

MSC Legal and Business Review

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Capital Increase and Its Importance to Business Operations

Capital Increase is one of the fundraising methods available to a business. A capital increase helps a limited company or listed company maintain financial liquidity and strengthens the financial position of the business. Having sufficient capital increases business opportunities and enables the company to continue growing, as the financial standing of a business directly affects its credibility in the eyes of business partners and financial institutions.

When a company requires additional funding — whether to support future business plans such as business expansion, investment in other entities, improving the company's liquidity, or for the purpose of repaying debt or restructuring debt — the company may consider a capital increase. The process must be carried out in accordance with the procedures and requirements prescribed by relevant laws and regulations.

The two forms of capital increase most commonly chosen by limited companies and listed companies are as follows:

1. Rights Offering

This is a method of raising funds from the company's existing shareholders. Each shareholder receives the right and the opportunity to decide — prior to any other investor who is not yet a shareholder of the company — whether to increase their proportional investment in the company. This form of capital increase results in the least Dilution Effect.

2. Private Placement

This may involve offering shares to existing shareholders or to external investors. This form of capital increase is commonly used in cases of mergers and acquisitions (M&A), or where a new investor is entering the company as a Strategic Partner.

In the case where the business is a limited company, the company must always conduct a Rights Offering first before proceeding with any other form of capital increase.

Note

In addition to raising additional funds through a capital increase, a company may also choose other sources of funding, such as borrowing from financial institutions or issuing debentures.

However, borrowing from financial institutions or issuing debentures may give rise to interest obligations that the company must service. A capital increase, on the other hand, is an option that allows the company to obtain funding without adding to its debt burden. It can also serve simultaneously as a tool to bring in new investors or business partners.

Applicable Laws and Regulations

Entity Type	Governing Laws and Regulations
Limited Company	— Civil and Commercial Code
Public Limited Company	— Public Limited Companies Act B.E. 2535 (including all amendments)
Public Limited Company with Securities Listed on the Stock Exchange of Thailand	<i>All requirements applicable to Public Limited Companies, plus:</i> <ul style="list-style-type: none">— Notification of the Stock Exchange of Thailand Re: Rules, Conditions, and Procedures for Disclosure and Any Actions Relating to the Capital Increase of Listed Companies B.E. 2563 (including all amendments)— Any other relevant regulations issued by the Securities and Exchange Commission and the Stock Exchange of Thailand