

What is Rights Issue?

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About Rights Issue:

- A rights issue is an **offering of rights to the existing shareholders** of a company that gives them an opportunity **to buy additional shares directly from the company at a discounted price** rather than buying them in the secondary market.
- It gives preferential treatment to existing shareholders, where they are **given the right (not obligation) to purchase shares** at a lower price **on or before a specified date**.
- **The number of additional shares** that can be bought **depends on the existing holdings** of the shareowners.
- **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**.
- Existing shareholders **can also choose to ignore the rights**; however, if they do not purchase additional shares, **then their existing shareholding will be diluted post-issue of additional shares**.
- **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 is earnings per share?

Earnings per share or EPS is an important financial measure, which indicates the profitability of a company. It is calculated by dividing the company's net income with its total number of outstanding shares. It is a tool that market participants use frequently to gauge the profitability of a company before buying its shares.

Source: [Indiabulls Housing Finance rights issue opens today; Here's All You Need To Know](#)

Source: <https://vajiramandravi.com/current-affairs/what-is-rights-issue/>

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