

Consultation Paper

**FASTER RIGHTS ISSUE WITH FLEXIBILITY OF
ALLOTMENT TO SELECTIVE INVESTORS**

AUGUST 20, 2024



1. OBJECTIVE

- 1.1. The objective of this consultation paper is to seek comments / views / suggestions from the public and other stakeholders on various proposals for enabling faster Rights Issue with flexibility of allotment to selective investors.

2. BACKGROUND

- 2.1. Rights Issues, Preferential Allotments, Qualified Institutional Placements (QIPs) are some of the means available to the company for raising further capital by way of issuing shares.
- 2.2. The amount raised through these modes in last 3 Financial Years (F.Y 2021-22, F.Y 2022-23 and F.Y 2023-24) are as under-

Table 1							
Sr. No.	Mode of Fund Raising	FY 2021-22		FY 2022-23		FY 2023-24	
		No. of issues	Amount (In Rs. Cr)	No. of issues	Amount (In Rs. Cr)	No. of issues	Amount (In Rs. Cr)
1.	Rights Issues	43	26,327	73	6,751	67	15,110
2.	Qualified Institutional Placement (QIP)	29	31,441	11	8,212	61	68,972
3.	Preferential Allotments	349	60,697	454	83,832	689	45,155
*Data as per SEBI Annual Report							

- 2.3. As can be observed from the aforesaid data, amount raised through Rights Issues is lesser than the amount raised through other available modes viz. QIPs and Preferential Allotments during this period. Further, the number of issues through Rights Issues are also substantially less than the preferential allotments.
- 2.4. Despite apparent benefits associated with the Rights Issue viz. tradability of rights entitlement, proportional treatment for existing shareholders, it is observed that Rights Issue is still not a preferred mode of fund raising.
- 2.5. In order to make Rights Issues a preferred mode vis-à-vis other modes of fund raising, SEBI undertook a review of the existing Rights Issue process and in this regard, discussions were held with market intermediaries viz. Depositories, Stock Exchanges, Registrar to an Issue (RTAs), Merchant Bankers etc.
- 2.6. Subsequently, an agenda was placed before the Primary Market Advisory Committee (PMAC) in its meeting held on July 22, 2024 for its consideration and recommendations.

2.7. The summary of the proposals recommended by PMAC is as under –

- 2.7.1. Doing away with the current requirement of filing Draft Letter of Offer (DLoF) with SEBI for issuance of observation;
- 2.7.2. Rationalising the content of Letter of Offer (LoF) by reducing the current disclosures to contain some of the relevant information regarding the Rights Issue such as object of the issue, price, record date, entitlement ratio, etc.
- 2.7.3. Reviewing the role of intermediaries involved in the Rights Issue Process;
- 2.7.4. Reducing the timelines involved in Rights Issue Process;
- 2.7.5. Enabling Allotment to Selective Investors in Rights Issue;
- 2.7.6. Laying down adequate checks and balances.

2.8. The details regarding the existing issues and rationale for the proposals have been spelt out in the subsequent sections.

3. REGULATORY BACKGROUND

- 3.1. Section 62(1)(a) of the Companies Act, 2013, *inter-alia*, provides for the further issuance of shares to the existing shareholders to persons who, at the date of the offer, are holders of equity shares of the company in proportion.
- 3.2. In case of listed entities, provisions of Rights Issue are governed by Chapter III of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations), which has laid down the regulatory provisions for an issuer offering specified securities of aggregate value of fifty crores or more through a Rights Issue, such as eligibility requirements, disclosures requirement and filing of letter of offer, issuance conditions and procedure etc.

4. EXISTING RIGHTS ISSUE PROCESS

- 4.1. Modes of Rights Issue: Currently, Rights Issues may be made through following modes viz.-
 - 4.1.1. Rights Issue through Fast Track mode by filing Letter of Offer (LoF) with the Stock Exchange and;
 - 4.1.2. Rights Issue through Non-Fast Track mode by filing Draft Letter of Offer (DLoF) with SEBI.
 - 4.1.3. Rights Issues with an issue size of less than fifty crores rupees on which conditions of 'Chapter III-Rights Issue' under Regulation 60 of SEBI ICDR Regulations, 2018 are not applicable.

4.2. Current timelines involved in the Rights Issue process

4.2.1. A study of time taken (from the date of Board meeting till the date of trading) for Rights Issues process for last 3 years was carried out and the average timeline along with range of the same is as under-

Table 2		
Modes of Rights Issue	Average number of days*	Range (in days)
Non-Fast Track Issue	317**	198-521
Fast Track Issues	126**	46-425
*The above days inter-alia, include various activities viz. conducting Board meetings, appointment of intermediaries, due diligence by MB, preparation of DLoF, issuance of SEBI observations in case of Non-Fast Track Issues etc.		
** The average number of days include 25 average days from the date of issue opening till date of listing and trading).		

4.3. Intermediaries/Market Infrastructure Institutions (MIIs) involved and activities performed by them during the current Rights Issue Process (from announcement of issue till trading and listing)

The intermediaries/MIIs involved and broad activities performed by them during the Rights Issue process are as follows:

Table 3		
Sr. No	Intermediaries/ MIIs involved	Broad activities carried out
1.	Merchant Bankers (MBs)	Conducting due diligence, documentation for preparing DLoF/LoF, appointment of various agencies such as RTAs, submission of DLoF with SEBI and Stock Exchanges, dispatching abridged letter of offer along with application form, filing of documents with stock exchanges for final trading approval and receipt of final trading approval, etc.
2.	Registrar to the issue (RTA)	Co-ordinating with SCSBs for collection of certificates, weeding out technical rejections, preparation of basis of allotment with designated stock exchange, fund transfer instructions to SCSBs, uploading allotment files in system of depositories post completion of necessary formalities, preparation of post issue report for submission to SEBI, etc.
3.	Self-Certified Syndicate Banks (SCSBs)	ASBA applications, transfer of funds from ASBA accounts to allotment accounts, refund and unblocking of ASBA applicants accounts, etc.



Table 3

Sr. No	Intermediaries/ MIs involved	Broad activities carried out
4.	Stock Exchanges (SEs)	In-principle approval on DLoF, bidding platform, provides bid data to RTAs, approval of basis of allotment, listing and trading approvals, etc.
5.	Depositories	Corporate actions - Credit of Rights Entitlement (REs) and Equity Shares, provides BENPOS, etc.

5. Review OF EXISTING RIGHTS ISSUE PROCESS AND PROPOSALS

5.1. Detailed Disclosures requirement at the time of filing Draft Letter of Offer (DLoF) or Letter of Offer (LoF) under ICDR Regulations –

5.1.1. Regulatory Provisions

- Regulation 70 of ICDR Regulations states that the DLoF and LoF shall contain all material disclosures which are true and adequate to enable the applicants to take an informed investment decision.
- Further, Part B and Part B-1 of Schedule VI of ICDR Regulations specifies the disclosures to be made in DLoF and LoF, as applicable.

5.1.2. Issues

- Preparation of a detailed DLoF/LoF may be a time consuming exercise that may result in duplication of information, which is already available in the public domain.
- As per the general practice, it takes approximately 50-60 days in completing due diligence process and preparation of DLoF/LoF by the MBs, which makes the Rights Issue process lengthy.
- In view of longer timelines involved, sometimes issuers may prefer alternative fund raising mode like preferential issue, which usually takes lesser time vis-à-vis Rights Issue. This is primarily because, in preferential issue there is absence of a detailed document like LoF and the company is required to disclose only brief information regarding the issue such as objects of the issue, maximum number of specified securities to be issued, time frame within which the issue shall be completed, etc. Also, there is no requirement of conducting due diligence by MB. While preferential issue process involves shorter timelines, the priority given to selective investors over the existing public shareholders deprives them of participating in quick fund raising and also result in dilution of their shareholding.



