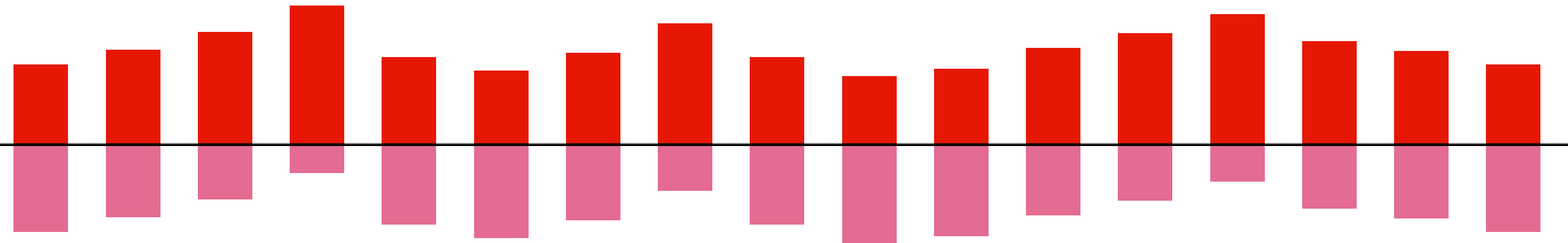


Particulars	Small Rights Issue	Fast Track Rights Issue	Normal Rights issue
Issue Size	Less than Rs.25 crores (upto Mar 31, 2021)	More than Rs.25 Crores + Mkt. Cap (FF): 100 cr.	More than Rs.25 Crores and the company is not eligible for fast track issue
ICDR Applicability	N.A., but the Letter of Offer is needed to be prepared as per the ICDR Regulations.	Applicable	Applicable
Time Involved	Appx. 3 months	Appx. 3 months	Appx. 5-6 months
Merchant Banker appointment	Not mandatory, but in majority cases, Merchant Banker has been appointed.	Mandatory	Mandatory

Particulars	Small Rights Issue	Fast Track Rights Issue	Normal Rights issue
Stock Exchange Prior Approval	Required	Required	Required
SEBI Approval for DLOO	Not Required, Letter of offer is prepared and filed directly with the Stock Exchanges.	Not Required, Letter of offer is prepared and filed directly with the Stock Exchanges.	Required to be prepared and approved by SEBI
ASBA Facility	Required	Required	Required
Monitoring Agency	N.A.	Required, if issue size > Rs. 100 cr.	Required, if issue size > Rs. 100 cr.
Date of opening of issue	Will be Governed by Companies Act	Within 12 months from the Record Date	Within 12 months from the date of issuance of observation by SEBI

RIGHTS ISSUE AMID COVID: A BLESSING IN DISGUISE

KEY MEASURES TAKEN BY SEBI DURING COVID



For Fast Track Issues

- Eligibility requirement of Avg. mkt. cap (Public): Reduced to Rs. 100 cr from Rs. 250 cr.
- Period of Listing: Reduced to 18 months from 3 years.
- Prior Non-compliance, if any, w.r.t composition of BOD: Reduced to 18 months from 3 years.
- Adjudication proceedings excluded from the pendency/ initialization of proceedings by SEBI
- Condition for **no audit qualification on issuers accounts is done away with**. But impact of audit qualifications is required to be disclosed.
- Alleged violations of securities law by issuer/promoter/ director has been settled with SEBI are allowed to come with Fast track issue (earlier complete prohibition).

(For Issues upto March 31, 2021)



More Companies Eligible to go for Fast Track Rights Issue

For Fast Track Issue & Normal Rights Issue

Min. subscription Reduced to 75% from 90%, subject to fund utilization conditions

(For Issues upto March 31, 2021)



Chances of success of Rights issue have increased

For Small Rights Issue

Issue size for small rights issue increased from Rs. 10 crores to Rs. 25 crores

(For Issues upto March 31, 2021)



