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# **FASTER RIGHTS ISSUE-**

## **Redefining Capital Raising by Listed Entities**



**March 28, 2025**



# **MODES OF RAISING CAPITAL**



Further  
Public  
Offering  
(FPO)

Rights  
Issue

QIP  
Issue

Bonus  
Issue

Preferential  
Issue



## Why Rights Issue?

- Fund raising for expansion, diversification, etc
- To pay-off existing debt obligations;
- To reward existing shareholders
- To consolidate the promoter stakes
- Apt fund raising mode in volatile market

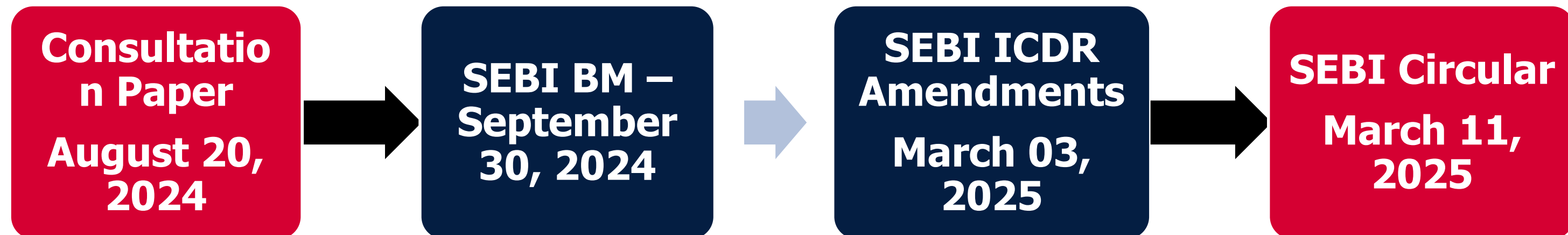
## What is Rights Issue?

**Rights issue is an offering of rights:**

- to the existing shareholders;
- to gives them an opportunity to buy additional shares directly from the company;
- generally, at a discounted price rather than buying them in the secondary market.



# Rights Issue Amendments – JOURNEY TOWARDS THE CHANGES



Effective Date of Amendment - 31st day from the date of their publication in the Official Gazette i.e., April 08, 2025





## Key Objectives **TO COME OUT WITH RIGHTS ISSUE REFORMS**

Faster & Swifter fund-raising through Rights Issue

To encourage participation by strategic in the primary market-Rights Issue Investors

To make Rights Issue a preferred mode of fund raising as it gives equal rights.

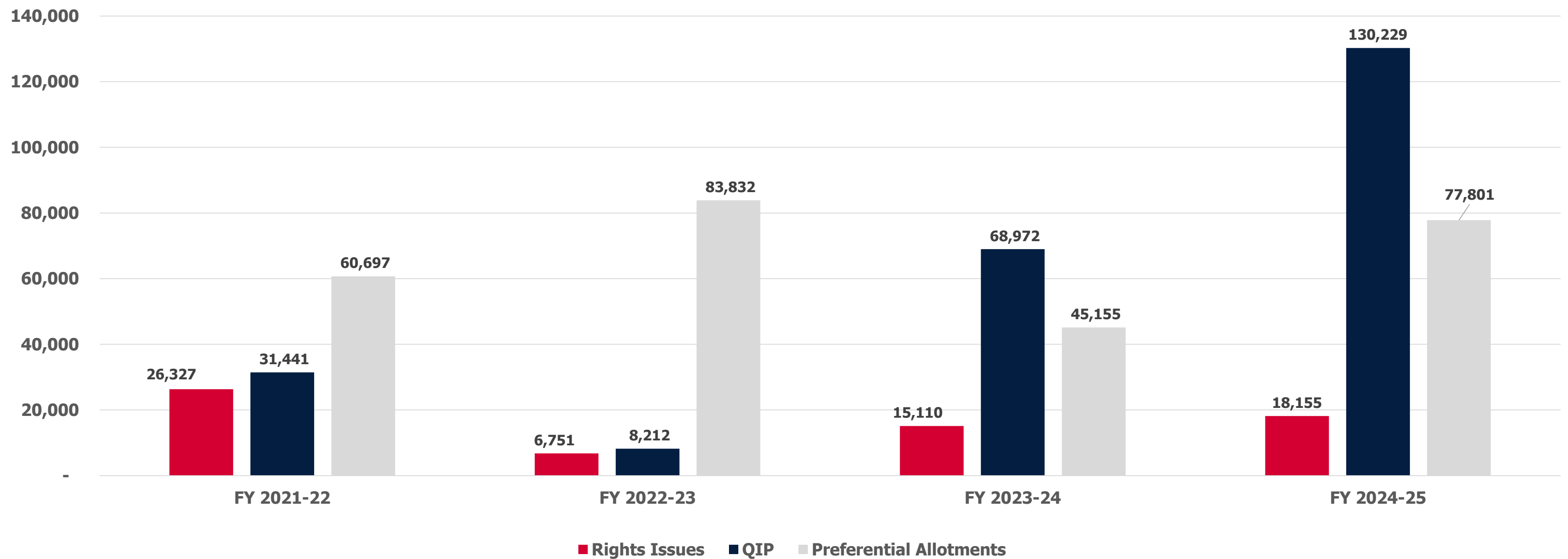
To protect interest of investors by debarring suspended companies.



