SEBI eases fund-raising norms for firms

- As part of its attempts to make it easier for listed companies to raise funds in the current volatile scenario, the Securities and Exchange Board of India (SEBI) has allowed listed companies to raise funds at shorter intervals while also giving promoters the go-ahead to increase their stakes by a higher quantum without triggering an open offer.
- As per a gazette notification, the capital markets regulator has allowed companies to make two qualified institutional placements (QIPs) with a gap of just two weeks between them.
- This is a significant move as the earlier regulations mandated a minimum gap of six months between two such issuances.
- In another important amendment, the regulator has said that promoters can increase their stakes in their companies through preferential allotments by up to 10% without triggering an open offer.
- The cap was earlier set at 5%.
- The regulator has, however, allowed this relaxation only for the current financial year.
- Analysts said the twin moves would help in enhancing liquidity in the market as companies would be able to better time fund-raising while promoters could also acquire shares at a time when valuations were quite low compared with the historic highs.

Boosting liquidity

- Relaxation from the takeover code could be a good opportunity for promoters who are looking to increase their stakes at attractive valuations, given the current market sentiments.
- In April, the capital markets regulator had relaxed certain regulatory requirements related to rights issues and initial public offerings (IPOs) to make it easier for companies to raise funds at a time when the COVID-19 pandemic had made the secondary markets increasingly volatile.
- The watchdog said any listed entity with a market capitalisation of at least ₹100 crore could use the fast-track route for a rights issue.
- Earlier, the norm was ₹250 crore for such offerings.
- Further, any company that had been listed for 18 months was permitted to raise funds through a fast-track rights issue. The eligibility had earlier been set at three years.
- Also, the minimum subscription requirement to make an issue successful was lowered from the earlier 90% of the offer size to 75%.

What Is a Qualified Institutional Placement (QIP)

- A qualified institutional placement (QIP) is, at its core, a way for listed companies to raise capital, without having to submit legal paperwork to market regulators.
- It is common in India and other southeast Asian countries.
- The Securities and Exchange Board of India (SEBI) created the rule to avoid the dependence of companies on foreign capital resources.
- QIPs are helpful for a couple of reasons.
- Their use saves time as the issuance of QIPs and the access to capital is far quicker than through an FPO.
- The speed is because QIPs have far fewer legal rules and regulations to follow,
- making them much more **cost-efficient**.
- Further, there are **fewer legal fees**, and there is no cost of listing overseas.