

B. Kaushik & Associates.

Company Secretaries

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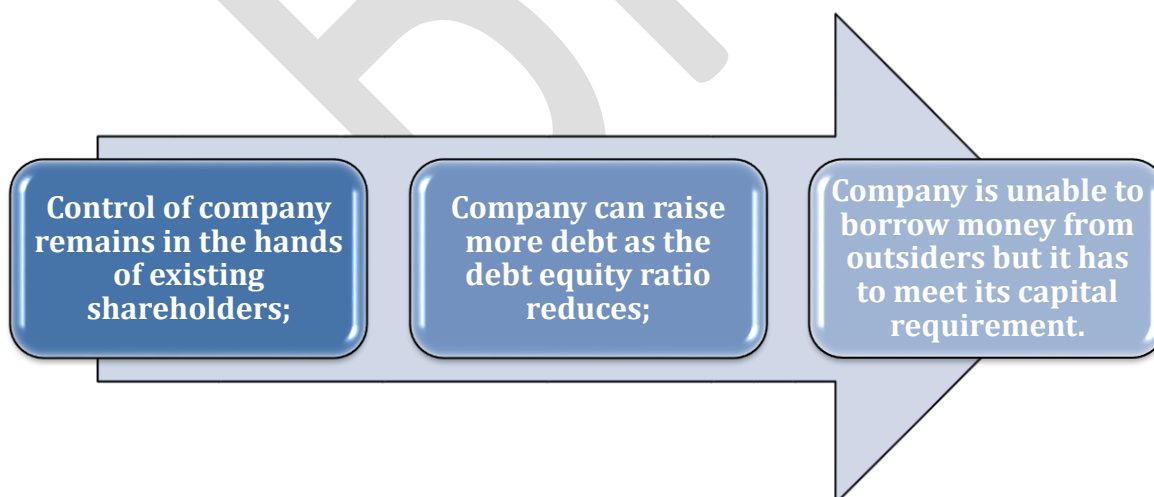
Right Issue of Shares

Section-62(1) (A) of Companies Act, 2013

What do you get to know from term Right Issue?

- An invitation to the existing shareholders to purchase additional shares of the company in proportion to their paid up capital at a discounted price (i.e., lower than the market price)
- In other words, a Company having a share Capital proposes to increase its subscribed capital by the issue of further shares; such shares shall be offered to the **existing holders of equity shares** in proportion to the paid up share capital on their shares at the time of further issue by sending a letter of offer. **(This is also called pre-emptive right of existing shareholders)**
- Provisions of Right issue under section 62 are applicable to all types of Companies.

Why to do right issue, what are the reasons?



Procedure for Right Issue:

- Board Meeting to be called for approving such issue;
- Company shall inform its shareholders regarding number of shares offered and limiting a time **not being less than 15 days (or such lesser number of days as prescribed under Rule12A*) and not exceeding 30 days to decide.**

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*As per Rule 12A of Companies (Share Capital and Debentures) Rules, 2014, the time period within which the offer shall be made for acceptance shall be not less than 7 days from date of offer.

- Offer letter and Notice shall be send to shareholders by Registered post/Speed post/ Electronic mode/ Courier having proof of delivery atleast 3 days before issue opening;
- If the shareholder does not convey to company his acceptance for further issue of shares he shall be deemed to decline the offer.
- Offer shall be remain open for minimum 15 days and maximum 30 days;
- However in case of private companies, if 90% of members agree in writing/electronically, lesser period can be specified;
- Option of renunciation can be given (Renunciation should not be restricted by the AOA);
- **File MGT-14** with Registrar within 30 days of passing of Board Resolution. The requirement to file MGT-14 is exempt in case of private companies vide Notification dated 04-01-2017.