# Offerings

## Funds Mobilization

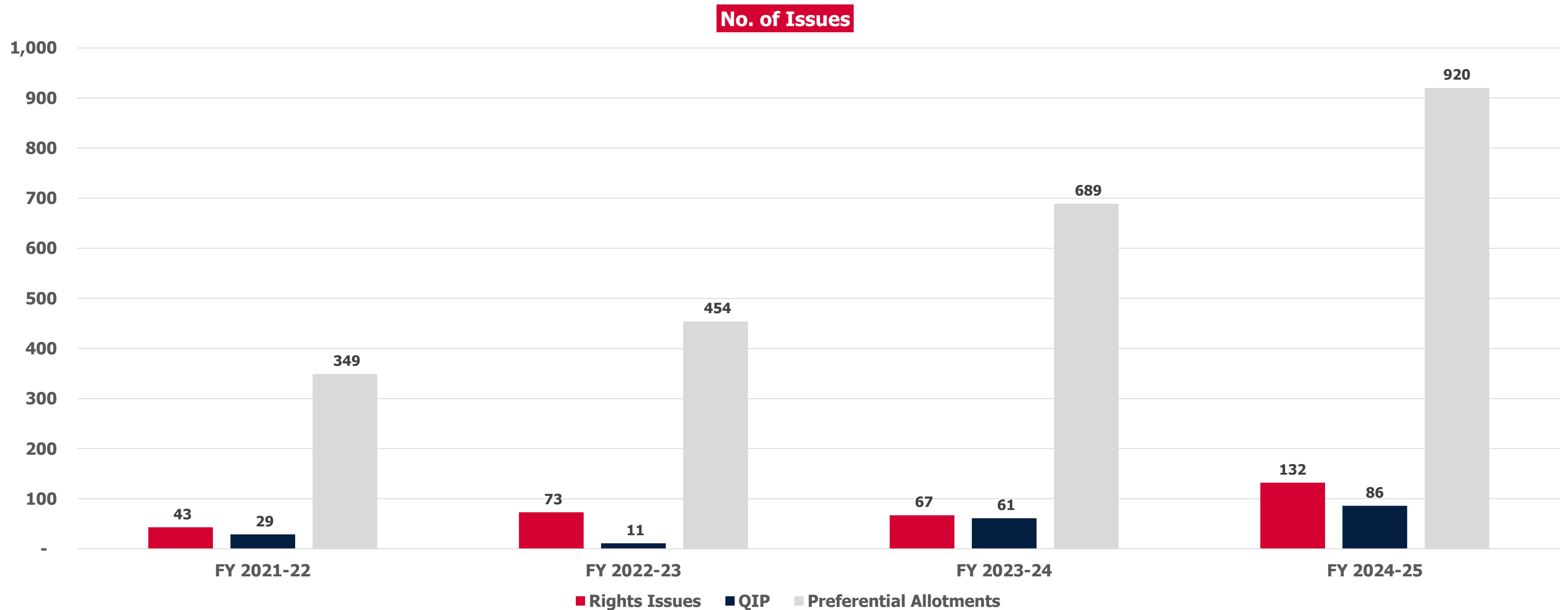
Issue Size (in Cr.)



