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20^{plus}
YEARS OF EXCELLENCE



Nitty Gritty Of Preferential Issues



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Modes of Fund Raising

**Initial Public
Offer**

**Private
Placement**

**Further
Public Offer**

Rights Issue

**1.
Preferential
Issue**

**2.
Qualified
Institutional
Placement**





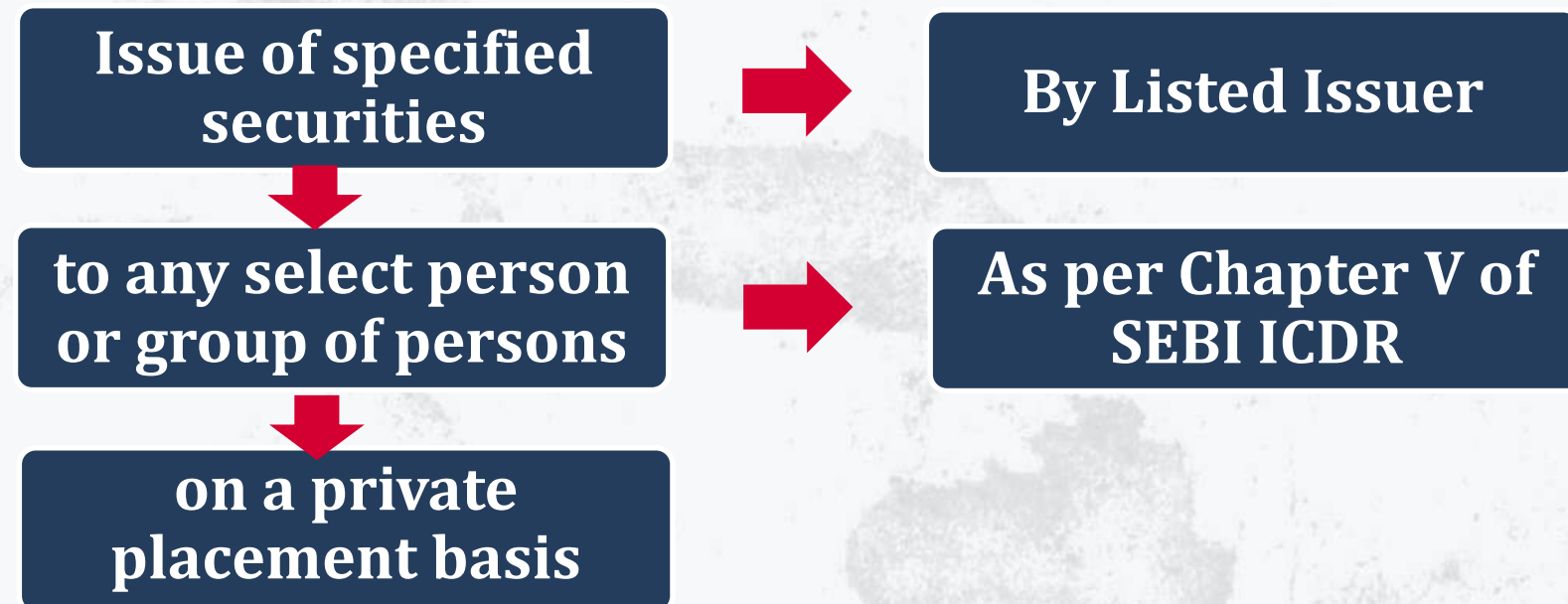
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What is

Preferential Issue

Preferential Issue is a sub categorization of Private Placement;
Preferential Issue=Private Placement of equity shares/convertible securities, to a selected group of persons. SEBI ICDR defines it as:



EXCLUDE

ESOP/ESPS/Sweat Equity/Depository Receipts issued in a country outside India or foreign securities





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Types of Securities

Equity Shares

**Fully
Convertible
Warrants**

**Convertible
Securities**



Compliances of Companies Act, 2013

*Section 42 read with Rule 14 of
the Companies (Prospectus and
Allotment of Securities) Rules,
2014*



*Bible for all types of
issues to a specific
group of persons*

*Section 62 read with Rule
13 of the Companies
(Share Capital and
Debentures) Rules, 2014*

*Section 71 read with Rule 18
of the Companies (Share
Capital and Debentures)
Rules, 2014*