For more details refer the link:

<https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=NzY1Mg==&docCategory=Notifications&type=open>

- Call the Board meeting for allotment & thereafter file **Form PAS-3** within 30 days from the date of allotment of securities;
- Company shall issue share certificates along with making entries in the Register of members (MGT-1);
- Unsubscribed shares, if any can be disposed of by the Board in any manner which is not dis-advantageous to the Company and its shareholder(s).

Note:

For every issue, return of allotment in Form PAS-3 is to be filed with the ROC irrespective of whether the shares is allotted through Private Placement; Employee Stock Option Plan; Right issue.

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Difference between Right Issue and Private Placement:

S.No.	Basis of Difference	Right Issue	Private Placement
1	Applicable provisions of Companies Act, 2013	Section 62(1)(a) of Companies Act, 2013 read with Rules 12A of Shares (Capital and debentures) Rules, 2014.	Section 42 of Companies Act, 2013 read with Rule 14 of Companies (Prospectus and Allotment of Securities) Rules, 2014.
2	Type of Security	Only shares can be issued (i.e., Equity and Preference)	Any security can be issued (Equity, Preference, Debenture, etc.)
3	Eligible for Offer	Issue of shares to existing Equity shareholders in proportion to their existing shareholding	Offer of shares to investors or any selected group of person or any outsider (other than by way of public offer). Invitation to persons not exceeding 200.
4	Approval Required	Approval of Board of Directors through Board Resolution required. (Here BR shall be passed only in Board Meeting not through Resolution by Circulation)	Both Board and Shareholder approval required (General Meeting- AGM, EGM)
5	Offer period	Minimum period: 15 days. Maximum period: 30 days (however, in case of a private company, if consent from 90% of the shareholders is obtained, then the offer period can be less than defined above but not less than 7 days).	No specific minimum offer period defined under this section.
6	Format of offer Letter	Required.	PAS-4 (Offer Letter).
7	Forms to be filled	1. MGT-14 (within 30 days from passing of Board Resolution); 2. PAS-3 needs to be filed (within 30 days of passing of the board resolution for allotment of shares).	1. MGT-14 (within 30 days passing of special resolution in general meeting); 2. PAS-3 (within 15 days of allotment of securities).
8	Separate Bank Account	No separate bank account required.	Separate bank account required in Scheduled Bank.

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9	Fund utilisation	Fund can be utilized any time after receipt of same.	Fund can be utilised only after filing PAS-3 i.e., Return of allotment.
10	Valuation Report	Valuation Report is not mandatory in case of Right issue.	Valuation Report is mandatory in case of private placement.
11	Renounce the offer letter option	Shareholders have rights to renounce/accept/reject the offer letter (Subject to authorization in AOA).	Right of renunciation is not available in case of Private placement.
12	Mode of Receipt of Subscription money	Subscription money can be received through a banking channel.	Subscription money can be received only through a banking channel and not by cash.
13	Explanatory Statement	Not required because shareholder approval is not required.	Notice should contain Explanatory statement as per Rule 14(2) of Companies (Prospectus and Allotment of Securities) Rules, 2014.

Faster Right Issue with a Flexibility of Allotment to Specific Investor(s)

Date of Amendment: 11th March 2025

1. The new framework for Rights Issue process has been introduced vide notification of SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2025, with Gazette ID CG-DL-E-08032025-261516 published in the Official Gazette on March 08, 2025.

The same is available at this [link https://www.sebi.gov.in/legal/regulations/mar-2025/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-amendment-regulations-2025_92539.html](https://www.sebi.gov.in/legal/regulations/mar-2025/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-amendment-regulations-2025_92539.html)

2. As part of the new framework, in terms of amended Regulation 85 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (SEBI ICDR Regulations), it is being specified that Rights Issues shall be completed within 23 working days from the date of Board of Directors of the Issuer approving the Rights Issue.
3. Accordingly, the revised timelines for completion of the various activities involved in Rights Issue process from the date of Board of Directors of the Issuer approving the Rights Issue till the date of closure of Rights Issue are placed at **Annexure I**.

