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ICSI-NIRC NEWSLETTER

Insight

DECODING FUNDRAISING BY COMPANIES

CONTENTS

Inside:

Motto
सत्यं वद। धर्मं चर।
speak the truth. abide by the law.

Vision
"To be a global leader in promoting good corporate governance"

Mission
"To develop high calibre professionals facilitating good corporate governance"

Published by :
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NIRC-ICSI NEWSLETTER

"Life is like riding a bicycle. To keep your balance, you must keep moving."

-Albert Einstein

Dear Professional Colleagues,

Extending my warm welcome to you all into NIRC's September, 2020 Newsletter!

Now that September has ended, it seems we can almost smell autumn in the air and realise that the change is happening! With trees shedding their leaves, I feel, autumn is a season of letting things go. Since the new normal due to this rampant pandemic has got us all to readjust our lives through thick and thin, we should still stand tall and strong like trees because this can also be a season of renewal and rebirth and the high time to adopt a fresh new outlook on life and take lessons from everything that we ever came and come across.

My wish is that it be gentle and kind to each other here. May you be surrounded with love and support, comforted in whatever we had to have gone through and feel the presence of affection and blessings of your friends and colleagues always closer to you.

I would like to appreciate the entire NIRC team for their genuine enthusiasm and determination to continuously strive to happily serve our Stakeholders in many ways like organizing Online Oral Tuition Classes, MSOP, PDP, EDP, Skills Development Programs, Mock Test Series, Master Classes for Members etc.

Having realized sooner the need of the hour, the NIRC is increasing number of tie-ups with renowned hospitals and Path labs for availing medical facilities at concessional rates by our Members, their dependents and Students has once again proven that your NIRC continues to be a strong pillar for the entire profession and its professionals.

We have also successfully completed the first ever Interactive Online MSOP, with live online lectures and activities, launched by us for Professional Programme passed students who did not only acknowledge having an amazing experience similar to live MSOP sessions but also have raised green flags for the furtherance of our Interactive MSOP Initiative.

I am always grateful towards all the Chapters of Northern Region, their Officials and all those associated with them for contributing the best of their efforts in making our NIRC what it is today.

This time our Newsletter unfolds the pages of "DECODING FUND RAISING BY COMPANIES", which is one of the most pivotal matters for all types of businesses in and even outside India that not only directs the present of any business but decides its future as well.

Fundraising by Companies generally refers to soliciting and generating financial assistance for running businesses but by that means, it does not merely involve seeking financial support but one has to climb a long ladder with several and diverse steps to reach to the top and get the 'fund raised' which is the end goal.

From deciding to choose the most suitable route or combination of routes of funding to identifying and creating strong appeals to potential investors and organizing various events to make them aware of company's work, goals and financial needs, Fundraising majorly requires involvement of prominent professionals who can make and execute suitable strategies in bringing out the best of potential investors and indulging them to willingly go for investments and ensuring them of security and commitment towards their funds.

"Life is what you make it so make the best of it."

- Anthony Shay

I believe, that the major skills of Company Secretaries like planning, overseeing and executing strategies, decision making, excellent written and verbal communication skills, building long-term relationships with clients, management expertise and a lot more are relevant to try their hands in the field of Fundraising.

I have faith that a Company Secretary who endeavours to work sincerely for and add Fundraising and Resource Mobilization for Corporates to his profile will look back at the end of his career with satisfaction, knowing that his hard work resulted in huge generation of funds that were put to good use to deserving causes.

It is our duty to make the best out of our CS career and be thankful!

I would also like to thank all the contributors who have stepped forward to pen down their articles around the theme and enrich the NIRC's Newsletter publication this time.

So let's get into the pages and find out what your Newsletter has in store for you this time in respect of fundraising.

Looking forward to your valuable suggestions and feedback.

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GLIMPSES

4 DAYS ONLINE MASTER CLASS ON MERGERS & ACQUISITIONS FROM 26TH AUGUST, 2020 TO 29TH AUGUST, 2020

Day 1: 26.08.2020

CS (Dr.) K.S. Ravichandran, Managing Partner, KSR & CO Company Secretaries LLP & CS Suresh Pandey, Chairman, NIRC-ICSI addressing the Participants.

Day 2: 27.08.2020

CS Prachi Vijay Manekar, Practicing Advocate addressing the Participants. Also seen CS Suresh Pandey and CS Himanshu Harbola, Regional Council Member, NIRC-ICSI.

Day 3: 28.08.2020

Mr. Nitin Potdar, M&A Corporate Partner, J. Sagar Associates and CS Reshma, Senior Associate, J. Sagar Associates addressing the Participants. Also seen CS Suresh Pandey.

Day 4: 29.08.2020

Ms. Manisha Chaudhary, Advocate Managing Partner, UKCA and Partners addressing the Participants. Also seen CS Suresh Pandey.

4 DAYS ONLINE MASTER CLASS ON DECODING FUND RAISING BY UNLISTED COMPANIES FROM 16TH SEPTEMBER, 2020 TO 19TH SEPTEMBER, 2020

Day 1: 16.09.2020



CS Harish Kumar, Partner, L&L Partners addressing the Participants. Also seen CS Suresh Pandey and CS Himanshu Harbola.

Day 2: 17.09.2020




CS Amit Aggarwal, Partner & Head of Corporate Practice SNG & Partners and CS Aditya Vikram Dua, Senior Associate, SNG & Partners addressing the Participants. Also seen CS Suresh Pandey and CS GS Sarin, Immediate Past Chairman, NIRC-ICSI.

Day 3: 18.09.2020



CS Amit Aggarwal and CS Aditya Vikram Dua addressing the Participants. Also seen CS Susshil Daga, Secretary, NIRC-ICSI.

Day 4: 19.09.2020


CS Lokesh Gulati, Director, PwC addressing the Participants. Also seen CS Suresh Pandey.

GLIMPSES OF 1ST ONLINE MSOP (305TH BATCH)

Screen View: CS Suresh Pandey, CS Vimal Gupta, Vice-Chairman, NIRC-ICSI, CS Susshil Daga, CS Devender Suhag, Treasurer, NIRC-ICSI, CS Himanshu Harbola and CS Surya Kant Gupta, Regional Council Member, NIRC-ICSI

Screen View of Inauguration Function of 1st Online MSOP (305th Batch)

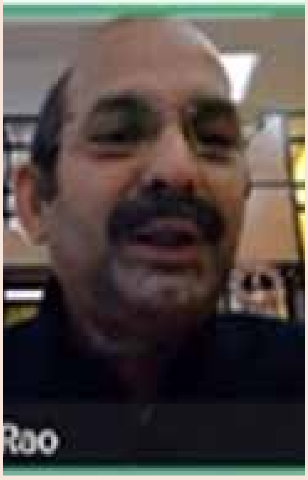
Screen View: CS Suresh Pandey, CS Asish Mohan, Secretary, ICSI, CS Vimal Gupta, CS Himanshu Harbola, CS Surya Kant Gupta and CS Sonia Baijal, Regional Director, NIRC-ICSI addressing during Valedictory Function.

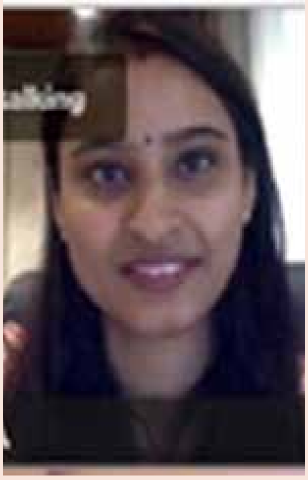
Screen View of Valedictory Function of 1st Online MSOP (305th Batch)

GLIMPSES OF MOU FOR ACADEMIC COLLABORATION WITH LORDS UNIVERSITY AT ALWAR

CS Suresh Pandey, Prof.(Dr.) B S Sharma, Vice Chancellor, Lords University, Prof.(Dr.) Pankaj Arora, Registrar, Lords University, CS Arun Jain, Immediate Past Chairman of Alwar Chapter of NIRC-ICSI, CS Kamit Jain, Member of Alwar Chapter of NIRC-ICSI and Mr. Anand Kumar Arya, In-charge Alwar Chapter of NIRC-ICSI

GLIMPSES OF WEBINAR BY ALWAR CHAPTER





Screen View of Webinar by Alwar Chapter:, CS Nagendra D . Rao, Vice President, ICSI, CS Suresh Pandey, CS Akansha Modi, Chairperson of Alwar Chapter of NIRC-ICSI and CS Shivam Rastogi - Speaker of the Webinar

GLIMPSES OF TEACHERS' CONCLAVE

CS B Murli, General Counsel & Company Secretary, Nestle India Limited, CS J K Bareja, Associate Professor, University Of Delhi and CS Suresh Pandey addressing the Participants.

GLIMPSES

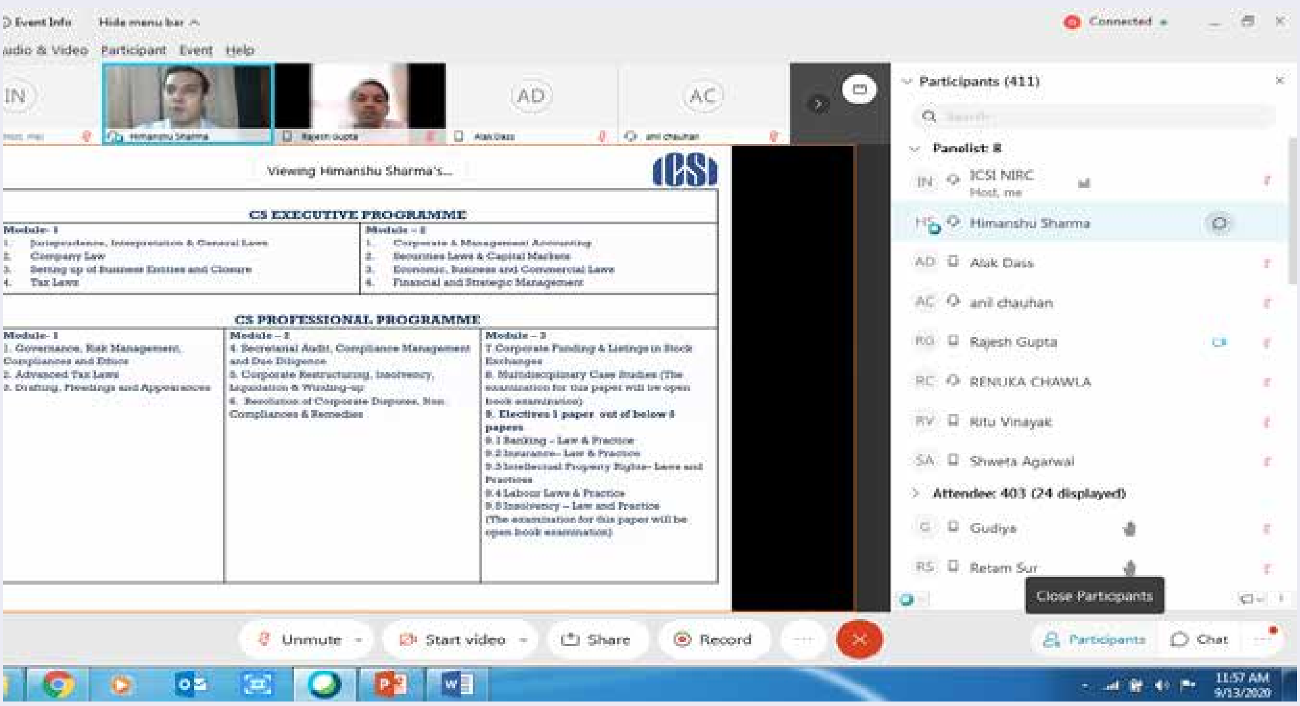
GLIMPSES OF 1ST ONLINE EDP

CS Suresh Pandey and CS Devender Suhag addressing the Participants of 1st Online EDP.

GLIMPSES OF ONLINE WEBINAR FOR STUDENTS ON THE TOPIC MASTERING THE MIND DURING PANDEMIC TIMES ON 5TH SEPTEMBER, 2020

Screen View: Mr. Suneel Keswani, Motivator & Life Skills Trainer, Mrs. Meenu Bhargava, Psychologist & Counsellor and CS Govind Mishra, Trainer & Public Speaker addressing the Participants.

GLIMPSES OF MEGA CAREER AWARENESS PROGRAM HELD ON 13TH SEPTEMBER, 2020



Screen View of Mega Career Awareness Program organized for Students & Teachers of Kendriya Vidyalaya from different Part of Northern Region.

RECENT INITIATIVES TAKEN BY NIRC

Dear Friends,

I am pleased to enlist the recent initiatives for your kind information and ready reference:-

FIRST REGION TO CONDUCT ONLINE MANAGEMENT SKILL ORIENTATION PROGRAMME (MSOP)

Due to Pandemic situation all the Regions and eligible Chapters could not able to organize any of the Student Training Programmes during last 6 months. It includes one of the most prestigious Student Training Program i.e Management Skills Orientation Programme (MSOP). MSOP is a platform which enables students to connect with each other and inculcate the feeling of togetherness and belongingness with the Institute.

To enable MSOPians to connect with fellow MSOP participants and make them feel the part of the ICSI-NIRC fraternity. NIRC-ICSI organized 1st Online Management Skill Orientation Programme (MSOP) (305th Batch of NIRC). The Inaugural Session held on 7th September, 2020. There was Real time online lectures in which participants directly interacted with the faculties. Special Doubt clearing sessions were arranged at end of sessions. The Valedictory Session held on 23rd September, 2020. The Second & Third batch of Online MSOP (306th Batch & 307th Batch of NIRC) are scheduled from 28th September, 2020 & 16th October, 2020 respectively.

MORE TIE UPS FOR MEDICAL FACILITIES TO ICSI MEMBERS ON CONCESSIONAL CHARGES FOR OPD, IPD TREATMENTS AND PATHLABS

Furthering the noble initiative, NIRC of ICSI arranged tie-ups with 3 (three) more Hospitals/ Laboratories. These Hospitals/Laboratories have agreed to provide the Medical Facilities/ all

Sr. No.	Name and Address of Hospital/ Laboratory	Discount Allowed	Contact Person at Hospital/ Laboratory (In case of any difficulty)	Remarks
1.	Park Group of Hospitals (Offer applicable for all hospitals of Park Group of Hospitals across India) (For ICSI Members and Dependent Family Members) OPD Services -50% IPD Services -20%	OPD Services -50% IPD Services -20%	Mr. Raviraj Nandan Cell : 8860944023	Members are required to show their Identity Card issued by ICSI at billing counter/reception before registration and make request for discounted rates at registration counter.
2.	SRL Dignostic Lab (Offer applicable for all Laboratory of SRL Diagnostic across India) (For ICSI Members, Students and Dependent Family Members)	21% Discount on all Routine and Specialized Tests	Ms. Ashita Arora Cell : 9582931550	The Institute has moved over to Digilocker platform and I-card of members are also available there. The Members not having Identity Card issued by ICSI may use the ID card available on Digilocker.
3.	Dr. Lal PathLabs Ltd. (Offer applicable for all Laboratory of Dr. Lal PathLabs Ltd.across India) (For ICSI Members and Dependent Family Members)	15% Discount on all Routine and Specialized Tests	Mr. Raman Surya Cell: 9205285331	

Routine and Specialized Tests to ICSI Members on concessional charges. Each Hospital/Laboratory has a dedicated contact person. Comprehensive list of all 8 (Eight) tie ups with various Hospitals/ Laboratories are given elsewhere in the Newsletter.

MOU FOR ACADEMIC COLLABORATION WITH LORDS UNIVERSITY AT ALWAR

NIRC is making efforts for Academic Collaboration with the Universities and Institutions across the Northern Region. In the same direction ICSI signed MOU with Lords University at Alwar on Monday, the 21st September, 2020. The MOU was signed by CS Suresh Pandey and Prof.(Dr.) Pankaj Arora, Registrar, Lords University.

ONLINE TEACHERS' CONCLAVE FOR FACULTIES OF COLLEGES AND SCHOOL TEACHERS

NIRC organized Online Teachers' Conference on the theme "Empowering Educators" on Saturday, the 12th September, 2020 for faculties of Colleges and School Teachers. CS B Murli, General Counsel & Company Secretary, Nestle India Limited address the participants on the topic Evolving role as Governance Professionals and CS J K Bareja, Associate Professor, University of Delhi address the Participants on topic Career Opportunities as Company Secretary. The Conference was attended by around 200 Teachers/Faculties.

4 DAYS ONLINE MASTER CLASS ON MERGERS & ACQUISITIONS (13th Edition, Year 2020)

4 Days Online Master Class on Mergers & Acquisitions from 26th August, 2020 to 29th August, 2020. CS (Dr.) K.S. Ravichandran, Managing Partner, KSR & CO Company Secretaries LLP, CS Prachi Vijay Manekar, Practicing Advocate, Mr. Nitin Potdar, M&A Corporate Partner, J. Sagar Associates, CS Reshma, Senior Associate, J. Sagar Associates and Ms. Manisha Chaudhary, Advocate Managing Partner, UKCA were the Guest Speakers at Master Class. The coverage included Overview & Procedural Aspects of Mergers and Acquisitions, Drafting of Schemes, Petitions & Procedures, Due Diligence and Legal Jurisprudence including Judgments of various Courts and Cross Border Mergers, Negotiation Skills and Cultural Issues. The Master Class was attended by around 300 Participants.

4 DAYS ONLINE MASTER CLASS ON DECODING FUND RAISING BY UNLISTED COMPANIES (14th Edition, Year 2020)

4 Days Online Master Class on Decoding Fund Raising by Unlisted Companies from 16th September, 2020 to 19th September, 2020. CS Harish Kumar, Partner, L&L Partners, CS Amit Aggarwal, Partner & Head of Corporate Practice SNG & Partners, CS Aditya Vikram Dua, Senior Associate, SNG & Partners and CS Lokesh Gulati, Director, PwC were the Guest Speakers at Master Class. The coverage included decoding different options for fund raising, Overview of the various types of fund raising, Nature of Equity and Debt deals/various, structures in Equity and Debt deals, Types of Loans, Types of Lenders, Laws applicable to a typical lending transaction, Documentation for various loans, Finer nuances in the documentation, Types of securities issued by company for raising funds, Types of investors, Laws applicable to issuance of equity securities, Documentation and finer nuances in relation to issuance of equity securities, Laws applicable to issuance of debt securities, Documentation and finer nuances in relation to issuance of debt securities and Due Diligence & Compliances. The Master Class was attended by around 250 Participants.

ONLINE WEBINAR FOR STUDENTS ON THE TOPIC MASTERING THE MIND DURING PANDEMIC TIMES

To commemorate the Teachers' Day on 5th September, 2020 the NIRC organized Online Webinar for students on the topic Mastering the Mind During Pandemic Times. Mr. Suneel Keswani, Motivator & Life Skills Trainer, Mrs. Meenu Bhargava, Psychologist & Counsellor and CS Govind Mishra, Trainer & Public Speaker were the Speakers and Moderator during the Webinar. The session was very interactive and speakers shared their rich experience with the participants.

ONLINE MEGA CAREER AWARENESS PROGRAM FOR STUDENTS AND TEACHERS OF KENDRIYA VIDYALAYA

NIRC organized Online Mega Career Awareness Program for Students and Teachers of Kendriya Vidyalaya from different Part of Northern Region. The students were apprised about the Role of Company Secretary, Company Secretary in Employment, Company Secretary in Practice and Eligibility, Validity and Cut-off Dates for Registration in CS. Many queries from Teachers and students were also replied appropriately. The Program was attended by more than 700 students and Teachers.

1st REGION TO CONDUCT ONLINE EXECUTIVE DEVELOPMENT PROGRAM (EDP)

NIRC-ICSI organized 1st Regional Online Executive Development Program (EDP) from 9th September, 2020 to 18th September, 2020. The advantage of having Online Sessions was that the participants interacted with the faculties and all the doubts were cleared in the real time. It was new experience for the participants as the virtual medium give a satisfaction of being heard by one and all present.

1st REGION TO CONDUCT ONLINE PROFESSIONAL DEVELOPMENT PROGRAM (PDP)

NIRC-ICSI organized 1st Regional Online Professional Development Program (EDP) on 2nd September, 2020. The students were apprised about Interview Techniques & How to face Interviews and IT Tools utilisation by Company Secretaries. Both the sessions were very useful for the participants as very soon they will be dealing with the Corporate World.

ONLINE ORAL TUITION CLASSES (OTC) FOR THE STUDENTS OF CS EXECUTIVE PROGRAMME FOR DECEMBER, 2020 EXAMINATIONS

Keeping in mind the upcoming CS examinations. NIRC of ICSI is starting its Online Oral Tuition Classes (OTC) for the students of CS Executive Programme for December, 2020 Examinations w.e.f 27th September, 2020.