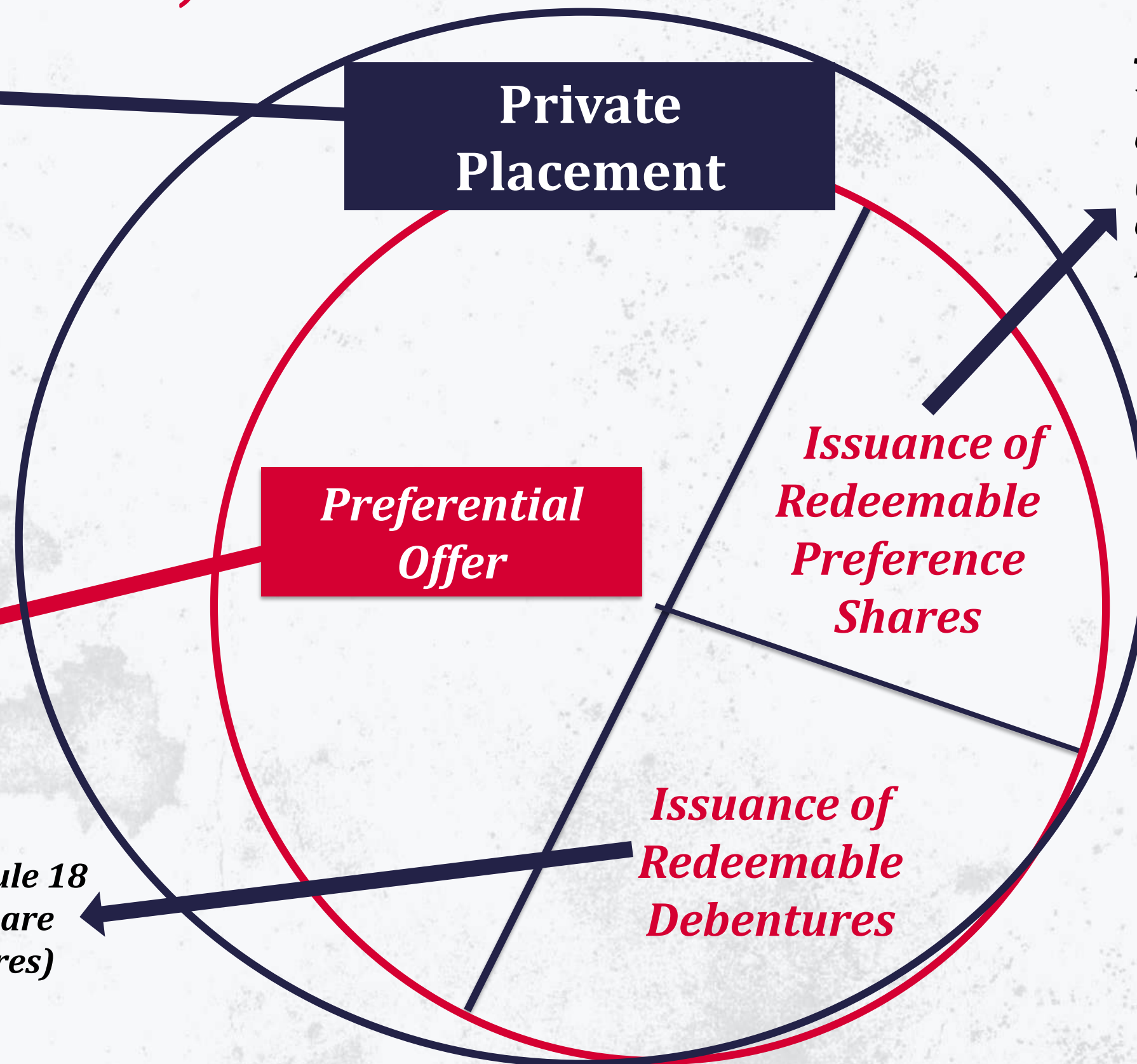
**Private
Placement**

**Preferential
Offer**

**Issuance of
Redeemable
Preference
Shares**

**Issuance of
Redeemable
Debentures**

*Section 55 read
with Rule 9 & 10
of the Companies
(Share Capital
and Debentures)
Rules, 2014*





A listed issuer making a preferential issue of specified securities shall ensure that:

- ✓ Equity Shares being allotted to be **fully paid up** at the time of the allotment;
- ✓ A **special resolution** has been passed by its shareholders;
- ✓ Allotment in **dematerialized** form;
- ✓ The issuer is in compliance with **conditions of continuous listing**;
- ✓ The issuer has obtained **PAN of the proposed allottees**;
- ✓ There are **no outstanding dues** to Board, Stock Exchanges or the Depositories;
- ✓ **Disclosures in Notice** of General Meeting are as per ICDR Regulations & Companies Act, 2013.

Pre-Requisites



Persons Ineligible for Allotment

- A person who has sold any equity shares of company during last 90 Trading Days preceding the relevant date;
- If Sale/ Transfer by any person belonging to Promoter/ Promoter Group is made in last 90 Trading Days preceding the relevant date, *entire Promoter/ Promoter Group would become ineligible*;
- Person belonging to Promoter/Promoter Group who have previously unsubscribed/ cancelled warrants during last 1 year.
- The promoters/ directors who are fugitive economic offenders.





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Concept of Relevant date

Relevant date is base date to decide eligibility criteria and pricing of issue.

A date 30 days prior to the date of General meeting to consider the proposed preferential issue.

Eg. Date of GM = 30-07-2025 then Relevant date will be 30-06-2025.



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Tenure of Convertible Securities

The tenure of the convertible securities of the issuer shall not exceed 18 months from the date of their allotment.

Allotment of equity shares to be completed within 15 days from the date of exercise of the conversion option.





