

Renunciation of Right Issues of PSUs.

Several Central Public Sector Undertakings (PSUs) are coming up with proposals regarding Right Issues in order to augment their capital base and get additional funds by way of premium. In such cases, the administrative Ministries would have to decide whether Rights should be renounced or subscribed. The matter has been considered carefully by the Government and the following procedures have been prescribed in the case of renunciation of the shares by the President.

(i) The decision to renounce the rights or not is a substantive decision which will be taken by the concerned Ministry with the concurrence of Ministry of Finance.

(ii) Upon taking a decision to renounce, the Ministry should advise the PSU to arrange with the merchant banker retained to manage the rights issue to invite mutual funds/financial institutions (both private and public sector) and other agencies which in the opinion of the merchant banker will be interested in buying the renunciation to submit bids.

(iii) The bids to be addressed to the PSU will be evaluated by the PSU and the merchant bank in the descending order of the renunciation premium offered. Thereafter the administrative Ministry will issue an acceptance based on which the PSU will collect the amount from one or more successful buyers and credit the amount to the designated account of GOI.

(iv) No fees will be payable to the merchant banker by the Government for the above service which should be part of the package to manage the PSU's right issue.

(v) The reserve price for renunciation of Rights would be decided by the concerned Administrative Ministry in consultation with the merchant banker taking all factors including market conditions into account. This will be the minimum price at which the Right could be renounced by the administrative Ministry on behalf of the President in the auction method to be handled by the same merchant banker who is entrusted with the Rights Issues management. In case some rights of the President could not be sold in the auction, the merchant banker can be offered first these unsold Rights at the reserve price. On his acceptance at this price, these Rights may also be renounced.

(vi) All steps required for selling the Rights issue of Government on renunciation will be undertaken by the merchant banker as per instruction from the administrative Ministries in accordance with the provisions of Company Law, SEBI guidelines rules in force.

(vii) However, the administrative Ministry can take a decision with the concurrence of Ministry of Finance whether the Government could still subscribe for the unsold Rights before offering them to the merchant banker at the reserve price or in case the merchant banker is not interested in accepting the same fully or partially.

(viii) The merchant banker is required to manage all actions in connection with renunciation of Rights.

These instructions may be brought to the notice of all the PSUs for necessary action.

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