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COMMUNIQUE TO REGISTRAR & TRANSFER AGENTS

CDSL/OPS/RTA/POLCY/2020/16

January 23, 2020

STREAMLINING THE PROCESS OF RIGHTS ISSUE

Issuers/RTAs are advised to refer to SEBI Circular no. **SEBI/HO/CFD/DIL2/CIR/P/2020/13** dated January 22, 2020 regarding **Streamlining the Process of Rights Issue** (refer **Annexure**).

Issuers/RTAs are advised to take note of the same and ensure compliance.

Queries regarding this communiqué may be addressed to **CDSL – Helpdesk**: on telephone numbers (022) 2305-8624, 2305-8639, 2305-8642, 2305-8663, 2305-8640, 2300-2041 or 2300-2033. Emails may be sent to: helpdesk@cdslindia.com.

sd/-

Umesh Kambli
Asst. Vice President – Operations



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CIRCULAR

SEBI/HO/CFD/DIL2/CIR/P/2020/13

January 22, 2020

To

Recognized Stock Exchanges

Depositories

Registered Stock Brokers

Registered Merchant Bankers

Registered Registrars to an Issue and Share Transfer Agents

Registered Depository Participants

Registered Bankers to an Issue

Dear Sir / Madam,

Sub: Streamlining the Process of Rights Issue

1. The Securities and Exchange Board of India (SEBI), has simplified the rights issue process to make it more efficient and effective, by amending the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations"). Accordingly, following changes are made with respect to the Rights Issue process :

1.1. The period for advance notice to stock exchange(s) under Regulation 42(2) of LODR Regulations has been reduced from at least 7 working days to at least 3 working days (excluding the date of intimation and the record date), for the purpose of rights issue.

1.2. Issuance of newspaper advertisement disclosing date of completion of dispatch and intimation of same to the stock exchanges for dissemination on their websites, as per Regulation 84 (1) of ICDR Regulations, shall be completed by the issuer at least 2 days before the date of opening of the issue.



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1.3. Introduction of dematerialized Rights Entitlements (REs) –

- 1.3.1. In the letter of offer and the abridged letter of offer, the issuer shall disclose the process of credit of REs in the demat account and renunciation thereof.
- 1.3.2. REs shall be credited to the demat account of eligible shareholders in dematerialized form.
- 1.3.3. In REs process, the REs with a separate ISIN shall be credited to the demat account of the shareholders before the date of opening of the issue, against the shares held by them as on the record date.
- 1.3.4. Physical shareholders shall be required to provide their demat account details to Issuer / Registrar to the Issue for credit of REs not later than two working days prior to the issue closing date, such that credit of REs in their demat account takes place at least one day before the issue closing date.

1.4. Trading of dematerialized REs on stock exchange platform -

- 1.4.1. REs shall be traded on secondary market platform of Stock exchanges, with T+2 rolling settlement, similar to the equity shares. Trading in REs on the secondary market platform of stock exchanges shall commence along with the opening of the issue and shall be closed at least four days prior to the closure of the rights issue.
- 1.4.2. Investors holding REs in dematerialized mode shall be able to renounce their entitlements by trading on stock exchange platform or off-market transfer. Such trades will be settled by transferring dematerialized REs through depository mechanism, in the same manner as done for all other types of securities.



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1.5. Payment mode - Application for a rights issue shall be made only through ASBA facility.

1.6. No withdrawal of application shall be permitted by any shareholder after the issue closing date.

2. The detailed procedures on the Rights Issue process are given at Annexure I for due compliance.
3. This circular shall be applicable for all rights issues and fast track rights issue where Letter of Offer (LoF) is filed with the stock exchanges on or after February 14, 2020.
4. All entities involved in the Rights Issue process are advised to take necessary steps to ensure compliance with this circular including the procedures stated at Annexure I of this circular.
5. This circular is being issued in exercise of the powers under section 11 read with section 11A of the Securities and Exchange Board of India Act, 1992.
6. This circular is available on SEBI website (www.sebi.gov.in) under the categories "Legal Framework / Circulars".

Yours faithfully,

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Procedures on the Rights Issue process

A. Application Form

- a. The issuer shall dispatch a common application form to its shareholders as on the record date. Along with application form, the issuer shall also send the details of the rights entitlements of the shareholder separately.
- b. This application form can be used both by shareholder or renouncee.
- c. Registrar to the issue shall also upload the application forms on its website.
- d. Applicants can use application form available on the website of registrar to the issue or printed forms sourced from the issuer, merchant bankers or registrars to the issue.
- e. In terms of Regulation 78 of the ICDR Regulations, investor also has option to make an application in writing on a plain paper.