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4. If the Issuer is making a Rights Issue of convertible debt instruments, wherein shareholders' approval is required, then the timelines for Rights Issue would be adjusted accordingly owing to shareholders' approval as mentioned in **Annexure I**.
5. In terms of Regulation 87 of SEBI ICDR Regulations and in view of the revised timelines, it is being specified that Rights Issue shall be kept open for subscription for a minimum period of seven days and for a maximum period of thirty days.

System for Validation of Bids

6. Validation of application bids received for subscribing to the shares in Rights Issue and finalization of basis of allotment shall also be carried out by the Stock Exchanges and Depositories along with the Registrar to the issue.
7. A system for automated validation of applications by the investors shall be developed by the Stock Exchanges and Depositories within a period of six months from the date of applicability of this Circular.

Consequential changes in Master Circular No. SEBI/HO/CFD/PoD2/P/CI/2024/0155

8. In view of the new framework of Rights Issue, the following partial modification in the Master Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2024/0154 on SEBI ICDR Regulations, dated November 11, 2024 shall be carried out:

8.1. Para 1.3.1 of Chapter 2 of Master Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2024/0154 shall read as under –

“In the letter of offer the issuer shall disclose the process of credit of REs in the demat account and renunciation thereof.”

8.2. Sub para (d) of para (A) of Annexure I of Chapter 2 of Master Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2024/0154 shall read as under-

“Applicants can use application form available on the website of registrar to the issue or printed forms sourced from the issuer or registrars to the issue.”

8.3. Sub para (a) of para (E) of Annexure I of Chapter 2 of Master Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2024/0154 shall read as under -

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“Correction of bid data as collated by the SCSB after issue closing shall be completed on the issue closure date itself.”

8.4. Sub para 1.5 shall be inserted under Para 1 of Chapter 4 of Master Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2024/0154. The text of the same shall read as under-

“For rights issues the issuer shall file the letter of offer with SEBI through email at cfddil@sebi.gov.in and the payment of filing fees shall be made online through payment link provided on SEBI website under the fees category “Filing Fees”.

8.5. Para 1 of Annexure IIIA of Chapter 4 of Master Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2024/0154 shall read as under-

“The draft offer document filed with the Board for public issue (hereinafter “draft offer document”) of securities shall be scrutinized based on the broad guidelines specified as under and accordingly, the draft offer document shall be returned to the issuer and the Lead Manager(s) for resubmission in accordance with the following guidelines- “

8.6. Column under the head “Source of Information” of Table IV of Annexure VI of Chapter 8 of Master Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2024/0154 shall read as under-

“Issuer”

8.7. Column under the head “Timelines for submission” of Table IV of Annexure VI of Chapter 8 of Master Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2024/0154 shall read as under-

“Data from 1 to 14 shall be submitted by the issuer before grant of in principle approval by the Exchange(s)”

8.8. Para 5.6 of Chapter 9 of Master Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2024/0154 shall read as under-

“ASBA facility in rights issue enables an investor / shareholder to apply through ASBA mode. ASBA process from the time of submission of application by the applicants till transfer of shares in the depository account of the investors, as specified for public issues, shall be followed in the case of rights issues also to the extent relevant for rights issue. The role and responsibilities of SCSBs, Stock Exchanges and RTAs for public issues, shall be applicable mutatis mutandis to rights issue also.”

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9. The Recognized Stock Exchanges and Depositories are directed to
- Bring the contents of this circular to the notice of all the stakeholders;
 - put in place necessary systems and infrastructure for monitoring and implementation of this circular;
 - Make consequential changes, if any, to their respective bye-laws, rules and regulations and bidding portal;
10. The provisions of this circular shall come into force from April 07, 2025 and shall be applicable to the Rights Issues that are approved by the Board of Directors of the Issuer from the date of coming into force of this circular.
11. This Circular is being issued in exercise of the powers conferred under Section 11 and Section 11A of the Securities and Exchange Board of India Act, 1992 read with Regulation 299 of SEBI ICDR Regulations, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
12. A copy of this circular is available on SEBI website at www.sebi.gov.in under the categories “Legal → Circulars”.

