

Monitoring Agency appt. mandatory in certain preferential issues & QIPs : SEBI Notification dated 21.11.2022

Stock Exchange prescribed 25% limit for General Corporate Purpose: SE Guidance Note dated 13.12.2022

Brief of amendment

- Equity listed entities (except Banks, PFI & Insurance cos) to mandatorily appoint monitoring agency for preferential issues / QIPs > 100 cr on or after 21.11.2022
- General Corporate Purposes (GCP), if any, shall not exceed 25% of the funds to be raised by way of preferential issue / QIP, irrespective of issue size.
- Stock exchanges issued guidance note prescribing disclosure requirements in order to ensure uniformity and enhance clarity in the disclosure of objects of the issue in case of QIP issue (Placement Document) and preferential issue (Notice to the shareholders).

Applicability of SE Guidance note	On whom?	Equity listed cos coming up with preferential issues / QIPs
	From when?	all QIP and preferential issues which are approved by the Board of Directors on or after 13.12.2022

Potential reasons behind the amendment

- Issuers have been raising sizeable amount [Raised through Preferential issue – Rs. 91, 517 cr. & QIP – Rs. 32, 397 cr. In last 1.2 years]
- Shareholders approve issuance basis proposed use of funds disclosed while seeking approval. Misuse of issue proceeds will impact investor confidence
- QIBs comprise of institutional investors like Banks, Insurance companies, Mutual funds and involve public money.

What is a Monitoring Agency; Who can act as one?

- SEBI registered Credit Rating agency, appointed to monitor the utilization of issue proceeds as per the objects of the issue.

What is a Preferential Issue?

- Issue of equity/ convertible securities on private placement basis & excludes issuance pursuant to ESOP, ESPS, GDR, ADR or sweat equity

What is QIP ?

- issue of equity/ convertible securities or NCD+ warrant, on private placement basis to QIBs & includes offer for sale by promoter/ promoter group

Erstwhile requirement?

- Appointment was mandatory in case of –
 - Public issue/ rights issue > 100 cr.
 - Preferential issue of shares of companies having stressed assets

Stage of issuance + applicability of Notification

Stage as on 21.11.2022	Requirement of appointing Monitoring Agency
Finalizing terms of issue	Yes
Shareholders approval obtained	Yes
Monies received for preferential issue/ QIP	Yes
Allotment done, but issue proceeds pending utilization	Yes
Utilization complete	No; prospective applicability

Actionable

Monitoring Agencies to furnish quarterly report in the format specified in schedule XI

Board of directors/ management to provide comments on the report furnished by Monitoring Agency

Issuer to submit to SE and upload on website within 45 days from end of quarter

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