

Rights Issue or Issue of Rights Share

Meaning

Issue of shares by a company to existing shareholders as per provisions of Section 62 of Companies Act, 2013.

- ❖ Shares are offered/ allotted in proportion of the existing shareholding;
- ❖ As per Section 62 , companies shall make the offer by notice limiting the time for subscription of not less than 15 days and not exceeding 30 days;
- ❖ As per SEBI guidelines , rights issues should not be kept open for more than 60 days

Procedure

- ▶ **Step I :** Issue of a notice of board meeting;
- ▶ **Step II:** Convene a Board meeting passing a Board Resolution for approving letter of offer;
- ▶ **Step III:** Dispatch of letter of offer to existing shareholders;
- ▶ **Step IV:** Receive acceptance/ renunciations/ rejections of rights from shareholders;

Procedure...Cont..

- ▶ **Step V:** Issue of a notice of board meeting;
- ▶ **Step VI:** Convene a Board meeting passing resolution for approving allotment and issue of shares
- ▶ **Step VII:** Filing of returns of allotment and issue of shares with ROC in specified forms and within specified time.

Advantages

- ▶ Retention of Control;
- ▶ No dilution in value of shareholding;
- ▶ Avoidance of share issue expenses;
- ▶ Image of the company goes up;
- ▶ Certainty of raising additional capital;
- ▶ Prevents misuse of further issue.