ONLINE MOCK TEST SERIES FOR STUDENTS

NIRC-ICSI arranged online Mock Test series for the ICSI students across Northern India to make them exam ready while sitting at their homes during current pandemic situation. The details are placed on the portal of NIRO. The students can avail the benefit of Mock Test series and prepare well for upcoming CS Examinations.

If you know schools/colleges who are willing to organize Online Career Awareness Programs on Career as a Company Secretary for their students, please write us with details of schools/colleges at himanshu.sharma@icsi.edu .

Friends, let me assure you that your feedback and participation is always welcome and is truly valued, as it is only your feedback that will help us to improve further and emerge as ICSI brand. I look forward for your valuable suggestions and feedback. Feel free to interact with me at chairman.nirc@icsi.edu

Looking forward for your invaluable support.

I am just a phone call away!

Yours own,

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ARTICLES ON THEME

DECODING FUNDRAISING BY COMPANIES

Green Bonds: An Eco - friendly funding option

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The Perspective

Green bonds were created to fund projects that have positive environmental and/or climate benefits. The majority of the green bonds issued are green "use of proceeds" or asset-linked bonds. Proceeds from these bonds are earmarked for green projects but are backed by the issuer's entire balance sheet. A bond is a debt instrument with which an entity raises money from investors. Green bonds are like any other debt instrument but the funds raised from such bond sale are used exclusively for renewable energy projects. The general idea is that the proceeds from the issue of these types of debt instruments will be used either to fund projects which have a discernible, positive environmental impact.

A "green bond" is differentiated from a regular bond by its label, which signifies a commitment to exclusively use the funds raised to finance or re-finance "green" projects, assets or business activities. In a world where there is ever-increasing awareness on climate concerns, the Green Bond is a tool that raises industry engagement by encouraging investments in sustainable projects, processes and technologies with a transparency that allows investors to understand the challenges and thus diversify risk. At the same time, the Green Bond provides issuers with an opportunity to have a closer dialogue with investors and adapt issuance.

Like any other bond, a green bond is a fixed-income financial instrument for raising capital from investors through the debt capital market. Typically, the bond issuer raises a fixed amount of capital from investors over a set period of time (the "maturity"), repaying the capital (the "principal") when the bond matures and paying an agreed amount of interest ("coupons") along the way.

Types of green bonds

Green Bonds are standard bonds with a green as a bonus feature. The green credentials of green bonds can be broadly structured and categorized as follows:

- Green use of proceed bonds: This is a standard recourse to the issuer debt obligation for which the proceeds shall be held in a sub-portfolio or otherwise tracked by the issuer and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for projects.
- Green use of proceeds revenue bonds: This is a non-recourse-to-the-issuer debt obligation in which the credit exposure in the bond is to the pledged cash flows of the revenue streams, fees, taxes, etc., and the use of proceeds of the bond goes to related or unrelated green projects. Notably, the underlying collateral need not always be "green" as demonstrated by the green bonds issued by Toyota in March 2014. The structure involved the securitization of auto loans to collateralize its green bonds, the issuance proceeds of which were allocated to fund the development of environmentally-friendly automobiles.
- Green project bond: This is a project bond for a single or multiple green project(s) for which the investor has direct exposure to the risk of the project(s) with or without potential recourse to the issuer.
- Green securitized bond: This is a bond collateralized by one or more specific projects, including but not limited to covered bonds, asset-backed securities and other structures. The first source of repayment is generally the cash flows of the assets securing the bonds.

Emergence of Green Bonds

In order to protect the environment, the first green bond was issued in 2007 and was initially 1 characterized as a niche product pioneered by a handful of development banks. The "Climate Awareness Bond" was issued by the European Investment Bank (EIB) in 2007, followed by the World Bank issuing a "Green Bond" in 2008. Between 2007 and 2012, governments began to join international organizations and issue their own green bonds. Although several factors are driving rapid growth in demand for green bonds today, the initial rise of the market is often attributed to the work carried out by the United Nations (UN) since the 1990s to combat the climate-change problem. The market began to gain traction by 2013, when corporate green bonds were issued by Electricité de France and Bank of America. The Paris Climate Change Conference that followed in late 2015—which resulted in nearly 200 countries coming together in an attempt to limit global warming to less than 2° Celsius—was effectively a culmination of the UN's work, and is now providing fresh impetus for the world to explore the possible financial solutions available. Some now estimate that upwards of $100 trillion of investment will be required over the next 14 years if the agreement's targets are to be met. With substantially more investment funds required to be generated, therefore, green bonds are now increasingly considered to be among the most useful instruments to help countries achieve those target.

Green Bonds issued in India

Energy research firm Bridge to India noted that with the combined issuance of $4 billion, India has put itself among the top ten green bond markets in the world.

* The views expressed are personal views of the author and it should not be taken as views of the NIRC-ICSI

- In 2015, YES Bank, India's Private Sector Bank has successfully issued India's first ever green infrastructure bonds raising an amount of INR 1,000 crores. The amount raised is being used by YES Bank to finance green infrastructure projects in renewable energy including solar power, wind power, biomass, and small hydropower projects.
- Another leading banking institution, the Exim Bank of India, in March 2015, issued a five-year $500 million green bond, which is India's first dollar-denominated green bond to fund eligible green projects in countries including Bangladesh and Sri Lanka.
- Axis Bank has launched India's first internationally-listed and certified green bond and raised $500 million to finance climate change projects and solutions around the world. The bond certified by the Climate Bonds Standards Board (CBSB) has been listed in London Stock Exchange (LSE).The Axis Bank will utilise the bond proceeds to promote green energy in urban and rural areas, transportation and what is called 'green-blue infrastructure' projects in India and abroad.
- Exim Bank issued India's first ever and Asia's second dollar-denominated green bond in March 2015 raising $500 million through international investors
- IDBI Bank raised $350 million in BBB-rated 5-year green bonds for renewable energy projects in November 2015.
- In January 2016, IREDA issued a tax-free Rs.10 billion green bond
- CLP Wind Farms, the largest wind power developer in India with 1,000 MW of wind energy assets in the pipeline across 6 states, became the first Indian corporate (non-bank) issuer of green bonds in September 2015. CLP Wind Farms raised Rs.6 billion.
- Re New Power Ventures, a leading Indian clean energy company, issued the second corporate green bond in the country in September 2015.The proceeds of the Rs.4.51 billion green bond is intended to refinance bank loans for the company's 85 megawatts (MW) wind power plant in Maharashtra.
- Hero Future Energies, the green energy arm of the Hero Group, one of India's leading industrial conglomerates, issued the country's first certified climate bond in February 2016. Hero Future Energies raised Rs.3 billion ($44 million) by issuing nonconvertible debentures – certified by the Climate Bonds Standard – to finance the development of wind energy projects in the states of Madhya Pradesh, Telangana, and Andhra Pradesh
- India's state-owned energy major NTPC has become first Indian corporate to raise $300 million through Green Masala Bond listed at the London Stock Exchange (LSE) as part of its efforts to promote renewable energy projects in the country. The first Masala bond by an Indian quasi-sovereign issuer, represents another historic event for Indian finance.
- In July, 2017, L&T issued country's first SEBI approved green bond. IFC Bought $103 Million of L&T Green Bonds.
- In Sep, 2017 IREDA issued first Green Masala Bond
- In Dec 2017, IRFC issued India's first listed Green Bond on INX

SEBI guidelines on issuance of green bond

In January 2016, the Securities and Exchange Board of India published its official green bonds requirements for Indian issuers making India the second country (after China) to provide national level guidelines. As per the guidelines of the Securities and Exchange Board of India (SEBI), a debt security shall be considered as 'Green' or 'Green Debt Securities', if the funds raised through issuance of the debt securities are to be utilized for project(s) and/or asset(s)falling under any of the following broad categories:

1. Renewable and sustainable energy including wind, solar, bioenergy, other sources of energy which use

clean technology, etc.
2. Clean transportation including mass/public transportation, etc.
3. Sustainable water management including clean and/or drinking water, water recycling, etc. There are different
4. types of definitions and indexes that can be leveraged: Climate change adaptation
5. Energy efficiency including efficient and green buildings, etc.
6. Sustainable waste management including recycling, waste-to-energy, efficient disposal of wastage, etc.
7. Sustainable land use including sustainable forestry and agriculture, afforestation, etc.
8. Biodiversity conservation

SEBI issued circular on disclosure norms in May 2017

In addition to the above, SEBI issued a circular on May 30, 2017, setting out disclosure norms which would govern the issuance and listing of 'green bonds' in India (Green Bond Guidelines), in addition to the existing SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (ILDS Regulations). Within the guidelines, the scope of definition of green bonds has been kept wide to include most types of green projects and SEBI has been empowered to include any other category of projects from time to time. As part of the guidelines, the issuer would have to make disclosures including use of proceeds, list of projects to which green bond proceeds have been allocated in the annual report, and periodic filings made to the stock exchanges.

Benefits of Green Bonds

'Green bonds' are an attractive mechanism for organizations to raise capital for sustainable projects. These bonds can be raised by not only financial institutions, but also by any private sector or public sector organization. The global green bond market is growing rapidly which is a result of the interest from a varied debt investors.

Benefits to Issuers

- Helping issuers to articulate and communicate the sustainability strategy.
- Improving relationships with debt providers and broadening the 'investor base'.
- Creating internal synergies between financial and sustainability departments.
- Improving diversification of bond issuer investor base, potentially reducing exposure to bond demand fluctuations.
- Reputational benefits (e.g. marketing can highlight issuer's green credentials and support for green investment).
- Tracking of proceeds use and reporting leads to improved internal governance structures and communication.

Benefits to investors

- Helping investors to develop better-informed investment strategies through improved risk assessment in an otherwise opaque fixed income market through use of proceeds reporting.
- Facilitating the smooth implementation of long-term climate strategies.
- Helping responsible investors broaden their restricted investment portfolios.

Benefits to Policymakers

Indirectly supporting the implementation of sustainable development strategies by better matching of green issuers and investor

Barriers to green bond market growth may include:

- Lack of a pipeline of infrastructure projects corresponding to a long-term governmental commitment to sustainable development;
- Lack of commonly accepted green definitions;
- Investors with limited capacity to analyze green investments;
- Scale and mismatch among projects, bonds and institutional investors;
- A lack of suitable aggregation mechanisms; non standardized projects and cash flow instability;
- Low credit ratings for potential green bond issuers and green projects, especially in emerging economies.

The risk of 'green washing'

The lack of standard definitions of what makes a bond 'green' has led to uncertainty over whether all green bonds really are 'green'. Issuers face reputational risk and potential accusations of 'green wash'. Green washing occurs when a bond's proceeds are used to fund projects with little or no positive environmental impact. To prevent the risk of green washing, companies are advised to be guided by the two sets of currently available standards which define and regulate green bonds (1) The Green Bond Principles are voluntary guidelines issued by the International Capital Market Association which states the procedure for certifying a green bond, which have been adopted by 50 large issuers, underwriters and investors. They set disclosure criteria and where the money can go. An external consultant can provide a second opinion on the bond structure and on the projects financed (2) The Climate Bond Standards have been put forward by the Climate Bond Standards Board, an organization of funds that have among them around $35 trillion.

At present, market practice has been not to include covenants or events of default in green bond documentation which would penalize an issuer for failing to apply the proceeds of its bond issue towards the specified green use, so documentation has not given investors much comfort that issuers will abide by their stated principles.

One of the slightly more complicated challenges is 'do investors really care?' Having made the initial investment in a green bond, how many investors track the bonds' performance against its 'green credentials'? The ability of the investor (particularly in the debt market) to engage in any great detail is limited – not only in terms of the time they can afford to interrogate the sustainability performance of the assets, but also in terms of their sustainability knowledge.

ARTICLE

Fundraising by Companies: A Critical Analysis from different perspectives

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Fundraising by Companies involves two types of funding, Equity and Debt Financing. Equity financing is the money paid by an investor, not a lender. With Equity Financing, the Company does not have to make repayments or pay interest. Instead, the investors gain some ownership of the Company by investing.They can also earn dividends in proportion of their investments. Equity financing may be in the form of close partnerships, or equity fundraising from angel investors, crowdfunding platforms, venture capital firms, and eventually the public in the form of an IPO.In contrast, the Debt Financing means borrow money from an outside entity to fund the business of the Company. The Company must pay the money back, plus interest, in portions by a designated period. Lenders don't have a say in business decisions or earn part of the Company's profit. The Company only owe the loan amount, interest, and bank fees.

The features of fundraising through equity and debt financing are summarized as follows:

Fund Raising by Companies through

Equity Financing | **Debt Financing**

Equity Shares | **Preference Shares**

Types of securities/ credit facilities	1. Rights Issue 2. Private Placement/ Preferential Issue	1. Redeemable 2. Convertible/ Non-convertible 3. Cumulative/ non-cumulative 4. Participating/ non-participating 5. Combination of above	1. Debenture a) Non-convertible b) Convertible • Fully convertible • Partially convertible • Optionally convertible • Compulsorily convertible **2. Other Credit Facilities** **(A) On basis of Fund Deployment** **(I) Fund based** a) Short term loan b) Long term loan c) Working capital demand loan d) Revolving credit facility

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			e) Factoring f) Overdraft facility g) Bill discounting h) Export Credit • Pre-shipment credit • Post shipment credit i) Syndication j) Consortium k) Multiple banking arrangements **(II) Non-Fund based** a) Letter of credit facility b) Standby Letter of credit facility c) Bank Guarantee **(B) On basis of Usage** a) Long term financing and b) Working capital facilities **(C) On basis of currency Rupee denominated loans** or foreign currency loans or ECB **(D) For early stage start-ups** Convertible Notes, SAFEs, and KISS. **(E) For later stage companies** Venture debt
Investors/ Lenders	• Individuals • Promoters/ Family Members • Scheduled Banks • Mutual Funds • Foreign Institutional Investors(FII) • Foreign Private Equity Funds • Insurance Companies • Pension Funds • Alternative Investment Funds		• Scheduled Commercial Banks • NBFC • Small Finance Banks • Public Financial Companies specified under Companies Act,2013 • Cooperative Societies • Miscellaneous Banks
Applicable laws for compliance	**1. Companies Act,2013** ➤ Section 42 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules,2014 ➤ Section 55 read with Rule 9 of the Companies (Share Capital and Debentures) Rules,2014 ➤ Section 62 read with Rule 12 of the Companies (Share Capital and Debentures) Rules,2014		1. Companies Act, 2013 ➤ Section 42 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules,2014 ➤ Section 71 read with Rule 18 of the (Share Capital and Debentures) Rules, 2014 ➤ Section 179(3) ➤ Section 180(1)(a) ➤ Section 180(1)(c) ➤ Section 185 ➤ Section 186

	2. FEMA (for Cross Border Transactions) › Foreign Exchange Management (Non debt Instruments) Rules 2019 › Foreign Exchange Management (Mode of Payment and Reporting of Non debt Instruments) Regulations 2019 › FDI Policy issued by DIPM (Directorate of Industrial Policy and Promotion)	**2. Income Tax Act,1961** Section 281- Requiring prior consent from the assessing officer before creating charge on certain assets **3.Foreign Exchange Management Act** › Master circular- ECB, Trade Credits and structured obligations specifying conditions to be complied in respect of ECBs › Foreign Exchange Management (Debt Instruments) Rules 2019 in case of investment by foreign portfolio investors **4. Registration Act,1908** Requirement of compulsory registration of non-testamentary instruments **5. RBI Guidelines** Master Direction on money market instruments- • Call/ Put Money Market • Certificate of Deposits • Commercial Papers • NCDs
Transaction flow	1. Review and finalisation of Term Sheet 2. Preparation of Due Diligence Report 3. Execution of documents like SSA, SPA, SHA 4. Completion of condition precedent 5. Closing compliance 6. Completion of condition subsequent	1. Review and finalisation of term sheet 2. Due diligence with the issuer 3. Execution of documents like • IM/ PAS-4 • DTA • DTD 4. Execution of security documents 5. Completion of condition precedent 6. Completion of condition subsequent
Advantages	• Less risky than loan. • No need to pay the funds back. • Investor's network could help Company's business to gain credibility. • Investors don't expect to see an immediate return on investment (ROI). • Company has more cash on hand without repayments. • More potential to bring in far more cash than debt alone. • Flexibility in distributions. • In a non-profit situation, Company doesn't have that constant drain and stress. This empowers entrepreneurs to make far wiser decisions.	• Controlling interests remain with the Company. • Debt does not dilute the owner's ownership interest in the company. • Company maintains full ownership. No interference of lenders in its business. • You can get a short-term or long-term loan. • A lender is entitled only to repayment of the agreed-upon the loan plus interest, and has no direct claim on future profits of the business. • Except in the case of variable rate loans, principal and interest obligations are known amounts which can be forecasted and planned for.

	• Collective investors base can lead the Company to the next great success story. • Good equity partners can also make it much easier to secure more attractive debt later on.	• Interest on the loan is tax deductible. It lowers the actual cost of the loan to the company. • Raising debt capital is less complicated • No requirement to send notice to debt-holders, hold meetings and seek their vote before taking certain actions.. • After the loan is paid off, Company has no obligations to the bank. • Debt holders have priority over equity holders for recovering funds.
Disadvantages	• The returns paid to an investor could be more than bank loan repayments. • The investor requires some ownership of theCompany. • Requirement to consult the investor before making business decisions. • The primary fear is loss of control. It can even lead to replace the promoters by theirrival partners if they don't retain enough board seats and voting power. • A reduced ownership percentage can also not only mean that you have to split the profits, but in some cases, some investors may be entitled to any positive returns before the Company can get a penny. • More arduous and time consuming process. • Equity holders have priority below the bond holders for recovering funds.	• Debt must be repaid, no matter how well the Company is doing. It can be a huge burden on a startup. • Interest is a fixed cost which raises the company's break-even point. • Cash flow is required for both principal and interest payments and must be budgeted for. • Most loans are not repayable in varying amounts over time based on the business cycles of the company. • Negative Covenants restrict the Company activities and prevent management from pursuing alternative financing opportunities. • The larger a company's debt-equity ratio, the more risky the company is considered by lenders and investors. • Cause small business cash flow problems. • Company probably needs to offer business collateral • In case of default, both personal and business credit of entrepreneurs will fall in line,unless segregated. • Too much debt can negatively impact profitability and valuation. It can lead to inferior equity raising terms in the future, or prevent it altogether.

EQUITY AND DEBT FINANCING- WHICH IS THE BEST OPTION?

The right funding option is different for every business owner when it comes to equity financing vs. debt financing. Often, new small businesses struggle to get equity financing, so they must take on debt. Established businesses are usually able to get a wider variety of financing options.

For lenders and investors, providing financing comes down to risk vs. reward. If you experience small business bankruptcy, debt holders have priority over equity holders for recovering funds. Investors have a greater risk, and they expect a larger reward.

Before deciding which option is right for you and your business, ask yourself these four important questions:

1. How fast does the Company need cash?

With debt financing, the Company saves a lot of time, and receives the money relatively quickly. It can use financing for either short term or long-term. The terms are straightforward and laid out at the beginning about amount to pay back and by what date.

Equity financing takes more time. Business owners and investors will go back and forth negotiating the investment package, dealing with more than one investor with differing opinions could make matters more complicated and, thus, take even more time and negotiation.

2. Does the Company want to maintain complete control over its business?

Debt financing allows a Company to maintain control on its own as the lenders don't want a stake in its business, certainty they need repayment of that debt. The Company could saddle with the cost of a loan and by making a payment with interest each month, but this might be the better option if you're not prepared to give away a percentage of controlling interest.

With equity financing, you'll be sacrificing control over some portion of your company. Depending on the negotiation, your investors may end up owning the majority of your venture, meaning eventually you could be voted out by the business you built. But if equity financing is the difference between your business succeeding or failing, it's worth relinquishing some control.

3. What are the type and amount of funding the Company needs?

Cash flow is the deciding factor. A Company must resolve first whether it has cash flow? What phase it is in, and how much financing can itget for that phase?

With debt financing, lenders assess capacity to repay the amount the Company will borrow plus interest. They examine not only the viability of the borrower's business, but also its financial health. Lenders look at the five C's of Credit to determine Company's creditworthiness:

- Character: What experience do you bring to the table as a business owner? Have you filed for bankruptcy in the past?
- Credit: How have you handled loans in the past?
- Capacity: Will you be able to make payments?
- Collateral: What can you pledge to guarantee the loan?
- Conditions: What are the industry and/or economic factors that may impact the viability of the business?

Equity investors will want to know whether the Company has a previous track record of success starting a business. Company's plan indicates the business will succeed at some point in the future, Investors take long view and analyze the business and its long-term future rather than collateral or cash flow in the near term.

4. How would the Company rather pay for financing?

With debt financing, the Company is duty bound to repay the loan back in time regardless of its financial position. A major point to consider before choosing debt financing is the ability of Company to repay its lenders. Defaulting on a loan will severely impact its credit and its chances of securing financing in the future. The good news is, if you choose the debt financing route and take out a loan, you're able to easily calculate what it will cost you.

