FAQs

Funding Options

Issues of Shares

1. Once the shares are issued, how can one report it?

An Indian company should file Form , not later than 30 days from the date of issue of shares. The Form should be duly filled and signed by the Managing Director/Director/ Secretary of the company and submitted to the Authorised Dealer of the company who will forward it to the RBI. For detailed list of documents, refer to Sub-section 2.2 of Annexure 6 of the FDI policy. For more information, click here

2. What does Depository Receipts mean?

DRs refer to negotiable securities representing INR denominated equity shares of a company and issued outside of India by a Depository bank on behalf of the company. The DRs listed and traded in US markets are known as American Depository Receipts (ADRs). The DRs listed and traded except in the US markets are known as the Global Depository receipts (GDRs).

3. What are the different kinds of issues which can be made by an Indian company in India?

The various instruments that can be issued by an Indian company include: 1) Equity shares; fully, compulsorily and mandatorily convertible debentures/ preference shares 2) Non-convertible, optionally convertible or partially convertible debentures/ preference shares 3) Rights issue 4) Composite issue 5) Bonus issue 6) Institutional placement program 7) Convertible note 8) Depository receipt (DR) 9) Foreign currency convertible bonds (FCCB) 10) Security receipt 11) Two-way fungibility scheme 12) Warrants & partly-paid shares For more information, click here

4. What is a Right Issue?

A Right Issue is an issue of shares or convertible securities to existing shareholders as on a particular date (record date) fixed by the issuer. The rights are offered in a particular ratio to the number of shares or convertible securities held as on the record date.

5. What is a Bonus Issue?

A Bonus Issue is an issue of shares to its existing shareholders without any consideration based on the number of shares already held by them as on a record date. The shares are issued out of the company ’ s Free Reserve or Share Premium Account in a particular ratio to the number of securities held on a record date.

6. What does private placement of shares mean?

A Private Placement is the issue of shares or convertible securities to a select group of persons not exceeding 49%. For more information, click here.

7. What do offer documents imply?

An offer document contains all the relevant information about the company, promoters, projects, financial details, objects of raising the money, terms of the issue, etc. and is used for inviting subscription to the issue being made by the issuer. Offer document is called a ’ Prospectus ’ in case of a Public Issue and ’ Letter of Offer ’ in case of a Rights Issue. For more information, click here

8. What is a Draft Offer Document, Red Herring Prospectus, Prospectus and Letter of Offer? How are they different from one another?

Draft Offer Document, Red Herring Prospectus, Prospectus and Letter of Offer are all types of offer documents. Since 1992, entire IPO/ FPO of companies is driven by disclosures, i.e., informing the investors as much as possible to enable them to take informed decision. The offer documents contain all the relevant information about the company, promoters, projects, financial details, objects of raising money, forms of the issue, etc. For more information, click here.

9. Is a listed company making a rights issue required to satisfy any entry norm?

No, there is no entry norm for a listed company making a Rights Issue. For more information, click here

10. Are there any mandatory provisions which an issuer is expected to comply before making an issue?

Yes, there are mandatory provisions which an issuer is expected to comply before making an issue w.r.t. Minimum Promoter ’ s contribution and lock - in period: Public issue by an Unlisted Issuer: Promoters shall contribute not less than 20% of the post-issue capital which should be locked in for a period of 3 years. The remaining pre-issue capital of the promoters should also be locked in for a period of 1 year from the date of listing. Public issue by a Listed Issuer: Promoters shall contribute not less than 20% of the post-issue capital or 20% of the issue size. For more information, click here.

11. Which are the intermediaries involved in an issue?

The intermediaries (registered with SEBI) involved in an issue, are Merchant Bankers to the issue (known as Book Running Lead Managers (BRLM) in case of book built public issues), Registrars to the issue, and Bankers to the issue & Underwriters to the issue who are associated with the issue for different activities. Their addresses, telephone/fax numbers, registration number, and contact person and email addresses are disclosed in the offer documents. i) Merchant Banker: Merchant banker does the due diligence to prepare the offer document which contains all the details about the company. They are also responsible for ensuring compliance with the legal formalities in the entire issue process and for marketing of the issue. ii) Registrars to the Issue: They are involved in finalizing the basis of allotment in an issue and for sending refunds, allotment details, etc. iii) Bankers to the Issue: The Bankers to the Issue enable the movement of funds in the issue process and therefore enable the registrars to finalize the basis of allotment by making clear funds status available to the Registrars. iv) Underwriters: Underwriters are intermediaries who undertake to subscribe to the securities offered by the company in case these are not fully subscribed by the public, in case of an underwritten issue. Please refer to page 22 of link for more information.

12. In case, the company has not issued shares to the public and it is not listed on the stock exchange, can an application be made for convertible securities in the company?

Yes, an application can be made for public issue of convertible securities even if the company has not issued shares to the public and is not listed on the stock exchange. Please refer to page 9 of link for more information

13. What is a letter of offer?

A letter of offer is a document addressed to the shareholders of the target company containing disclosures of the acquirer/ PACs, target company, their financials, justification of the offer price, the offer price, number of shares to be acquired from the public, purpose of acquisition, future plans of acquirer, if any, regarding the target company, change in control over the target company , if any, the procedure to be followed by acquirer in accepting the shares tendered by the shareholders and the period within which all the formalities pertaining to the offer would be completed. For more information, click here.

14. For how long an investment in public issue is required to be kept open?

The period for which an issue is required to be kept open is: 1) For Fixed price public issues: 10 working days 2) For Book built public issues: 7 working days extendable by 3 days in case of a revision in the price band 3) For Rights issues: 30 days. For more information, click here.

15. Whether a Foreign investor can invest in rights shares issued by an Indian company at a discount?

There are no restrictions under FEMA for investment in Rights shares issued at a discount by an Indian company under the provisions of the Companies Act, 2013. The offer on rights basis to the person resident outside India shall be: In case of shares of a company listed on a recognized stock exchange in India, at a price, as determined by the company In case of shares of a company not listed on a recognized stock exchange in India, at a price, which is not less than the price at which the offer on right basis is made to resident shareholders

16. What does composite issue of shares mean?

A Composite Issue is an issue of shares or Convertible Securities on Public-cum-Right basis, wherein the allotment in both Public Issue and Rights Issue is proposed to be made simultaneously. For more information, click here.

17. What does rights issue of shares mean?

A rights issue is an issue of shares or convertible securities to existing shareholders as on a record date fixed by the issuer. The rights are offered in a ratio to the number of shares or convertible securities held as on the record date. For more information, click here.

18. What happens if a shareholder does not receive the letter of offer in time?

The Public Announcement contains procedure for such cases i.e. where the shareholders do not receive the letter of offer or do not receive the letter of offer in time. The shareholders are usually advised to send their consent to Registrar to offer, if any or to MB on plain paper stating the name, address, number of shares held, Distinctive Folio No, number of shares offered and bank details along with the documents mentioned in the Public Announcement, before closure of the offer. The public announcement and the letter of offer along with the form of acceptance is available on the SEBI website. For more information, click here.

19. What is SEBI takeover code?

SEBI has notified the Takeover Regulations namely SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as " SEBI (SAST) Regulations, 2011 "). Acquisition or sale of shares of Listed Company shall be governed by provisions of SEBI (SAST) Regulations, 2011. For more information, click here.