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Lock-in

Pre- Preferential Holding

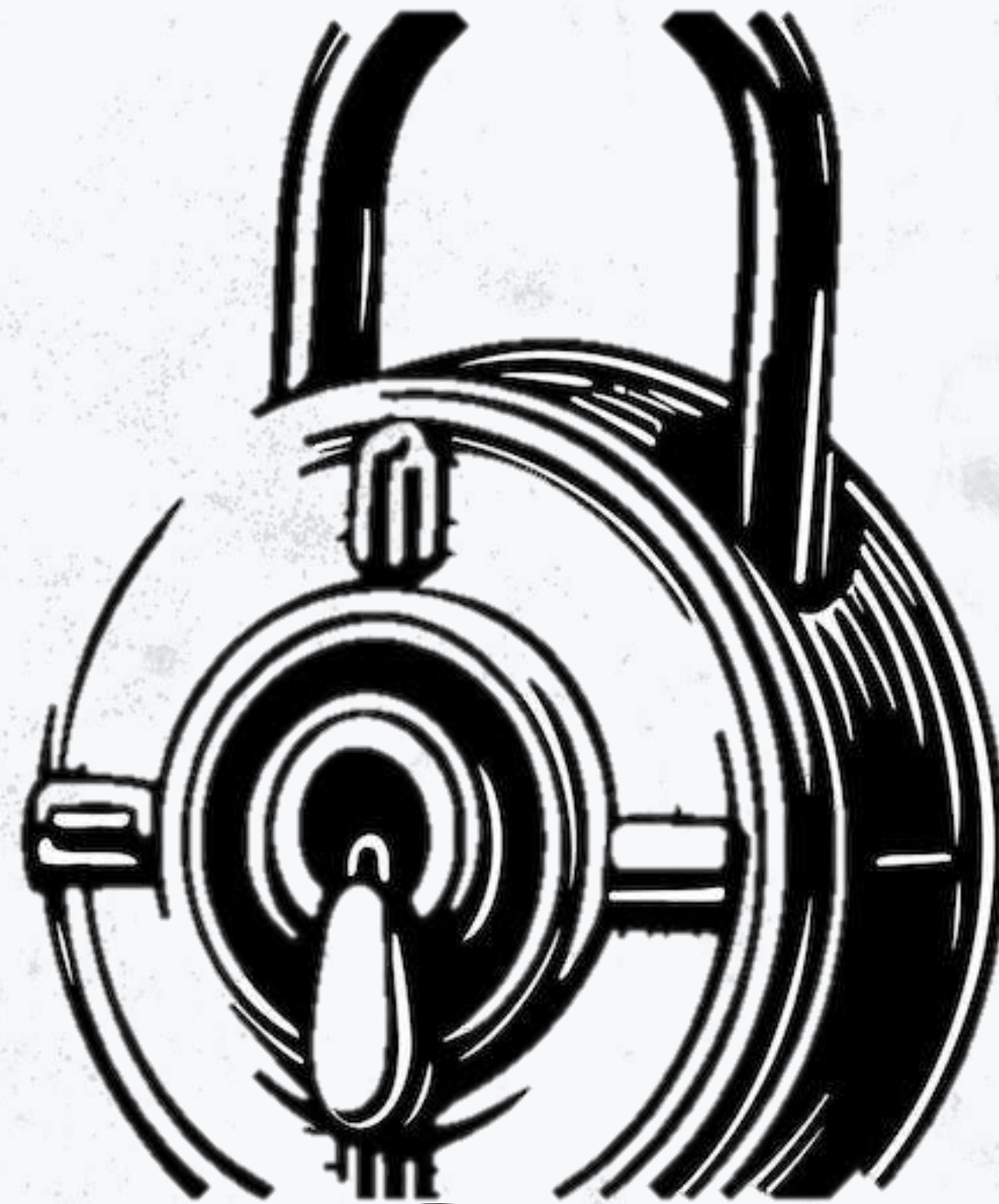
Equity: From Relevant Date
Up-to 90 Trading Days from
the DATE OF TRADING
APPROVAL