More funds can be raised via Rights Issue w/o SEBI approval

For All Issues

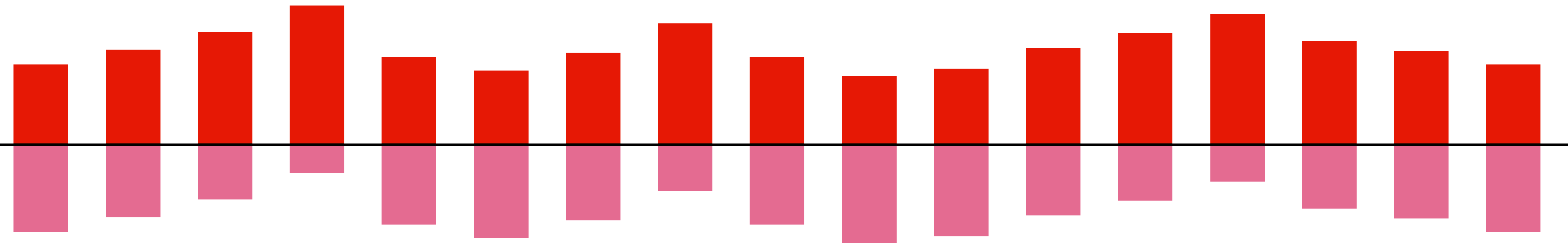
Reduced to 50%

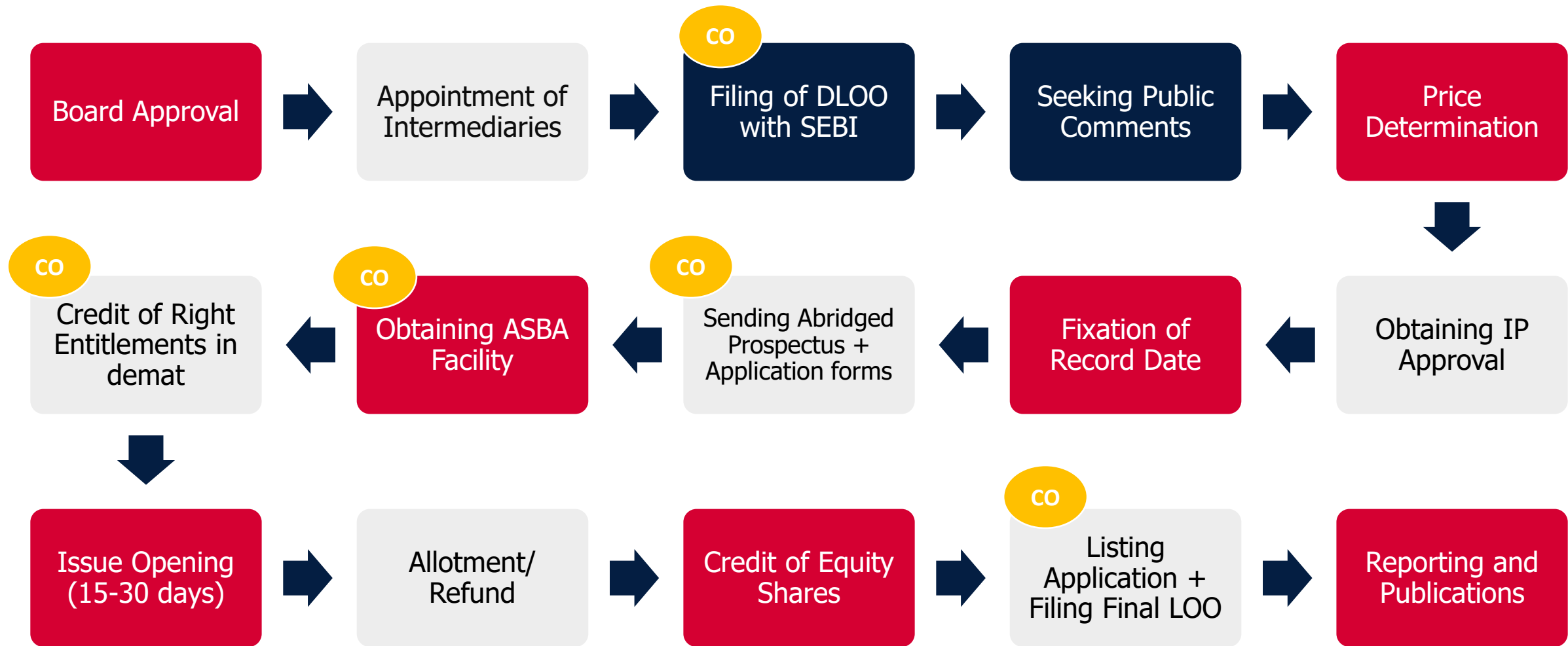
(For Issues upto June 01 to Dec 2020)