With equity financing, there are no payments along the way. Instead, repayment is based on an exit strategy somewhere down the road. It could be a sale to another business, a refinancing, or future round of equity financing that gets investors back their money plus a return.In other words, there's no cash flow demanded from you at the onset.

EQUITY VS DEBT FINANCING - AN ILLUSTRATION

Here is an illustrative list of choosing the better option between equity and debt financing:

Financial Situation	Better Option
Utilization of funds is primarily for working capital needs, relevant at transactionally profitable stage	Debt Financing
Utilization is for innovation, tech building, scaling up, brand building since result turnaround for debt should be shorter compared to Equity.	Equity Financing
Start-up Companies, where Founders have no interest in controlling	Debt Financing
Entirely unsure about the success of the business of the Company	Equity Financing
For Asset light tech-driven company having unique intellectual property with proof that the Company can scale rapidly	Equity Financing
Promoters don't like to loose their controlling interest and have collateral.	Debt Financing
Company wants to grow at a faster rate (to beat the competition or capture the market early). It is also used to finance growth functions, which essentially increases the equity value of a company.	Equity Financing
Purpose is to fulfil working capital requirements	Debt Financing

DEBT VS. EQUITY DECISIONS

The table below easily summarizes the debt vs equity decision:

Financial Situation	If High then	If Low then
% of Equity in capital structure	Issue Debt	Issue Equity
% of Debt in capital structure	Issue Equity	Issue Debt
Earning volatility	Issue Equity	Issue Debt
Business Growth	Issue Equity	Issue Debt
Floatation cost	Issue Debt	Issue Equity
Interest Rates	Issue Equity	Issue Debt
Tax rate	Issue Equity	Issue Debt

*Assuming all other factors remain the same

MIX OF DEBT AND EQUITY FINANCING

A Company can use a mix of debt and equity financing to lessen the disadvantages of each. By using both options, it can reduce the amount of debt it owes and business ownership it gives to the investors.

CONCLUSION

Both debt and equity financing have their pros and cons. It is not wise to declare one type of financing preferable over other. The choice between using debt or equity funding to raise money depends on the business, the stage it is in, and the founder's appetite for risk. The difference solely lies in the way they are utilized.Weigh them carefully before deciding how the Company will access capital for its business.Categorizing the needs of its business and its current state will definitely help in making wiser and judicious choices.

Funds are the Bloodline for any business: be it an existing company or a new start-up!

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The Perspective

"Fundraising is also always a call conversion. And this comes to both who seek funds and who have funds. Whether we are asking for money or giving money, we are drawn together by God, who is about to do a new thing through our collaboration".

The literal meaning of fundraising is the seeking of financial support for a charity, cause, or other enterprise.Fundraising or fund raising is the process of soliciting and gathering voluntary contributions as money or other resources, by requesting donations from individuals, businesses, charitable foundations, or governmental agencies. Although fundraising typically refers to efforts to gather money for non-profit organizations, it is sometimes used to refer to the identification and solicitation of investors or other sources of capital for profit making enterprises.

Traditionally, fundraising consisted mostly of asking for donations on the street or at people's doors, and this is experiencing very strong growth in the form of face-to-face fundraising, but new forms of fundraising such as online fundraising have emerged in recent years, though these are often based on older methods such as grassroots fundraising.

Businesses can use either debt or equity capital to raise money—where the cost of debt is usually lower than the cost of equity given debt has a recourse. Debt holders usually charge businesses interest, while equity holders rely on stock appreciation or dividends for a return. Thus, money is indeed a bloodline for any business: existing or a start-up.

What are the sources of Funding available?

1. For Existing Companies

External funding is often needed for the companies to expand/ diversify their business/operations. While companies do aim to use the profits from ongoing business operations to fund such projects, it is often more favourable to seek support from external lenders or investors.There are ultimately three main ways companies can raise capital:

- by net earnings from operations,
- by borrowing, or
- by issuing equity capital

Debt and equity capital are commonly obtained from external investors, and each comes with its own set of benefits and drawbacks for the firm.

1.1. Retained Earnings:

Companies generally exist to earn a profit by selling a product or service for more than it costs to produce. This is the most basic source of funds for any company and, hopefully, the primary method that brings in money to the firm. The net income left over after expenses and obligations is known as retained earnings. These funds can be used to invest in projects and grow the business but, are often allocated instead to reward shareholders in the form of dividend payments or share buybacks.

Advantages

- less expensive for the company to raise capital from external investors,
- attracting more investors through these stockholder incentives
- more cost effective overall

1.2. Debt Capital:

Companies can borrow money privately through bank loans, or it can be done publicly through a debt issue. These debt issues are known as corporate bonds, which allows a wide number of investors to become lenders (or creditors) to the company.The main consideration for borrowing money is that the principal and interest must be paid to the lenders. A failure to pay interest or repay the principal can result in default or bankruptcy.

When one decides to pursue debt-based fundraising, they specify in their fundraising terms the rate of interest that will be accrued with the repayment of the loans. They may also provide an expected time frame in which the loans shall be repaid.

The other important piece of the loan puzzle is collateral: some concrete, sellable assetone's lenders can confiscate in the event of a default on the loan. The more collateral available with the business, the better the chances of securing large amounts of financing.

Advantages:

- interest paid on debt is typically tax-deductible for the company
- interest costs tend to be less expensive than other sources of capital
- makes capital available quickly

1.3. Equity Capital:

A company can raise capital by selling off ownership stakes in the form of shares to investors who become stockholders. This is known as equity funding. The benefit of this method is that investors do not require making interest payments like bondholders do, and so this type of capital can be raised even

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when the first is not earning any money.

At the outset of the fundraising activity, one must set a specific valuation for the company—an estimation of what their company is worth at that point. Based on that valuation and the amount of money an investor provides, they will own a percentage of stock in the company, for which the investorshall receive proportional compensation once the company is sold or goes public.

Advantages:

The main consideration then is that future profits are to be divided among all shareholders. Additionally, shareholders of equity have voting rights, which means that a company forfeits or dilutes some of its ownership control as it sells off more shares.Equity investments are the only form of capital that makes sense when you have zero collateral and when you need a long runway.

Disadvantages:

Equity capital also tends to be among the most expensive forms of capital for a firm, and does not come with some of the tax benefits that debt does. Equity Investors expects big rewards for big risks.

2. For Start-ups

The long painstaking yet exciting journey from the idea to revenue generating business needs a fuel called "Funds".When would one require funding depends largely on the nature and type of the business. But once the owner has realized the need for fundraising, below are some of the different sources of finance available:

2.1. Self-Funding:

Self-funding is an effective way of start-up financing, especially when just starting the business. First-time entrepreneurs often have trouble getting funding without first showing some transaction and a plan for potential success. They can invest from their own savings or can get family and friends to contribute. This will be easy to raise due to less formalities/compliances, and would also be cost effective. In most situations, family and friends are flexible with the interest rate.

2.2. Crowd Funding:

Crowdfunding is one of the newer ways of funding a start-up that has been gaining lot of popularity lately. It is like taking a loan, pre-order, contribution or investments from more than one person at the same time.

This is how crowdfunding works – an entrepreneur will put up a detailed description of his business on a crowdfunding platform. He will mention the goals of his business, plans for making a profit, how much funding he needs and for what reasons, etc. and then consumers can read about the business and give money if they like the idea. Those giving money will make online pledges with the promise of pre-buying the product or giving a donation. Anyone can contribute money toward helping a business that they really believe in.Some of the popular crowdfunding websites in India are Indiegogo, Wishberry, Ketto, Fundlined, and Catapoolt.

2.3. Angel Investments:

Angel investors are individuals with surplus cash and a keen interest to invest in upcoming start-ups. They also work in groups of networks to collectively screen the proposals before investing. They can also offer mentoring or advice alongside capital.

Angel investors have helped to start up many prominent companies, including Google, Yahoo and Alibaba. This alternative form of investing generally occurs in a company's early stages of growth.They prefer to take more risks in investment for higher returns. This is generally good where the fund requirement is small. Some popular Angel Investors in India are Indian Angel Network, Mumbai Angels, and Hyderabad Angels.

2.4. Venture capital Funding:

Venture capitals are professionally managed funds who invest in companies that have huge potential. They usually invest in a business against equity and exit when there is an IPO or an acquisition. VCs provide expertise, mentorship and acts as a litmus test of where the organisation is going, evaluating the business from the sustainability and scalability point of view.A venture capital investment may be appropriate for small businesses that are beyond the start-up phase and already generating revenues.They normally tend to look to recover their investment within a three- to five-year time window.Some of the famous venture capitalist are Sequoia Capital. Accel Partners, Nexus Venture Partners, andIntel Capital India.

2.5. Winning Contests:

An increase in the number of contests has tremendously helped to maximize the opportunities for fund raising. It encourages entrepreneurs with business ideas to set up their own businesses. In such competitions, you either have to build a product or prepare a business plan.Winning these competitions can also get you some media coverage.

Some of the popular Start-ups contests in India are NASSCOM's 10000 start-ups, Web Summit 2020 Start-up Program, Pitch day, and Innovation World Cup series with Start-ups.

2.6. Incubators & Accelerators:

Early stage businesses can consider incubator and accelerator programs as a funding option. Found in almost every major city, these programs assist hundreds of start-up businesses every year.Though used interchangeably, there are few fundamental differences between the two terms. Incubators are like a parent to a child, who assist/nurtures the business providing shelter tools and training and network to a business to walk,while accelerator helps to run/take a giant leap.

These programs normally run for 4-8 months and require time commitment from the business owners and help in making good connections with mentors, investors and other fellow start-ups.

2.7. Business loans:

Banks normally provide two types of financing .one is working capital loan and other is term loan. The working loan is for meeting the day to day working capital requirements and the term loan is for longer period and for such specific purpose.

2.8. Loans From Microfinance Providers or NBFCs

Microfinance is basically access of financial services to those who would not have access to conventional banking services. It is increasingly becoming popular for those whose requirements are limited and credit ratings not favoured by bank.

2.9. Govt. Programmes offering Funds to Start-ups:

The government has increased significantly the allocation for Fund of Funds to Rs 1,054.97 crore as well as for the Make in India kitty in the Budget 2020-21. The government has set up a Fund of Funds for Start-ups (FFS) with a corpus of Rs 10,000 crore.

The schemes of government to promote Start-ups include Start up India, Make in India, Pradhan Mantri Jan Dhan Yojana, Skill India, MUDRA, etc. It is important here to note that even the existing companies can use some of the above mentioned methods for raising the funds.

How a company needs to prepare itself for the fundraising?

Funding works as a fuel for a start up engine or for running an ongoing engine. Therefore, before going for Fund Raising a company start-up needs to prepare itself for the same by taking the following steps:-

- Maintain or Improve Credit History
- Always maintain reserve funds with it, never go for cash run out.
- Maintain good relations with existing or prospective investors
- Clarity on goal and objectives
- Make proper resources available
- Keep the business plan or expansion plan ready with it
- Budgets and proper due diligence
- Qualified and committed team

Conclusion

The process of raising funds can be very challenging and certainly requires organizations to use a variety of methods and unrelenting hard work to be successful, especially when the pressure is high and deadlines tight.With so many different types of fundraising available, it becomes even harder to discern the right fundraising strategy and funding model.

While opinion varies as to what is "ideal" for a non-profit organisation may not be ideal funding model for a start-up or for a company working for profits, utilizing several different types of fundraising is generally a good practice.

To find yours, however, it will take trial and error!

Fund Raising in India

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During the period of Covid-19, many authorities including Securities Exchange Board of India ("SEBI"), Reserve Bank of India ("RBI"), Registrar of Companies ("ROC") and Government of India have been regularly amending their rules and regulations and providing extensive timelines and other reliefs to all Companies and Limited Liability Partnerships including Start-ups which help them to avoid undue non-compliances and hefty penalties. Indian Start-ups and Companies have attracted investment from Indian and Foreign investors during the period of lock-down. Indian Start-ups and Companies have raised funds from Indian and Foreign investors by way of Initial Public offer, Further Public offer, offer for sale, Preferential Issue, Rights Issue etc. for general corporate purposes and also to meet their working capital requirements. The Author is making an attempt to analyse provisions related to fund raising in India under Companies Act, 2013 and Regulations by SEBI through this Article.

BACKGROUND

Before the outbreak of Covid-19 pandemic, the World Bank predicted 5% of growth in economy for India. After the outbreak of Covid-19, the GDP of India has contracted by 23.9% in the first quarter of FY 2020-21. Since the government of India imposed the country wide lockdown so the contraction of GDP was predicted between 15% to 25% by ICRA and other institutions which was the worst performance by any country.

In recent times, the relations of China have not been good with many neighboring countries and most importantly US-China trade relations have taken major hit due to which many companies are looking to shift their operations from China to India. The China is seeing India as a major threat and trying to create hostile environment by infiltrating into India-China Borders. The government of India, on the other hand, has banned many Chinese apps under Information Technology Act, 2000. Further, the Indian government has increased the import duty on goods imported from China and started promoting Local Products through Atmanirbhar Bharat, Make in India and other schemes in order to reduce their dependence on Chinese goods.

NEED FOR FUND RAISING

The performance of all sectors was impacted due to Covid-19. The Companies tried to lower their fixed costs by removing their staff or cutting their salaries by more than 50% or invoking force majeure clause in rent or lease agreements in order to sustain in the market. The Government has to take some major steps in order to revive severely affected sectors such as Automotive, Civil Aviation, Tourism, MSME, Real Estate etc. and to reduce the fiscal deficit as much as possible. Many Companies have started to engage with their existing shareholders or potential investors for another round of funding or investment while some companies operating in ailing sectors are waiting for government to provide relief packages or schemes.

In this Article, we will discuss about different instruments through which the funds can be raised by Companies and the compliances required:

BASIC CONCEPTS

DEFINITION OF SHARES: The term 'Share' has been defined under Section 2(84) of the Companies Act, 2013 ("the Act") as below:

"Share means a share in the share capital of a company and includes stock"

Section 43 of the Act – It defines the Share capital into two parts as Equity Share Capital and Preference Share Capital. The Equity Share capital is further classified into two parts as with equal voting rights or differential voting rights.

The Preferential Share Capital means that part of issued share capital which carries a preferential right with respect to dividend or repayment of preference share capital.

The Private Company need not to have Equity and Preference Share Capital both in their Memorandum of Association ("MOA") and Articles of Association ("AOA") pursuant to exemption provided under Notification dated 5th June, 2015 issued by Ministry of Corporate Affairs.

The Company can be broadly classified into the following:

Particulars	Private Company	Public Company
Section	Section 2(68)	Section 2(71)
Shares Transferable	AOA restricts the right to transfer its shares	Freely Transferable
Invitation to public	Strictly Prohibited to invite public to subscribe any securities of the Company	Public Companies can invite public to subscribe any securities through Initial Public Offer and Further Public Offer

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Minimum No. of Directors	2	3
No. of Members	Minimum – 2 Maximum - 200	Minimum – 7 Maximum – No Limit
Issue of Securities under Section 23	(i) through private placement (ii) through rights issue or bonus issue	(i) to public through prospectus (ii) through private placement (iii) through rights issue or bonus issue

ROUTES FOR ISSUANCE OF SECURITY

1. Public Issue or Offer: It can be classified as Initial Public Offer ("IPO"), Further Public Offer ("FPO") and Offer for sale ("OFS").

In IPO, any Unlisted Company can offer equity and convertible securities to the public for subscription including offer for sale by any existing holders of equity and convertible securities in that unlisted company. In FPO, the Issuer is already a listed Company offering fresh equity and convertible securities to the public for subscription including offer for sale by any existing holders of equity and convertible securities in that unlisted company.

Particulars	Important Regulations under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations")
Who can issue	Company or Body Corporate
Not Eligible to make IPO	(i) If Issuer, Promoters group, Promoters or directors or selling shareholders are debarred from accessing capital market by SEBI; (ii) If Promoters or Directors of Issuer is promoter or director of any other company debarred by SEBI (iii) If issuer or any of its promoters or directors is a willful defaulter. (iv) If any of its promoters or directors is a fugitive economic offender. (v) If there are any outstanding convertible securities or any other right which would entitle any person with any option to receive equity shares of the issuer
Eligibility Requirements	(i) Net tangible assets – Minimum 3 Crore or more each for 3 years; (ii) 50% Net tangible assets shall be held in monetary assets. If not, Issuer to make firm arrangements to utilize the excess amount; (iii) Limit of above 50% not applicable incase of OFS; (iv) Operating Profit must in each 3 preceding years and average operating profit to be 15 Crores during 3 preceding years; (v) Net-worth – Minimum 1 Crore each for 3 preceding years; Issuer if not satisfying the criteria then it can make an IPO through book – building process only.
General Conditions	(i) Apply to one or more Stock exchanges for in-principle approval; (ii) Choose one Designated Stock Exchange; (iii) Enter into agreement with Depository for dematerialization of equity and convertible instruments already issued and proposed to be issued; (iv) Promoters' holding to be in dematerialized form; (v) Existing Partly paid up shares shall be fully paid up or forfeited; (vi) The amount for General corporate purposes shall not exceed 25% of the amount being raised by issuer.
Conditions for Offer for Sale	(i) Only Fully paid-up equity shares can be offered for sale; (ii) Sellers holding for more than 1 year; (iii) If any Person who has been allotted equity shares on conversion of compulsory convertible instruments then the period of holding of compulsory convertible instrument and equity shares shall be more than 1 year and the conversion should have completed prior to filling of draft offer document.
Promoters' Contribution	20% of post-issue capital either by way of equity shares or by subscribing to convertible securities

Lock-in	**Securities held by promoters:** 3 years from the date of commencement of commercial production or date of allotment whichever is later. **Securities held by persons other than promoters:** 1 year from the date of allotment
Pledge of Locked in securities and Transferability of such specified securities	The promoters can pledge their locked in securities as collateral for a loan granted by any financial institution, scheduled commercial bank or systematically important NBFC to Company. The promoters can transfer locked in securities to another promoter or any person in promoter group or new promoter. Any person other than promoter can also transfer locked in securities to any person already holding locked-in securities before such transfer. However, Lock-in shall continue as the ICDR Regulations.
Appointment of Lead Manager and intermediaries	Issuer to appoint SEBI Registered Merchant Banker as Lead Manager. Issuer to enter into agreement with Lead Manager and other Intermediaries appointed in consultation with Lead Manager. Issuer to appoint Registrar to the Issue.
Filling of draft offer document	The draft offer document shall contain all disclosures as provided in Companies Act, 2013 and ICDR Regulations. Further, the draft offer document shall be filed with SEBI and Stock Exchanges. SEBI may specify the changes in draft offer document and incase the changes are recommended then the Lead Manager shall file updated offer document after carrying out all the recommended changes.
Draft offer document and offer document	The offer document to be filed with ROC and the same to be filed with SEBI and Stock exchanges. The draft offer document and offer document shall be made available on the websites of SEBI, Stock Exchanges and Lead manager for public comments
Allocation in Net offer	If Eligibility Requirements are met: not less than 35% - Retail Individual Investors not less than 15% - Non-Institutional Investors not more than 50% - Qualified Institutional Buyers (only 5% to Mutual Funds) If Eligibility Requirements are not met: not more than 10% - Retail Individual Investors not more than 15% - Non-Institutional Investors not less than 75% - Qualified Institutional Buyers (only 5% to be allotted to Mutual Funds)
Credit agency &Underwriting	The Issuer to appoint credit agencies and Underwriters in accordance with SEBI Regulations
Advertisements	Issuer shall make necessary advertisements and public announcements in compliance with SEBI Regulations
Opening of Issue, Period of subscription	IPO to be open for at least 3 working days and not more than ten working days. IPO shall be opened after 3working days from the date of filing with ROC. Minimum Subscription shall be at least 90% of the offer except in case of Offer for sale.

2. Rights Issue: Private Company and Public Company (whether listed or unlisted) can offer shares on rights basis by issuing a letter of offer to the existing shareholders in the proportion to their paid up share capital on those shares. Private Company and Public unlisted Company shall comply with provisions of Section 62 of the Companies Act, 2013 and rules made there under. In addition to the above, the Listed Company shall comply with ICDR Regulations.

Particulars	Companies Act, 2013
Compliances under Section 62(1) (a) (i) of the Companies Act, 2013	The Issuer shall approve the Issue of shares on rights basis in the Board Meeting and the draft letter of offer that needs to be sent to existing Shareholders. Unless the Articles of Association otherwise provide, the offer shall be deemed to include right to renunciation. The offer shall be open for Minimum 15 days and maximum 30 days. The Letter of offer shall be delivered through courier or electronic mode having proof of delivery at least 3 days before opening of the issue. However, a private company by obtaining 90% of the consent in writing or by electronic mode of the Members can specify the less time period as mentioned above. After receipt of application money, the Issuer can allot the shares.
Particulars	Important Regulations under ICDR Regulations
Applicability	The SEBI (ICDR) Regulations are applicable to those Listed Companies making Right Issue of Rs. 50 Crore or more.

