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Difference Between Private Placement and Preferential Allotment

1. The private placement is the invitation to offer securities to specific investors by issuing securities, to raise funds while preferential allotment is the issuing of shares to groups of people from a listed company with an aim of raising cash.
2. Application money can be received through checks, draft and any other banking form but NOT CASH while in preferential allotment money can be received in cash or kind.
3. The private placement must be authorized by an article of authorization in the company while in preferential allotment no such article of authorization is needed.
4. A private placement is governed by section 42 of the companies act, 2013 while preferential allotment is governed by section 62(1) of the companies Act, 2013.
5. The documents required in private placement include the PAS 3-return of allotment securities form, PAS 4-The private placement offer letter, PAS 5-A complete record of the private placement to be maintained by the company while preferential allotment the company shall only sign the PAS 3-return of allotment forms.



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6. Preferential allotment requires a valuation report while in private placement there is no valuation report that is needed.

7. The allotment shall be made in 60 days of the receipt application money while in the preferential allotment, allotment shall be made within 12 months from the date of passing of the special resolution but in a case of a listed company, allotment shall be made within 15 days of passing of the special resolution.

Source and more details: <https://askanydifference.com/difference-between-private-placement-and-preferential-allotment/>