Source: SEBI Annual Report

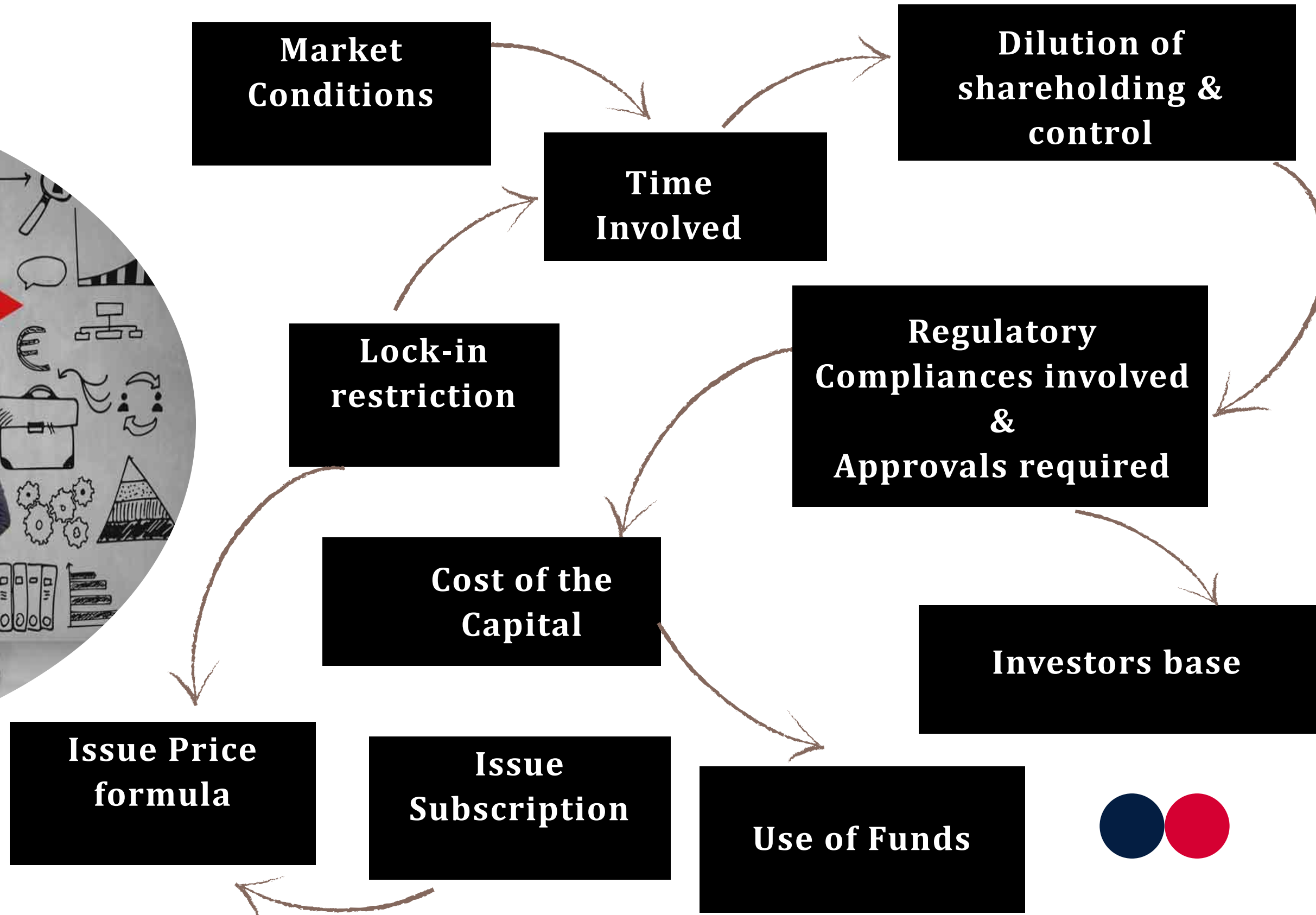
# Offerings

## Funds Mobilization



Source: SEBI Annual Report

**KEY PARAMETERS COMES TO THE PROMOTERS MIND  
BEFORE DECIDING THE MODE OF FUND RAISING**