Not Eligible to make Right Issue	(i) If Issuer, Promoters group, Promoters or directors or selling shareholders are debarred from accessing capital market by SEBI; (ii) If Promoters or Directors of Issuer is promoter or director of any other company debarred by SEBI (iii) If any of its promoters or directors is a fugitive economic offender.
General Conditions	(i) Apply to one or more Stock exchanges for in-principle approval; (ii) Choose one Designated Stock Exchange; (iii) Enter into agreement with Depository for dematerialization of equity and convertible instruments already issued and proposed to be issued; (iv) Existing Partly paid up shares shall be fully paid up or forfeited; (v) The amount for General corporate purposes shall not exceed 25% of the amount being raised by issuer.
Fixing Record Date	The Issuer shall fix a record date to determine the shareholders eligible to apply for specified securities in proposed right issue. If the Issuer withdraws the right issue after announcement of record date then it shall not be eligible to make application for listing of specified securities for a period of 12 months from record date.
Appointment of Lead Manager and other intermediaries	Issuer to appoint SEBI Registered Merchant Banker as Lead Manager. Issuer to enter into agreement with Lead Manager and other Intermediaries appointed in consultation with Lead Manager. Issuer to appoint Registrar to the Issue and Bankers to the Issue. A compliance officer shall be responsible for monitoring the compliance of securities laws and redressal of investors' grievances.
Filling of draft offer document and draft offer document to be made public	The draft offer document shall contain all disclosures as provided in the Act and SEBI Regulations. Further, the draft offer document shall be filed with SEBI and Stock Exchanges. SEBI may specify the changes in draft offer document and in case the changes are recommended then the Lead Manager shall file updated offer document after carrying out all the recommended changes. The Letter of offer shall be filed with SEBI and stock exchanges simultaneously when the same is filed with designated stock exchange. The draft offer document shall be made available on the websites of SEBI, Stock Exchanges and Lead manager for public comments
Abridged Letter of offer and ASBA facility	Every application form shall be accompanied by copy of abridged letter of offer. The Issuer shall provide ASBA facility in the manner provided by SEBI. The abridged letter of offer shall be dispatched through registered post or speed post or by courier service or by electronic transmission to all the existing shareholders at least three days before the date of opening of the issue.
Credit of rights entitlements	The rights entitlements shall be credited to the demat account of the shareholders before the date of opening of the issue.
Pricing	The Issuer shall decide the issue price in consultation with Lead Merchant Banker before determining record date. Issue price shall not be less than face value and be disclosed in letter of offer.
Security Deposit	Before opening of the subscription list, the issuer shall deposit 1% of the issue size with the designated stock exchange.
Advertisements	Issuer shall make necessary advertisements and public announcements in compliance with SEBI Regulations
Opening of Issue, Period of subscription	Right Issue may be open for within 12 months from the date of Issuance of observations of Board. The Right Issue shall be kept open for minimum 15 days and maximum 30 days. Minimum Subscription shall be atleast 90% of the offer.
Payment options	Issuer to give one of the options "payment in part on application" or "full payment on application" to all the shareholders. Part payment on application shall not be less than 25%of issue price.
Reports	Issuer shall submit necessary reports to SEBI and stock exchanges in compliance with SEBI Regulations

3. Preferential Issue: Both (Private and Public) Companies can issue shares on preferential basis under section 62 of the Companies Act, 2013 and rules made there under. However, the Listed Companies shall comply with ICDR Regulations.

Particulars	Important provisions under Companies Act, 2013
Who can issue	The Issuer can offer shares on preferential basis to select group of persons whether existing shareholders or not and the Issuer shall comply with Section 42 along with Section 62 of the Companies Act, 2013 and rules made thereunder. In case the Issuer is issuing shares only to existing members then special resolution for each of the offer or invitation is not required. The person so addressed shall be allowed to apply through such application is also not applicable.

Section 62 and Rule 13 of Companies (Share Capital and Debentures) Rules, 2014	Following are the compliances: (i) Issue is authorized by Articles of Association; (ii) Issue is authorized by Board of Directors and Members by passing special resolution; (iii) Disclosures made in explanatory statement to the Notice of General Meeting; (iv) Allotment to be completed within 12 months of date of special resolution; (v) Valuation report from registered valuer is required (vi) Comply with Section 42 of the Companies Act, 2013 and rules made thereunder.
Section 42 and Rule 14 of Companies (Prospectus and Allotment of Securities) Rules, 2014	(i) Issue is authorized by Board of Directors; (ii) Issue is authorized by Members by passing special resolution; (iii) Disclosures made in explanatory statement to the Notice of General Meeting; (iv) Shares can be issued to persons identified by Board and the identified persons excluding Qualified Institutional Buyer and Employees under Employee Stock Option Scheme shall not exceed 200 in a financial year. (v) Valuation report from registered valuer is required (vi) Private Placement Offer letter to be given in Form PAS 4 and the record of all offers given to be maintained in Form PAS 5. (vii) Allotment to be made within 60 days from the date of receipt of application money and the same shall be kept in a separate Bank account in scheduled bank. (vii) The Company cannot use funds until Form PAS 3 is filed with ROC and the return shall be filed within 15 days from the date of allotment of securities.
Particulars	**Important Regulations under ICDR Regulations**
Not Eligible to make Preferential Issue	Preferential Issue shall not be made to: (i) any person including promoter or promoter group who has transferred equity shares of the issuer in last 6 months. The above restriction shall not apply incase inter-se transfer between promoters (ii) Promoter and promoter group who subscribed for warrants and failed to exercise the same and shall remain ineligible for preferential issue for 1 year. (iii) If any of its promoters or directors is a fugitive economic offender.
General Conditions	(i) Fully paid up Equity Shares shall be allotted in dematerialized form (ii) Special Resolution is required (iii) Compliance with SEBI (Listing Obligations and Disclosure Requirements), 2015 (iv) Disclosures to be provided under Explanatory Statement to Notice of General Meeting (v) Pricing of frequently traded shares to be decided on the basis of weighted average of weekly high and lows during twenty six weeks and two weeks preceding the relevant date. (vi) Pricing of infrequently traded shares to be decided on the basis of valuation report obtained from an independent valuer.
Relevant Date	In case of equity shares, 30 days prior to the date of the meeting of shareholders to consider the proposed preferential issue. In case of a preferential issue of convertible securities, 30 days prior to the date of the meeting of shareholders to consider the proposed preferential issue or 30 prior to the date on which the holders of the convertible securities become entitled to apply for the equity shares.
Tenure	The tenure of Convertible securities shall not exceed 18 months from the date of allotment
Lock-in	**Securities held by promoters:** 3 years from the date of trading approval **Securities held by persons other than promoters:** 1 year from the date of trading approval

4. Bonus Issue: Both (Private and Public) Companies can issue shares on bonus issue under section 63 of the Companies Act, 2013 and rules made there under. However, the Listed Companies shall comply with SEBI (ICDR) Regulations.

Particulars	Important provisions under Companies Act, 2013
Section 63	Fully paid up Bonus Shares can be issued only out of free reserves, securities premium and the capital redemption reserve account; Further, the Capitalization of Profits or reserves for issuing bonus shares if: (i) Issue is authorized by Articles of Association and Board of Directors; (ii) Issue is authorized by Members; (iii) Not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it; (iv) Not defaulted in payment of dues of employees; (v) Partly paid up shares are made fully paid up;

Particulars	Important Regulations under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
General Conditions	(i) All conditions mentioned above under Companies Act, 2013; (ii) any of its promoters or directors is not a fugitive economic offender;
Completion of Bonus Issue	(i) Bonus Issue to be implemented (i.e. commencement of trading of Shares) within 15 days from the date of approval of Board in case resolution from shareholders is not required for capitalization of profits; (ii) The Bonus Issue shall be implemented within 2 months from the date of approval of Board. (iii) A Bonus Issue once announced shall not be withdrawn

CONCLUSION

India's rankings on Ease of Doing Business have improved rapidly in the last few years and the Central Government has come out with many reforms in ancient laws simultaneously launching schemes promoting Local manufactured goods such as Atmanirbhar Bharat, Make in India. Post launch of such schemes, many Companies have also pledged to reduce imports from China from current financial year onwards. The goods imported from China are cost effective and it will be interesting to see whether Indian companies can produce or manufacture goods in India at a competitive cost. If India can manufacture at competitive cost then India can also become manufacturing hub of the World.

In order to promote local manufacturing, many companies including Startups are eyeing on raising funds from Public or private investments. The Government of India shall come up with certain relaxations or schemes to revive few sectors including Auto, MSME, Banking and Real Estate sectors which have been adversely hit by Covid-19.

With cases of Covid-19 reaching new heights on daily basis, India is also encountering other problems such as health services in rural areas, unemployment due to job loss, failing sectors, contracted GDP. However, many economists have predicted that the recovery of global economy will be slow and there is no sign of growth in this fiscal year. It is indeed a challenge to re-open the economy and also curtailing the spread of Covid-19. Indian economy is reviving slowly and steadily but it will be a big test for Indian government to keep the economy open or impose lockdown again in case second wave of Covid-19 comes.

ARTICLE

BASICS OF FUND RAISING BY START-UP COMPANIES

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START-UP funding is the money needed to launch a new business. It can come from a variety of sources and can be used for any purpose that helps the start-up go from idea to actual business.

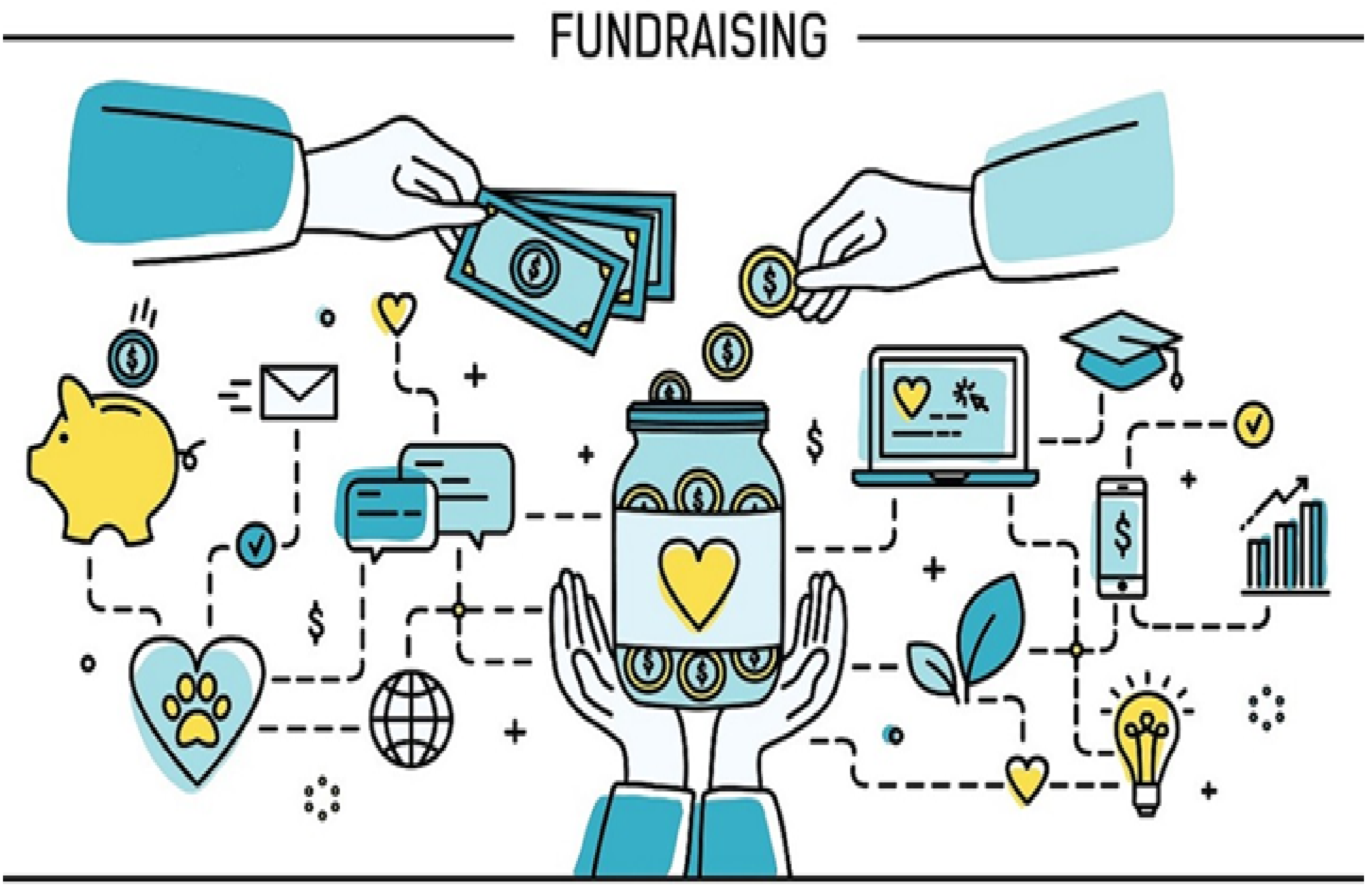
Funding increases your visibility and attracts the attention of the market. It adds value to your business and as a showcase to prospective partners and customers, as well as to future investors that you are worth considering.

As per official government website of Start-up India, Funding refers to the money required to start and run a business. It is a financial investment in a company for product development, manufacturing, expansion, sales and marketing, office spaces, and inventory.

Many start-ups choose to not raise funding from third parties and are funded by their founders only (to prevent debts and equity dilution). However, most start-ups also do raise funding, especially as they grow larger and scale their operations.

Why is Funding Required? – A start-up might require funding for one, a few, or all of the following purposes. It is important that you, as an entrepreneur, are clear about why you are raising funds. You should have a detailed financial and business plan before you approach investors.

- Prototype creation, product development, website/ app development
- Team hiring
- Legal and consulting services for your start-up
- Raw materials and equipment
- Licenses and certifications
- Working capital
- Marketing and Sales
- Office space and other admin expenses



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HOW TO RAISE EQUITY FUNDING?

The entrepreneur must be willing to put in the effort and have the patience that a successful fund raising requires. The fund-raising process can be broken down into the following steps:

Assessing Need for Funding

- The startup needs to assess why the funding is required and the right amount to be raised. The startup should develop a milestone based plan with clear timelines regarding what the startup wishes to do in the coming years.
- A financial forecast is a carefully constructed projection of company development over a given time period, taking into consideration projected sales data, as well as market and economic indicators.

Assessing Investment Readiness

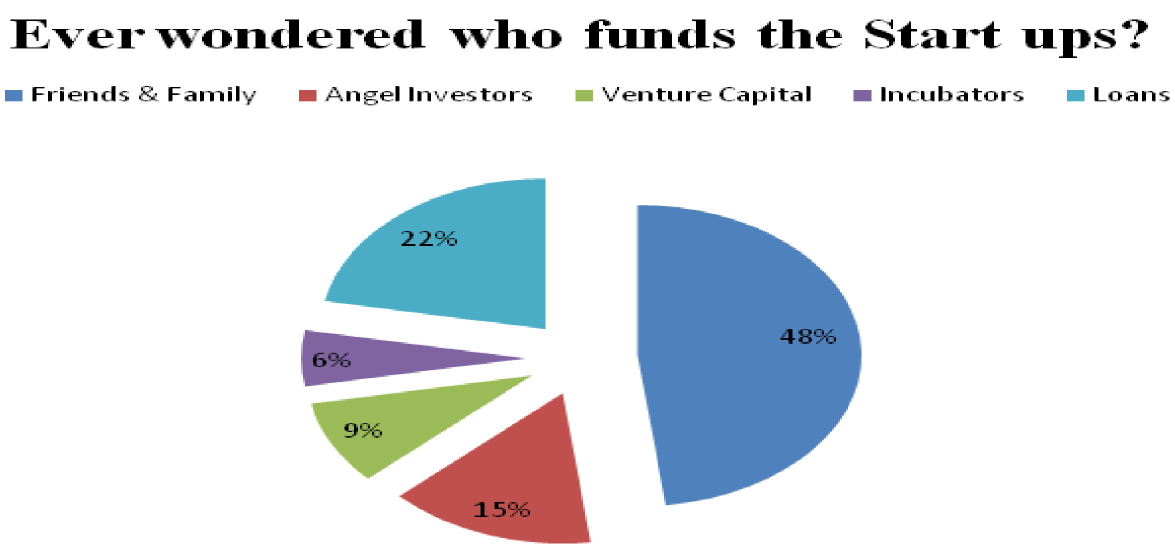
- While it is important to identify your requirement of funding, it is also equally important to understand if your startup is ready to raise funds. Any investor will take you seriously if they are convinced about your revenue projections and their returns.

Preparation of Pitchdeck

- A pitchdeck is a detailed presentation about the startup outlining all important aspects about the startup. It is an easy and an informative way to showcase your startup plan. This can help lure the investors easily becuase of its easy understanding.

Investor Targeting

- To target the right set of investors, it is necessary to research their past investments in the market and speak with entrepreneurs who have successfully raise d equity funding.



Friends & Family – It may come as a surprise, but friends and family invest the most money in start-ups. Seeking investments from friends and family can be an ideal way to raise seed money to get your company off the ground. This group can also be a great resource for very long-term investments, motivated more by loyalty and support than by strict return on investment. These close circles generally consist of the individuals most likely to feel a strong affinity for your brand or simply to you.

Angel Investors – Angel groups are organizations formed by individual angels interested in joining together to evaluate and invest in entrepreneurial ventures.

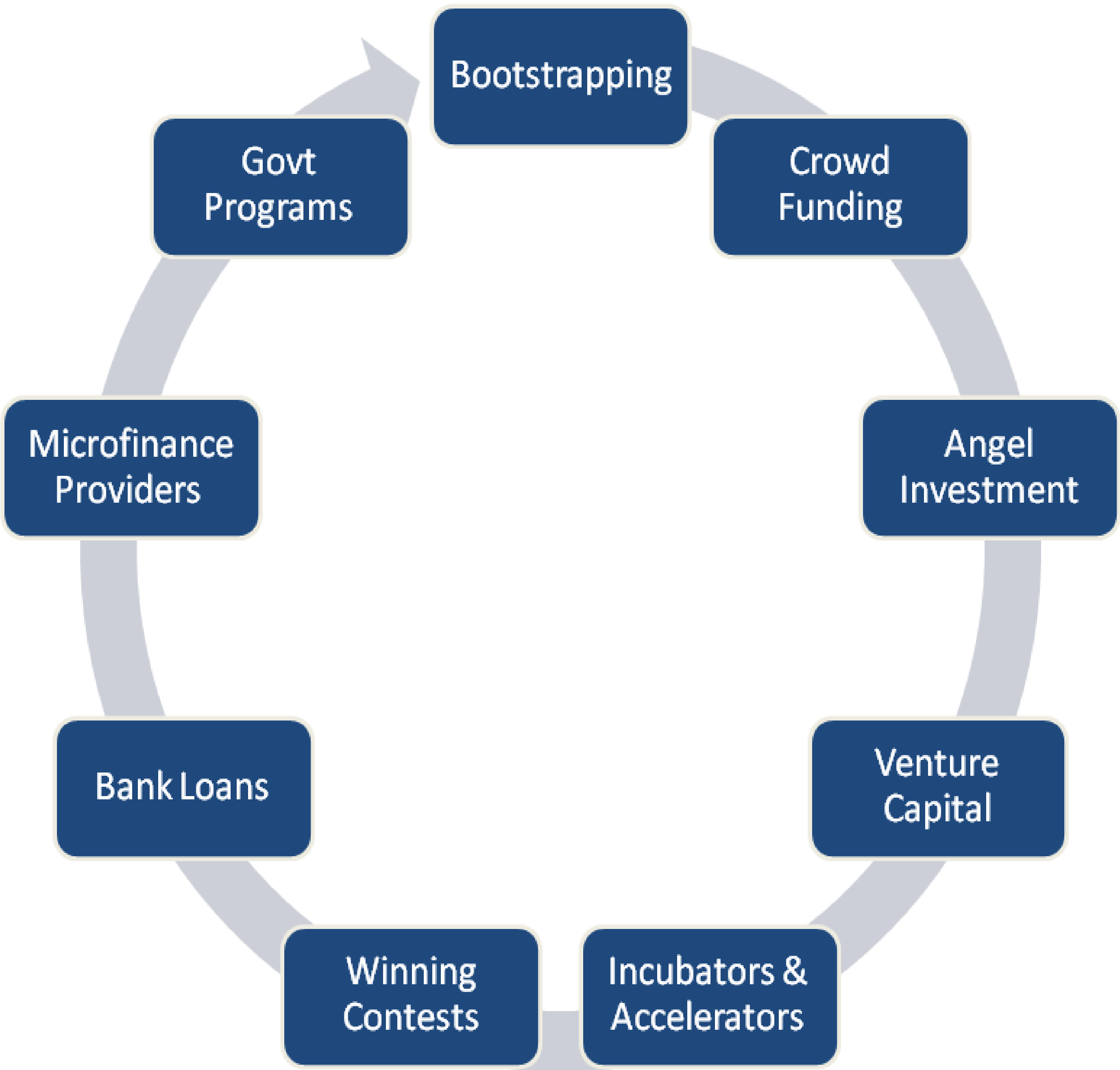
Venture Capital –Venture capital firms are in the business of reviewing, assessing, and investing in new and emerging businesses.