5.1.3. Deliberations

- i. Rights Issue is one of the method of raising additional capital that involves issuance of shares to the existing shareholders in proportion to their shareholding in the company proposing such issue. The company proposing the Rights Issue is already listed and thus, is obligated to comply with periodic disclosures requirements as specified under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) such as Corporate Governance Report, Annual Report, Financial Results, disclosure of material events etc.
- ii. Further, usually investors invest in the secondary market on the basis of information available in public domain. In case of Rights Issue, for an investor to take an investment decision, only additional information is required viz. object of the issue, price, entitlement ratio, promoter's participation, etc. Thus, it can be inferred that investing in a company by way of Rights Issue is more or less akin to a secondary market purchase. Hence, in case of Rights Issue, there seems to be no requirement for aggregating the information which is already available in the public domain except few issue related information as stated above.

5.1.4. Proposal

- i. It is proposed to discontinue the current requirement of filing DLoF with SEBI for issuance of its observation.
- ii. It is proposed to rationalise the content of LoF by requiring to disclose only the relevant information regarding the Rights Issue such as object of the issue, price, record date, entitlement ratio, etc. The proposed content of simplified LoF is placed at [Annexure-I](#).

5.2. Requirement of appointment of Merchant Bankers

5.2.1. Regulatory Provisions

- i. Regulation 69 of ICDR Regulations, *inter-alia*, provides that the issuer shall appoint one or more MBs, which are registered with the Board, as lead managers to the issue. Further, it states that the issuer shall in consultation with the lead managers, appoint other intermediaries which are registered with the Board after the lead managers have independently assessed the capability of other intermediaries to carry out their obligation.
- ii. Major activities (specified under Schedule I of ICDR Regulations) to be performed by the Lead Managers during the Rights Issue process includes drafting and

designing of offer document, application form and abridged LoF, advertisement or publicity material, marketing of issue, finalisation of basis of allotment, dispatch of certificates, coordination with various agencies etc.

5.2.2. **Issues**

- i. Currently it takes on an average 50-60 days in conducting due-diligence and preparation of detailed offer document by the Merchant Bankers. Further, there are no specific timelines specified to complete the due-diligence and filing of DLoF/LoF which results in a longer duration to complete the entire process and raising of funds.
- ii. Also, 'Chapter III - Rights Issue' of ICDR Regulations, 2018 is not applicable on Rights Issues with an issue size of less than fifty crores rupees. Accordingly, it is not mandatory for the issuer to appoint a Merchant Banker.

5.2.3. **Deliberations**

- i. It is already proposed to simplify the content of LoF. Further, 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 MIIIs, RTAs and Issuer.
- ii. In light of the above, there is no need for appointment and due diligence by MB.

5.2.4. **Proposal**

- i. It is proposed to dispense with the requirement of appointing a Merchant Banker by an issuer for Rights Issue.
- ii. Further, it is proposed to assign the activities which are presently carried out by the Merchant Banker to the Issuer, Registrar to issue and Stock Exchanges/Designated Stock Exchange (DSE), which are as follows:

Table 4			
Sr. No.	Responsibilities of MBs as per current regulatory framework	Proposal	Activities proposed to be assigned to
1.	Submission of Due-Diligence Certificate	It is proposed to do away with	NA
2.	Drafting, designing and filing of the DLOF with the Board for observations.	It is proposed to do away with the requirement of filing DLoF with SEBI. DLoF will be filed	Issuer



Table 4

Sr. No.	Responsibilities of MBs as per current regulatory framework	Proposal	Activities proposed to be assigned to
		with Stock Exchanges by the Issuer.	
3.	Selection of various intermediaries / agencies connected with the issue	It is proposed to be carried out by the issuer.	Issuer
4.	Activities in relation to the marketing of the issue	It is proposed to be carried out by the issuer.	Issuer
5.	Availability of LOF and other issue material including application forms before opening of the issue.	It is proposed to be carried out by the issuer.	Issuer
6.	Follow up with the bankers to the issue and SCSBs to get estimates of subscription and advising the issuer about the closure of the issue	It is proposed that basis of allotment may be carried out by RTAs along with DSEs and follow up may be carried out by RTAs/DSEs.	RTAs/DSEs
7.	Finalisation of the basis of allotment	It is proposed that basis of allotment may be carried out by RTAs along with DSEs.	RTAs/DSEs
8.	Authority to operate rights issue escrow account	It is proposed that authority to operate rights issue escrow account may be assigned to DSE.	DSE
9.	Dispatch of certificates or refunds / unblocking of application monies	It is proposed to be assigned to the RTAs.	RTAs
10.	Advising Issuer regarding pricing of the Issue	It is proposed to be carried out by the issuer.	Issuer
11.	Monitoring of investor grievances arising from issue related activities	It is proposed to be carried out by the issuer.	Issuer
12.	Furnishing information to the Board regarding details of underwriters who have failed in their underwriting development	It is proposed to be carried out by the issuer.	Issuer
13.	Ensuring release of funds to the issuer	It is proposed to be carried out by the DSEs.	DSEs
14.	Submission of Post-Issue Reports (initial and final) to the Board	It is proposed that Post-Issue reports may be filed by the issuer to SEs and SEs would disseminated the same on their websites.	Issuer/SEs

5.3. **Requirement of appointment of Registrar to the issue (RTA)**

5.3.1. **Regulatory Provisions**

- i. Regulation 69(7) of ICDR Regulations provides that the issuer shall appoint a Registrar to the issue registered with the Board, which has connectivity with all the depositories.
- ii. Major activities presently performed by the Registrar to the issue includes identification of blocked or frozen demat accounts of shareholders, determination of Rights Entitlement (REs) of shareholders, assisting in opening Escrow demat account, validation with depositories and sharing daily bid data with stock exchanges, weeding out multiple and technical rejections in consultation with lead manager, submitting the basis of allotment with Designated Stock Exchange etc.

5.3.2. **Issues**

- i. ICDR Regulations, primarily does not specify any activity which needs to be performed by RTAs independently, apart from the requirement of providing a certificate to the lead manager certifying that subscription of the offer has become at least 90% of the offer as specified under Regulation 84(3) of ICDR Regulations.
- ii. Further, the activities such as identification of frozen or blocked demat accounts, determination of REs of every shareholder, validation with depositories and sharing daily bid data with stock exchanges, finalizing the format for allotment and refund intimation to investors, submitting the basis of allotment with designated stock exchange, etc. are carried out by RTAs on the basis of information / data provided by Stock Exchanges or Depositories.

5.3.3. **Deliberations**

- i. Since, RTAs perform certain activities based on the information sought from the Stock Exchanges and Depositories such as validating the applications, finalizing the basis of allotment and refund intimation to investors, etc., these activities can be performed by Stock Exchanges and Depositories themselves.

5.3.4. **Proposal**

- i. It is proposed that validation of applications and finalisation of basis of allotment which is presently carried out by the Registrar to the issue, may also be carried out by Stock Exchanges and Depositories concurrently.



- ii. It is further proposed that Stock Exchanges and Depositories will develop a system for real time validation of the applications in a period of six months from the implementation of the proposals contained in this paper.