# Regulatory Framework

1

Section 62 of the  
Companies Act

2

Chapter III of the ICDR  
Regulations

3

Insider Trading and  
Takeover Code

4

FEMA



# KEY REFORMS



1

# ISSUER ELIGIBILITY

Erstwhile Provisions

No restrictions as to  
tradable or non  
tradable companies

New Provisions

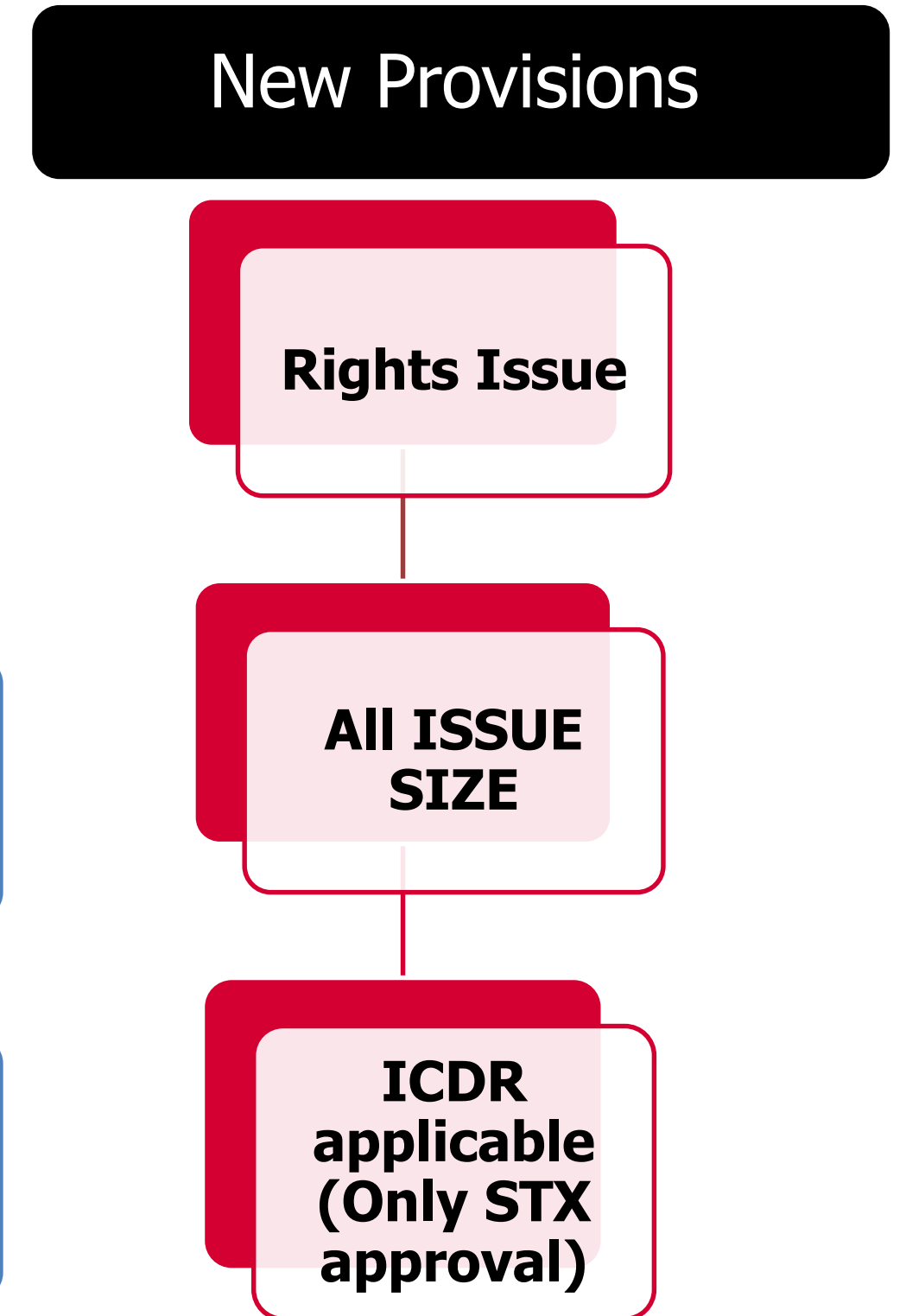
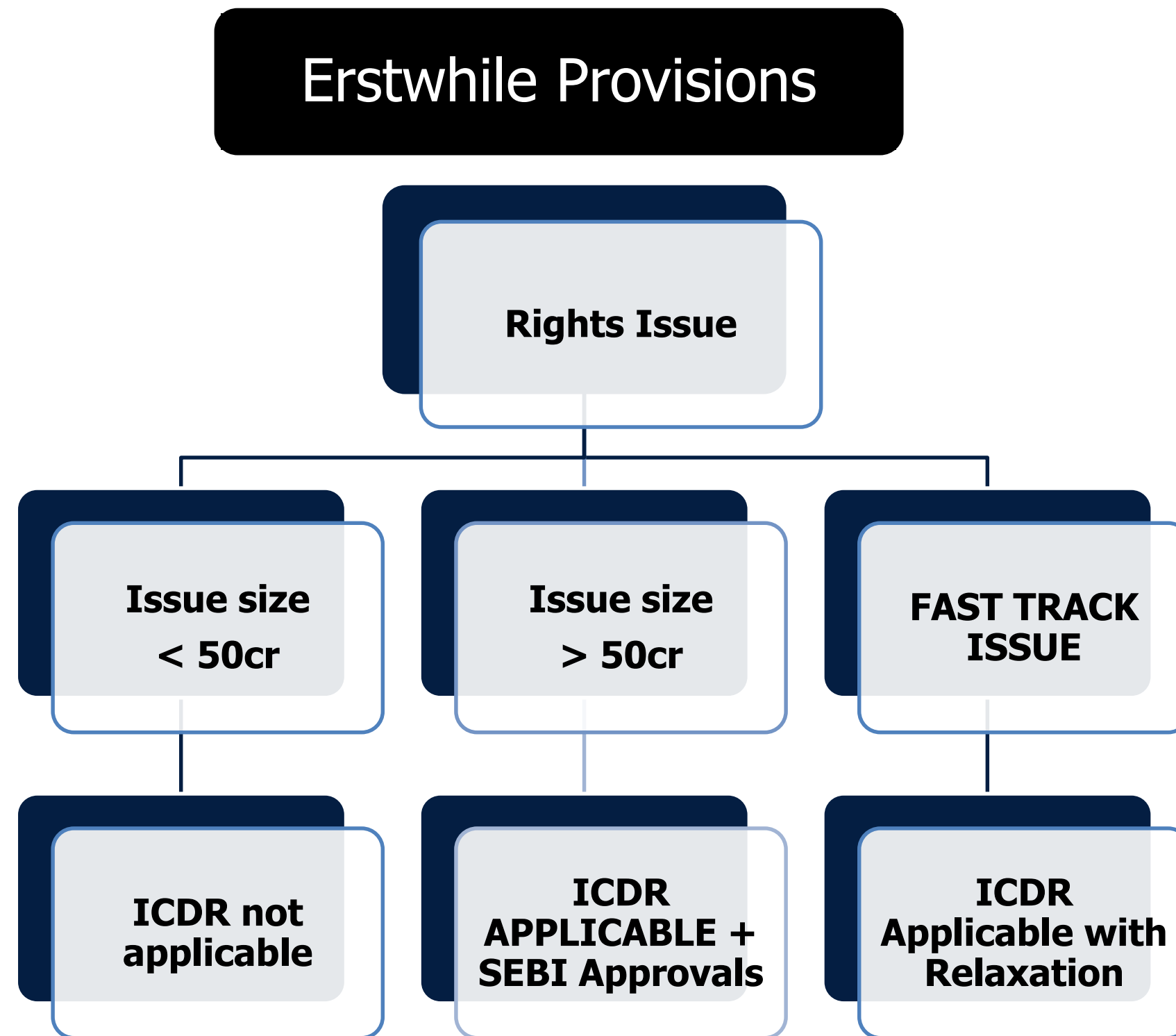
Suspended  
Company for  
disciplinary  
measures, cannot  
make Rights Issue

