

Sebi rationalises eligibility criteria, disclosure norms for rights issue

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To make fund-raising easier, faster and cost effective, markets regulator Sebi on Wednesday rationalised the eligibility criteria and disclosure requirements for rights issue.

Sebi has decided to amend ICDR (Issue of Capital and Disclosure Requirements) Regulations to this effect, the regulator said in a statement.

The move is aimed at making fund-raising through this route, easier, faster and cost effective, it added.

Under the amendments, the regulator said the issuer will be eligible to make truncated disclosures (Part B), where it has been filing periodic reports, statements, information in compliance with Listing Regulations, for last one year instead of last three years as required earlier.

All other issuers not satisfying the truncated disclosures eligibility conditions will make disclosures in terms of new set of proposed disclosures.

Sebi said the new proposed disclosure would be more detailed than the truncated one, but less exhaustive compared to the current disclosure requirement for the offer document.

"Disclosure requirements under Part B have been rationalised to avoid duplication of information in letter of offer, especially the information which is already available in public domain and is disclosed by the companies in compliance with the disclosure requirements under Sebi Listing Regulations," the regulator said.

Sebi said threshold has been increased from Rs.10 crore to Rs.50 crore for filing draft letter of offer with the regulator for its observations.

It further said mandatory 90 per cent minimum subscription criteria for rights issue will not be applicable to those issuers, where object of the issue involves financing other than financing of capital expenditure for a project.

This is subject to promoters of the issuer undertaking to subscribe fully to their portion of rights entitlement.

According to Sebi, the issuer will be eligible to make fast-track rights issue, in case of pending show cause notices in respect to adjudication, prosecution proceedings and audit qualification.

The issuer will be eligible for the fast-track right issue if it makes necessary disclosures along with potential adverse impact on the issuer in the letter of offer.

"The amendments will be effective from the date it is notified in the Gazette," the Securities and Exchange Board of India (Sebi) said.