5.4. Streamlining the timelines involved in Rights Issue Process

5.4.1. Current Timelines involved in Rights Issue Process (from the date of Board meeting approving Rights Issue till date of trading)

- i. Currently, for Non-Fast Track Rights Issues, it takes on an average 317 days to complete the process i.e. from the date of Board approval till the date of trading, whereas for Fast Track Right Issues, it takes on an average 126 days from the date of Board approval till the date of trading.
- ii. The above average timelines also include an average of 18 days for issue period i.e. from issue opening day to issue closure day and 7-8 days after issue closure till the day of listing and trading.

5.4.2. Issues

- i. A study of time taken in respect of both Fast Track and Non-Fast Track Rights Issue was undertaken for last three financial years and the average timeline of the same is as under-

Table 5

Year	Non-Fast Track Rights Issue				
	No. of issues	Avg. no. of days b/w date of Board meeting and date of DLoF*	Avg. no. of days b/w date of DLoF and date LoF**	Avg. no. of days' b/w date of LoF and date of issue opening***	Total Avg. no. of days
	A	B	C	D	E=B+C+D
2021-22	2	167	111	16	294
2022-23	3	84	176	23	283
2023-24	8	100	175	18	293
Total	13	108	165	19	292

* this period includes appointment of Intermediaries, due-diligence, preparation of DLoF etc.
 ** this period includes SEBI observations, in-principle approval from stock exchanges, filing of LoF with SEBI etc.
 *** this period includes conducting Board meeting, deciding record date, dispatch of offer document etc.

Table 6

Year	Fast Track Rights Issue			
	No. of issues	Avg. no. of days b/w date of Board meeting and date of LoF#	Avg. no. of days b/w date of LoF and date of issue opening##	Total Avg. no. of days
	A	B	C	D =B+C
2021-22	10	70	14	84



Table 6

Year	Fast Track Rights Issue			
	No. of issues	Avg. no. of days b/w date of Board meeting and date of LoF [#]	Avg. no. of days b/w date of LoF and date of issue opening ^{##}	Total Avg. no. of days
2022-23	9	87	14	101
2023-24	4	135	11	146
Total	23	88	13	101

[#] this period includes in-principle approval from stock exchanges, filing of LoF with SEBI etc.
^{##} this period includes conducting Board meeting, deciding record date, dispatch of offer document etc.

- ii. The reason for longer period to complete the Rights Issue is that Regulations do not 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.

5.4.3. Proposal

- i. It is proposed to reduce the current indicative timelines of Rights Issue to T+20 working days from the date of Board meeting approving Rights Issue till the date of closure of Rights Issue. The proposed timelines at each stage of activity from the date of Board meeting till date of issue closure are as follows-

Table 7

Sr. No.	Activity performed during Rights Issue Process	Timelines
1.	1 st Board meeting for approval of Rights Issue	T
2.	Notice for 2 nd Board meeting to fix record date, price, entitlement ratio etc.	T (subject to Board's/ shareholders' approval*)
3.	Setting up of data room and issuer providing documents & info. requested for due diligence	Proposed to be discontinued
4.	Completion of Due diligence	Proposed to be discontinued
5.	Filing of Draft Letter of Offer with SEBI	Proposed to be discontinued
6.	Application by the issuer for seeking In-Principle approval along with filing of DLoF with Stock Exchanges	T+1
7.	Receipt of in-principle approval from Stock Exchanges	T+3
8.	Receipt of SEBI's final observation	Proposed to be discontinued
9.	2 nd Board meeting for fixing record date, price, entitlement ratio etc.	T+4
10.	Filing of final LoF with SEBI and Stock Exchanges	T+5



Table 7		
Sr. No.	Activity performed during Rights Issue Process	Timelines
11.	Record Date	T+8
12.	Receipt of BENPOS on Record date (at the end of the day)	T+8
13.	Credit of REs	T+9
14.	Dispatch / Communication to the shareholders of LoF	T+9
15.	Publication of advertisement for completion of dispatch	T+10
16.	Publication of advertisement for disclosing details of Selective Investors	T+10
17.	Issue opening and commencement of trading in REs	T+13
18.	Validation of Bids	T+13 to T+20
19.	Closure of REs trading (3 working days prior to issue closure date)	T+17
20.	Closure of off-market transfer of REs	T+19
21.	Issue closure (Issue to be kept open for min 7 working days)	T+20
*If the issuer is making a Rights Issue of convertible debt instruments, wherein shareholder's approval is required, then the notice for 2 nd 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.		

- ii. It is further proposed to reduce the current indicative timelines of Rights Issue to T+3 working days from the date of closure of Rights Issue till the date of listing/trading of Rights Issue. The proposed timelines at each stage of activity from the date of issue closure till date of trading of Rights Issue are as follows:

Table 8		
Sr. No.	Activity performed during Rights Issue Process	Timelines
1.	Issue closure	T
2.	Suspension of RE ISIN (immediately on issue closure)	T
3.	RTA obtains bid file from Stock Exchanges	T
4.	Reverting correction files to SCSBs for ASBA bids	T
5.	Receiving rectified/final bid data from Stock exchanges	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 DSE.	T+1
10.	Stock Exchange to approve the basis of allotment	T+1
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



		Table 8
Sr. No.	Activity performed during Rights Issue Process	Timelines
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 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 Company'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

5.5. Enabling allotment to selective investors in Right Issue

5.5.1. Regulatory Provisions

- i. Priority of Allotment: Regulation 90(2) of ICDR Regulation provides the manner of allotment which is brought out as under:

(a) *Full allotment to those eligible shareholders who have applied for their REs either in full or in part and also to the renouncee(s) who have applied for the specified securities renounced in their favour, in full or in part, as adjusted for fractional allotment.*

(b) *Allotment to eligible shareholders who having applied for the specified securities in full to the extent of their rights entitlement and have also applied for additional specified securities, shall be made as far as possible on an equitable basis having due regard to the number of specified securities held by them on record date, provided there is under subscribed portion after making allotment in (a) above.*

(c) *Allotment to the renouncee(s), who having applied for the specified securities renounced in their favour and also applied for additional specified securities, provided there is an under subscribed portion after making full allotment specified in (a) and (b) above. The allotment of such additional specified securities may be made on a proportionate basis.*

- ii. Renunciation of REs by the promoters:

(a) Regulation 62(1) of ICDR Regulations, states that the issuer making the Rights Issue of specified securities shall ensure that:

- 1) ...
- 2) ...



3) *Where the issuer or any of its promoters or directors is a wilful defaulter or a fraudulent borrower), the promoters or promoter group of the issuer shall not renounce their rights except to the extent of renunciation within the promoter group.*

4) ...

(b) Further, Regulation 86(1) of ICDR Regulations provides for the minimum subscription to be received in the issue and states that the minimum subscription shall be at least ninety percent of the offer through offer document.

Provided that minimum subscription criteria shall not be applicable to an issuer if:

- the object of the issue involves financing other than financing of capital expenditure for a project; and
- the promoters and the promoter group of the issuer undertake to subscribe fully to their portion of REs and not renounce their rights except to the extent of renunciation within the promoter group.