To protect the interest of the investors from applying in the Rights Issue of those companies whose trading has been suspended, thus no exit options for the investors.



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## MODES OF RIGHTS ISSUE



**ISSUE PRICE**

**MINIMUM SUBSCRIPTION**

**PROMOTER PARTICIPATION**

**ISSUE PERIOD**

**OFFER TO SPECIFIC INVESTORS**

**DEALING WITH UNSUBSCRIBED PORTION**





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# SPECIFIC INVESTOR

Erstwhile Provisions

**Renunciation by P/PG outside the Promoter Group would lead to :**

1. Minimum subscription triggered.
2. In-eligibility for Fast Track Issues .

**ICDR was silent for allotment of unsubscribed portion to any persons other than REs holders.**



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## SPECIFIC INVESTOR

### OFFER TO SPECIFIC INVESTOR

**In case of Promoter Renunciation-** Can be made in favour of any specific investor(s)

**In case of Unsubscribed Portion-** Can be allocated to specific investor(s) at the discretion of the issuer

- Attract strategic investors, such as venture capitalists, private equity investor.
- The unsubscribed shares used to go waste and reduce dependency on underwriters to achieve minimum subscription.



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# MINIMUM SUBSCRIPTION

### Erstwhile Provisions

Min Subscription of 90% mandatorily applies if promoter & group doesn't subscribe in full or renounces outside

### New Provisions

Exemption from applicability of 90% min. subscription if promoter or group renounces to outside to any specified investor as well.

This provision more particularly enables companies to float their issues which raises funds for capital expenditure and not all of the members of promoter group agree to subscribes.



# Rights Offerings – Key Concepts

■	<del>Lead Manager (Merchant Banker)</del>
■	Self- Certified Syndicate Banks
■	Bankers to the issue/ Collection Centers
■	Registrar to the Issue
■	Compliance Officer: Responsible for monitoring the compliance of the securities laws and for Redressal of investors' grievances
■	Printers
■	Advertising Agencies
■	Underwriters [Optional]
■	<del>Monitoring Agency: If issue &gt; Rs. 100 cr.</del>



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# MERCHANT BANKER

Erstwhile Provisions

Mandatory, if the issue size is more than 50 Cr.

New Provisions

Done away with – DD/  
Issue Price discussion/  
Issue Management/  
Basis Finalisation/Post  
activities

To simplify the content of LoF. The other ancillary activities carried out by the Merchant Bankers such as selection of other intermediaries, marketing of the issue, availability of issue material, finalisation of basis of allotment, submission of post issue report are generic in nature and can be performed by the MIIs, RTAs and Issuer.





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# MONITORING AGENCY

## Erstwhile Provisions

Mandatory appointment of Monitoring Agency, if the issue size exceeds 100 Crore

## New Provisions

Mandatory appointment of Monitoring Agency for all types of Rights Issue, irrespective of the issue size.

Some check and balance in form of monitoring agency may be put in place to protect the interest of the investors, irrespective of the issue size



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# Designated Stock Exchange

## Enhanced Role

Monitor redressal of investor grievances arising from any issue related activities

Reporting to the SEBI, any act of omission or commission on the part of any of the intermediaries , if noticed by the STX

Release of funds in compliance with laws

Reporting to SEBI in case of undersubscribed issues that are underwritten

Issuance of devolvment Notice on the underwriters containing the obligation of the underwriters



# Rights Offerings – Disclosures & Reporting thereof

**~~Draft Letter Offer~~**

**~~(Filing to SEBI for Comments & Approval)~~**

**Letter of Offer-**

**( Filing to SEBI for dissemination only, Stock Exchanges approvals & Shareholders)**

**~~Abridged Letter of Offer~~**

**~~(Sent to Shareholders)~~**

**Disclosure of Promoter Transaction during Transaction Period**

**(Reporting to Stock Exchanges)**

**Reporting of Pre-Issue Transactions**

**Pre & Post Issue Newspaper Publications**



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# DLOF FILING WITH SEBI

Erstwhile Provisions

Filing of DLOF with SEBI  
by the MB for the  
issuance of observation

New Provisions

DLOF will be filed with  
Stock exchange(s) by  
the issuer, instead of  
SEBI

- To shorten the timeline.
- The Company raised funds via Rights Issue from existing shareholders, and they're already aware about the Company.



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# ABRIDGED LOF

Erstwhile Provisions

Abridged LOF to be sent  
to shareholders  
alongwith Issue Material

New Provisions

The requirement for  
preparing and circulating  
an Abridged Letter of  
Offer has been removed.

- The issuer will now only circulate the Letter of Offer to shareholders.