B. Credit of Rights Entitlements (“REs”) in dematerialized form

- a. The depositories shall put necessary procedures in place for issue and credit of REs in demat mode.
- b. The issuer making a rights issue of specified securities shall ensure that it has made necessary arrangements with depositories to issue and credit the REs in demat mode in the demat accounts of shareholders holding shares as on the record date.
- c. A separate ISIN shall be obtained by the issuer for credit of REs.
- d. Issuer shall specify the ISIN for REs while announcing the record date. However, for issues where the record date is announced before February 14, 2020, and the letter of offer is filed with the stock exchanges on or after February 14, 2020, the Issuer shall file the letter of offer with the stock exchanges only after it has obtained ISIN for REs.
- e. Based on the rights entitlement ratio, the issuer shall credit REs in dematerialized mode through corporate action to shareholders holding



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shares as on record date. The ISIN of REs shall be kept frozen (for debit) in the depository system till the date of opening of the issue.

- f. Physical shareholders shall be required to provide their demat account details to Issuer / Registrar to the Issue for credit of REs not later than two working days prior to issue closing date, such that credit of REs in their demat account takes place at least one day before issue closing date.
- g. In case of fractional entitlements of REs, the fractional part shall be ignored by rounding down the entitlement.
- h. The issuer shall submit details of total REs credited to the stock exchanges immediately after completing the corporate action for the same and shall obtain requisite trading approval from the stock exchanges.
- i. The details with respect to shareholder entitlement shall be made available on the website of the Registrar to the issue and the investors shall be able to check their respective entitlements on the website of the Registrar by keying their details, after adequate security controls to ensure that investors' information is made available only to the particular investor. Issuer shall also carry these links on their website.
- j. If the demat account of a shareholder is frozen or demat account details are not available, including shares held in unclaimed suspense account or in the account of IEPF Authority, then REs shall be credited in a suspense escrow demat account of the Company and an intimation should be sent to such shareholder by the issuer /Registrar to the issue.
- k. The issuer shall intimate issue closing date to the depositories at least one day before the issue closing date, and the depositories shall suspend the ISIN of REs for transfers, from issue closing date.
- l. REs which are neither renounced nor subscribed by the shareholders, shall be lapsed after closure of the Rights Issue.
- m. Issuer Company shall ensure that REs which are lapsed are extinguished from the depository system once securities are allotted pursuant to Rights Issue. Once allotment is done, the ISIN for REs shall be permanently deactivated in the depository system by the depositories.



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C. Renunciation process and trading of REs on stock exchange platform:

- a. The stock exchanges shall put necessary procedures in place for trading of REs on stock exchange platform.
- b. REs credited to demat account can be renounced either by sale of REs using stock exchanges platform or off-market transfer and such trades will be settled by transferring dematerialized REs through depository mechanism in the same manner as done for all other types of securities.
- c. For sale of REs through stock exchange, investors can place order for sale of REs only to the extent of REs available in the demat account of the investor. Trading in REs on the secondary market platform of Stock exchanges will happen electronically on T+2 rolling settlement basis where T being the date of trading. The transactions will be settled on trade-for-trade basis.
- d. Issuer shall inform the dates of issue opening and closing to the stock exchanges and the depositories at the time of filing the letter of offer with the stock exchanges.
- e. Trading in REs shall commence on the date of opening of the issue and shall be closed at least four days prior to the closure of rights issue.

D. Submission of Application form in Rights Issue

- a. All investors (including renouncee) shall submit application forms using ASBA facility through the Self Certified Syndicate Banks (SCSB) network during the issue period.
- b. Investor shall submit only one application form for REs available in a particular demat account.



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E. Allotment process in the rights issue

- a. Facility for correction of bid data as collated by the SCSBs after issue closing shall be provided for period of one day i.e. on next working day after issue closing.
- b. Registrar shall obtain demographic details of all applicants from depositories.
- c. Registrar shall obtain details of holders of REs as on issue closing date, from the depositories.
- d. After reconciliation of valid ASBA applications, funds blocked and REs demat holding list, the registrar shall finalise allocation of securities offered through rights offering.
- e. Registrar shall credit the shares to the respective demat accounts of the applicants based on basis of allotment approved by the designated stock exchange and shall issue instructions to unblock bank accounts wherever necessary.