Incubators & Accelerators – Incubators and accelerators all over the world have been created as lifelines for companies to take their first steps, grow, and thrive as a sustainable business. Most commonly, they provide resources like office space, mentorship, and in some cases, they even offer seed funding.

Loans – Start-up Loans are personal loans that are used to start a new business or grow an existing business. Your loan can be spent on a wide range of things related to your business, like equipment and stock, premises, marketing and promotional expenses to name just a few.

Bootstrapping – It is a term used in business to refer to

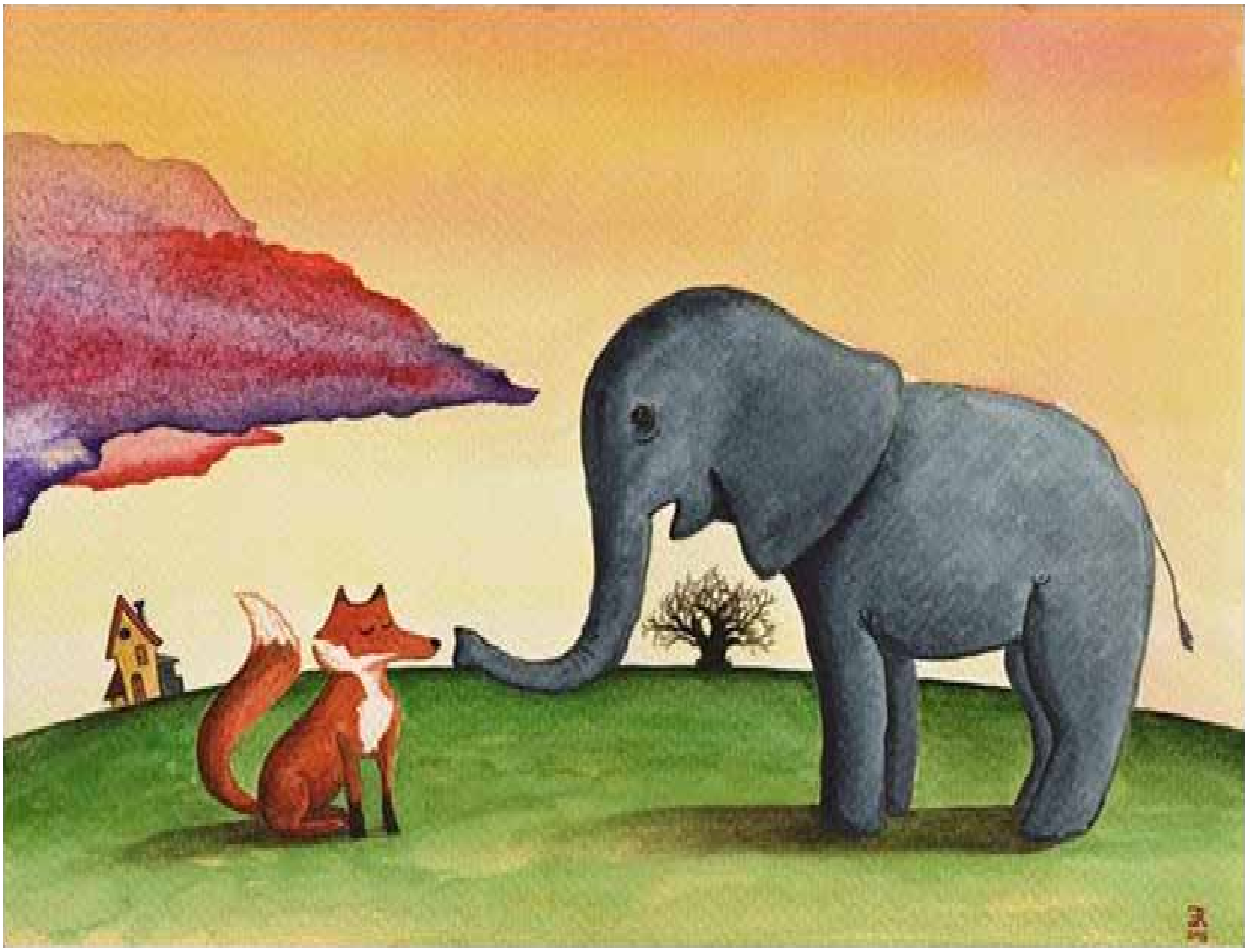
INTERNATIONALLY ACCEPTED FUNDING OPTIONS TO RAISE START-UP CAPITAL FOR YOUR BUSINESS



the process of using only existing resources, such as personal savings, personal computing equipment, and garage space, to start and grow a company.

Crowd Funding – Crowd Funding refers to the act of raising funds from multiple individual investors or donors for a product or service by sharing some details as well as a development roadmap on a crowdfunding platform. However, as of now this method is not much trusted and popular source in India.

Public Issue – This is one another method of raising funds at large from general public. In a country like India, coming up with a public issue is very expensive and a lengthy process, which makes it not a viable method.



WHEN A FOX MEETS AN ELEPHANT

The Fox is said to be one of the most intelligent animals in the world. Here the term fox has been used for the start-up, which needs support in terms of resources and financially to successfully kick off their young start-up.

The Elephant is said to be the most elegant, powerful, resourceful and a loyal friend. Here the term Elephant has been used for the business which already exists in the market for a long period and which has sheer experience and resources for running the business.

The author has come with a new concept and the term "When a fox meets and an elephant" which conveys a message that, a young start-up, rather than approaching to the investors, loan vendors or incubators, should approach a business which already exists in market for a long period, which is a non-competitor and deals in a product or service, in which the start-up is going to deal in major part.

For instance, a Start-up has come up with an idea and a vision to produce Fans &Water coolers, which requires 80% of Steel & Iron as a resource to produce the product. To save such a cost, a Star-up should approach to a Steel & Iron vendor, with an investment plan. This will benefit both the start-up and the vendor, as the start-up will get the produce on cost basis along with profit & Loss sharing and the Steel vendor is already mass producing the product, so it will bear the lower costs and will also be sharing profits & losses and a chance to be part of a newer domain.

Benefits for Start-up aka Fox:	**Benefits for Business aka Elephant:**
Need for initial funding is less	Inexpensive product
Loss is shared	Newer Domain
Faster Growth	Less Expenditure
Mass production	Profit Sharing
Involvement of experienced Brains	Involvement of fresh blood and young minds

PROFESSIONALS NAVIGATING START-UPS THROUGH FUNDRASING

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Funding' refers to the money required to start and run a business. It is a financial investment in a company for product development, manufacturing, expansion, sales and marketing, office spaces, and inventory. Many startups choose to not raise funding from third parties and are funded by their founders only (to prevent debts and equity dilution). However, most startups do raise funding, especially as they grow larger and scale their operations.

Funding is crucial for improving technology, hiring the right people, and launching a comprehensive marketing strategy to get a foothold in the market. However, sourcing enough money to start anew venture can be difficult. Funding the startup or business idea is a tough nut to crack. Whether while approaching a venture capital firm or trying luck on a crowd funding site, there will be multiple hurdles while in search of funds.

IS A LEGAL CONSULTANT NECESSARY FOR STARTUPS?

The answer is yes! A legal consultant can provide much-needed support to new entrepreneurs in running a business successfully. The notion that a startup does not need a lawyer is misconceived. This often ignored aspect of startup venture is actually a very important one and must be looked into with just as much caution.

The main areas where Startups need Professional assistance are as follows:

Business Incorporation

Generally, new startup owners are first-time entrepreneurs who lack the proper expertise and knowledge required to incorporate, manage or grow a business. Startup owners require legal assistance to give their business legal protection that they may not be qualified or able to give. A legal consultant can assist an entrepreneur in laying down the foundations of his/her business, choosing the right legal structure, giving it a legal identity and protecting it and themselves from unwanted liability.

Registration and Documentation

A legal consultant can also support the startup founders in getting the requisite licenses and permits to start a new business in India, protecting the Intellectual Property of the startup and manage the documentation requirements such as drafting of co-founders agreement, term sheet, share subscription agreement, employee agreements, NDAs, service agreements, property documents, etc.

Litigation

Sometimes, a startup may find itself stuck in a legal dispute with a client, vendor, business partner, shareholder, or even its own employees. A startup may not be able to bear the grunt of a legal conundrum and end up paying a large amount in legal fees. An outsourced legal consultant can not only suggest the right approach to the startup to deal with legal disputes but also provide guidance to intercept such disputes in advance.

Legal Compliance

There are numerous legal compliance requirements of a startup - compliance with labour and employment laws, corporate laws, consumer protection laws, FDI, taxation laws, and much more. Legal compliance requirements of a startup directly affect the legal health and overall functionality of a business. A legal consultant can help the startup in managing and fulfilling its legal compliance requirements with ease and avoiding any scrutiny or action from concerned authorities.

THE EVOLVING ROLE OF THE STARTUP LEGAL PROFESSIONALS

The Company Secretaries, Chartered Accountants, lawyers play a vital role in advising clients and help carry out compliance activities in the form of incorporation services, corporate compliance and labour practices. They help in structuring the company, set up cross-border entities, handle regulatory compliance, manage relationship with employees, customers, vendors and other parties, protect intellectual property and deal with funding and exit scenarios including drafting, vetting and negotiating commercial contracts and providing general advisory on issues that may arise in the day-to-day operations of a business.

Angel networks and VCs conduct a thorough due diligence of the startup before finalizing any equity deal. They look at the start-up's past financial decisions and the team's credentials as well as background. This is done to ensure that the startup's claims regarding the growth and market numbers can be verified as well as to ensure that the investor is able to identify any objectionable activities beforehand. If the due diligence is a success, the funding is finalized and completed on mutually agreeable terms. Unfortunately, it is very common for startups to have problems with their legal paperwork that hinders there funding process. Many startups had costly errors with their legal paperwork - usually the result of using low-quality services or DIY approaches. Even if there are no such problems, it's also possible that the startup's legal paperwork is not compatible with global standard products. For these reasons, it's important to have any expert professional look over your startup's legal paperwork before moving forward for Fund Raising.

Engaging experience professionals will make legal

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paperwork easier for startups as they have the right legal expertise. Enrolling Company Secretaries or Chartered Accountants or Legal Professionals is the most popular way for startups to get formation paperwork done, and have products covering everything else typical seed-stage startups need.

Legal Professionals help early stage ventures with their fund-raising process as well as services relating to investor readiness. They leverage the best practices of investment banking practice, to provide seamless execution on assignments to their clients.

Time is a valuable resource while starting up and thus, ensure a hands-on approach to ensure minimal disruption of operational bandwidth for entrepreneurs therefore involving experience Company Secretaries or Chartered Accountants or Legal Professionals to provide an easy and speedy process to handhold entrepreneurs on end-to-end execution for fundraising. Their careful curation of startup opportunities by way of a deep dive into business models, backed by extensive research helps entrepreneurs present a relevant deal pipeline to investors.

Professionals leverage their domain knowledge to effectively position the client's business to a wide yet curated set of investors in India and globally. Investors range from Venture Capital funds, Corporates, Family Offices to HNIs/ Angels. The right professional can make the world of difference for a venture funded startup - Legal expenses are a meaningful part of most startups' spending.

A startup lawyer or legal consultant can prepare the startup for maximizing its legal security from any unforeseen legal complications in the future. A legal consultant in India can also assist the startup in forming a legal opinion about important business transactions so that any legal risk associated with the transaction is perceived and mitigated in advance. Experienced Legal Professionals such as Company Secretaries, Chartered Accountants, Lawyers can help Startups at each step with a wide range issues from formation of the Startup to Fundraising, Hiring, Commercial, Up-scale and Maintenance for the lifetime of the Startup. The main role and responsibility of a legal consultant are to provide assistance to the business in all its legal matters. A legal advisor also provides guidance and support for documentation, negotiations, litigation, registrations, legal compliance, and keeping the overall legal health of the startup in check.

The startup legal consultant in India is also responsible for suggesting the best legal opinion for legal technical matters such as consumer disputes, internal employee disputes and complaints, and labour law compliance; drafting and vetting of watertight commercial contracts; conducting legal research for business expansion; overseas expansion, etc.

To summarise, the main responsibilities of a legal professional in India include:

- Providing expert support and opinion on legal matters.
- Suggesting strategies for the startup to mitigate risk.
- Helping the business identify the situations which require legal attention.
- Providing support for drafting and vetting of contracts.
- Guiding the business for its legal compliance management.
- Structuring and documenting foreign investment and securities transactions and mergers and acquisitions;
- Incorporation advice and services
- Drafting, vetting and negotiating commercial contracts;
- Providing general advisory on issues that may arise in the day-to-day operations of a business.
- Employment Agreements
- Due diligence reviews of employment law liabilities in corporate acquisitions
- Employment handbooks & Corporate Policy
- Advice on sexual harassment and discrimination claims
- Human Resources Compliance & representation before Labour Court
- Equity Fund rasing
- Debt Advisory
- Mergers & Acquisitions
- MIS and Process Improvements
- Accounting/Compliance/ Taxation
- Finding the right Funding Option
- Assessing Need for Funding
- Assessing Investment Readiness
- Preparation of Pitchdeck
- Investor Targeting
- Assess company valuation
- Forecast market size
- Develop investor milestones
- Prepare cap table
- Build employee stock option
- Provide EIS/SEIS support
- Solidify financial projections
- Develop KPIs

Everything is regulated by law - from property and jobs to social interactions with others, be it personal or professional - and running a business is no different. Business incorporation, management, compliance and even shutting down the shop are regulated by law, and a startup comes face-to-face with numerous legal hurdles in its lifetime. Therefore, consulting legal consultants is the best way for startups to handle their legal needs as an experienced and knowledgeable legal counsel to gives business the help it needs to have a strong legal foundation while saving a lot of time, money and energy and enables the entrepreneurs to focus on their innovation authorizing legal consultants to navigate the business through all legal compliances.

Legal Professionals helps startup founders get legal paperwork done safely, with confidence, so they can get back to building their startup. Hiring a proper, skilled and relevant lawyer for helping and guiding Entrepreneurs at every step of venture will go a long way in protecting it in the long run.

Crowdfunding: A godsend blessing for Start-ups

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Money is capable of turning greatest idea or notion into whopping venture. But it may not be necessary that every enthusiastic is in possession of this vital element of entrepreneurship. Necessity has always been the mother of invention and this is how the concept of raising fund has come into evolution.

Fund is a corpus of resources and utilised by the business houses at different intervals and as per their necessity. Start Up Company is the new concept and usually the brilliant brain is behind the endeavour. Since most of the Start Ups are founded by freshly qualified or young minds with great zeal and innovative ideas, the money element is always they find deprive of. Crowdfunding is simply an answer to their quest, which allows organisations as well individuals to obtain fund which is otherwise not possible for fresh entrepreneurs to obtain from traditional sources like banks, financial institutions, stock markets etc.

Crowdfunding is a financing technique that uses online social networking sites and web- based platform to raise capital. It refers to the act of raising funds from various small or individual investors for a product or service by way of sharing ideas, techniques and some details of basic development roadmap of the upcoming startup on the crowdfunding website or platforms. The basic difference between traditional sources of fund raising and crowdfunding is that, crowdfunding provides finances to the infant enterprises at their seed or idea stage. Entrepreneurs can very well rely on crowdfunding to fund their investments. Simply, the benefits can be understood from the following:

1. Crowdfunding is potentially capable to foster innovation and promote invention, improvement and advancement by offering new sources of capital to innovation-driven enterprises and Start-Ups.
2. Crowdfunding helps in reducing the funding gaps of demand and supply for innovative StartUps.
3. Crowdfunding paves the way for the crowd/ the people to participate in the innovative & revolutionary ventures by providing feedback, support and suggestion to the entrepreneur.
4. Crowdfunding is a proven marketing platform for existing organisations as well and thus in this way it helps in boosting reliance factor for innovative driven enterprises.
5. Crowdfunding provides vital feedback in various forms including innovative ideas on product development based on need & resource availability, limitation and shortcomings of the developed product and finally suggestions to make improvement.
6. Presently Crowdfunding has step-in to India, foremostly in social impact businesses, medical expenses and few charitable bases.
7. The trend of crowdfunding is gaining impetus gradually, and showing definite signs of significance in the startup ecosystem of India.
8. However, at present a petite percentage of businesses in India have chosen crowdfunding is around 1%.

Now after understanding the basic meaning, the gains and recent trends of crowdfunding. It is inevitable to understand various models of crowdfunding.

Different Models of Crowdfunding:

1. Equity-based Crowdfunding

In cases where risk factor associated with venture is high such as tech driven startups, entrepreneurs instead of offering free gifts or rewards offer equity or shares in their company. It is more related to the future prospects of the venture and decisions of investors depend on their discretion and understanding about product or service to be offered by the startup.

2. Lending -based Crowdfunding

In this model too, investors get equity in the venture as reward for their funding, but at a fixed rate of return just like the interest payment. The basic difference from earlier one is that the latter qualifies investors to earn higher returns dependent upon the profit's generation associated with the growth of start up. But the cost of this gain is more risk & insecurity.

3. Donations/Social Crowdfunding

Here, the social causes and concerns are addressed by accumulation of fund from investors by the crowdfunding sites or platforms. These social causes may be patients of acute diseases, healthcare, natural calamity, conservation of natural social resources. Here the motive is more charity based and thus no return is expected by the investor.

4. Pre-order Crowdfunding

In this model, the funding is made by the investors against commitment that first batch of products or services upon the business progressing shall be made available to them i.e. pre-orders of product or service.

5. Reward-based Crowdfunding

This is a reward-based model where entrepreneur mandatorily offers rewards or benefits of their upcoming product or services to the prospective investors towards funding

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of their business. It is more suitable in creative pursuits or creativity-oriented ventures like of articrafts, apparels, lifestyle or personalised products etc. where immediate and genuine feedback from users play the pivotal role. It helps immensely the entrepreneurs in stabilise, upscale, adapt and groom as per market dimensions.

Major shapers of ideas or startups through crowdfunding in India :-

Kickstarter, Wishberry, Ketto, Indiegogo, MesoTown, ImpactGuru, Catapooolt, FuelADream, Fundable and Dream Wallets majorly operational in the Indian market with proven rack of providing healthy options to the startups for fund raising. Some of them are working on reward-based model whereas some are donation/social crowdfunding.

In the recent times, Amazon India has launched Amazon Wings, a crowdfunding initiative for the sellers that operate on its marketplace. Amazon Wings support sellers to launch products in the market through funding from Amazon's user base in the country.

Similary, Ketto is focussed on supporting and promoting early-stage sellers to raise funds for their product development and growth.

Although in India the crowdfunding is at its teen aging stage but keeping in view the advantages & benefits dwells out of it soon it will get maturity. The startup ecosystem is balancing itself with more innovative and modernisation approach. The dual participation of investor & entrepreneur based on idea or notion at the seed stage is the spirit of crowdfunding approach. It is more founded on faith and altercation of idea/notion and feedback relating to improvement and stability.

In this COVID 19 times, when the big organisations are at shattering stage and more attrition and laying off is glooming the society, the brilliant minds and innovative brains are all set to come up with their treasure hunt. In such scenario, crowdfunding will definitely prove its mettle and will pull attention of market regulators like SEBI to provide it due validation. The regulatory norms towards smooth fund raising, investment process, lowering capital cost will provide security and reliance to the investors towards Crowdfunding and ultimately the blessing to the startups.

ARTICLE

"Fund Raising by Start-ups and New FDI Norms"


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"Fundraising is a marathon and not a sprint." The process is punishing, and riskier than you might imagine. You need to prepare for it as diligently as you would for a race. Prepare for rejection. A lot of it. You will get more "no's" for every "yes." Don't get demoralized.

Funds, i.e. Cash and Liquidity is the basic need for every business to run. An enterprise can easily be set up for self-employment. The major eligibility criteria are return on the investment and profitability of the project proposed to be set up. Fund raising will help Entrepreneurs / Businesses to get financial aid and source of liquidity to run business.

There are various types of fundraising options available in the market and no 'one-size-fits-all' approach. To survive and thrive in a changing world, a Start-up organization must develop a fundraising plan.