(c) Furthermore, under Regulation 99(I) of ICDR Regulations, 2018, one of the eligibility conditions for making a Fast Track Rights Issue is that promoter and promoter group shall mandatorily subscribe to their REs and shall not renounce their rights except to the extent of renunciation within the promoter group or for the purpose of complying with MPS norms.

iii. Allotment in current Rights Issues:

a) A study of some of the companies which undertook Rights Issue in the past four financial year (2020-21 to 2023-24) was carried out and the analysis of the same is as follows:

Table 9			
No. of Companies	Avg. allotment (%) to the original RE holders	Avg. allotment (%) to other than original RE holders	Avg. additional allotment (%) to promoters
48	55%	45%	13%
Note: The above details are as per the information provided by the RTA			

b) From the above table, it is observed that in 48 Rights Issues in last four years on an average 55% of the rights shares are allotted to original RE holders and remaining 45% are allotted to other than original RE holders. This 45% includes shares subscribed by renouncees, additional

applications by existing shareholders and renouncees and promoter's undertaking to subscribe the unsubscribed portion.

5.5.2. **Issues**

- i. As mentioned above, it is observed that current regulations restrict the promoters to renounce their rights (other than to the extent of renouncement within the promoter group) in case the issue has not achieved the minimum subscription criteria and in Fast Track Rights Issues.
- ii. From the priority of allotment under Regulation 90(2), it is observed that ICDR Regulations are silent regarding the allotment of the unsubscribed portion to any persons other than REs holders.
- iii. It is also observed that despite the fact that the existing shareholders have the first right to participate in fund raising activity of the issuer, the listed entities have preferred to raise fund through preferential issue by offering it to select few investors including promoters. The plausible reasons for the preferential issue being a preferred mode of raising fund are-
 - (a) **Swift Fundraising** - Preferential allotment enables companies to raise funds more quickly than Rights Issue. There is no procedure such as due diligence by MB, filing of DLoF/LoF, seeking observation from SEBI and other regulatory compliances. Thus, it results in quicker capital infusion to meet urgent financial needs to seize growth opportunities.
 - (b) **Attracting Strategic Investors** - Preferential allotment provides an opportunity to selectively bring in strategic investors, such as venture capitalists, private equity investor, etc. who can offer not just capital but also valuable industry insights, management expertise, and business connections.
 - (c) **Increase in promoter's stake** - Unlike Rights Issue where the shareholding of promoter's increases proportionately vis-à-vis public shareholders, under preferential issue, promoters can increase their stake in the company while diluting the stake of the public shareholding.

5.5.3. **Deliberations**

- i. The proposed Rights Issue process not only addresses the major shortcoming associated with the present Rights Issue process i.e. lengthy time period and requirements of filing detailed DLoF/LoF, appointment of intermediaries etc.,

but also have various advantages such as quicker fund raising vis-a-vis preferential issue while giving opportunity to existing shareholders to participate in fund raising, strategic investors may also participate through REs.

- ii. Further, relaxing the restrictions on renouncement of right entitlements of promoter/promoter group will provide flexibility to issuer/promoter to on-board selective investors as shareholder of the company.
- iii. Allowing allotment to selective investors may also result in additional benefits such as the safeguard against the failure of the issue, reduce the requirement of under writing and also help issuer to better price the Rights Issue.

5.5.4. **Proposal**

- i. It is proposed to relax the restrictions with respect to renunciation by promoters and allow the promoter / promoter group to renounce their rights entitlement in favour of any selective investor(s) provided upfront disclosure of the details of such renunciation would be made through advertisement in at least one English national daily newspaper, one Hindi national daily newspaper and one regional language daily newspaper with wide circulation at least two days prior to the issue opening date. Further, the same shall also be disclosed to the stock exchange(s) for dissemination on their website. The details of the disclosure shall include name of the renouncee(s) i.e. selective investor(s), name of the renouncer i.e. promoter / promoter group, number of REs that would be renounced.
- ii. It is further proposed that the promoter is required to renounce the REs to such selective investor(s) and such selective investor(s) would make the application through ASBA by 11:00 A.M. on the first day of issue opening period. Issuer shall disclose to the Stock Exchanges whether the selective investor(s) has made the application or not, for dissemination by 11.30 A.M on the first day of issue opening.
- iii. Furthermore, it is proposed that once the application is made by the selective investor(s) against the REs renounced to them by the promoters, such selective investor will not be permitted to withdraw such applications.
- iv. It is also proposed to allow the allotment of unsubscribed portion of the issue to selective investor(s) at the discretion of the issuer, provided upfront disclosure of the details of such selective investor(s) would be made at least two days prior to the issue opening date along with advertisement as mentioned at para 5.5.4. (i) above. Further, the same shall also be disclosed to the stock



exchange(s) for dissemination on their website. In case, the unsubscribed portion of the issue would be allotted to selective investor(s), then such investor(s) would bring additional application money before the finalisation of basis of allotment.

- v. It is proposed that the present condition where the issuer or any of its promoters or directors is a wilful defaulter or a fraudulent borrower, the promoters or promoter group of the issuer are not allowed to renounce their rights except to the extent of renunciation within the promoter group, would continue.

6. Checks and Balances

6.1. **Mandatory Disclosures in proposed simplified Letter of Offer:**

Considering the proposal to do away with the requirement of filing DLoF with SEBI and removing the distinction between different modes of Rights Issue (less than rupees 50 crore, Fast Track and Non-Fast Track), it is proposed that the following requirement which presently are the eligibility conditions for Fast Track Rights Issue, may be mandated for disclosure in the proposed simplified LoF.

6.1.1. **Regulatory provisions:**

- i. **Regulation 99 (f):** The issuer has been in compliance with the equity listing agreement or the SEBI LODR Regulations, 2015, as applicable, for a period of at least three years immediately preceding the reference date¹.
- ii. **Regulation 99 (g):** The issuer has redressed at least ninety-five per cent of the complaints received from the investors till the end of the quarter immediately preceding the month of the reference date.
- iii. **Regulation 99 (h):** Any show-cause notices, excluding proceedings for imposition of penalty, have been issued by the Board and pending against the issuer or its promoters or whole time directors as on the reference date. Further, in cases, where against the issuer or promoters or whole time directors, any show-cause notice has been issued by the Board or the Adjudicating Officer, in a proceeding for imposition of penalty or prosecution proceedings have been

¹ Unless otherwise provided in this Chapter, an issuer offering specified securities of aggregate value of fifty crores rupees or more, through a rights issue shall satisfy the conditions of this Chapter at the time of filing the draft letter of offer with the Board and also at the time of filing the final letter of offer with the stock exchanges, as the case may be.

initiated by the Board, necessary disclosures in respect of such actions along with potential adverse impact on the issuer shall be made in the letter of offer.

- iv. Regulation 99 (j): The equity shares of the issuer have not been suspended from trading as a disciplinary measure during last three years immediately preceding the reference date.

6.1.2. **Proposal:**

- i. It is proposed that issuer may be mandated to disclose the following in the proposed simplified LoF –
 - a. the details of the non-compliances, if any, with the listing agreement or the SEBI LODR Regulations, as applicable, for a period of at least three years immediately preceding the reference date in the proposed simplified LoF.
 - b. the percentage of the complaints redressed by the issuer received from the investors till the end of the quarter immediately preceding the month of the reference date and in case the redressal is less than ninety-five percent, the reasons thereof.
 - c. details of any show-cause notices, excluding proceedings for imposition of penalty, have been issued by the Board and pending against the issuer or its promoters or whole time directors as on the reference date and in cases, where against the issuer or promoters or whole time directors, any show-cause notice has been issued by the Board or the Adjudicating Officer, in a proceeding for imposition of penalty or prosecution proceedings have been initiated by the Board, necessary disclosures in respect of such actions along with potential adverse impact on the issuer shall be made in LoF.
 - d. that the equity shares of the issuer have not been suspended from trading as a disciplinary measure during last three years immediately preceding the reference date.