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# Letter of Offer



Detailed rationale for the issue price

Summary of Outstanding litigation

Extract of financial statement

Compliance with LODR in last 3 years

Summary of Business



Industry overview

Material developments

Our business

Statement of accounting ratios

Statement of capitalisation

Management discussion and analysis of financial condition and results of operations



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## PRE-ISSUE ADVERTISEMENT



**Details of Specific  
Investor including**

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**Names of Specific  
Investor**

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**Names of Promoter  
Group Renouncing**



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## PROMOTER & PRE- ISSUE TRANSACTION

### Erstwhile Provisions

Reporting of the transactions in the company's securities by P/PG between the date of filing & Closure to be Reported to Stock Exchange within 24 hours



### New Provisions

Issuer to ensure that any proposed pre-issue placement disclosed in the LOF shall be reported to the stock exchange, within 24 hours of such pre-issue transactions (in part or in entirety).

Alongwith Promoter Transactions, other Pre-Issue Transactions to be disclosed and reported.



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## REVISED TIMELINE

Erstwhile Provisions

There is no such  
Timeline provided

New Provisions

Timelines of Rights  
Issue to be completed  
within T+23 working  
days from the date of  
Board meeting for  
approving Rights Issue  
till the commencement  
of trading.

Doesn't prescribe any specific time for various activities such as carrying out the due-diligence process, filing of DLoF after board approval, receipt of in-principle approval from the Stock Exchanges, filing of LoF etc.





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# To Sum-up



# REDUCED TIMELINES → FASTER FUND RAISING



The entire process reduces from 317 days to appx. 60 days



# OFFER TO SPECIFIC INVESTOR → MORE RATIONALE BASIS OF ALLOTMENT

**01**

Issue is Under-subscribed

- Promoters' Commitment to Rescue
- Underwriting a Rights Issue: Not a Practice
- Offer to Specific Investor

