



PR No.23/2020

## Measures to further facilitate fund raising from capital markets in the backdrop of COVID-19 pandemic

In the wake of challenges for the Indian economy arising out of the Covid-19 pandemic and with a view to improving access to funding to the corporates through capital markets, SEBI has decided to grant certain temporary relaxations from the regulatory provisions related to rights/ public issuances by listed entities.

### A. Rights Issues

#### 1. *Fast track Rights issuances*

Towards expanding the universe of listed entities for the purpose of fast track rights issuances, SEBI has relaxed the following conditions:

- The eligibility requirement of average market capitalisation of public shareholding of INR 250 crores has been reduced to INR 100 crores.
- The requirement related to period of listing of equity shares of the issuer for at least three years has been reduced to listing for eighteen months only.
- The condition related to no audit qualifications on issuer's audited accounts has been replaced with the requirement to disclose the impact of audit qualifications on issuer's financials.
- Certain other eligibility conditions with respect to period of compliance with the provisions of the listing regulations, ongoing action initiated by SEBI against the issuer / promoters / directors and settlement of violation of securities laws have also been relaxed.

#### 2. *Minimum Subscription*

- To provide greater flexibility in fund raising, the threshold for minimum subscription requirements for a rights issue has been reduced from existing 90% to 75% of the offer size, subject to certain conditions.

#### 3. *Threshold for not filing draft letter of offer with SEBI*

- To reduce the time involved in fund raising and ease compliance requirements, listed entities raising funds upto INR 25 crores in a rights issue

will not be required to file draft offer document. The existing threshold in this regard is INR 10 crores.

These relaxations are applicable to right issues that open on or before March 31, 2021. It may be recalled that last year SEBI had amended ICDR regulations to significantly reduce the timeline for the completion of the Rights Issue from T+ 55 days to T+ 31 days as well as introduced the dematerialization and trading of rights entitlements. These measures would make the rights issue framework more effective and efficient.

#### **B. Flexibility on Issue size**

An issuer, whose offer document is pending receipt of SEBI observation, shall be permitted to increase or decrease the fresh issue size by up to 50% of the estimated issue size (instead of the present limit of 20%) without requiring to file fresh draft offer document with the Board. The relaxation shall be applicable for all offer documents pending receipt of SEBI observations upto December 31, 2020.

#### **C. Validity of SEBI observations**

Considering the prevailing economic scenario and based on requests from various industry bodies, it has been decided to extend the validity of SEBI observations on all public issues/ rights issues by six months from the date of expiry for issuers whose observation has expired/ shall expire between March 01, 2020 and September 30, 2020.

To summarize, these measures are aimed at expanding the universe of listed entities that are eligible for raising funds through fast track rights issuances, reducing the time involved and providing greater flexibility in fund raising apart from easing compliance requirements.

Circulars issued by SEBI in regard to aforesaid measure are available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the category - 'Legal - Circulars'.

**Mumbai**  
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