**Convertible Securities or
Warrants:** From Relevant Date
Up-to 90 Trading Days from
the DATE OF ALLOTMENT

Equity Shares Allotted

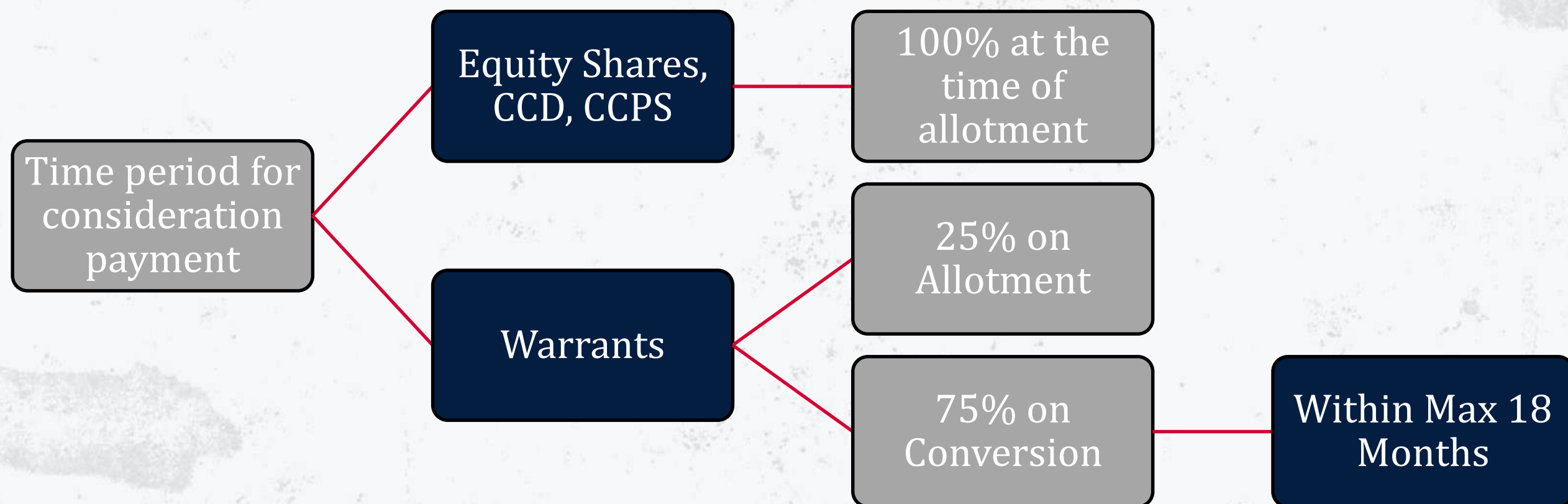
Promoters: 18 Months from
Trading Approval Date

Public: 6 Months from Trading
Approval Date



Convertible Securities or Warrants

Promoters & Public: 1 year
from Allotment Date



For Issue Size of more than Rs 100 Cr., a Monitoring Agency is needed to be appointed.