6.2. **Eligibility requirement for making Rights Issue**

6.2.1. **Regulatory Provisions**

- i. Currently ICDR Regulations do not prescribe eligibility condition for making Rights Issuer where the trading of company's shares is suspended at the time of making Rights Issue.



6.2.2. **Proposal**

- i. In addition to eligibility conditions under Regulation 61, it is proposed that in case the trading in the shares of the issuer is suspended at the time of making Rights Issue, such issuer may not be allowed to make Rights Issue.

6.3. **Applicability of ICDR Regulations on Rights Issue of size less than fifty crore rupees and Appointment of Monitoring Agency**

6.3.1. **Regulatory Provision**

- i. Currently in terms of Regulation 60 of ICDR Regulations, an issuer offering specified securities of aggregate value of less than fifty crores rupees through a rights issue, is not required to comply with provisions of ICDR Regulations.
- ii. Regulation 82 (1) of ICDR Regulations provides for the appointment of Monitoring Agency if the issue size exceeds one hundred crore rupees, the issuer shall make arrangements for the use of proceeds of the issue to be monitored by a credit rating agency registered with the Board and the monitoring agency shall submit its report to the issuer in the format specified in Schedule XI on a quarterly basis, till hundred per cent of the proceeds of the issue actually raised have been utilized.

6.3.2. **Deliberations**

- i. Since it is proposed to do away with the requirement of filing DLoF with SEBI, requirement of carrying out the due-diligence by Merchant Banker and to do away with the appointment of Merchant Banker for all issue sizes, Rights Issue of size less than fifty crore rupees may be brought under the purview of ICDR Regulations. Further, some check and balance in form of monitoring agency may be put in place to protect the interest of the investors.
- ii. It is also observed that, some issuers come up with multiple Rights Issues in a financial year having issue size less than fifty crore rupees in order to circumvent applicability of ICDR Regulations e.g. due diligence by MB, filing of DLoF with SEBI, etc. Mandating the appointment of Monitoring Agency for all Rights Issues irrespective of the issue size will address the same. It will also lead to effective monitoring of utilization of issue proceeds in all Rights Issues.

6.3.3. **Proposal**

- i. It is proposed that ICDR Regulations would be applicable to all Rights Issue irrespective of issue size.



- ii. It is proposed to mandate the appointment of Monitoring Agency to monitor the use of issue proceeds for all types of Rights Issue.

7. PUBLIC COMMENTS

- 7.1. Public Comments are solicited on the aforesaid proposals with respect to enabling faster Rights Issue with flexibility of allotment to selective investors. The comments / suggestions along with rationale should be submitted not later than **September 10, 2024** through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

- 7.2. In case of any technical issue in submitting your comment through web based public comments form, you may write to consultationcfd@sebi.gov.in with the subject: *"Comments on the proposal for "Faster Rights Issue with flexibility of allotment to selective investors"*.



Disclosures in Letter of Offer

An issuer proposing a right issue shall make the following disclosures, as far as possible, in the letter of offer in which the disclosures are specified in this clause:

- I. Cover Pages:** The cover page paper shall be of adequate thickness (minimum hundred GSM quality).

(A) Front Cover Pages:

1. Front inside cover page shall be kept blank.
2. Front outside cover page shall contain only the following details:
 - i. Date of the letter of offer.
 - ii. Name of the issuer, its logo, date and place of its incorporation, corporate identity number, telephone number, address of its registered and corporate offices, website address and e-mail address (mention if where there has been any change in the address of the registered office or the name of the issuer).
 - iii. Nature, number and price of specified securities offered and issue size, as may be applicable.
 - iv. Name of the promoter(s).
 - v. Name of the issuer or any of its promoter or directors being a wilful defaulter or a fraudulent borrower and a cross-reference to the relevant section.
 - vi. The following clause on "General Risk" shall be incorporated in a box format:

"Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk with such investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors shall rely on their own examination of the issuer and the offer including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document."
 - vii. The following clause on "Issuer's Absolute Responsibility" shall be incorporated in a box format:

"The issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this letter of offer contains all information with



regard to the issuer and the issue, which is material in the context of the issue, and that the information contained in the letter of offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect."

- viii. Name, logo and address of the registrar to the issue, along with its telephone number, website address and email address.
- ix. Issue schedule:
 - Last Date for credit of Rights Entitlements
 - Date of opening of the issue
 - Last date for On Market Renunciation of Rights Entitlements
 - Date of closing of the issue.
 - Finalization of Basis of Allotment
 - Date of Allotment
 - Date of credit of Rights Equity Shares
 - Date of listing
- x. Name of the Stock Exchanges where the specified securities are listed and the details of their in-principle approvals for listing obtained from these Stock Exchanges along with the name of Designated Stock Exchange for the Issue.

(B) Back cover pages:

- 1. The back inside cover page and back outside cover page shall be kept blank.
- 2. The letter of offer should be in clear readable font, preferably of minimum point ten size

II. Table of contents: The table of contents shall appear immediately after the front inside cover page.

III. Definitions and abbreviations:

- (A) Conventional or general terms
- (B) Issue related terms
- (C) Issuer and industry related terms
- (D) Abbreviations

IV. Letter of Offer:

- (A) Description of the business of the Issuer in a summary form;
- (B) Intention and extent of participation by promoter/promoter group with respect to:



1. Their Rights Entitlement and intention to subscribe to their Rights Entitlement;
2. Their intention to subscribe over and above their Rights Entitlement;
3. Their intention to renounce their rights, to any selective investor(s). The names of the selective investor(s) shall be disclosed in a public advertisement two days prior to the issue opening date.

Provided that such participation shall not result in a breach of the minimum public shareholding requirement stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

- (C) Intention of issuer to allot the unsubscribed portion of the rights issue to any selective investor(s). Name(s) of the selective investor(s), in case issuer upfront intends to allot the unsubscribed portion of the rights issue, shall be disclosed in a public advertisement two days prior to the issue opening date.
- (D) Details of the issuer or any of its promoters or directors being a wilful defaulter or a fraudulent borrower.
1. Name of the person declared as a wilful defaulter or a fraudulent borrower
 2. Name of the bank declaring the person as a wilful defaulter or a fraudulent borrower
 3. Year in which the person was declared as a wilful defaulter or a fraudulent borrower
 4. Outstanding amount when the person was declared as a wilful defaulter or a fraudulent borrower
 5. Steps taken, if any, by the person for removal of its name from the list of wilful defaulter or a fraudulent borrower
 6. Other disclosures, as deemed fit by the issuer, in order to enable investors to take an informed decision.
- (E) Outstanding litigations: Summary of outstanding litigations in a tabular format along with the amount involved, wherever quantifiable for the pending matters which, if they result in an adverse outcome, would materially and adversely affect the operations or the financial position of the issuer:
1. Matters which are pending:
 - i. Involving criminal liability on the part of the issuer.
 - ii. Material violations of the statutory regulations by the issuer.
 - iii. Economic offences where proceedings have been initiated against the issuer.
 2. For the purpose of determining materiality, the threshold shall be determined by the issuer as per the requirements under Securities and Exchange Board

of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3. These disclosures shall be made in respect of the issuer and the subsidiary companies of the issuer as per the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

V. Risk factors: Risk factors shall be in relation to the following:

- (A) Risks relating to the rights issue and objects of the issue; and
 - (B) Risks material to the issuer and its business,
- in each case above, where applicable, along with instances of occurrence of such risk in the past and financial or other impact thereof, if any, on the issuer and its business.

