

- **Notice of Board Meeting:**
  - In accordance with Section 179(3) of the Companies Act, 2013, a formal notice for the Board Meeting, pertaining to the approval of a right issue, must be dispatched to the esteemed Board of Directors not less than 7 days prior to the scheduled meeting. The notice ought to comprehensively delineate the agenda items to be deliberated.
- **Conducting the Board Meeting:**
  - The convening of the Board Meeting strictly adheres to the established guidelines outlined in Secretarial Standards-1 (SS-1), ensuring procedural integrity and governance compliance.
- **Approval for Right Issue:**
  - It is noted that the initiation of a Right Issue does not mandate Shareholders' endorsement through a Special Resolution. Rather, a Board Resolution suffices, facilitating the offering of shares to existing shareholders proportionate to their current holdings.
- **Preparation of Letter of Offer and Application Form:**
  - Following the requisite Board Resolution, authorization is granted for the preparation and dissemination of the Letter of Offer. This correspondence, as mandated by Section 62(2) of the Companies Act, 2013, is disseminated to all shareholders via registered post, speed post, or electronic channels, ensuring receipt at least 3 days prior to the commencement of the issue.
- **Subscription Period of Acceptance:**
  - Shareholders are allocated a stipulated period, ranging from 15 to 30 days, to formally acknowledge and accept the offer as delineated in the Letter of Offer. Additionally, shareholders reserve the prerogative to renounce the offer, providing written notification to the esteemed Board of Directors within the designated timeframe. Provided that if not less than 90 % of members of private company agrees in writing then offer period can be reduced to less than 7 days.
- **Form MGT-1 Filing Obligations (Applicable for Public Companies):**
  - Public Companies are obligated to meticulously adhere to regulatory mandates, including the timely filing of Form MGT-1 within 30 days subsequent to the passing of the Board Resolution. This requisite form submission necessitates the inclusion of a duly certified copy of the Board Resolution.
- **Acceptance and Processing of Application Money:**
  - Upon the receipt of applications, diligent attention is directed towards the acceptance and processing of application funds. Such remittance may be facilitated in either cash or through the conversion of a loan into equity, subject to the pre-existing terms of the loan agreement and the sanctioning of a Special Resolution by shareholders.
- **Convening the Second Board Meeting for Allotment of Shares:**
  - A subsequent Board Meeting is convened, preceded by the comprehensive dissemination of a notice to all shareholders at least 7 days prior to the designated meeting date. The agenda, meticulously outlined, ensures transparency and procedural compliance. A requisite quorum is imperative, followed by the passing of a Board Resolution sanctioning the allotment of shares. Provided that allotment shall be done within 60 days otherwise 12 % per annum interest would have to be paid by the company on the money deposited by the shareholders.
- **Execution of Share Allotment:**

- Upon the successful passage of the Board Resolution in the subsequent meeting, the allotted shares are duly distributed to shareholders who have either accepted the offer or renounced their entitlement within the stipulated timeframe. Timely execution, within 60 days of application receipt, is mandated, failing which an interest rate of 12% per annum may be levied, ensuring equitable treatment of shareholders.
- **Filing of Mandatory Forms with ROC:**
  - Following the completion of share allotment, diligent attention is directed towards the timely submission of Form PAS-3 to the Registrar of Companies (ROC) within 30 days. This submission, facilitated by a Director of the esteemed Board, necessitates the inclusion of a certified true copy of the Board Resolution and a comprehensive list of allottees. Additionally, the requisite Form MGT-14 is to be filed, ensuring regulatory compliance pertaining to both share issuance and allotment.
- **Issuance of Share Certificates:**
  - Upon the successful completion of Form PAS-3 filing, the issuance of Share Certificates ensues, facilitated within a period of 2 months subsequent to the allotment. These certificates, mandated to be issued in Form SH-1, bear the requisite signatures of at least 2 Directors of the esteemed Company, ensuring legal validity and shareholder authentication.
- **Conditions Pertaining to Loan-to-Equity Conversion:**
  - It is imperative to underscore the requisite conditions governing the conversion of loans into equity, necessitating explicit provisions within the loan agreement at the time of issuance. Furthermore, shareholder endorsement, duly obtained through a General Meeting resolution, further validates the conversion process, ensuring adherence to regulatory protocols and shareholder interests.
- If right issue is given to person other than members of the company then following conditions have to be fulfilled:
  - Valuation report have to be obtained from the registered valuer
  - SR needed to be passed in the general meeting of the company.
  - File FORM MGT-14 within 30 days of SR (exempt for private company)
- If a company has a positive net worth and the book value exceeds the face value of shares, allotment **must strictly occur at the book value, not at face value**. Issuing shares at face value despite a higher book value would result in the difference being treated as a gift under Section 56 of the Income Tax Act, 1961. Shareholders allotted such shares would then be liable to pay either Short-Term Capital Gains (STCG) or Long-Term Capital Gains (LTCG), depending on the holding period. Therefore, to avoid such tax liability, allotment should only be conducted at the book value.