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A Critical Study on Preferential Allotment of Shares and the Rights Under the Companies Act 2013

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Abstract: *Preferential allotment is a corporate funding mechanism that allows companies to issue shares to a select group of investors at a predetermined price.The Companies Act, 2013, provides a comprehensive framework for various mechanisms of raising capital, including preferential allotment of shares and rights issues. These mechanisms are designed to provide companies with flexibility in financing while maintaining fairness and transparency.Preferential allotment is issuing equity shares to the shareholders on a preferential basis. In legal terms, preferential allotment is the allotment of equity shares to a select group of investors on a preferential basis at a predetermined price. Companies can go for preferential allotment by passing a special resolution in the general meeting of the company. However, it does not include securities or shares issued through public issues, ESOPs, right issues, issue of sweat equity shares, bonus issues or issue of depository receipts.Preferential allotment is a process where a company issues shares or convertible securities to a select group of investors, not through a public offering. This method is typically used to raise capital and can include shares offered to existing shareholders, venture capitalists, or strategic partners. Preferential allotment is governed by specific regulations and often aims at bringing in high-value investors or restructuring debt*

Keywords*:* Preferential allotment of shares, Company law 2013, Rights of Shareholders , Allotment of shares