Reduction in Cost of Raising Issue

Rights Issue Process & Procedural Relaxations thereon amid Covid





CO COVID Relaxations by SEBI

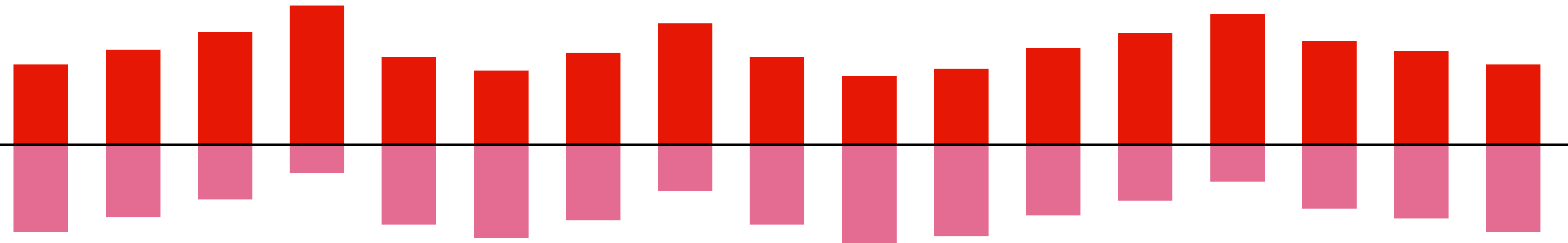
SOME PROCEDURAL RELAXATIONS: COVID PERIOD (for RI opening till July 31, 2020)

- ☐ Prior Intimation of Board Meeting held to consider fund raising reduced to 2 days from 2 Working days (For Board Meetings held till July 31, 2020).
- ☐ Dispensed Physical sending of Abridged LOO/ CAFs-e mode allowed.
- ☐ Allowed Non- cash mode of accepting applications of physical shareholders.
- ☐ Right to Renunciation taken away in case physical entitlement.
- ☐ Allotment of Equity Mandatory in Demat.
- ☐ DSC allowed in Certification.
- ☐ FAQs, online dedicated investor helpdesk and helplines to be created.

INTERMEDIARIES INVOLVED

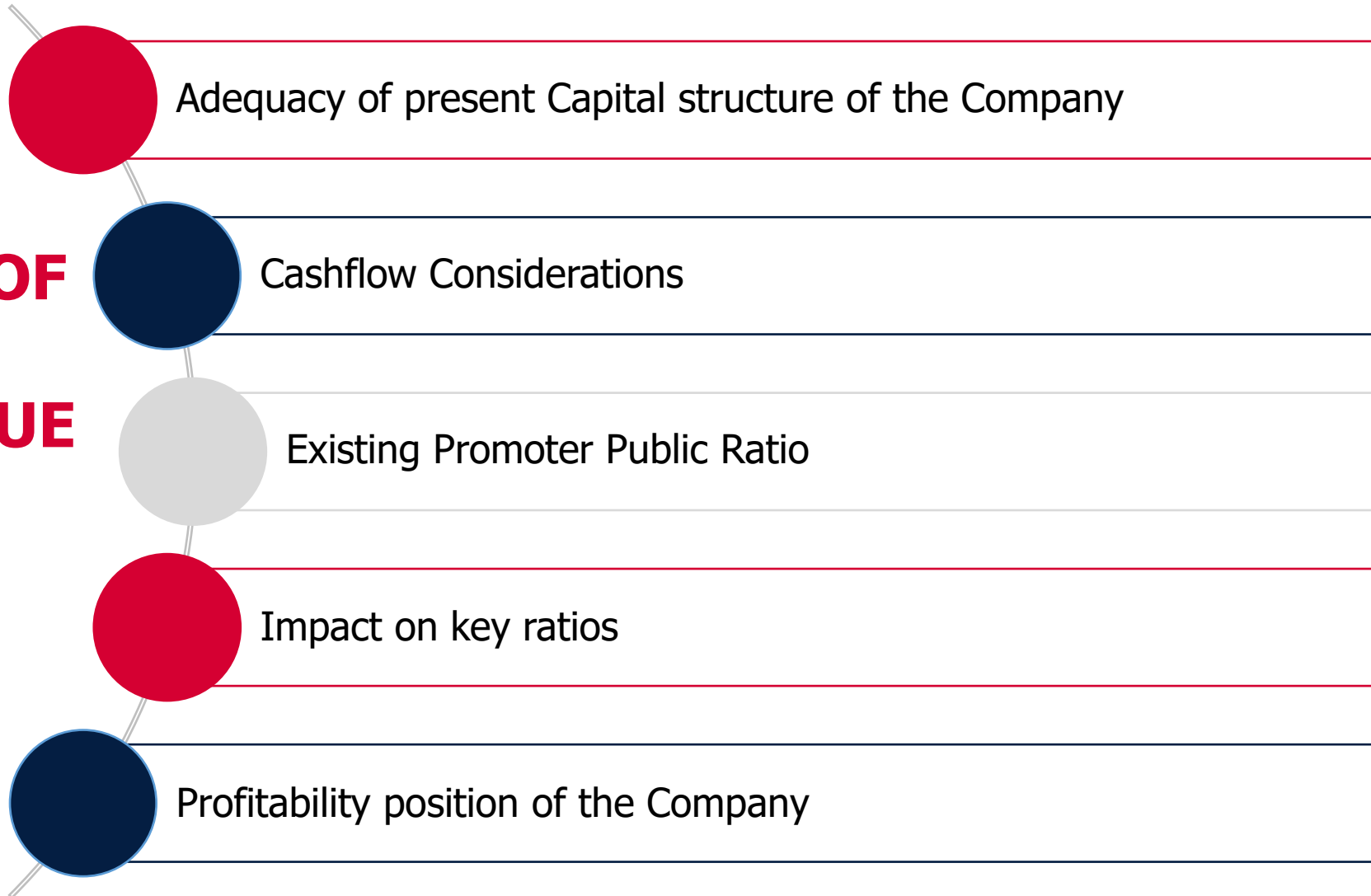
▪	Lead Manager (Merchant Banker)
▪	Self- Certified Syndicate Banks
▪	Bankers to the issue/ Collection Centres
▪	RTA
▪	Compliance Officer: Responsible for monitoring the compliance of the securities laws and for Redressal of investors' grievances
▪	Printers
▪	Advertising Agencies
▪	Underwriters [Optional]
▪	Monitoring Agency: If issue > Rs. 100 cr.

