

What is the Rights Issue?

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About Rights Issue:

- A rights issue is an **invitation to existing shareholders to purchase additional new shares in the company.**
- This type of issue **gives existing shareholders securities called rights.**
- With the rights, the **shareholder can purchase new shares at a discount to the market price on a stated future date.**
- The company is giving **shareholders a chance to increase their exposure to the stock at a discount price.**
- Until the date at which the new shares can be purchased, **shareholders may trade the rights on the market the same way that they would trade ordinary shares.**
- The **rights issued to a shareholder have value**, thus compensating current shareholders for the future dilution of their existing shares' value.
- Dilution occurs because a rights offering spreads a company's net profit over a larger number of shares. Thus, the company's earnings per share, or EPS, decreases as the allocated earnings result in share dilution.

Why Issue a Rights Offering?

- Companies most commonly issue a rights offering **to raise additional capital**.
 - A company **may need extra capital** to meet its current financial obligations.
 - Troubled companies typically **use rights issues to pay down debt**, especially when they are unable to borrow more money.
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Q1) What are equity shares?

Equity shares are long-term financing sources for any company. These shares are issued to the general public and are non-redeemable in nature. Investors in such shares hold the right to vote, share profits and claim assets of a company. The value in case of equity shares can be expressed in various terms like par value, face value, book value and so on.

Source: [After BPCL, IOC announces rights issue](#)

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