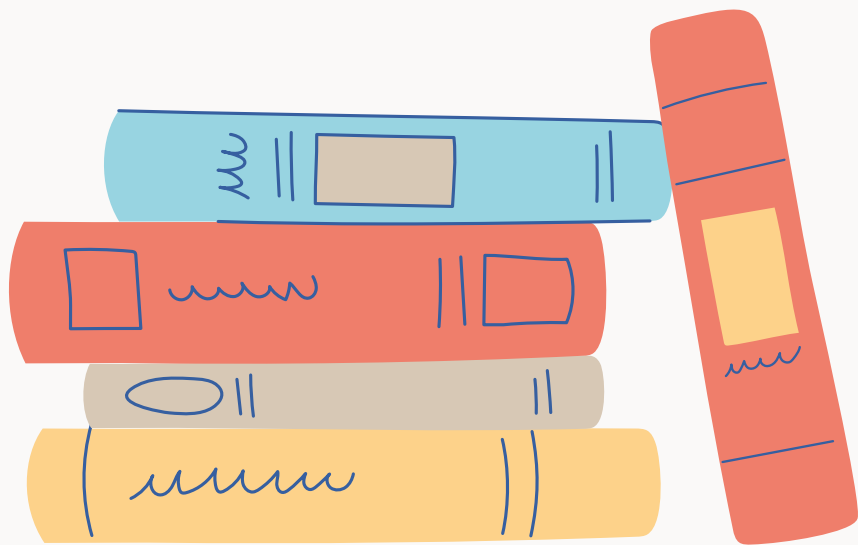




KNK & Co. LLP
COMPANY SECRETARIES

Rights Issue under Companies Act, 2013

For Private Limited Companies



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What is Rights Issue?

Right Issue means an issue wherein an offer is made to the existing shareholders of the Company to subscribe for additional shares of the Company in proportion to their existing shareholding.

Why to raise capital through Rights Issue?

- Retention of percentage held by existing Shareholders
- Less time consuming as compared to other modes of allotment.

Provisions under the Companies Act, 2013:

Section 62(1)(a) of the Companies Act, 2013 read with Rule 12A of The Companies (Share Capital and Debenture) Rules, 2014.





LETTER OF OFFER (LOO)

LOO is a offer letter issued to the existing shareholders, giving detailed terms of the rights issue offer. It can be issued either through registered post, speed post, electronic mode or any other mode having proof of delivery.

RIGHT ISSUE OFFER PERIOD

The Rights Issue offer period should be open for minimum 15 days and maximum 30 days. Further, pursuant to Rule 12A of the Companies (Share Capital and Debenture) Rules, 2014, offer period can be less than 15 days but not less than 7 days subject to approval of not less than 90% of the members of the Company. The Offer period shall begin 3 days after the issuance of LOO which can be reduced by obtaining 90% members approval.

FEW TERMS USED UNDER RIGHTS ISSUE

RENUNCIATION

Subject to Articles of Association of the Company, Rights Issue offer letter shall have statement wherein the shareholders may have right to renounce the offered shares in favour of any other person.

DISPOSING SHARES OFFERED

After expiry of the offer period or on rejection of offer by the existing shareholders, the Board may dispose off the said shares in such a manner that it is not disadvantageous to the company and the shareholders.





Procedure to be followed for issuing Shares through Rights Issue.

Step 1

- **Convene Board Meeting:** After ascertaining list of equity shareholders of the Company, convening Board Meeting for approving further issuance of shares to existing equity shareholders under rights issue along with approving LOO with all the terms.

Step 2

- **Issuing Letter of Offer** to all the existing equity shareholders and thereafter **receiving acceptance /rejection/renunciation letter** along with share application money for the Rights Issue Offer.

Step 3

- **Allotment of Shares:** Convening Board Meeting within 60 days from the date of receipt of share application money for allotment of shares.

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Compliances post allotment of Shares under Rights Issue

Updating Register of Members

- Make necessary entries in the Register of Members i.e. MGT-1 **within 7 days** from the date of allotment of shares.

Issuance of Share Certificates

- Issuing Share Certificates in Form SH-1 to the allottees **within 2 months** from the date of allotment of shares.

Filing of e-form PAS-3

- Filing e-form PAS-3 with the ROC **within 30 days** from the date of allotment of shares.





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**Looking to raise equity through
Rights Issue?**



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