Payment of consideration



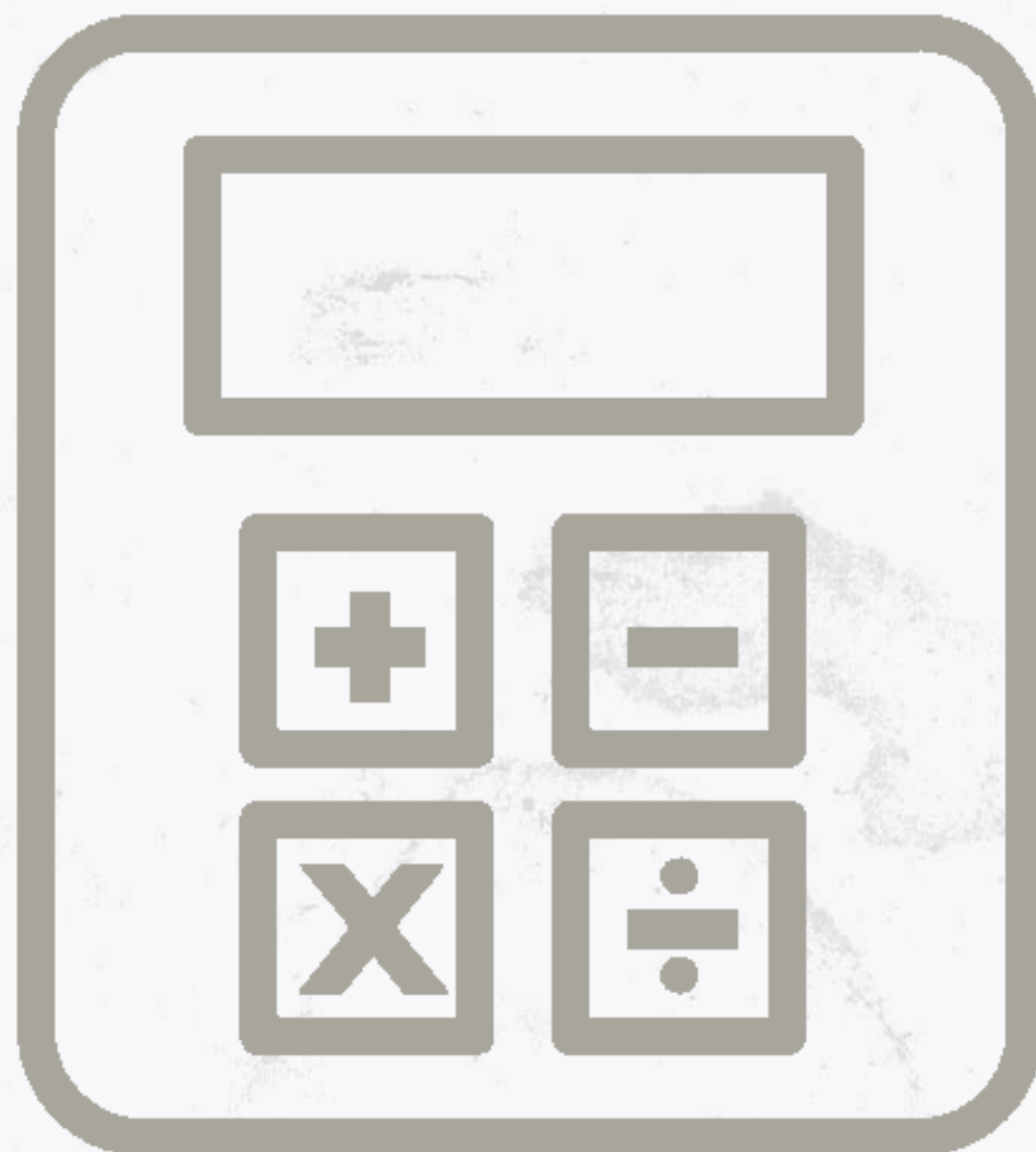
Allotment



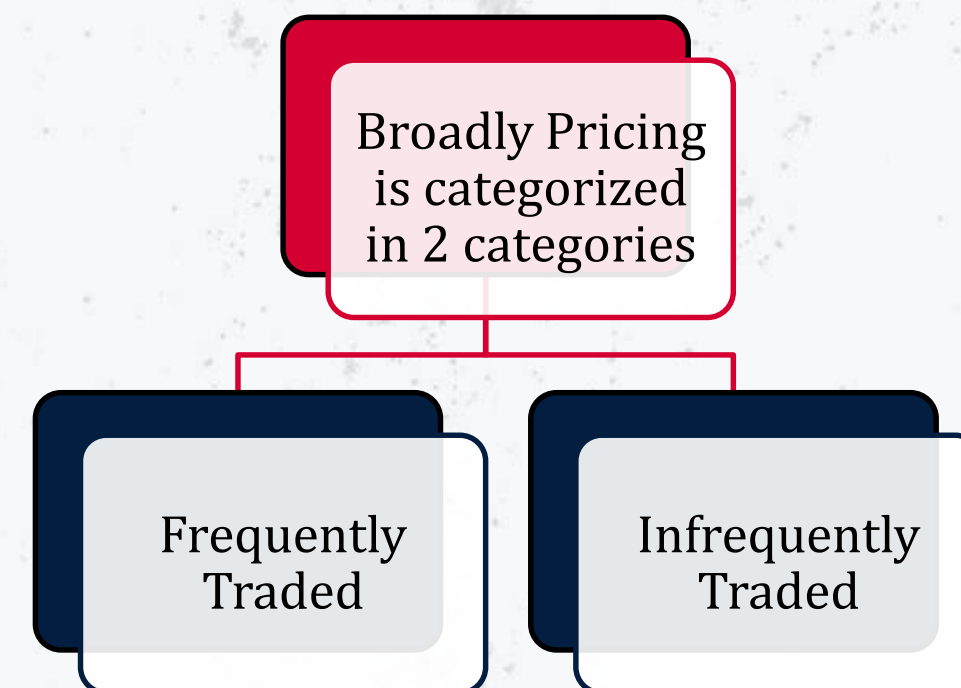
Allotment shall be completed within a period of 15 days from the date of passing of shareholders' resolution:

Exemptions:

- 15 days shall be counted from getting required regulatory approvals.
- If there is any SEBI Exemption under SAST, then such time as may be specified in the SEBI Order.
- Allotment pursuant to Resolution Plan approved by NCLT.



Pricing



FREQUENTLY TRADED SHARES means shares, in which the **traded turnover** on any stock exchange during **240 trading days** preceding the relevant date, is **atleast 10% of total number of shares of such class of shares.**

Regulations Covering Valuation for Preferential Issue

164 (1)	165	166	166A
Frequently traded shares Listed for more than 90 Trading Days	Pricing of infrequently traded shares	Adjustments in pricing of Infrequently traded shares	Other conditions for pricing
<p>Higher of the VWAP for 90TD /10TD</p> <p>If AOA provide method of pricing which is higher than the above, then such price shall be considered.</p>	<p>Independent Registered Valuer's Report</p>	<p>price determined for a preferential issue as per Reg 164 or Reg 165, shall be subject to appropriate adjustments, if the issuer makes Rights Issues, Split of Shares, Consolidate Shares, reclassify etc.</p>	<ul style="list-style-type: none"> ➤ Preferential Issue resulting in change in control or allotment of more than 5%, on fully diluted basis, to an allottee or allottees acting in concert shall require a valuation report from Independent Registered Valuer. ➤ If change in control, valuation report to cover guidance on control premium.

**Who is Independent Valuer ?*

Means a person who is registered under section 247 of the Companies Act, 2013 and the relevant rules framed thereunder or as specified by the Board.



The Preferential Issue transactions OUT OF PURVIEW OF SEBI ICDR Chapter V

1

Conversion of a loan or an option attached to convertible debt instruments.

2

A scheme approved by a High Court /Tribunal Except for pricing norms.

