Raghu Nath Rai & Co.
Chartered Accountants.
News Letter

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SEBI Proposals.

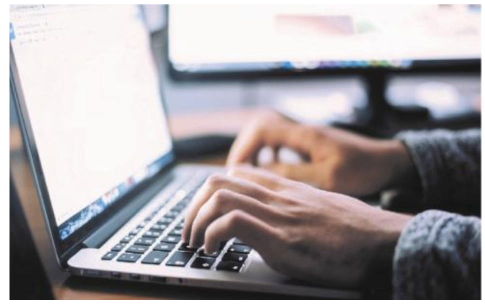
Ease Capital Flow For Stressed Companies.

To cope up with the current unprecedented economic situation and the difficulties faced by certain listed stressed companies to procure financial assistance, the market regulator Securities & Exchange Board of India ('SEBI') has proposed certain relaxations to enable such listed companies to raise fresh capital.

Time gap between a new fund raise & a previous buy back.

Earlier the time gap between a fund raise and buy back was one year, this is now proposed to be reduced to six months.

This relaxation is available till 31st Dec 2020.

Preferential Pricing.

Currently preferential allotment is based on higher of the average price of 26 weeks OR 2 weeks. However keeping in mind the current situation SEBI has proposed to relax the preferential pricing requirements to be based on movement of share price of the preceding 2 weeks.

Open Offer.

SEBI has also done away with requirements applicable to investors who want to invest in stressed companies. Hence investors owning less than 25% shares/voting rights no more have to go through the earlier requirement of open offer of minimum 26% of share capital of the company.

Stressed Company.

The definition of “Stressed Company”.

The parameters include defaults on payment of interest/principal amount on loans and debt securities for two consequent quarters, existence of inter-creditor agreement in terms of RBI framework and downgrading of credit rating of the listed instruments to "D". A listed entity that satisfies any two out of these three parameters will be considered as a stressed company.

Other Conditions.

In order to avail the above exemptions, companies will have to ensure that the preferential issue is made to non-promoters only and approval from majority of minority shareholders is obtained for such issue. Further such companies are also required to disclose the end use of such proceeds in its explanatory statement and appoint a monitoring agency to monitor the use of such proceeds. The shares issued will be under a lock-in for three years.

Contact Us

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