VI. Introduction:

(A) General Information:

1. Names, addresses, telephone numbers and e-mail addresses of the Company Secretary and compliance officer of the issuer.
2. Name, address, telephone number and e-mail address of the Statutory Auditor(s) of the issuer.
3. Names, addresses, telephone numbers, contact person, website addresses and e-mail addresses of the bankers to the issue, legal advisors to the issue; URL of SEBI website listing out the details of self- certified syndicate banks, registrar to issue and share transfer agents, etc.
4. Following details of credit rating in case of an issue of convertible debt instrument:
 - i. The names of all the credit rating agencies from which credit rating including unaccepted rating has been obtained for the issue of convertible debt instruments.
 - ii. Details of all credit ratings, including unaccepted ratings, obtained for the issue of convertible debt instruments.
 - iii. All credit ratings obtained during the preceding three years for any of the issuer's listed convertible debt instruments at the time of accessing the market through a convertible debt instrument.
5. Name, address, telephone number, website address and e-mail address of



the debenture trustee in case of an issue of convertible debt instruments.

6. Name, address, telephone number and e-mail address of the monitoring agency.
7. Details of underwriting (if any):
 - i. Names, address, telephone numbers, and e-mail address of the underwriters and the amount underwritten by each of them.
 - ii. Declaration by the board of directors of the issuer that the underwriters have sufficient resources to discharge their respective obligations.
 - iii. In case of partial underwriting of the issue, the extent of such underwriting.
 - iv. Details of the final underwriting arrangement, indicating actual number of specified securities underwritten, in the letter of offer filed with the Designated Stock Exchange.

(B) Capital Structure: The capital structure in the following manner in a tabular form:

1. Authorized, issued and subscribed capital, after suitable incorporation of the outstanding convertible securities (number of securities, description and aggregate nominal value).
2. Paid-up capital.
 - i. After the issue.
 - ii. Assuming conversion of convertible securities, warrants, if any, and employee stock options that vest until the allotment date
3. The following details of outstanding instruments:
 - i. Details of options, if any.
 - ii. Details of convertible securities, warrants, if any
4. Details of specified securities held by the promoter and promoter group including the details of lock-in, pledge of and encumbrance on such specified securities. This information can be either incorporated by reference with specific website details of Stock Exchange(s) or by providing required details in the letter of offer.
5. Details of specified securities acquired by the promoter and promoter group in the last one year immediately preceding the date of filing of the letter of offer with the Designated Stock Exchange.



6. Ex-rights price as referred under clause of (b) of sub-regulation 4 of regulation 10 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011, as amended from time to time.
7. Shareholding pattern as per the format prescribed in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as submitted to the Stock Exchanges. This information can be either incorporated by reference to the last reported quarterly shareholding pattern with specific website details of Stock Exchange(s) or by providing required details (including any updated details at the discretion of the issuer) in the letter of offer.
8. Details of the shareholders holding more than one per cent. of the share capital of the issuer. This information can be either incorporated by reference to the last reported quarterly shareholding pattern with specific website details of Stock Exchange(s) or by providing required details (including any updated details at the discretion of the issuer) in the letter of offer.
9. Any issuance of equity shares made in the last one year for consideration other than cash.

VII. Particulars of the Issue:

(A) Objects of the Issue:

1. Objects of the issue for which funds are being raised
2. If the objects of the issue are repayment of loan or any other debt, then the following disclosures shall be made:
 - i. details of loan proposed to be repaid such as name of the lender, tenure, brief terms and conditions and amount outstanding
3. If one of the objects is investment in a joint venture or subsidiary or an acquisition, the following additional disclosures shall be made:
 - i. details of the form of investment, i.e., equity, debt or any other instrument;
 - ii. if the form of investment has not been decided, a statement to that effect;
 - iii. if the investment is in debt instruments, complete details regarding the rate of interest, nature of security, terms of repayment,



- iv. nature of benefit expected to accrue to the issuer as a result of the investment
4. If one of the objects of the issue is to grant a loan to an entity other than a subsidiary, details of the loan agreements including the rate of interest, whether secured or unsecured, duration, nature of security, terms of repayment, subordination, etc. and the nature of benefit expected to accrue to the issuer as a result of the investment. If such a loan is to be granted to any of the group companies, details of the same.
5. If one of the objects of the issue is utilization of the issue proceeds for long term working capital, the following additional disclosures on a standalone basis:
- i. Basis of estimation of working capital requirement, along with relevant assumptions.
 - ii. Reasons for raising additional working capital, substantiating the same with relevant facts and figures.
 - iii. Details of the projected working capital requirement including detailed assessment of working capital after implementation of the project or achievement of objects of the issue, as the case may be, capacity utilization assumptions, break-up of expected current assets into raw materials, finished goods, work in progress, sundry debtors etc., along with the assumption about the holding norms for each type of current asset, total current liabilities, net current assets and envisaged sources of finance for net current assets, i.e., bank finance, institutional finance, own funds, etc.
 - iv. Total envisaged working capital requirement in a tabular form, the margin money thereof and the portion to be financed by any bank(s) or otherwise.
 - v. Details of the existing working capital available with the issuer, along with a break-up of total current assets into raw materials, finished goods, work in progress, sundry debtors, etc., total current liabilities, net current assets and sources of finance for net current assets, i.e., bank finance, institutional finance, own funds, etc.
6. If an object of the issue is to fund a project, the following details shall be given:
- i. break-up of the cost of the project for which the money is being raised;
 - ii. means of financing for the project;
 - iii. location of the project;
 - iv. plant and machinery, technology, process, etc.;



- v. collaboration, performance guarantee (if any), or other assistance by the collaborators; and
 - vi. facilities for raw materials and utilities like water, electricity, etc.
 - vii. If no working capital is shown as a part of the project for which issue is being made, the reasons for the same.
7. If one of the objects of the issue is to purchase any plant, machinery, technology, process, etc., the following details shall be given:
- i. Details shall be given in a tabular form, which shall include the details of the equipment required to be bought by the issuer, cost of the equipment, name of the supplier, date of placement of order and the date or expected date of supply, etc.
 - ii. In case the order for the equipment is yet to be placed, the date of quotations relied upon for the cost estimates given shall also be mentioned.
 - iii. The percentage and value terms of the equipment for which orders are yet to be placed shall be stated.
 - iv. The details of the second hand equipment bought or proposed to be bought, if any, including their balance estimated life, etc. shall also be given.
8. If warrants or partly paid shares are proposed to be issued in a rights issue, disclosure of the objects towards which the funds from conversions of warrants/call money for partly paid shares is proposed to be used.