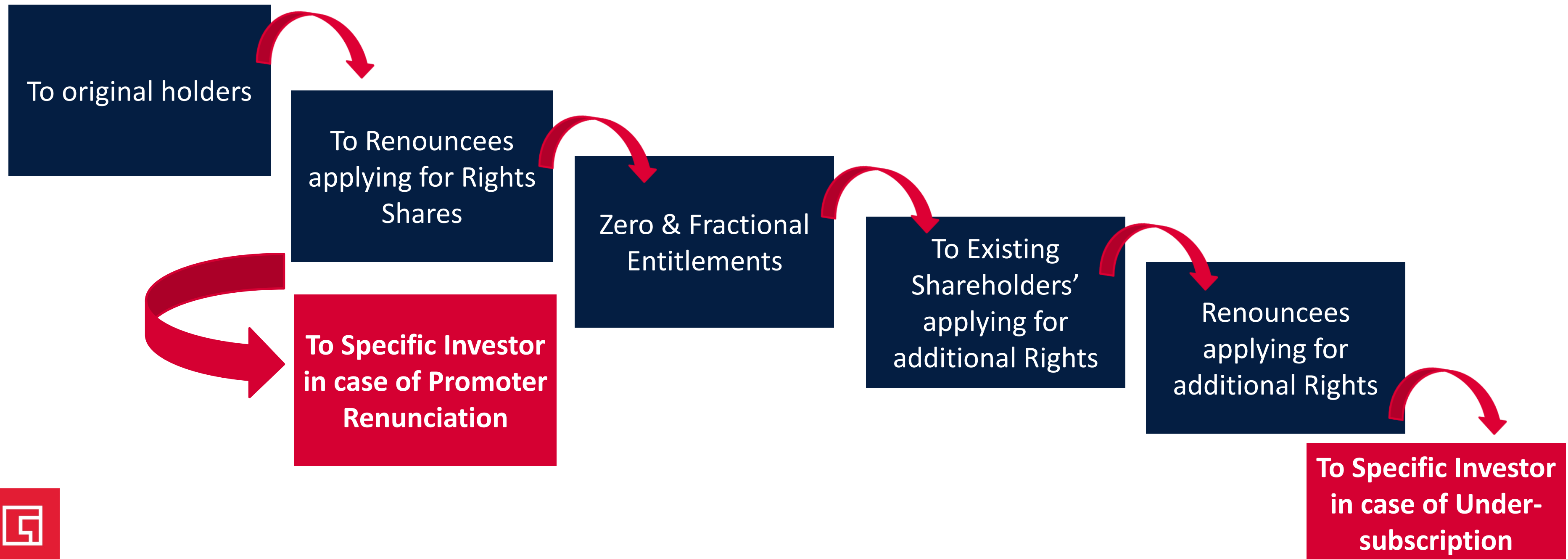


# OFFER TO SPECIFIC INVESTOR → MORE RATIONALE BASIS OF ALLOTMENT

02

Issue is Over-subscribed

▪ Water-fall Mechanism



# A TWIN WIN STRATEGY

## SHAREHOLDERS INTEREST \*

Gives Equal Opportunity to All Shareholders to participate

No Preferential Treatment

Keeping interest of Institutional Investors

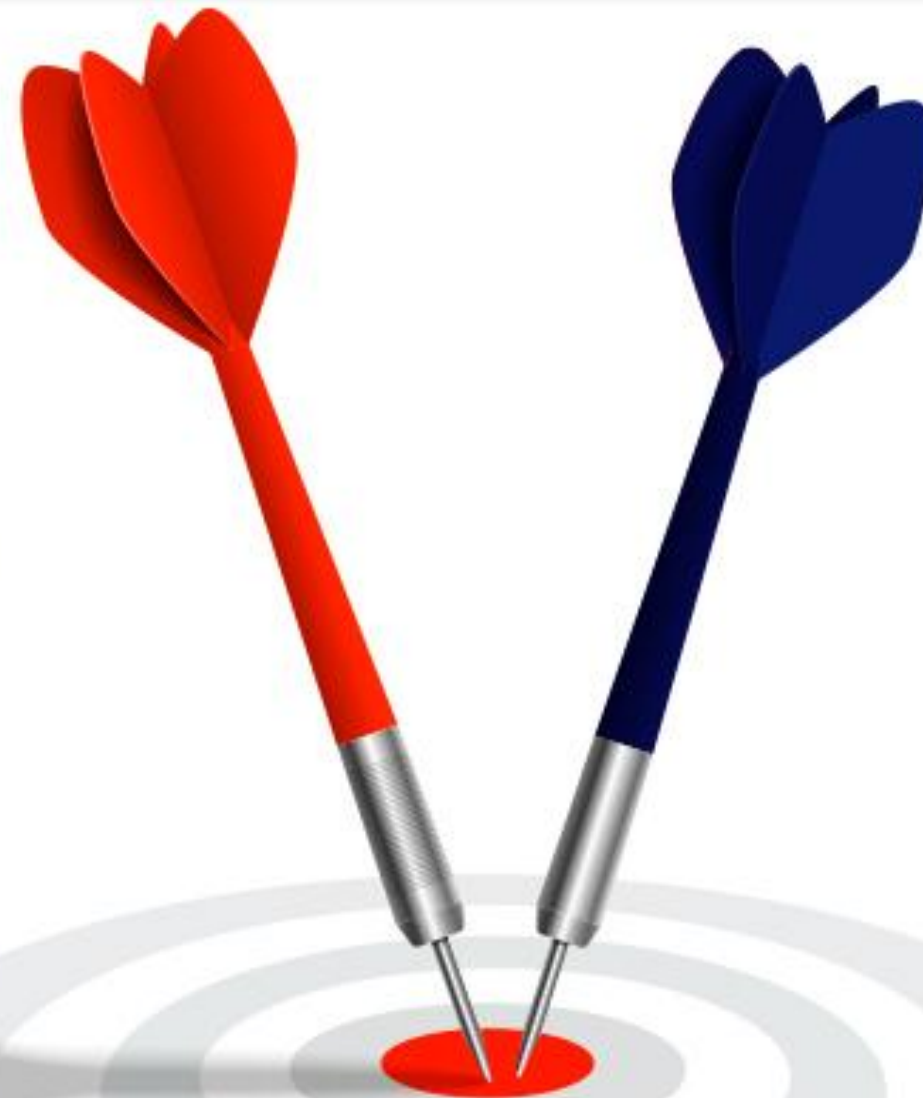
Attractive Pricing, generally at a discount from Market Price

Wider Disclosures

Trading of Rights Entitlement

Payment obligation arises in tranches for partly paid shares & warrants

The Rights Issue Warrants / CCDs are separately tradable



## MANAGEMENT PERSPECTIVE\*

No Dilution of Promoter Stake

Exemption from Takeover Regulations

Continued Investors' confidence

Free Pricing

No restrictions on investors eligibility including promoters

No lock-in on shares

Hybrid securities can be issued like Partly paid-up shares/ Warrants/ CCDs

Faster process  
[No shareholders approval required]





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# THANK YOU