3

Preferential issue under a BIFR scheme/ RP except for lock-in provisions.

4

Qualified Institutions Placement if done as per Chapter VI of ICDR.



The Preferential Issue transactions OUT OF PURVIEW OF SEBI ICDR Chapter V

5

Pricing and lock-in norms are not applicable on Preferential Issue to financial institution pursuant to Recovery of Debts.

6

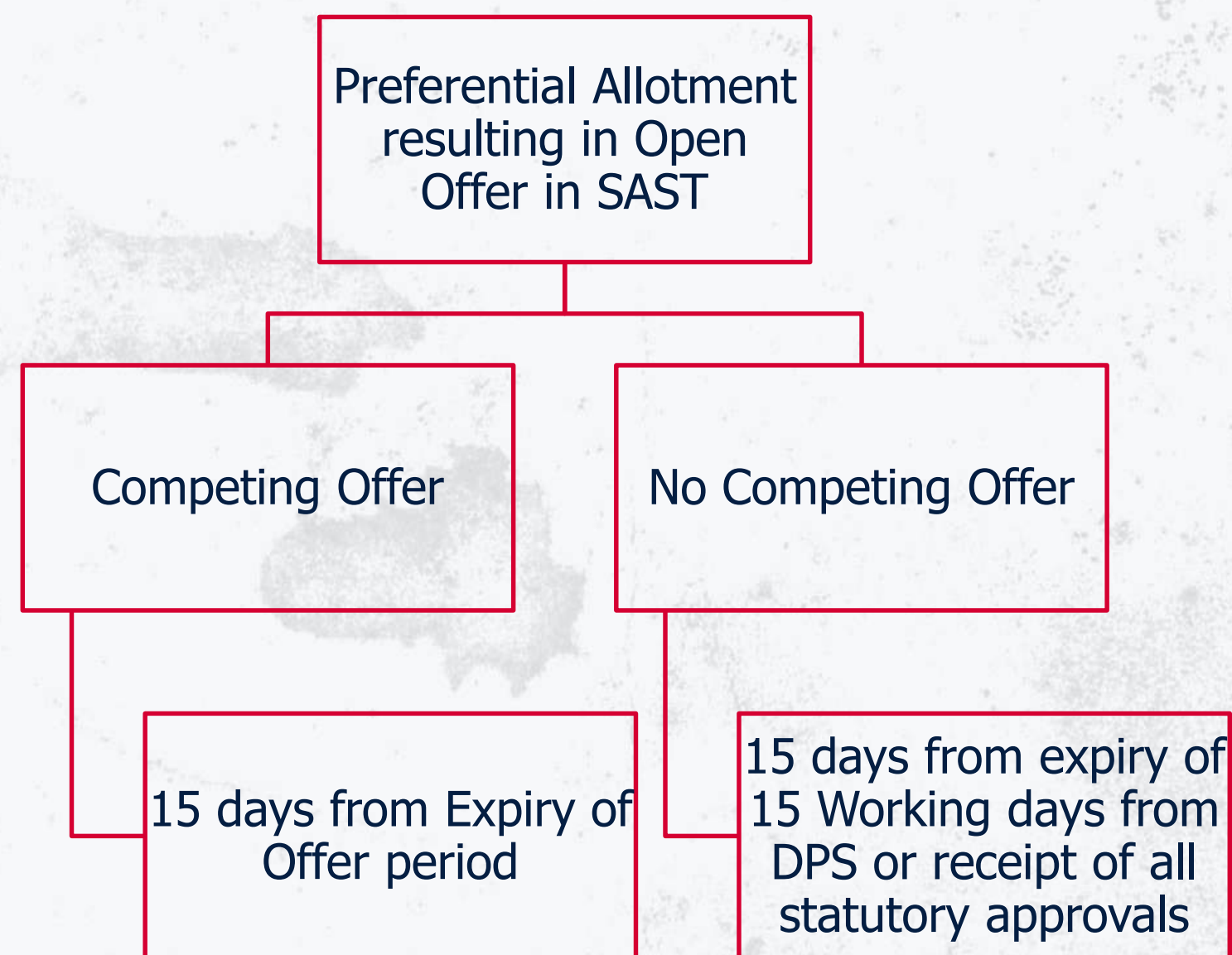
Provisions related to EGM Notice Disclosures and Pricing are not applicable if exemption granted as per Regulation 11 of SAST.

7

The provisions of UBO, sale in 90 Trading Days and the Lock-in of Pre Pref Holding are not applicable for Preferential Issues to Mutual Fund or insurance company or a scheduled commercial bank or a public financial institution.



