

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 3325
TO BE ANSWERED ON FRIDAY, 4TH AUGUST, 2017/ SHRAVANA 13, 1939 (SAKA)

REGULATION OF CAPITAL RAISING BY COMPANIES

QUESTION

3325. SHRI RAMSINH RATHWA:

Will the Minister of Finance be pleased to state:

- (a) whether a number of companies have received capital through private placements and stake sales;
- (b) if so, the details of such transactions over the last three years and the current year;
- (c) whether there is any regulation of such capital raising and ensuring prudent valuations of companies to protect investors and the public and if so, the details thereof;
- (d) whether such transactions have taken place at high valuations; and
- (e) if so, the details thereof and if not, the reasons and implications thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ARJUN RAM MEGHWAL)

(a) & (b): The provisions of Section 42 of the Companies Act, 2013 dealing with Private Placement are applicable to all the companies. Section 62 of the Companies Act, 2013 provide for the requirements which are applicable when a company issues further shares. Section 62(1)(c) and rules made thereunder read with Section 42 of the Companies Act, 2013 require the valuation of shares in case the shares are offered by a company to persons other than existing member or employee of the company.

Details of funds raised by listed entities through private placement i.e., Preferential Issues, Qualified Institutions Placement (QIP) and Institutional Placement Programme (IPP) during the last three years and the current year are placed at **Annexure-I**.

Details of funds raised by listed entities through stake sale / Offer for Sale (OFS) through public issue route and stock exchange mechanism during the last three years and the current year are placed at **Annexure-II**.

(c): Companies raise capital in terms of the provisions of Companies Act, 2013. Listed entities or an entity seeking listing after making a public issue are required to follow the regulatory framework under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (ICDR Regulations) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations). The said regulations provide for a disclosure based regime.

Pricing requirements for private placements by listed entities in the form of preferential issues, QIP and IPP and in respect of OFS made through the public issue route are prescribed in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (ICDR Regulations).

The requirement under Section 62(1)(c) and Section 42 of the Companies Act, 2013 read with relevant rules provides for making adequate disclosures and valuation requirement. These are aimed at protecting the interest of investors and the public.

(d) & (e): SEBI has conveyed that there is no information available with them that would suggest that such transactions have taken place at high valuations.

In the case of public issues, the issuer is free to determine the price of specified securities in consultation with the lead merchant banker or through the book building process. In the case of private placements made in the form of preferential issues and QIPs, the regulations specify the minimum allotment price and the issuers may make allotments above such minimum price.

Annexure-I

Type of Issuance	April 2014 – March 2015		April 2015 – March 2016		April 2016 – March 2017		April 2017 – June 2017	
	No.	Amount (INR Cr)	No.	Amount (INR Cr)	No.	Amount (INR Cr)	No.	Amount (INR Cr)
QIP	12	25575	24	14588	21	13371	7	22598
Preferential Issues	354	24774	333	49916	401	44103	129	9037
IPP	1	418	0	0	0	0	0	0
Total	367	50767	357	64504	422	57474	136	31635

Source: SEBI

Annexure-II

Type of Issuance	April 2014 – March 2015		April 2015 – March 2016		April 2016 – March 2017		April 2017 – June 2017	
	No.	Amount (INR Cr)	No.	Amount (INR Cr)	No.	Amount (INR Cr)	No.	Amount (INR Cr)
OFS-Public	3	767	21	8064	19	17736	8	4580
OFS-SE	26	26887	18	19814	22	7843	5	1407
Total	29	27654	39	27878	41	25579	13	5987

Source: SEBI
