

SEBI COMES OUT WITH UNIFORM TIMELINE FOR LISTING SECURITIES ON PRIVATE PLACEMENT



PRIVATE PLACEMENT OF SECURITIES

AN OVERVIEW

- A private placement is sale of securities to pre-selected investors and institutions rather than on the open market. It is an alternative to an initial public offering (IPO) for a company seeking to raise capital for expansion.
- ☐ It has to satisfy the conditions specified in section 42 of the Companies Act 2013.
 - Offer shall be made to not more than 200 persons in the aggregate in a financial year.
 - Company must issue Private Placement Offer Letter (PPOL) to identified persons and it shall not contain any right to renunciation.
 - Any public advertisements to inform the public at large about such an offer is prohibited.
 - Allotment of securities must be within 60 days from the date of receipt of the application money. If the company is unable to do so, it shall repay the application money within 15 days from the expiry of 60 days, along with interest at the rate of 12% p.a.

- Procedure for Private Placement
 - Identification of Persons to whom the offer/invitation shall be made.
 - Approval of shareholders via Special Resolution.
 - Issue PPOL, containing details like:
 - General information about the company
 - Disclosures on the directors
 - Details of Litigations on company and Directors
 - Terms and conditions of the offer
 - Objective for making the private placement
 - Amount to be raised
 - Time schedule
 - Financial Position of the Company etc.

To be sent within 30 days of recording the names of proposed allottee.

- Maintaining record and ROC filings.
- Board Meeting and Allotment of Securities.



SEBI has come out with uniform timeline for listing securities on private placement.
The timeline will be applicable for non-convertible redeemable preference shares, debt securities, securitised debt instruments and security receipts and municipal bonds.
SEBI has decided that allotment of securities will be completed by T+2 trading days after receiving funds.
T day refers to closure of the issue.
Issuer needs to make listing application to stock exchanges and obtain approval by T+4 trading day.
Penal interest of 1% p.a. for the period of delay.
Issuer will be permitted to utilise the issue proceeds only after receiving final listing approval from stock exchanges.
The direction will come into force with effect from 1 Dec 2020.