(B) Requirement of Funds:

- 1. Where the issuer proposes to undertake more than one activity or project, such as diversification, modernization, expansion, etc., the total project cost activity-wise or project wise, as the case may be.
- 2. Where the issuer is implementing the project in a phased manner, the cost of each phase including the phase, if any, which has already been implemented.
- 3. Details of all material existing or anticipated transactions (in relation to the utilization of the issue proceeds or project cost) with promoters, directors, key managerial personnel, senior management, associate companies (as defined under the Companies Act, 2013). The relevant documents shall be included in the list of material documents for inspection.
- 4. If any part of the proceeds of the issue is to be applied directly or indirectly:



- i. in the purchase of any business; or
- ii. in the purchase of an interest in any business and by reason of that purchase, or anything to be done in consequence thereof, or in connection therewith; the issuer will become entitled to an interest in respect to either the capital or profits and losses or both, in such business exceeding fifty per cent. thereof;

a report made by accountants (who shall be named in the letter of offer) with respect to:

- the profits or losses of the business of each of the three completed financial years immediately preceding the date of the issue of the letter of offer; and
- the assets and liabilities of the business at the last date to which the accounts of the business were made, being a date not more than six months before the date of the issue of the letter of offer.
- The issuer may voluntarily include pro forma financial information with respect to the business to be acquired, for such period(s) as determined by the issuer, which should be certified by the statutory auditor of the issuer or a peer reviewed chartered accountant.

5. If:

- i. any part of the proceeds of the issue is to be applied directly or indirectly in any manner resulting in the acquisition by the issuer of shares in any other body corporate; and
- ii. by reason of that acquisition or anything to be done in consequence thereof or in connection therewith, that body corporate will become a subsidiary of the issuer;

a report made by accountants (who shall be named in the letter of offer) with respect to:

- the profits or losses of the other body corporate for each of the three completed financial years immediately preceding the date of the issue of the Letter of Offer; and
- the assets and liabilities of the other body corporate at the last date to which its accounts were made, being a date not more than six months before the date of the issue of the letter of offer.
- The issuer may voluntarily include pro forma financial information with respect to the proposed acquisition, for such period(s) as determined by the issuer, which should be certified by the statutory



auditor of the issuer or a peer reviewed chartered accountant.

- Strategic partners to the project or objects of the issue
- Financial partners to the project or objects of the issue

iii. Funding plan (Means of Finance):

- An undertaking by the issuer confirming that firm arrangements of finance through verifiable means towards seventy-five per cent. of the stated means of finance, excluding the amount to be raised through the proposed issue and existing identifiable internal accruals, have been made.
- Balance portion of the means for which no firm arrangements has been made without specifications.
- Details of funds tied up and the avenues for deployment of excess proceeds, if any.

iv. Appraisal (if applicable):

- Scope and purpose of the appraisal, if any, along with the date of appraisal.
- Cost of the project and means of finance as per the appraisal report.
- Explanation of revision, if any, in the project cost and the means of finance after the date of issue of the appraisal report.
- Weaknesses, qualifications and threats given in the appraisal report, by way of risk factors.

v. Schedule of implementation: The schedule of implementation of the project and the progress made so far, giving details of land acquisition, civil works, installation of plant and machinery, trial production, date of commercial production and reasons for delay, if any.

vi. Deployment of funds:

- Details of the sources of funds and the deployment of these funds on the project (where the issuer is raising capital for a project), up to a date not earlier than two months from the date of filing the letter of offer with the Designated Stock Exchange, as certified by a Chartered Accountant, along with the name of the chartered



accountant and the date of the certificate.

- Where share application money brought in advance by the promoters is deployed in the project and the same is being adjusted towards their rights entitlement in the rights issue, the extent of deployment and utilization of the funds brought in by the promoters.
- vii. Sources of financing of funds already deployed: Means and source of financing, including details of "bridge loan" or other financial arrangement, which may be repaid from the proceeds of the issue.
- viii. Details of balance fund deployment: Year wise break-up of the expenditure proposed to be incurred on the said project.
- ix. Interim use of funds: A statement that net issue proceeds pending utilization (for the stated objects) shall be deposited only in the scheduled commercial banks.
- x. Expenses of the issue: Expenses of the issue (in terms of amount, as a percentage of total issue expenses and as a percentage of total issue size) under the following heads:
 - Brokerage, selling commission and upload fees (if any)
 - Registrars to the issue
 - Legal Advisors (if any)
 - Advertising and marketing expenses (if any)
 - Regulators including Stock Exchanges
 - Printing and distribution of issue stationary
 - Others, if any (to be specified).
- xi. Any special tax benefits for the issuer and its shareholders and its material subsidiaries identified in accordance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- xii. Key Industry Regulations for the proposed objects of the issue (if different from existing business of the issuer).
- xiii. Interest of promoters, promoter group and directors, as applicable to the project or objects of the issue.

VIII. Management (Board of Directors and Senior Management) and Organizational Structure:

Name, date of birth, age, Director Identification Number, address, occupation and date of expiration of the current term of office of manager, managing director and other directors (including nominee directors and whole-time directors).

IX. Financial Information of the Issuer:

(A) The following extract of the audited consolidated financial statements prepared in accordance with the applicable accounting standards for the last financial year (with comparative prior full year) and latest limited review financial statements, if any disclosed to the Stock Exchange (with comparative prior period) shall be included in the Letter of Offer:

1. Total Income from operations
2. Net profit/loss before tax and extraordinary items
3. Profit/loss after tax and extraordinary items
4. Equity share capital
5. Reserves and surplus
6. Net worth
7. Basic earnings per share
8. Diluted earnings per share
9. Net asset value per share
10. Return on Net Worth

(B) For the limited review period, the information shall not be earlier than six months prior to the date of the opening of the issue. The latest quarterly results disclosed to the public can be included in the Letter of Offer to meet this requirement.

X. Detailed rationale for the issue price: How the issuer has arrived at the price of the rights shares.

XI. Government approvals or Licensing Arrangements:

All material pending government and regulatory approvals pertaining to the objects of the issue.

XII. Other Regulatory and Statutory Disclosures

(A) Authority for the issue and details of the resolution passed for the issue.

(B) A statement by the issuer that the issuer, promoters, promoter group, directors have not been or are not prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by the Board.

(C) A statement by the issuer if any of the directors of the issuer serves as a promoter or director or as a key managerial personnel or senior management on an entity that is registered with the Board, and if yes, details of any outstanding action initiated by the Board against the said entities with the



relevant details

- (D) Whether the issuer is in compliance with the equity listing agreement or Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as applicable) for a period of at least three years immediately preceding the reference date. If not, details for such non-compliance.
- (E) Whether the issuer has redressed at least ninety-five percent of the complaints received from the investors until the end of the quarter immediately preceding the month of the reference date. If not, details of the same.
- (F) Details of the following actions along with the potential adverse impact on the company, where against the issuer or its promoters or whole time directors-
 - 1. Show-cause notice(s) has been issued by the Board or the Adjudicating Officer in a proceeding for imposition of penalty; or
 - 2. Prosecution proceedings have been initiated by the Board;
- (G) Details including reasons, period, etc. where the equity shares of the company have been suspended from trading as a disciplinary measure during last three years immediately preceding the reference date.
- (H) Disclaimer in respect of jurisdiction: A brief paragraph mentioning the jurisdiction under which the provisions of law and the rules and regulations are applicable to the letter of offer.
- (I) Disclaimer clause of the Stock Exchanges.
- (J) Disclaimer clause of Reserve Bank of India, the Insurance Regulatory and Development Authority of India and of any other regulatory authority (if applicable).
- (K) Arrangements or any mechanism evolved by the issuer for redressal of investor grievances and the time normally taken by it for disposal of various types of investor grievances.

XIII. Offering information:

- (A) Terms of payments and procedure and time schedule for allotment and demat credit of securities, including Rights Entitlement.
- (B) How to apply, availability of application forms and letter of offer and mode of payment, including the following:
 - 1. Applications by mutual funds:
 - i. A statement under the heads "Procedure for applications by mutual funds" and "Multiple Applications" to indicate that a separate application can be made in respect of each scheme of an Indian mutual fund registered with the Board and that such applications shall not be treated as multiple applications.