Annexure I

TABLE A		
Indicative timeline of broad activities involved in Rights Issue from the date of approval of Board of Directors of the Issuer till the date of closure of Rights Issue		
Sr. No.	Broad activities performed during Rights Issue Process	Timelines (Working Days)
1.	1st Board meeting for approval of rights issue	T (T being the date of Board of Directors of the Issuer approving the Rights Issue)
2.	Notice for 2nd Board meeting to fix record date, price, entitlement ratio etc. Subject to Board's/ shareholders' approval*	T
3.	Application by the issuer for seeking in-principle approval along with filing of Draft Letter of Offer with Stock Exchanges	T+1
4.	Receipt of in-principle approval from Stock Exchanges	T+3
5.	2nd Board meeting for fixing record date, price, entitlement ratio etc.	T+4
6.	Filing of Letter of Offer with Stock	T+5 to T+7

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	Exchanges and SEBI	
7.	Record Date	T+8
8.	Receipt of BENPOS on Record date (at the end of the day)	T+8
9.	Credit of Right Entitlements (REs)	T+9
10.	Dispatch / Communication to the shareholders of Letter of Offer	T+10
11.	Publication of advertisement for completion of dispatch	T+11
12.	Publication of advertisement for disclosing details of specific investor(s)	T+11
13.	Issue opening and commencement of trading in REs (Issue to be kept open for minimum 7 days as per Companies Act, 2013)	T+14
14.	Validation of Bids	T+14 to T+20
15.	Closure of REs trading (3 working days prior to issue closure date)	T+17
16.	Closure of off-market transfer of REs	T+19
17.	Issue closure	T+20
*If the Issuer is making a Rights Issue of convertible debt instruments, wherein shareholder's approval is required, then the notice for 2nd Board meeting to fix record date, price, entitlement ratio etc. would be given on the date of receiving shareholders' approval and the remaining timeline would be adjusted accordingly.		

TABLE B

Indicative timeline of broad activities involved in Rights Issue from the date of closure of Rights Issue till the date of listing and trading		
Sr. No.	Broad activities performed during Rights Issue Process	Timelines (Working Days)
1.	Issue closure	T
2.	Suspension of RE ISIN (immediately on issue closure)	T
3.	RTA obtains bid file from Stock Exchanges (SEs)	T
4.	Reverting for correction files to SCSBs for ASBA bids	T
5.	Receiving rectified/final bid data from SEs	T
6.	Receipt of final certificate from the SCSBs	T
7.	Co-ordination with SCSBs for pending final certificates for ASBA application	T
8.	Complete reconciliation of valid ASBA, REs holding and technical rejection.	T
9.	Basis of allotment to be carried out by RTAs in coordination with Designated Stock Exchange (DSE)	T+1
10.	Stock Exchange to approve the basis of allotment	T+1

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11.	Transfer of funds from ASBA accounts to allotment account for allottees and refund account and unblocking of accounts for non-allottees	T+1
12.	Listing application to be made to SEs	T+1
13.	Instructions to dispatch of allotment and refund/unblocking intimations	T+2
14.	Receiving in-principle listing approval for corporate action	T+2
15.	Submit application with depositories for credit to respective demat shareholder account	T+2
16.	Receipt of credit confirmation from NSDL/CDSL	T+2
17.	Filing Documents with SEs for trading approval	T+2
18.	Publication of basis of allotment advertisement in newspaper and submission of same with SEs	T+2
19.	Receipt of trading approval from SEs	T+2
20.	Shifting of shares from temporary ISIN to live ISIN	T+2
21.	Transfer of funds from Rights escrow account to Issuer's monitoring account	T+2
22.	Commencement of trading of shares issued pursuant to rights issue	T+3
23.	Submission of media compliance report with SEBI	T+3