Combo Offer: Preferential Allotment + Open Offer





Preferential Issue (Other than Cash) – Share Swap Modalities

- ✓ **Valuation of Target Company, by Registered Valuer.**
- ✓ **Determination of SWAP Ratio based on relative valuations and to be certified by registered valuer.**
- ✓ **Share Swap Agreement outlining terms and indemnities;**
- ✓ **Exemption from provisions of Related Party Transaction (RPT);**
- ✓ **Target Company's shares to be transferred Off Market Transfer.**





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Provisions of SAST to be considered during Preferential Issue

Regulation 3 - Triggering

Regulation 4 - Control

Regulation 29 - Disclosures





Regulation 3 – Triggering Thresholds

Creeping acquisition limit of 5% shares in a FY, if shares held are more than 25% but less than 75%

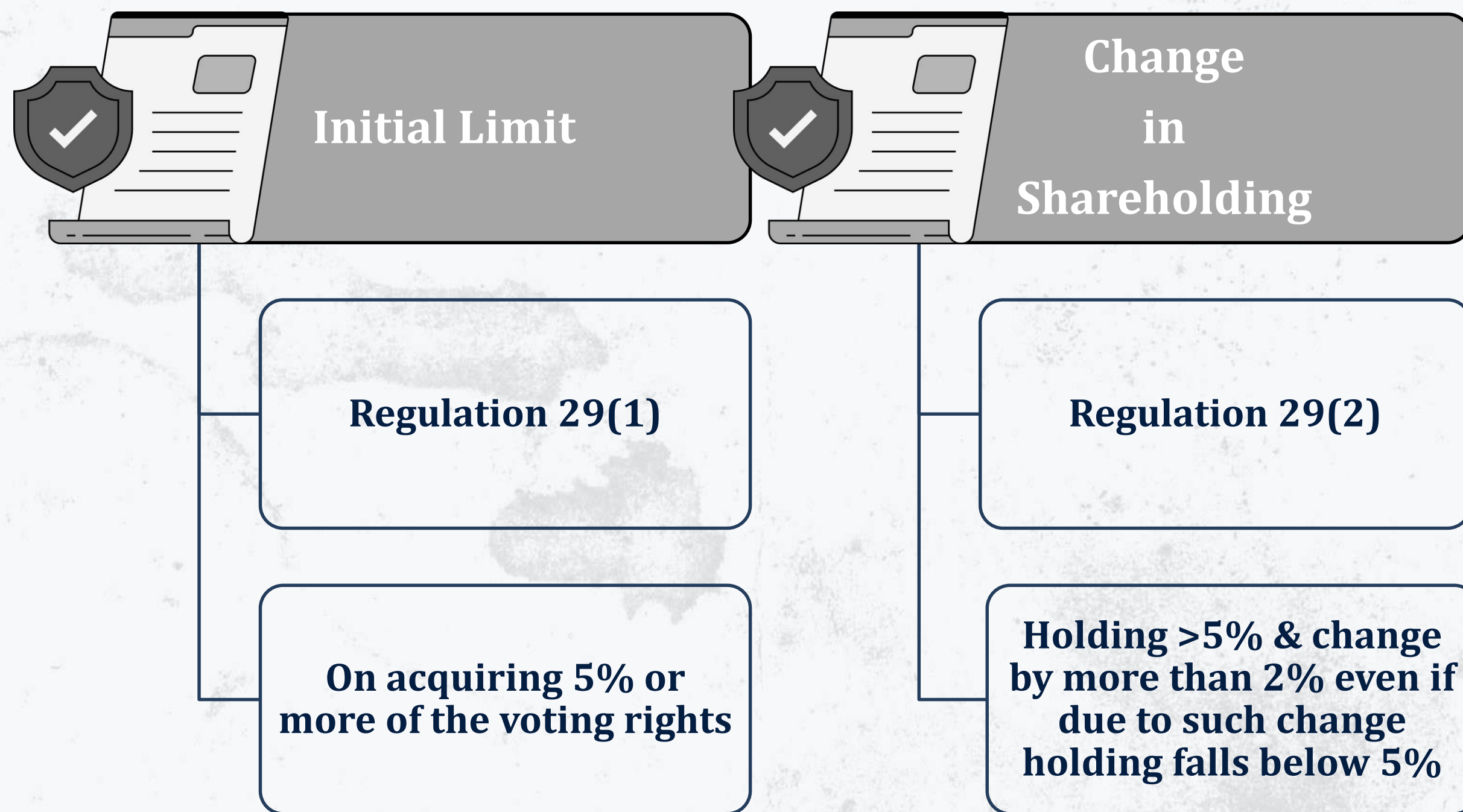
Initial Trigger of 25% or more of the voting rights