Let us discuss types of fundraising options available to Start-ups:

Sl.	Types of Fundraising	Briefing
1.	Equity Financing	A process under which capital will be raised through the sale of Equity Shares of the particular Company. Equity financing is used when companies, often start-ups, have a short-term need for cash. It is typical for companies to use equity financing several times during the process of reaching maturity. **For example,** • an entrepreneur's friends and family, investors, or an initial public offering (IPO). • Industry giants raised billions in capital through IPOs. **Risk factor** for the investor is higher because there is no guarantee against his investment made though
2.	Debt Financing	A process under which a company borrows money to be paid back at a future date with interest, known as debt financing. There are two types of debt financing: secured and unsecured. Debt Fund has very less involvement in decision making. **Pressure for Repayment for startups:** More pressure for startups to adhere to repayment timeline and as a result more pressure to generate cash flows to meet interest repayments **Sources of debt financing includes:** Banks, Non-Banking Financial Institutions, Government Loan Schemes (CGTMSE, Mudra Loan, Standup India)
3.	Grants	Grants are the sum of money given or awarded by government to the business that you don't have to pay back, i.e. Grants are non-repayable funds. **Re-payment pressure:** No pressure for repayment as grants are a form of monetary support provided for a specific purpose. **Sources of fund-raising through grants includes:** Central Government, State Governments, Corporate Challenges, Grant Programs of Private Entities

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Sources of funding

i. Bootstrapping- Self-funding or bootstrapping is an effective way of financing, particularly when you are just starting your business. First-time entrepreneurs often have trouble getting funding without first showing some traction and a plan for potential success. You can invest from your own savings or can get your family and friends to contribute. This will be easy to raise due to less formalities/compliances, plus less costs of raising.

ii. Crowdfunding- Crowdfunding is any financing method that involves taking small amounts of money from a large number of individuals. The people who fund these projects and entities may do so without expecting anything in return—they're donations to a cause they support. Others fund these projects in exchange for products, services, or equity in the entity.

iii. Angel Investment- An angel investor is a person who invests in a new or small business venture, providing capital for start-up or expansion. Angel investors are typically individuals who have spare cash available and are looking for a higher rate of return than would be given by more traditional investments.

iv. Venture Capital- It is a private or institutional investment made into early-stage / start-up companies (new ventures). Ventures involve risk (having uncertain outcome) in the expectation of a sizeable gain. Venture Capital is money invested in businesses that are small; or exist only as an initiative, but have huge potential to grow. The people who invest this money are called venture capitalists (VCs). Venture Capital investment is also referred to risk capital or patient risk capital, as it includes the risk of losing the money if the venture doesn't succeed and takes medium to long term period for the investments to fructify.

v. Incubators & Accelerators- Early stage businesses can consider Incubator and Accelerator programs as a funding option. Though used interchangeably, there are few fundamental differences between the two. Incubators are like a parent to a child, who nurtures the business providing shelter tools and training and network to a business. Accelerators are more or less the same thing, but an incubator helps/assists/ nurtures a business to walk, while accelerator helps to run/take a giant leap.

vi. Raise Funds by Winning Contests- An increase in the number of contests has tremendously helped to maximize the opportunities for fund raising. It encourages entrepreneurs with business ideas to set up their own businesses. In such competitions, you either have to build a product or prepare a business plan. Winning these competitions can also get you some media coverage.

vii. Bank Loans- The bank provides two kinds of financing for businesses. One is working capital loan, and other is funding. Working Capital loan is the loan required to run one complete cycle of revenue generating operations, and the limit is usually decided by hypothecating stocks and debtors. Funding from bank would involve the usual process of sharing the business plan and the valuation details, along with the project report, based on which the loan is sanctioned.

viii. Business Loans from Microfinance Providers or NBFCs- Microfinance is basically access of financial services to those who would not have access to conventional banking services. It is increasingly becoming popular for those whose requirements are limited and credit ratings not favoured by bank.

Similarly, NBFCs are Non-Banking Financial Corporations are corporations that provide Banking services without meeting legal requirement/definition of a bank.

ix. Government Programs- The Government of India has launched 10,000 Crore Start-up Fund in Union budget 2014-15 to improve start-up ecosystem in India. Government backed 'MUDRA' was also started with an initial corpus of Rs. 20,000 Crores to extend benefits to around 10 Lakhs SMEs. Also, different states have come up different programs to encourage small businesses.

x. Others (Product pre-sale, selling assets, credit cards etc.)- Selling your products before they launch, selling assets to overcome crisis situation and using credit cards for instant money, keeping in mind that the interest rates and costs on the cards can build very quickly can be other ways of raising money but to be used with caution.

Reasons for funding

Reasons	Particulars
Scale up operations	One of the most prominent reasons for funding is to scale up your operations, for expansion and achieve economies of scale.
Establish a competitive advantage	Another reason is to establish a competitive advantage over your competition and quickly acquire a substantial market share.
Funding short term operational expenses.	The third reason is to fund your short-term operational expenses or working capital.
Research and development.	In very few specific cases, depending on the nature of the business, the business might demand a considerable gestation period or extensive research and development. For these businesses, it is imperative to get funding from the start without which the company cannot be set up. This kind of funding is generally applicable if the product is unique and innovative.

Apart from these reasons and a few exceptions, you would struggle to justify your funding need. Ensure that you create a strong foundation for the business before looking for funding. Seeking funds for wrong reasons is a recipe for disaster.

What do investors look for before investing?

Let us understand the investment criteria from the investors' point of view that drives an investment.

Key points	Briefing
Idea and its potential	The starting point is the idea and its potential. The idea must be feasible, scalable, unique, and innovative and must have a market opportunity.
Business	The investors also focus on the business, including the credibility and credential of the core team and their ability to execute the idea. The business model and revenue model, along with your positioning, pricing, and cost structures, are equally important.
Future potential	Investors not only focus on the present but also the future potential of the business, which can be showcased through a well-drafted business plan, which includes the business strategies, the usage of funds, value proposition, and the exit strategy.
Return on investment	Along with all of these, the most crucial point that the investors look for is the return on investment. It is essential that the investors feel confident of the investment proposition and are convinced that they will be able to earn back their investments.

Documents preparation

All documents have to be well-structured so investors can read and understand immediately. Entrepreneurs must spend adequate time and effort researching, creating, and preparing the components of the pitch before approaching the investors.

Investor Pitch Deck	Business Plan
It's the first communication you send to the investor and it's approx. 10-page presentation.	It's an in-depth document that will outline everything about your business – from history to vision/mission, from strategies to exit plan – it will have it all.

How can an Indian company receive foreign investment?

The routes under which foreign investment can be made are as under:

- Automatic Route: Foreign Investment is allowed under the automatic route without prior approval of the Government or the Reserve Bank of India, in all activities/sectors as specified in the Regulation 16 of FEMA 20 (R).
- Government Route: Foreign investment in activities not covered under the automatic route requires prior approval of the Government. Procedure for applying for Government approval.

FDI Policy (Foreign Direct Investment):

- **What is FDI and FDI Policy:**

FDI: FDI stands for "Foreign Direct Investment" and it is an investment in a business by an investor from another country for which the foreign investor has control over the company purchased. FDI is the sum of equity capital, long-term capital, and short-term capital as shown in the balance of payments. FDI is important for Economic Growth of every country. It is source of foreign funds to boost Industrial Sector and smooth running of Business operations.

FDI Policy: FDI Policy is a set of rules and regulations laid down by Government and prescribes the foreign investment cap in specified industrial sectors. In India, Investors From Border States Need Government Approval To Invest In Indian Companies.

- **Overview of FDI Policy Amendment:**

Government of India, Ministry of Commerce & Industry, Department for Promotion of Industry and Internal Trade (DPIIT), FDI Policy Section vide press note 3 (2020 series) dated 18th day of April, 2020 has reviewed the Foreign Direct Investment (FDI) policy and has amended para 3.1.1 of extant FDI policy as contained in Consolidated FDI Policy, 2017 and the same decision will take effect from the date of FEMA notification.

- **Why FDI Policy amendment required:**
    - All Countries, including India are suffering from COVID-19 outbreak.
    - Stock Market is badly hit and has reacted to recent unpredictability with large drops.
    - For curbing opportunistic takeovers/acquisitions of Indian companies due to the current COVID-19 pandemic.
    - To bar automatic investments by neighboring countries in policy.

- **Comparative Analysis of Amendment in FDI Policy made by Govt. of India**

Current Clause (before change)	Revised Clause (after change)
Para 3.1.1: A non-resident entity can invest in India, subject to the FDI Policy except in those sectors/activities which are prohibited. However, a citizen of Bangladesh or an entity incorporated in Bangladesh can invest only under the Government route. Further, a citizen of Pakistan or an entity incorporated in Pakistan can invest, only under the Government route, in sectors/activities other than defence, space, atomic energy and sectors/activities prohibited for foreign investment.	**Para 3.1.1:** a) A non-resident entity can invest in India, subject to the FDI Policy except in those sectors/activities which are prohibited. However, an entity of a country, which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country, can invest only under the Government route. Further, a citizen of Pakistan or an entity incorporated in Pakistan can invest, only under the Government route, in sectors/activities other than defence, space, atomic energy and sectors/activities prohibited for foreign investment.
	New Clause added: b) In the event of the transfer of ownership of any existing or future FDI in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the restriction/purview of the para 3.1.1(a), such subsequent change in beneficial ownership will also require Government approval.

BEFORE AMENDMENT, RESTRICTIONS RELATED TO FDI WERE PLACED ON INVESTMENT FROM PAKISTAN AND BANGLADESH ONLY WHICH IS CHANGED BY AMENDMENT MADE BY GOVERNMENT OF INDIA AND NOW FDI RESTRICTIONS WILL COVER ALL COUNTRIES WHICH SHARES LAND BORDER WITH INDIA LIKE CHINA, NEPAL, BURMA, MYANMAR, BHUTAN AND AFGHANISTAN INCLUDING PAKISTAN AND BANGLADESH.

Via amending FDI Policy, the government has now narrowed the scope of eligible investors and it is clearly stated by Indian Government that entities from countries which share a land border with India will now be permitted to invest only under approval route.

A non-resident entity / investor, except those, who shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country, can invest in India, subject to the FDI Policy except in those sectors/activities which are prohibited.

- **Most Important:**

The rules have been tightened not just for fresh but existing FDI as well. Transfer of ownership of any existing or future FDI where the direct or indirect beneficiary is from these countries will also require government approval. (Source : Bloomberg Quint)

- **FDI V/S FPI**

FDI and FPI both are the medium through which foreign investments come in India and are invested in Indian Economy.

Sl. No.	Investor Pitch Deck	Business Plan
1.	FDI means Foreign Direct Investments	FPI means Foreign Portfolio Investment
2.	Regulated by the DPIIT under the ministry of finance.	Regulated by Securities and Exchange Board of India (SEBI).
3.	Type of Investment: Real Investment	Type of Investment: Monetary / Financial Investment
4.	It is an investment made by a firm / individual like direct investment in buildings and machineries and other business interests located in another country.	It is an investment made in securities and other financial assets issued in another country and acquire stake in the Company and generate quick returns and also to obtaining significant control over managerial operations of the enterprise.

Indian Government's move towards amending the present FDI Policy is very bold and needed in current scenario to safeguard Indian Companies from opportunistic takeovers / acquisitions. At present Stock market is badly hit by this COVID-19 Pandemic Disease and the value of equities shares plummeted.

All these initiatives will definitely help Indian Companies to overcome from the threat opportunistic takeovers / acquisitions.

Conclusion:

Fund raising is source of funding, which is a financial investment in a company for product development, manufacturing, expansion, sales and marketing, office spaces, and inventory and other day to day affairs of the organization.

Given the global nature of capital, clarity on the FDI norms and the mechanism for approval will be crucial in ensuring minimal disruption to the startup landscape in India, which has been reeling from a liquidity crunch. The government dependency prolongs the wait beyond term sheet clauses, ambiguity on the availability of capital and could push companies out of business.

ARTICLE

COMPANY AND ITS FINANCING

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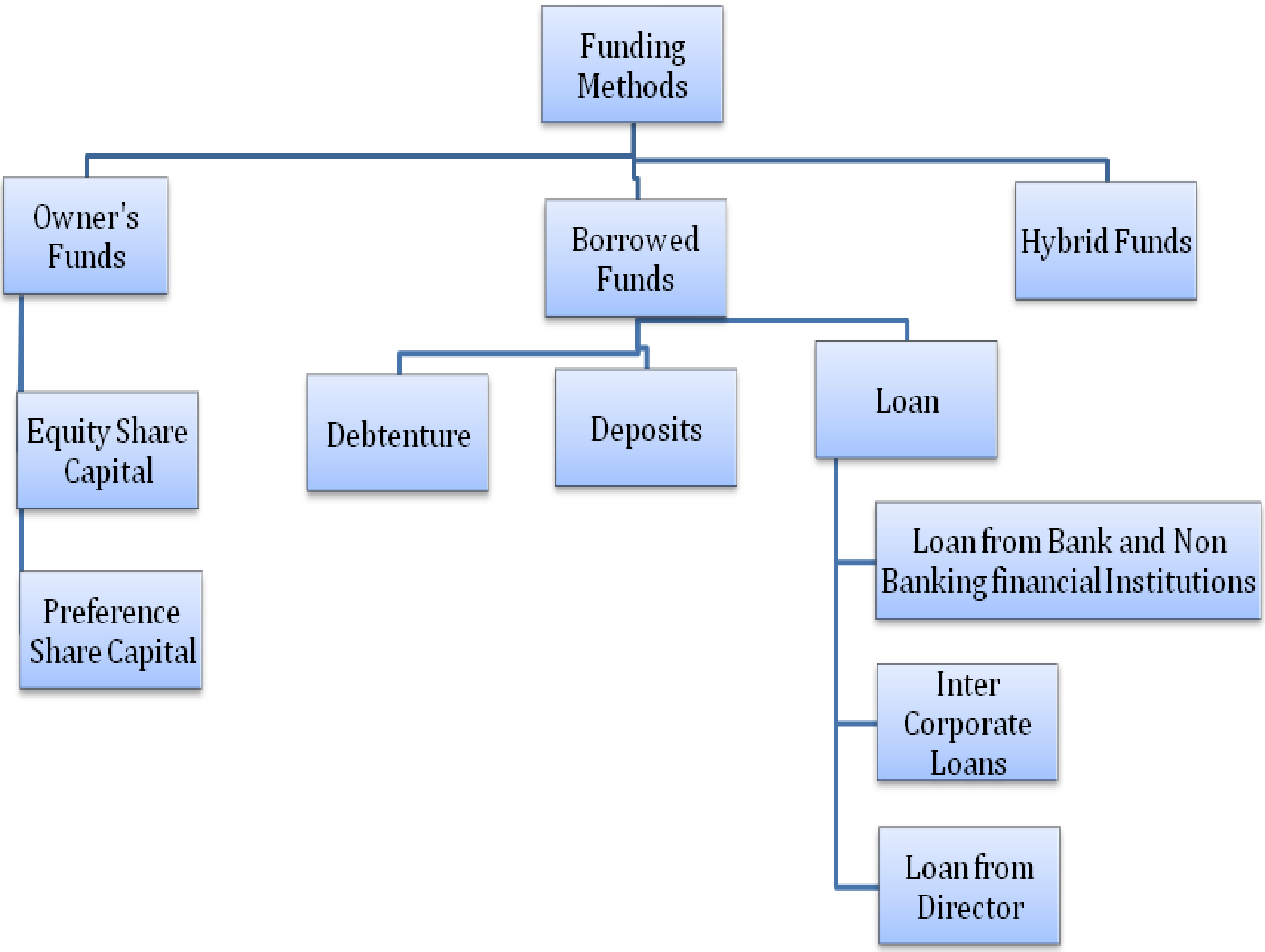
Company is a legal entity created by operation of law for carrying out business. Business is an economic activity for making profits. Financing is needed to start a business and ramp it up to profitability. The financial needs of a business varies according to the type and size of the business, nature of the industry and whether required to meet short term obligations or/ and goals or long term obligations or/and goals. How much money is required and when it is required are also important factors to be considered while financing. The primary goal of corporate finance is to maximize or increase shareholder's value.

The financing mix will impact the valuation of the company. Thus it is important to find the optimum financial mix. Finding the optimum financial mix is a cumbersome task and based on the factors like goals of the business, repayment capacity of business, debt equity ratio, need for control over the business etc. Funding of Company is usually done by major two methods, i.e. by inducing owner's capital in the business (Equity financing) and/ or obtaining borrowed funds (debt financing). Both debt and equity financing have its pros and cons. All financing solutions consist of either debt, equity, or a hybrid combination of both.



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1-Owner's Funds

Owner's funds are procured by the owners of the business. It also includes profits which are reinvested in the business. The owner's capital remains invested in the business for a longer duration and is not required to be refunded during the life period of the business. This capital forms the bases on which owners gain their right of control of management in the business. The capital is divided into small units called shares. Each share has its own face value. Share capital is divided into two types:

1. Equity Share Capital

Equity financing involves investing owned money or raising money by offering portions of company, called equity shares, to the investors, , in exchange for partial ownership. Equity Share Capital consists of equity shares with voting rights or with differential rights as to dividend, voting or otherwise. It provides the base on which the funds are raised from other sources. Shareholders are the owners of the Company. Equity share holders participate in the management of the company through their voting rights. They have a claim on all the profits and assets of the company that are left after settling all the claims in the event of winding up off company. They bear the risk of the ownership and also get the reward. Equity Funding is a means of long-term financing.

Advantages of Equity Financing

Funding business through equity financing has several advantages, including the following:

- The biggest advantage is that, no need to pay back the money. If business enters bankruptcy, investor(s) are not creditors. They are part-owners in your company, and because of that, their money is lost along with the company.
- Monthly payments are not required, so there is often more liquid cash on hand for operating expenses.

Disadvantages of Equity Financing

Similarly, there are a number of disadvantages that come with equity financing , including the following:

a) Sharing of Ownership: equity financing involves giving up ownership of a portion of company. The smaller and riskier the investment, the more of a stake the investor will want.
b) Sharing of Decision making: As generally, equity shareholder carry voting rights, you will also have to consult with your investors before making decisions.

2. Preference Share Capital

Preference Share Capital financing involves the fund raising through the issue of preference shares. As compared to the equity shareholders, the preference shareholders have a preferential claim over that held by equity shareholders in respect of dividend and repayment of capital in the event of winding up. However subject to certain exceptions preference shareholders do not carry voting rights. As Preference shares issued are redeemable maximum in 20 years other than Infrastructure Company, it is a means of mid-term or long term financing. Section 55 of companies act, 2013 deals with issuance and redemption of preference share capital.

Advantages of Preference Capital Financing

It is a way of accumulating funds and not diluting voting rights

Disadvantages of Preference Capital Financing

It carries preferential rights for repayment, in the case of a winding up or repayment of capital, of the amount of the share capital paid-up or deemed to have been paid up.

2- Borrowed Funds

Borrowed funds means money received from another party with the agreement that it will be repaid before or on the maturity date (mostly borrowed funds have maturity date). Most borrowed funds are repaid with interest (the borrower pays a certain percentage of the principal amount to the lender as compensation for borrowing). Financing through borrowed funds is the most common funding method. The sources for raising borrowed funds includes loans from commercial banks, loans from non banking financial institutions, inter corporate loans, issue of debentures, public deposits and trade credit.

Points to be kept in mind while borrowing money:

1. To borrow money, Board Resolution is to be passed at the Board Meeting of the company and copy of resolution must be filed with the Registrar of Companies within 30 days of its passing. (Private companies and Specified IFSC Public Companies Exempted from filing of such resolution) (Section 179 read with section 117 of Companies Act, 2013)
2. To borrow money (where the money to be borrowed, together with the money already borrowed by the company) in excess of aggregate of its paid-up share capital, free reserves and securities premium, apart from temporary loans obtained from the company's bankers in the ordinary course of business, in addition to board resolution, Special Resolution is required to be passed in the general meeting of the company. (Section 180(1)(c) of Companies Act 2013).

Advantages of Debt Financing

There are several advantages to finance business through debt such as;

- The lending institution has no control over the company unless lending institution has not appointed nominee director on the board of the company, and it has no ownership.
- The interest on debt financing is tax deductible as a business expense.

Disadvantages of Debt Financing

Debt financing for business does come with some downsides.

- Adding a debt payment to the monthly expenses is extra burden on the business in addition to meet all business expenses.
- For Small business and in tougher times for the economy, it's more difficult to receive debt financing.

a) Debenture

Debenture includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company (in case of secured debenture) or not (in case of unsecured debenture). It is a means of mid-term or long term financing. Section 71 of companies act, 2013 deals with Issuance and Redemption of Debentures.

b) Deposit

As per Section 2 (31) of Companies Act, 2013, deposit includes any receipt of money by way of deposit or loan or in any other form by a company, but does not include prescribed categories of amount.

A company may accept deposits from its members subject to the passing of resolution in general meeting and subject to the provisions of section 73 of companies act, 2013 and deposit rules.