- ii. A statement that the application made by an asset management company or by custodian of a mutual fund shall clearly indicate the name of the concerned scheme for which the application is being made.
2. Applications by non-resident Indians: the name and address of at least one place in India from where individual non-resident Indian applicants can obtain the application forms.
 3. Application by ASBA investors: Details of Application Supported by Blocked Amount process including specific instructions for submitting Application Supported by Blocked Amount.
 4. A statement that the shareholders who have not received the application form can apply, along with the requisite application money, by making an application that is available on the website of Registrar, Stock Exchanges, or on a plain paper with same details as per application form available online.
 5. The format to enable shareholders to make an application on a plain paper specifying therein necessary particulars such as name, address, ratio of rights issue, issue price, number of equity shares held, depository participant ID, client ID, number of equity shares applied for, amount to be blocked with SCSB for using ASBA facility. Application form available online on the website of Registrar, Stock Exchanges, may be used for providing requisite details;
 6. A statement that shareholders making an application on a plain paper cannot renounce their rights and shall not utilise the application form for any purpose including renunciation even if it is received subsequently.
- (C) Dealing with Fractional Entitlement: Manner of dealing with fractional entitlement viz. payment of the equivalent of the value, if any, of the fractional rights in cash etc.
- (D) Basis of Allotment: Allotment shall be made in the following manner-
1. Full allotment to those eligible shareholders who have applied for their Rights Entitlement either in full or in part and also to the renounce(s), who has or have applied for the specified securities in their favour, in full or in part, as adjusted for fractional entitlement.



2. Allotment to eligible shareholders who having applied for the specified securities in full to extent of their Rights Entitlement and have also applied for additional specified securities, shall be made as far as possible on an equitable basis having due regard to the number of specified securities held by them on record date, provided there is an under-subscribed portion after making allotment in (1) above.
3. Allotment to the renounce(s), who having applied for the specified securities renounced in their favour and also applied for additional specified securities, provided there is an under-subscribed portion after making full allotment specified in (1) and (2) above. The allotment of such additional specified securities may be made on a proportionate basis.
4. Allotment to selective investors (disclosed two days prior to issue opening date) or to any other person, subject to applicable laws, that the Board of Issuer may deem fit, provided there is surplus available after making allotment under (1), (2) and (3) above.

(E) Provisions of the Companies Act, 2013, as relating to punishment for fictitious applications, including the disclosures that any person who:

1. makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or
2. makes or abets making of multiple applications to a company in different names or in different combinations of his/her name or surname for acquiring or subscribing for its securities; or
3. otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to such person, or to any other person in a fictitious name.

Provided that any penalty imposed pursuant to Companies Act, 2013 shall also be disclosed.

(F) A statement that credit of specified securities to the demat account/ issuing instructions for un-blocking of ASBA shall be done within a period of fifteen days and interest shall be payable in case of delay in issuing instructions for un-blocking of ASBA at the prescribed rate. In cases where refunds are applicable, such refunds shall be made within a period of fifteen days and interest shall be payable in case of delay. Liability of issuer and its directors (who are officers in default) to issue instructions for unblocking/ make refunds along with specified rate of interest shall also be mentioned, in case refunds not made within the specified timeline.

(G) Mode of making refunds:



1. The mode in which the issuer shall make refunds to applicants in case of an oversubscription or failure to list or otherwise.
2. If the issuer proposes to use more than one mode of making refunds to applicants, the respective cases where each such mode will be adopted shall be disclosed
3. The permissible modes of making refunds are as follows:
 - i. Unblocking amounts blocked using ASBA facility;
 - ii. In case of applicants residing in any of the centers specified by the Board: by crediting of refunds to the bank accounts of applicants through electronic transfer of funds by using Direct Credit, RTGS (Real Time Gross Settlement) or NEFT (National Electronic Funds Transfer) or NACH (National Automated Clearing House), as applicable, as is for the time being permitted by the Reserve Bank of India;
 - iii. In case of other applicants: by dispatch of refund orders by registered post, where the value is Rs 1500/- or more, or under certificate of posting in other cases, (subject however to postal rules); and
 - iv. In case of any category of applicants specified by the Board: crediting of refunds to the applicants in any electronic manner permissible by the Board.

XIV. Undertaking by the issuer in connection with the issue

(A) The issuer shall undertake that:

1. Complaints received in respect of the issue shall be attended to by the issuer expeditiously and satisfactorily.
2. Steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the specified securities are to be listed are taken within the time limit specified by the Board.
3. Funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the issue by the issuer.
4. Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the issue giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
5. Where release of block on the application amount for unsuccessful bidders or part of the application amount in case of proportionate allotment, a suitable communication shall be sent to the applicants.
6. Adequate arrangements shall be made to collect all ASBA applications.
7. In case of convertible debt instruments, the issuer shall additionally undertake that:



- i. it shall forward the details of utilisation of the funds raised through the convertible debt instruments, duly certified by the statutory auditors of the issuer, to the debenture trustee at the end of each half-year.
- ii. it shall disclose the name and address of the debenture trustee in the annual report.
- iii. it shall provide a compliance certificate to the convertible debt instrument holders on a yearly basis in respect of compliance with the terms and conditions of issue of debentures as contained in the Letter of Offer, duly certified by the debenture trustee.
- iv. it shall furnish a confirmation certificate that the security created by the issuer in favour of the convertible debt instrument holders is properly maintained and is adequate to meet the payment obligations towards the convertible debt instrument holders in the event of a default.
- v. it shall extend necessary cooperation to the credit rating agency(ies) in providing the requisite information in a true and adequate manner till the debt obligations in respect of the instrument are outstanding.

XV. Utilisation of Issue Proceeds:

(A) The letter of offer, other than for an issue made by a scheduled commercial bank or a public financial institution, shall contain a statement of the board of directors of the issuer to the effect that:

1. all monies received out of issue of shares or specified securities shall be transferred to a separate bank account.
2. details of all monies utilised out of the issue referred to in clause (1) shall be disclosed under an appropriate separate head in the balance sheet of the issuer indicating the purpose for which such monies had been utilised; and
3. details of all unutilised monies out of the issue of specified securities referred to in clause (1) shall be disclosed under an appropriate separate head in the balance sheet of the issuer indicating the form in which such unutilised monies have been invested.

XVI. Restrictions on foreign ownership of Indian securities, if any:

(A) Investment by NRIs.

(B) Investment by foreign portfolio investors and foreign venture capital investors.

(C) Investment by other non-residents.

XVII. Statutory and other information:

(A) Allotment of specified securities shall be in the dematerialised form.

(B) Material contracts and time and place of inspection which shall include copies of the Annual Reports of the issuer for the last three years.

XVIII. Any other material disclosures, as deemed necessary.

XIX. Declaration:

“No statement made in this letter of offer contravenes any of the provisions of the Companies Act, 2013 and the rules made thereunder. All the legal requirements connected with the issue as also the guidelines, instructions, etc., issued by SEBI, Government and any other competent authority in this behalf, have been duly complied with.”

The letter of offer shall be approved by the Board of Directors of the issuer and shall be signed by all directors including the Managing Director within the meaning of the Companies Act, 2013 or Manager within the meaning of the Companies Act, 2013 and the Chief Financial Officer or any other person heading the finance function and discharging that function. The signatories shall further certify that all disclosures made in the letter of offer are true and correct.