Both limits shall be checked on Individual as well as Aggregate basis



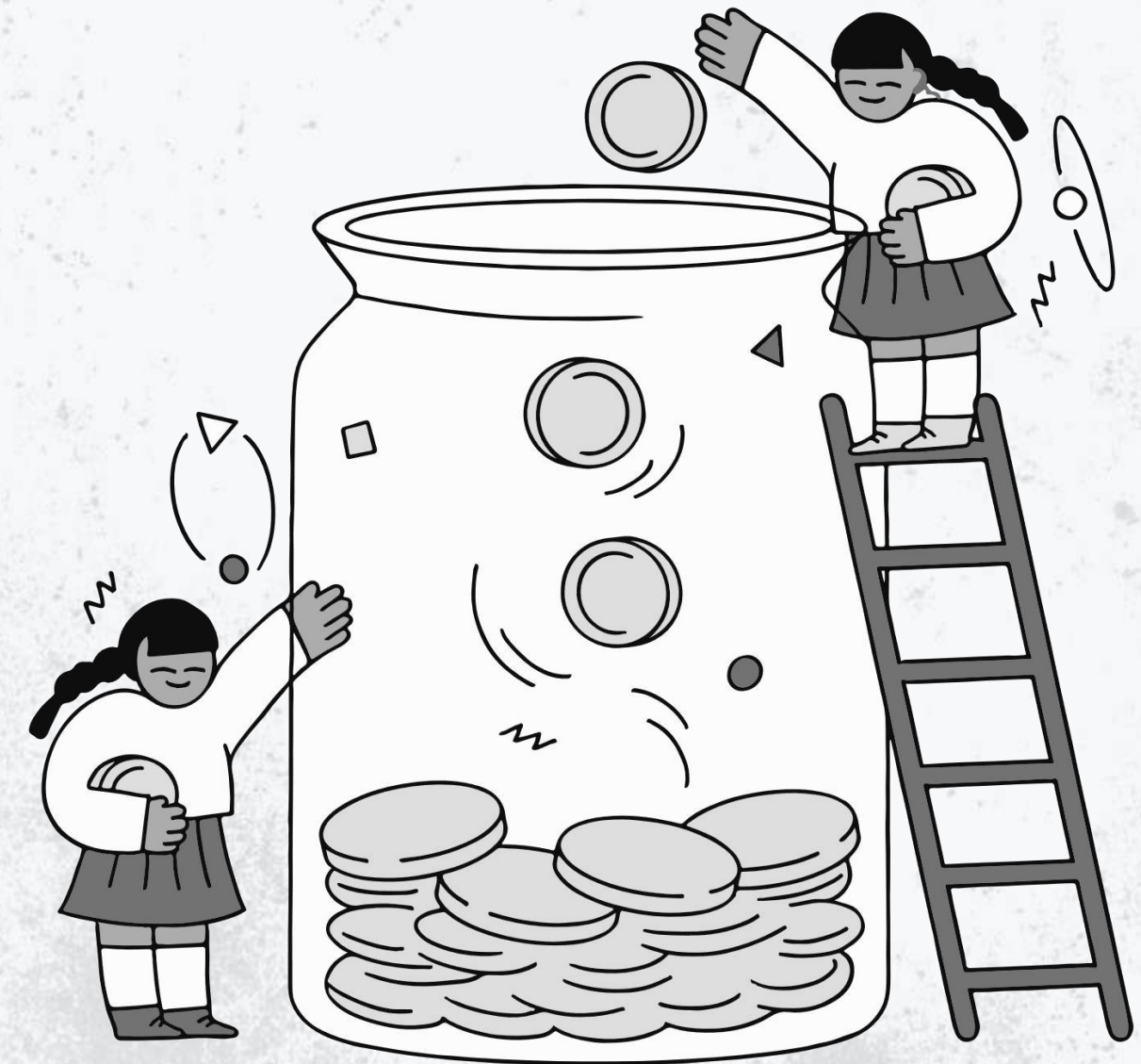
Regulation 29 – Disclosure Requirements





PARTICULARS	COMPANIES ACT (SECTION 42)	COMPANIES ACT (SECTION 62)	SEBI LODR	SEBI ICDR
Eligibility	<200 investors	-	-	No Sale by the allottee Within Last 90 Trading Days
Issue of	Securities	Shares or other Securities	Specified Securities	Specified Securities
Shareholders Approval	Yes, Special Resolution	Yes, Special Resolution	-	Yes, Special Resolution
Offer Document	Yes	-	-	-
Consideration	Through Banking Channels, No cash	Through Banking Channels or consideration other than cash	-	Banking Channels/Consideration other than cash
Disclosure document	In the Offer Document	In the GM Notice	-	In the GM Notice
Pricing	-	For Unlisted Companies by Registered Valuer	-	As per pricing methodology, depending upon Frequently Traded/ Infrequently Traded scrip
Valuation report	Not required	Required (for an unlisted co)	-	Independent Registered Valuer
Allotment periods	60 days from receipt of money	Within a period of 12 months	-	15 days from shareholders' approval/ regulatory approval, whichever is later
Listing Application	-	-	20 days of allotment	-

At a Glance





Fund utilization~Provisions of SEBI (LODR)

Statement of deviation(s) or variation(s) – Regulation 32

The Company to submit to the SE, a Statement of Variation indicating deviations in the use of proceeds from the objects stated in the offer document or explanatory statement to the notice for the general meeting

Timeline to file : On quarterly basis along with the declaration of financial results (within 45 days of end of each quarter / 60 days from the end of the last quarter of the financial year) **until such funds are fully utilized or the purpose for which these proceeds were raised has been achieved.**



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THANK YOU SO MUCH!