A public company, having prescribed net worth or turnover may accept deposits from persons other than its members subject to compliance with the requirements provided section 73, Section 76 and subject to deposit rules.

c) Loan

Loan is a sum of money borrowed from third party. After obtaining loan, the borrower incurs a debt, which has to pay back with interest and within a given period of time. The recipient and the lender must agree on the terms of the loan and (usually a loan agreement is made) before any money changes hands.

i. Loan from Bank and Non Banking Financial Institution

When Company decides to obtain loan, it approaches to the bank or non banking financial institution. If business is in the incubation stage, the bank or non banking financial institution may ask project report and assess its viability. Bank or financial institution will also ask for copy of Board Resolution passed in the board meeting of the company (to comply section 179 of companies Act, 2013) for obtaining loan, details of the property to be kept as security along with document of ownership. Bank or financial institution will assess business credit history and company legal compliance status with the help of search report and due diligence report etc. Thus, it is always important to note that, before applying for loan, make sure all business records are complete and organized. Company shall file copy of Loan agreement with the Registrar of Companies for creating charge on the asset of the company.

ii. Inter-Corporate Loan

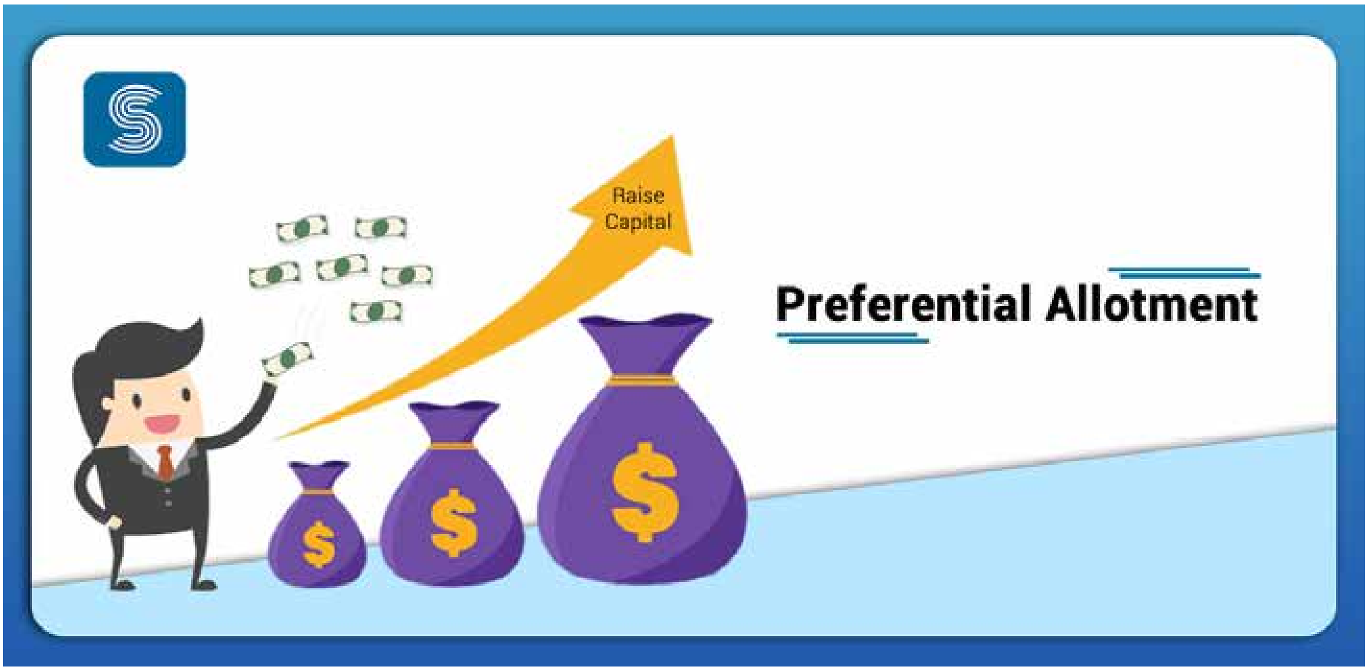
A Company can take loan from any other company after passing board resolution or special resolution depending upon the quantum of loan. Company shall file necessary copy of resolution and Loan agreement for creating charge on asset (in case of secured loan) with the Registrar of Companies.

iii. Loan From Director

A Company can take loan of any amount from its director or relative of director (only in case of private Company) subject to a declaration in writing to the effect that the amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others furnishes to the company at the time of giving the money. The company shall disclose the details of money so accepted in the Board's report. Such amount shall not be treated as deposit.

Provisions to provide security to obtain loan

Section 186 of companies Act, 2013 deals with provisions



of providing security by a company in order to obtain loan. A company can provide security in connection with a loan to any other body corporate or person (person excluding employee of the company) up to 60% of its paid-up share capital, free reserves and securities premium account or 100% of its free reserves and securities premium account, whichever is more. To provide security in excess of the limit, previous special resolution is required to passed in a general meeting. Exemption from limit is applicable, in case of security is provided to wholly owned subsidiary company or Joint Venture Company. The company shall disclose the details of such security in the financial statement.

3) Hybrid Funding

Hybrid financing is where debt and equity meet in the middle, offers potential benefits of both to the investors. Hybrids exhibit bond-like returns with equity-type risks. Hybrid funding is funding through hybrid instruments or means.

a) Convertible debt

Convertible debt means, a business borrows money from an investor or investor group and executes the collective agreement is to convert the debt to equity in the future.

Convertible debt can be a great way to finance both a start up and a small business, but owner of the company have to be comfortable with sharing some control of the business to an investor.

A company may raise loan with an option to convert such loan into shares, either wholly or partly at the time of maturity of loan or any other trigger event, mentioned in the agreement. For Raising such loan prior approval is required, by a special resolution passed at a general meeting.

b) Convertible Preference Shares

Convertible preference shares are compulsorily convertible (compulsory or optionally convertible) into equity shares either at a given point of time or on the happening of certain events mentioned in terms of issue. Once the shares are converted, there is no obligation on the part of the company to redeem them since they are no longer preference shares.

c) Convertible Debenture

A company may issue debentures with an option to convert such debentures into shares, either wholly or partly at the time of redemption. Issue of such debentures shall be approved before the issue of such debentures, by a special resolution passed at a general meeting.

Modes of Issue of securities

Public Offer

As private company is restricted to issue securities to public (there is a limit of maximum number of members to 200), public offer is applicable for public company. It can be done by Initial Public Offer or Further Public Offer or offer for sale. To issue shares to public, document is prepared containing details and terms of issue called prospectus or offer for sale (deemed prospectus) respectively. Application Form for the purchase of any of the securities of a company shall be accompanied by an abridged prospectus. Form for allotment of securities needs to be filed by company with the registrar of the companies.

Private Placement

A Company can issue securities through private placement to selected group of persons (cannot exceed 50 or higher as prescribed, with few exclusions), identified by the board after complying the provisions of section 42 of the companies act, 2013 read with rule 14 of companies (prospectus and allotment of securities) Rules, 2014.

Right Issue (Preferential allotment)

A Company can issue securities through Preferential allotment to persons who, at the date of the offer, are equity shareholders of the company in proportion, as nearly as circumstances admit, to the paid-up share capital on those shares by sending a letter of offer subject to the conditions and provisions of section 62 of the companies act, 2013 read with rule 13 of companies (Share Capital and Debenture) Rules, 2014.

ARTICLE

FUNDING DOCUMENTATION – Decoding Shareholders Agreement

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"The secret of change is to focus all your energy not on fighting the old but on building the new." – Socrates the Founder of western Philosophy said so.

Now, let me decipher the above quote for you. The underlying message behind the above quote is one simple yet very profound word, "Idea". A great Business Idea is what it is all about and what the above quote talks about. An investor looks for the right 'Idea' and not the right 'Entrepreneur' as that comes later. So, for an Investor, it's like picking the right spouse, and so it is for the entrepreneur. The reason why I say this is because once you are down the path of climbing this mountain of an idea that you have chosen, you are going to be with it, at it, and for it for the next 5-10 years, if not less. So, choosing the right idea is the first and foremost step that an entrepreneur and Investor both should ruminate on. Now, I know that you all know about how the rest of the drill and the process follow and about how the same works. So, I am not going to reiterate about the same, but just for the sake of being comprehensive, let me outline the process or the next steps of starting a new business in the following phrases:

- ✓ Idea Identification, its diligence, and its Assessment or say Validation
- ✓ Finding the right form of Business Entity and building a legal structure around it as a strong foundation.
- ✓ Preparing a Business Plan – That Beautiful Spreadsheet and loud presentation.
- ✓ Preparing a Pitch deck and giving that perfect presentation
- ✓ Funding raising & Valuation
- ✓ The Term Sheet and that Definitive agreement which follows

The most tedious, cumbersome, and time-consuming task after the first step of Idea Validation is the last step, which technically closes the funding round but is of utmost importance to both the Founders and the Investors. It is called the signing of the Term sheet and later the Shareholders' agreement ("SHA").

So as far, the readers would have understood for sure about the direction which I am going into. "Equity funding for Unlisted Companies" it is. I will be focussing only upon the contractual aspect of getting an Investment through Equity Shares issue. This article will not cover the compliance and procedural aspects of fundraising through Equity Shares issues.

Through this article, I am going to shed some light on the Legitimacy & Validity of a Shareholders' agreement and its important provisions, both from the point of view of the Founders and the Investors. As it is the most crucial and tricky funding document in case of a Share Acquisition or Share subscription transaction.

Let me take this opportunity to first clear some mist by differentiating between some basic terms related to Shareholders Contracts.

1. Term Sheet- Term Sheet is like a Letter of Intent which lists and covers the major strategic terms and conditions and clauses in brief that will be later used to negotiate and structure a detailed Share Holders Agreement later (the Definitive Agreement). A Term Sheet is Non-Binding and governs the later detailed Shareholders Agreement.
2. Shareholders agreement: -It is a binding understanding/ contract entered between both the organization and among its shareholders (Including Investor Shareholders & Founder Shareholders) portraying their commitments, rights, and Obligations. Shareholder's arrangement is generally entered into to settle the issues and conflicts between the shareholders and the Company that may arise in the future.
3. Share Purchase Agreement (SPA): - An arrangement made between two parties is a share purchase agreement where the selling party agrees to sell the number of shares listed at a particular price to the buying Party. The main purpose of the contract is to show that the terms and conditions of the agreement have been mutually agreed upon in writing. Such an arrangement specifies the value and the minimum number of shares that need to be sold, the preceding conditions, and the parties agreement. Until the parties sign it based on this, the shares will be allocated
4. Subscription and Shareholders Agreement or Share Subscription Agreement [Used Interchangeably(SSA)]:- It is an agreement which is signed at the time of incorporating a company when subscribers (also called First Shareholders/Initial Shareholders) to the Memorandum of Association (MOA) of the company subscribe to pay for taking a certain number of shares in the proposed company post its incorporation. Note, that ESOP holder although are shareholders but are always kept out as a party and hence are not part of an SHA or SSA, reason being the fact that they have vested equity interest. Once an SHA is finalized, all the existing or the previous shareholder agreements or any kind of commitment to any shareholders would be superseded by this agreement.

BREAKING DOWN THE SHAREHOLDERS AGREEMENT-

In all the above terms there is one common thread that connects each of these terms with the other. This common thing is the rationale and logic behind entering into these types of agreements. This underlying logic is the relationship between the shareholders with the company. Hence, this can tell us

* The views expressed are personal views of the author and it should not be taken as views of the NIRC-ICSI

about the parties to an SHA. The parties to the SHA are the Investor Shareholders, the Founding Shareholders, and the Company in which investment has been made. SHA drives the relationship between the company and its shareholders. It is an utmost crucial document and is given paramount importance because through this SHA only it is defined about who will control the entire business, how they will control it, distribution of powersand restriction on powers. Both the Investor and Founder shareholders when at the negotiating stage of the SHA, trying reaching the final terms in such a way so that each of them gets maximum control of the Company while restricting control on certain matters through specific crucial Boilerplate clauses. By the word control, I mean actual and effective control.

The validity of the Shareholders Agreement in India: - A Shareholders agreement is a valid contract as per the Indian Contract Act, 1872, and should be interpreted as per the Ordinary Rules of Contract Act. It is a private contract in nature and binds only the parties to it, namely the shareholders and the Company. The Companies Act, 2013 nowhere talks about Shareholders Agreement in specific. It only mentions about certain types of agreements through which a person gets control over the company and a shareholder's agreement being one such agreement. In case of conflict between such agreements and the Articles of Association (AOA), the Provisions of AOA shall prevail. Hence, to make SHA effective, the Articles of Association of the Company should be altered to make it in line with the SHA. So, the clauses of SHA to be enforceable in the Court of law, they should be incorporated in the Articles of Association of the Company. This has been held in VB Rangaraj v. VB Gopalakrishnan, (1992) 1 SCC 160 and IL & FS Trust Co. Ltd. v. Birla Perucchini Ltd., [2004] 121 Comp Cas 335.World Phone India (P.) Ltd. v. WPI Group Inc., USA is a recent one where the said position was held and validated again.

However, in no case, a Shareholder agreement can be against the Provisions of Companies Act, 2013. It may restrict or limit or cap or enhance the wide powers of Directors and Shareholders as given under the Companies Act, 2013, but it cannot completely take away the powers.

What is an SHA comprised of?

- Detailed document and definitive agreement outlining complete terms of the Deal- It sets out in detail all the terms and conditions that were just put earlier in the form of a Strategic Document named the Term Sheet only to give an overview of the major terms.
- List of Conditions Precedent (CP) Items – It comprises a list of items and these are the items that have to be completed, and all the tasks that have to be completed before the Investors will put in their money. So, this is like conditions precedent to investment which needs to be fulfilled by the founders, and how soon they get the money depends on how soon these conditions are fulfilled. Upon fulfilment founders need to certify completion by providing the completion certificate, then only Investors transfer the money to the company's account. CP's could include completing certain Non-compliances that the investors might have come across during the Due Diligence Process. They may also include and demand the resignation of a certain director, an increase of share capital, Issue of Shares to the Investors, etc.
- List of Conditions Subsequent (CS) Items: Then comes a list of items or conditions subsequent. So these are a list of activities that have to be completed immediately after the investment is received. These may include Allotment of Shares, Adding the Investor Director on the Board, Incorporating SHA clauses in the AOA, etc.
- Timelines of CP's, CS &Investments: While putting the Timelines the Investors and Founders should be practical and reasonable. Because it so happens in many cases that due to the non-fulfilment of CP's the investor keeps on delaying the transfer of funds. One should review the timelines thoroughly and make sure of what is critical to be in CPs list and if there are any things that you can push to include in the CS items, then that would be best because that would accelerate the process of receiving the money in the Bank Account.
- Representations & Warranties: Then comes the Representation and warranties. Again, this would be a list of representations and warranties that investors generally seek from the founders. This is more like if anything happens in the future or if any non-compliance is what they've discovered, all the liabilities they would push onto the founders, which is an okay thing, but you have to go through the complete list very- very carefully and see if there is anything that could impact you in your Individual capacity rather than the corporate capacity. As a company one should represent only that what is true. It is based on your representations only that the investor has chosen your Business Idea. Warranties mean that you warranty in case of any of these things happen, the Founders shall assume the liability and investors will not be liable. One must see that as a founder, whether are you giving any commitments as a company or giving as an individual. So, this list of representations and warranties can be huge, and exhaustive hence you should choose the ones applicable for your case very carefully to avoid any unnecessary liability.

What is at Stake, the major Boilerplate key clauses?

- **How much is being Diluted-** It contains the details about how much money is flowing in and at what valuation, what kind of instruments that will be issued, like preference shares, equity shares, or debentures. So this is crucial because founders won't want to dilute their percentage holding to a level which gives the entire control to the Investors. Founders would always endeavour to retain the majority. There would be provisions around dilution, which is like preventing the investors from a lower valuation in the future rounds of funding. For instance, a Business raised a five-million-dollar valuation today, then in the future you cannot issue shares at a valuation of less than five million. If you do, then you assure the investors that you will give them an equivalent number of free shares to match the same valuation.
- **IRR, Anti-Dilution, Liquidation Preference:**

1. **The internal rate of return** (IRR) is what gives the investor the confidence that this is the minimum that they would earn from the date of investment till the date of exit. For example, if they are putting in one million dollars and if you have committed a 15 percent IRR, and if they are exiting after sixth-year, so then you'll have to calculate that number at a 15 percent IRR year on year and how much minimum commitment you are giving to an investor. You can keep it at zero. You can keep it at any number. It is both a mutual agreement and negotiation point.

2. **Anti - Dilution -** The anti-dilution clause protects the current shareholders from dilution which occurs in further rounds of capital raising. Dilution occurs as a result of a rise in the number of shares available for buyers, which leads to a reduction of the shareholding of the currently existing shareholder. An anti-dilution provision protects investors from dilution when new shares are sold at a lower cost than they originally charged.

3. Liquidation preference- This is something that when the company gets liquidated, how much the investor would take. They could take 1x of their money or even more. They can take one X plus whatever remains intact, in a proportionate capacity.

▪ **Founder's Lock-in & Vesting:** Typically, investors continue to ask and obligate founders to stick with the Company for a certain minimum period, because they have backed and risked a lot based on the founder's profile and hence want them to be around for long. So, they want the founders to continue with the company and so they'll have lock-in periods. It could be anywhere between four to eight or nine years. And remember, this period could continue to get a reset with every new round of funding. People may ask you to come in for another four, five, six, seven years kind of thing because founders are critical Assets. Besides, if an SHA has a Share vesting related clause then there would be an added advantage for the Investors to ensure long-term Commitment on the part of the Founders. Share Vesting-related cause say that the rights associated with shares of certain Founder shareholders will vest in them or can be exercised by them only after a certain period known as the vesting period.

▪ **Restrictions on Transfer-** You may have clauses to restrict Share Transfers or say to regulate share transfers. Such Restrictions are in the form of the following clauses: -

1. *Right of the first rejection/refusal (ROFR): - This is an arrangement between the current shareholders that the shareholder intending to sell to a third party must first give the stock to the holder of the right of first rejection meaning the other fellow existing shareholders. If such holders may not purchase the stock, the shareholder is usually able to sell the stock to a third party. This is the fundamental structure, but its control and processes can be complex and strongly compliant.

2. *Right of the first offer: - This is a variation of the right of first refusal, in a sense that it has a fixed price as agreed to from the outset. The shareholder wishing to sell shall first offer the shares to the holder of the right of first offer holder at the fixed price. If the holder of the right does not purchase the shares, the shareholder wishing to sell is free to sell it to a third party.

***ROFR & ROFO are also called pre-emptive rights of a shareholder.**

3. Right to drag-along and Tag-along:- The drag-along right is a shareholder arrangement where a shareholder seeking to sell its shares to a third party is entitled to drag and exit all shareholders with them. The other shareholders are entitled to tag, under the shareholder intending to sell his shares to a third party.

4. Right to buy-back:- The company has the right, under such cases such as withdrawal or death of the shareholder, to redeem the stock of a particular shareholder by buying it back.

5. The choice for calling or Call Option:- The Call option entitles the holder to buy, at a default price (strike price) between the date of purchase and the expiration date, a number of shares of the underlying stock.

6. Put option- A Put option grants the holder, a right to sell a certain number of common stock shares on or before the expiry of the contract at a fixed price (strike price)

Future Investments- Pre-emption rights are given not just to regulate transfers but also to restrict the further issue of capital by way of issuance of new shares. In case of Further issue of Capital by new shares, such rights impose obligation upon the company to offer such new shares to the Existing shareholders first who are holding these Pre-emptive rights. In case of refusal to accept the offer, the offer is then made to the other third parties, who have to adhere to the Shareholders Agreement and be bound by it, by becoming a party to it through what is called as an Accession agreement or Deed of Accession or Deed of Adherence. It is a simple way of ensuring that the original shareholder's agreement is binding on all shareholders, old and new.

Board Controls – Clauses related to powers of the Board decide about how powers would be distributed amongst the Directors. In general parlance it is put in an SHA that any matter requiring Board's approval can be approved only when at least one Investor Director and One Founder Director agree to it.

Voting Matters: Shareholders, as owners of the Firm, typically want to have their say on the bigger decisions. Normally, such decisions are taken by passing ordinary or special resolutions requiring certain percentages of shareholder approval. A shareholder agreement can decide what matters need the shareholder's consent, rather than Directors and the number of votes needed for the adoption of a resolution (provided that the percentage exceeds any statutory limit);

Reserved Matters /Affirmative rights: In short, affirmative rights in certain matters relating to the company are essentially security or veto rights accorded to investors. Such rights establish responsibility on the part of the founders and the company, before deciding on affirmative rights/matters granted to the investors, to obtain prior approval of investors. These rights are viewed by the promoters as most burdensome and are thus, in the agreement, the most negotiated terms.