**CRITICAL ASPECTS:
DECISIVE POINTS WHEN PLANNING
A RIGHTS ISSUE**



PRE-ISSUE CONSIDERATIONS

1. SIZE OF THE ISSUE



2. OBJECTS OF THE ISSUE

- Pre-Payment/ Repayment of Loans
- Investment in a joint venture or a subsidiary or an acquisition
- To grant a loan to an entity other than a subsidiary
- Long term working capital
- Land acquisition
- Project Finance
- Property
- Plant/ Equipment/ Technology/ Process etc.

75% of fund raised to
be utilized towards
Specific Purpose

25% of fund raised
towards General
Corporate Purpose

3. Price Determination

To be determined in consultation with MB

Not Regulated, Generally at a discount from the running Market Price

Can it be higher than the running MP?

Rights Exercise Price < Ex- Rights Price [To claim Takeover Exemption]

4. Promoter's Participation & Open Offer triggering

Entitled to acquire shares in proportion of their existing shareholding



Apply for and Acquire shares over and above their entitlement



The Acquirer has **not renounced** his entitlement



Rights Exercise Price < Ex- Rights Price



**Minimum Public Shareholding of 25%
to be maintained at all times**

ACQUISITION > 5% in ONE FY [3(2)]:

TAKEOVER EXEMPTION → Reg. 10(4)(b) of SEBI SAST Regulations

ACQUISITION > 25% [3(1)]:

NO TAKEOVER EXEMPTION

5. Diligence & Disclosures

[Applicable to All Rights Issues]

- ✓ Detailed Due Diligence is needed to be undertaken by the Lead Manager
- ✓ Scope:
 - Regulatory Compliances
 - Contractual Compliances
 - Legal Due Diligence & Litigations status against the Company/ Promoters/ Directors
 - Financial Aspects
 - Non-Financial Aspects (Goodwill etc.)
- ✓ Period: 5 years
- ✓ To be disclosed in Offer Letter

Reaching out to Physical Shareholders



Adv. on TV Radio/Crawlers/ Tickers



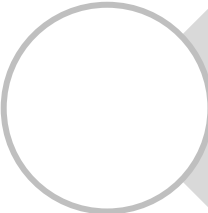
Flexibility to issue adv. in additional newspaper



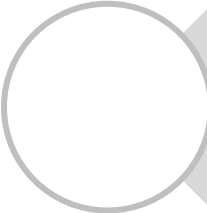
Ordinary Post/ SMS/ Audio Visual/
Digital Adv.