Investors are usually given affirmative rights in matters that impact the investment interest in an organization which may include:

- Any change in the share capital structure of the company
- Any change in the MOA & AOA
- Any appointment or removal of key Managerial personnel
- Issuance of new capital
- Any matter concerning dilution of shares;
- Any matter concerning the suspension of business activities
- Appointment or removal of auditors
- Issuance of debt in deviation to Business Plan as approved.
- Any other matter or decision which is in deviation to the approved Business Plan,

The list of said matters is exhaustive.

Some other standard but must-have clauses include - Dispute Resolution, Non- Compete Provisions, Entire Agreement, Events of Defaults, Confidentiality, Deadlock Resolution Process, Directors &Officers Liability Insurance, Termination, Amendments, Waiver, Dividends, Indemnification.

So, the crux is that an SHA aims to resolve all the future conflicts between the shareholders and hence the entire SHA is divided into two major heads:

1. One head deal with conflicts related to the Transferability of Shares and hence puts such terms and conditions which Restricts Share Transfers to regulate the same and protect the interests of Minority Shareholders.

2. The other major head deals with resolving conflicts related to Board Powers, Affirmative Vote, Accounts, Decision making, Veto Power, Shareholders powers, etc.

THE INSTITUTE OF
Company Secretaries of India
भारतीय कम्पनी सचिव संस्थान
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

NORTHERN INDIA REGIONAL COUNCIL

INITIATIVES OF CHAPTERS

AJMER

Ajmer Chapter organised a webinar for members on theme “Financial Planning - A Complete Guide to Kickstart in 2020” on 10th September 2020. The Chief Guest of the programme was CS Sita Ram Goyal and the Guest Speaker was CA Prakash Dangayach.

ALWAR

“Alwar Chapter conducted webinar on 28th august on the Topic “”Move Towards NGO””. This occasion was graced by respected Vice President of The ICSI CS Nagendra D. Rao and the Respected Chairman of NIRC of ICSI CS Suresh Pandey. This day was also the 16th Foundation Day of Alwar Chapter. Approx 55 members participated in the programme. An MOU between The ICSI and Lords University at Alwar for academic Collaborations was also signed On 21st Sept., 2020 for the benefit of members and students. CS Suresh Pandey, Chairman, NIRC of ICSI (On behalf of the Institute ICSI) signed the MOU and graced the occasion.”

AMRITSAR

Amritsar Chapter has organised Teacher’s Conference on 17th September 2020. The chapter also disseminating Information regarding GK Quiz and Company Law Quiz , calling to Members to pay Annual Membership and COP Fee before 30th Setember 2020 and encouraging CSEET passed students for registeration in Executive stage .

BAREILLY

Bareilly Chapter conducted an online Career Awareness Program on 16th August 2020 at Shri Krishna Inter College, Bareilly. Bareilly Chapter organised Student Study Circle Meeting on 28th August 2020 on the topic “Glimpse of Companies Amendment Bill 2020 & Committees as per Companies Act & LODR Regulation 2015”. The key speaker to the student study cicle meeting was Mr. Nimashu Singh. The program was organised under the supervison of CS Kavya Singhal, Member Managing Committee of Bareilly Chapter. On 7th September 2020, Bareilly Chapter organised 8th Webinar during the year 2020 on the theme “Procedural Aspects of NCLT”. The Guest Speaker to the webinar was CS Rahul Sahasrabuddhe, Chairman WIRC-ICSI. The Special Guest to the webinar was CS Surya Kant Gupta, Member NIRC-ICSI. On 11th September 2020, Bareilly Chapter organised Teachers’ Conference during the Teachers’ Week through online mode on the theme - “Empowering Educators & Overviews of New Education Policy”. The Chief Guest to the program was Dr. YDS Arya (Vice-Chancellor, Invertis University, Bareilly) and the Guest of Honours to the event were Dr. Manish Sharma (Expert, FIED IIM Kashipur), Dr. Vivek Sharma (Director, Mascot Group of Institutions, Bareilly), Prof. P. B. Singh (HOD of Management, MJP Rohilkhand University, Bareilly) and Dr. N. K. Batra (HOD of Commerce - RLS Govt. Girls Degree College, Pilibhit). CS Ranjeet Pandey (Immediate Past President, ICSI) and CS Suresh Pandey (Chairman, NIRC-ICSI) were the Special Guests to the program. All the dignitories were welcomed by CS Mohd Waseem Khan, Chairman - Bareilly Chapter). The event was attended by more than 40 teachers and 30 CS students from Bareilly and nearby areas. All the dignitories present in the event addressed the participants and shared their thoughts on the theme of the program.

CHANDIGARH

1. Chandigarh Chapter has successfully conducted the Teachers Conference on 18th September, 2020.
2. The Chapter is regularly sending information about CSEET to many schools and colleges for making students aware about the CSEET and get register for the same.
3. The Chapter provided all necessary information / updates pertaining to the students and the Members on regular basis.

FARIDABAD

1. CSEET 2nd Batch started for 10th September, 2020
2. Teachers Conference to be held on 19th September 2020. The Chief Guest of the programmes was Shri Shresth Tayal, IRS, Assistant Commissioner of Income Tax.
3. For Academic Collaboration, Faridabad Chapter is in the process of signing MOU with lingyas University”

GHAZIABAD

1. Ghaziabad Chapter of NIRC of ICSI organized Teacher's Conference through Video Conferencing mode on September 12, 2020. CS Puja Shree Agarwal, Academician & Practitioner was the speaker of the program. CS Rohit Kumar Tyagi and CS Vishal Gupta was the special invitees. Approximately 45 participants were participated.
2. Ghaziabad Chapter of NIRC of ICSI conducted webinar on "Benami Transactions" on September 01, 2020. CA Nitin Kanwar, Member, NIRC of ICAI was the Eminent Speaker. As the topic was relevant to the current scenario, all the participants took keen interest during the whole session.
3. Ghaziabad Chapter of NIRC of ICSI conducted webinar on "Practical aspects of Nidhi Companies" on September 16, 2020. CS Pawan G Chandak, Vice Chairman, WIRC of the ICSI was the Eminent Speaker. CS Turab Chintawala was the Special Invitee for the webinar.
4. Ghaziabad Chapter released its 16th Monthly Newsletter for members and students and also invited Articles and Write-ups for our Chapters forthcoming monthly e-Newsletter.
5. Ghaziabad Chapter running successfully our OT Classes by Online Mode.
6. Ghaziabad Chapter encouraged members to take Membership CSBF.

GORAKHPUR

Gorakhpur Chapter organised Teacher's Conference on 11th September 2020. The Chief Guest of the programme was Shri Vinay Pandey, HOD, Deptt. Of Commerce, Deen Dayal Ypadhyay Gorakhpur University and the Guest of Honour was Shri Anil Yadav, Faculty, Deptt. of Commerce, DDU, Gorakhpur. The Special Guest was Shri M. K. Singh, Principal, Rafi Ahmad Kidwai Inter College, Gorakhpur and the Speaker was CS Surendra Pratap Shahi, Immediate Past Chairman, Gorakhpur Chapter.

Gorakhpur Chapter also organised Webinar on the theme ""Nidhi Companies - Rules & Regulations"" on 18th September 2020. The Chief Guest of the programme was Shri Alok Tandon, Dy. Registrar of Companies, Ministry of Corporate Affairs. The Keynote Speaker was CS Pawan G. Chandak, Vice Chairman, WIRC of ICSI."

GURUGRAM

"Gurugram Chapter orgaised Webinar on Legal & Practical Aspects under CSR on 22nd August 2020. The Chapter also organised Webinar on Process and Compliance under Legal Metrology Act, 2009 on 28th August 2020. Gurugram Chapter organised a Webinar on Discussion on Board Report, U-Din Generation and Company Law Fresh Start Scheme on 04th September 2020. Gurugram Chapter also organised a Webinar on Intellectual Property Rights on 10th September 2020. The Chapter organised Teachers' Conference on RERA on 10th September 2020."

JAIPUR

"Jaipur Chapter has organised 4 webinars in the month of Sept, 2020. we are also going to publish Sept 2020 issue of ""Jaipur Chapter's E-Newsletter"". Jaipur Chapter of NIRC of ICSI conducted its Fifteenth webinar on "RTI Act, 2005: Salient Features & Implementation" on 04th September, 2020 in the presence of Chief Guest CS Vimal Gupta, Vice Chairman NIRC of ICSI, Guest of Honour CS Dharam Veer Jashnani, Keynote Speaker Dr. Naveen Kumar Ajmera, CS Nitin Hotchandani, Chairman, Jaipur Chapter and CS Navneet Agiwal, Vice Chairman, Jaipur Chapter.

Jaipur Chapter of NIRC of ICSI conducted its Sixteenth webinar on "Challenges in Virtual Meetings" on 11th September, 2020 in the presence of Chief Guest CS Deepak Kumar Khaitan, Central Council Member, Guest of Honour CS Vimal Gupta, Vice Chairman, NIRC of ICSI, Keynote Speaker Shri S. Sudhakar, Vice President (Corporate Secretarial) Reliance Industries Limited, CS Nitin Hotchandani, Chairman Jaipur Chapter and CS Navneet Agiwal, Vice Chairman, Jaipur Chapter. Jaipur Chapter of NIRC of ICSI conducted its Seventeenth webinar on "Recovery of Bad Debts & Blocked Investment and Filing of IEPF form" on 18th September, 2020 in the presence of Chief Guest CS Manish Gupta, Central Council Member, The ICSI, Guest of Honour CS Vimal Gupta, Vice Chairman, NIRC of ICSI, Keynote Speaker CS Abhay Chandalia Jain, CS Nitin Hotchandani, Chairman Jaipur Chapter and CS Navneet Agiwal, Vice Chairman, Jaipur Chapter.

Jaipur Chapter of NIRC of ICSI conducted its Eighteen webinar on "Impact of Covid-19... On Profession" on 29th September, 2020 in the presence of Chief Guest CS (Dr.) Shyam Agrawal, Member Appellate Authority & Past President, The ICSI, Special Guest CS Vimal Gupta, Vice Chairman, NIRC of ICSI, Panel Speaker Dr. Alok Mahtur Senior Panel Speaker Dr. Alok Mathur, Senior Consultant Coordinator- internal Medicine (EHCC), Panel Speaker Dr. Ravinder Singh Rao, Director-TAVI & Structural Heart Disease (EHCC). CS Nitin Hotchandani, Chairman Jaipur Chapter and CS Navneet Agiwal, Vice Chairman, CS Rahul Sharma Immediate past Chairman, Jaipur Chapter."

JALANDHAR

"Jalandhar Chapter encouraged CSEET passed students for registeration in Executive stage at the earliest for being eligible for Company Law Quiz.

Disseminated Information regarding GK Quiz and Company Law Quiz through social media platform.

Contacted Members to pay Annual Membership and COP Fee before 30.09.2020 to avoid late fine."

KANPUR

"Kanpur Chapter successfully conducted a Webinar on the Topic - Professional Opportunities for CS in Start-ups' on Tuesday, 1st September,2020 along-with the followings dignitoriesnamely as; Shri Sarveshwar Shukla, Jt. Commissioner

Industry, Directorate of Industries and Enterprise Promotion, Govt. of UP. KANPUR was the Chief Guest for the Webinar, CS Rajiv Bajaj, Ex Central Council Member –ICSI,NEW DELHI- participated as Key note speaker and told that how to help your client in the field of start-ups. CS Ankur Srivastava, Special Invitee, briefed about the tips for conducting online Annual General Meeting of the Company. CS Manoj Kumar Yadav, Chairman of Kanpur Chapter welcomed to the Guest/ Speaker and participants of the webinar. CS Kaushal Saxena as the moderator, managed/ conducted webinar in a very efficient manner. CS Ajeet Pandey, proposed vote of thanks. The program was attended by Good number of company secretaries. Kanpur Chapter of NIRC of ICSI successfully organized "Teachers Conference" on the occasion of Teachers Day Week on the topic "New Education Policy, Reform & Impact". On 10th Sept.,2020. We are very thankful to our Chief Guest Professor Dr. Manoj Kumar Shukla, Guest of Honour Shri. Balwinder Singh, Our team of panellist, namely CS K K Singh, CS Dr. Bhagwan Jagwanti, CS Ruma Chaturvedi, CS Dr. Vijay Mishra, all the Teachers and Members who joined us, shared their views and suggestions. Kanpur Chapter of NIRC of ICSI has successfully conducted a Webinar on the Topic - Professional Opportunities in RERA" on Tuesday, 15th September,2020 along-with the followings dignities namely as; CS Manish Gupta, Central Council Member of ICSI was the Special Guest on the occasion briefed about the role of professional prospects in RERA. CS Shravan Kumar Vishnoi, Special Invitee, also shared his views on the professional prospects in RERA. CS Manoj Kumar Yadav, Chairman of Kanpur Chapter welcomed to the Guest/ panellist and participants of the webinar. CS Ashish Kumar Tiwari, Advocate, CS Rependra Kumar Porwal, CA CS Gaurav Agarwal explained detailed provisions, merits and demerits of the RERA. CS Alakh Pandey as the moderator, conducted webinar in a very efficient manner."

KOTA

"Kota chapter has encouraged members by calling for submission of annual membership fees online before the last date.

Kota chapter is encouraged CSEET pass students to enroll in executive programme and sharing information about company law quiz among CS students.

Kota chapter is also disseminated about Online quiz contest for Non CS students through various channels."

MEERUT

1. Celebration of Independence Day on 15th August 2020 on the theme ""Seven Decades of Freedom & Way forward".
2. Webinar on 21st August 2020 on the topic ""Critical issues under Companies Act, 2013".
3. Webinar on 31st August 2020 on the topic ""GST Cancellation & its Procedures".

NOIDA

1. Total Twenty Webinars have been conducted so far with maximum participation from Members, adding four to previous count, including Webinars having Past Presidents of ICSI – CS Om Prakash Dani & CS Virender Ganda as Keynote Speaker. Further a Webinar was having One IRS Officer as speaker and One IAS Officer as Chief Guest.
2. Two Online PDPs have been Conducted.
3. One Online EDP has also been Conducted.
4. An Online Teachers' Conference was also observed."

PANIPAT

"Webinar on the topic of "APPEARANCE AND PLEADINGS BEFORE THE TRIBUNAL VIZ-A-VIZ COURT CRAFTS". The Chief Guest was CS (Dr.) Shyam Agrawal, Past President , The ICSI and the Special Guest was CS Vimal Gupta , Vice-Chairman, NIRC-ICSI and the Special Guest and Key Note Speaker was CS Saurabh Kalia , Regional Council Member NIRC-ICSI & Secretary, NCLT Bar Association. The Moderator of the programme was CS Manish Durga, Practicing Company Secretary. Panipat Chapter officials Visited in two Universities in Hisar, Guru Jambeshwar University of Science and Technology, Hisar and Om Sterling Global University, Hisar, for proceeding over Proposal for MoU with the ICSI for Academic Collaboration."

SHIMLA

Shimla Chapter is encouraged students to take part in the ensuing Quiz Competition by the ICSI HQ.

The Chapter is also motivated students to avail Doubt Clearing Classes for Students facility.

The Chapter has encouraged members by calling for submission of annual membership fees online before the last date."

UDAIPUR

"Udaipur Chapter conducted a webinar on the topic "Merger & Amalgemation" on 15th September, 2020. Eminent Speaker was CS Manish Gupta, Central Council Member-ICSI. Chapter Conduct Career Awarness Programme for Students.

Encouraged Students for Registration of the Online Doubt Clearing Classes organised by ICSI for students appearing in December, 2020. Chapter Managing Committee has visited University under their jurisdiction for Academic Collaboration.

Chapter also encouraged many Students to participants to All India Commerce Law Quiz, 2020 before the last date i.e. 30th September.

Udaipur Chapter is provided necessary information to the students and the Members on regular basis."

VARANASI

"Varanasi Chapter has Announced OTC Class for Executive and CSEET Programme."

THE INSTITUTE OF Company Secretaries of India

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IN PURSUIT OF PROFESSIONAL EXCELLENCE

NORTHERN INDIA REGIONAL COUNCIL

Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

ATTENTION MEMBERS

NIRC of ICSI is pleased to share the Comprehensive list of tie ups with various Hospitals and Laboratories who have agreed to provide the Medical Facilities to ICSI Members on concessional charges for OPD treatments, IPD treatments and Diagnostic Tests.

Sr. No.	Name and Address of Hospital	Discount Allowed	Contact Person at Hospital (In case of any difficulty)	Remarks
1.	**Fortis Healthcare Limited** (Offer applicable for all 26 hospitals for fortis group across India)	OPD Services -20% Online Consultation-20% IPD Services - 10%	**Mr. Tabish** Cell no. 9811735642	Members are required to show their Identity Card issued by ICSI at billing counter/reception before registration and make request for discounted rates at registration counter. ***The Institute has moved over to Digilocker platform and I-card of members are also available there. The Members not having Identity Card issued by ICSI may use the ID card available on Digilocker.***
2.	**Max Hospital (Max Healthcare)** (Offer applicable for all 7(seven) Hospitals of Max Healthcare in National Capital Region (NCR)	OPD Services -20% IPD Services - 10%	**Mr. Abhilash Gaurav** Cell no. 9911063557	
3.	**Venkateshwar Hospital** Sector 18, Dwarka, New Delhi -110075	OPD Services - 20% IPD Services - 15%	**Mr. Deepak Kumar Jaiswal** Cell no.: 8178894808 **Mr. Rahul Gupta** Cell no. 8826411919	
4.	**Medeor Hospital** (Offer applicable for all three units of Medeor Hospital situated at Qutab Institutional Area, New Delhi, Dwarka, New Delhi, IMT Manesar, Gurgaon Haryana)	OPD Services - 25% IPD Services - 15%	**Mr. Deepak Ghildiyal** Cell no. 9818156966	
5.	**LHDM & Dr. Prem Hospital Pvt. Ltd.** Panipat	OPD Services - 20% IPD Services - 20%	**Mr. Rohit Pannu** Cell No. 8685047942	
6.	**Park Group of Hospitals** (Offer applicable for all hospitals of Park Group of Hospitals across India)	OPD Services -50% IPD Services -20%	**Mr. Raviraj Nandan** Cell : 8860944023	
7.	**SRL Dignostic Lab** (Offer applicable for all Laboratory of SRL Diagnostic across India)	21% Discount on all Routine and Specialized Tests	**Ms. Ashita Arora** Cell : 9582931550	
8.	**Dr. Lal PathLabs Ltd.** (Offer applicable for all Laboratory of Dr. Lal PathLabs Ltd.across India)	15% Discount on all Routine and Specialized Tests	**Mr. Raman Surya** Cell: 9205285331	

Please note that this facility of discounted rates would not be available in case of TPA or Insurance Claims and other empanelment.

The empanelment letters as received from aforesaid hospitals are placed at https://www.icsi.edu/niro/medical-facility/ for ready reference of members.

With Best Regards

CS Suresh Pandey
Chairman, NIRC- ICSI
Mobile: 9868300649
Email: chairman.nirc@icsi.edu

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भारतीय कम्पनी सचिव संस्थान
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
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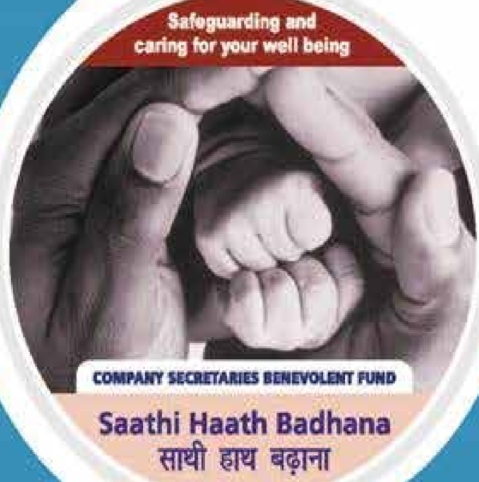
CSBF
COMPANY SECRETARIES BENEVOLENT FUND



What exactly is CSBF?

The Company Secretaries Benevolent Fund (CSBF) is a Society registered under the Societies Registration Act, 1860 and is recognized under Section 12A of the Income Tax Act, 1961.

The CSBF was established in the year 1976 by the ICSI, for creating a security umbrella for the Company Secretaries and/or their dependent family members in distress.

The amount of ₹ 7,50,000 (in the case of death of a member under the age of 60 years) has been increased to ₹ 10,00,000

The subscription amount is being increased from ₹ 10,000 to ₹ 12,500 soon

Is it the right time to enrol in CSBF?

CSBF is the protection you and your family need to survive the many ups and downs in life, be it a serious illness or a road accident which derails your plans for the future.

Is it a requirement?

Yes, as your dependents need the protection. Your dependents be it your parents, your spouse, or your children will have to bear the brunt of paying off your home/education personal loans and even for managing day-to-day expenses without your contribution.

If you do not want to leave behind such a situation in your absence, enrol in CSBF today.

Advantages of enrolling into CSBF

1. To ensure that your immediate family has some financial support in the event of your unfortunate demise
2. To finance your children's education and other needs
3. To ensure that you have extra resource during serious illness or accident
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