All Adv. To be available on website



Letter of Offer on website of MB, RTA,
Issuer



Online Grievance Redressal Portal by
Issuer and MB

DURING THE ISSUE CONSIDERATIONS

1. Rights Entitlement (RE)

Recently, in January 2020, SEBI created the framework for Trading of Rights Entitlements.

Now:

- ✓ RE are credited (with a separate ISIN) to the shareholders' Demat A/c, before issue opening.
- ✓ Shareholders with Demat RE can renounce their entitlement by trading on-market as well as off-market.
- ✓ The transferees of RE can apply for shares in the Rights Issues

2. Renunciation of Rights Entitlements by the Promoters

In Normal Rights Issue

- Can be Renounced in favour of Other Promoters
- + Other Than Promoters as well

In Fast Track Issue

- Renunciation allowed **ONLY WITHIN** the Promoter Group

In Small Rights Issue

- Will be governed by Companies Act

SHAREHOLDERS HAVING PHYSICAL HOLDINGS CANNOT RENOUNCE THEIR ENTITLEMENTS

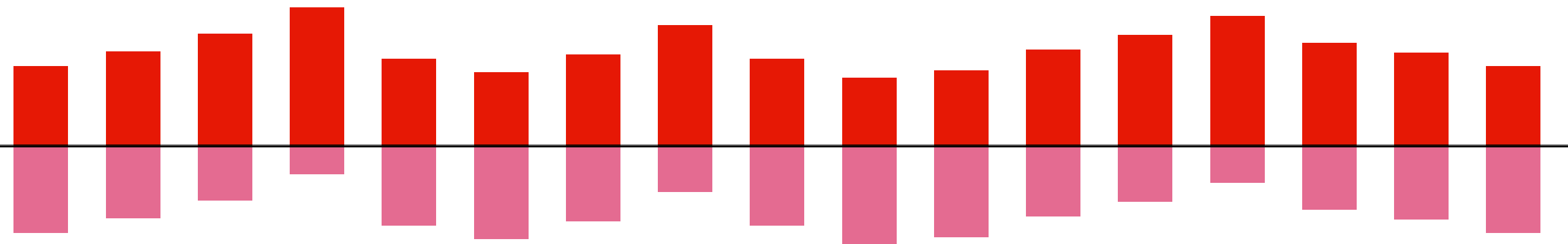
3. Further Issuance of Shares during the Offer

Restriction on further capital issues either by way of Preferential Issue, QIP issue, Bonus issue etc.

Exception: Shares allotted pursuant to Employee Stock Option Scheme

4. Minimum Subscription & Fund Utilization-

A Mixed feeling amid Covid Relaxation



In a Non-Covid Scenario

Min. Subscription: 90% of Issue Size [Reg 86]

**Fund Utilization
[Reg 62(2)]**

75% of funds raised towards specific purpose

25% of funds raised towards General Corporate Purpose

Issue subscription is 95%	(Rs. In crores)
Issue Size	100
Funds Raised	90
Specific Object	67.5 (75% of 90 cr)
General Corporate Purpose	22.5 (25% of 90 cr)

In a CoVID Scenario... SEBI Circ. April 21, 2020

Min. Subscription: 75% of Issue Size

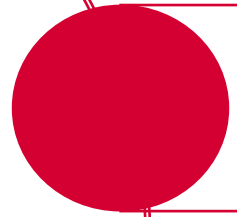
Fund Utilization

75% of issue size towards specific purpose

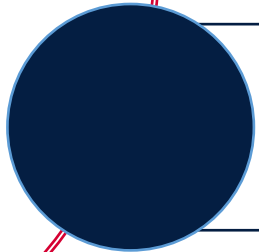
75-90% of issue size towards General Corporate Purpose

Issue subscription is 75%	(Rs. In crores)	Issue subscription is 85%
Issue Size	100	100
Funds Raised	75	85
Specific Object	75 (75% of 100cr)	75 (75% of 100cr)
General Corporate Purpose	0 (bal)	10 (Bal of issue size)

5. Dealing with Un-subscribed Portion



Promoters can subscribe to all the unsubscribed shares in the Issue, s.t. prior disclosure of the intent in the Offer Document.



May be offered by the BOD to whomsoever, it deems fit.
(Only eligible shareholders/ Renouncees)

THANK YOU

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