Review of Rights Issue process

1.0 Objective

This memorandum seeks to review the Rights Issue process and make proposals for amendments to the issue process with the main objective of (i) reduction of the timeline of the Rights Issue process (ii) introduction of dematerialized Rights Entitlements (REs). It is also proposed to carry out consequential amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations").

2.0 Background

A proposal was placed before Primary Market Advisory Committee (PMAC) of SEBI in its meeting held on February 22, 2019, to revamp the Rights Issue Process. The proposal was put forward for making certain regulatory and process changes that would lead to reduction of the timeline of the Rights Issue process and would also address the issue of price risk spread over longer period due to time taken in the current process. The proposal inter alia outlined regulatory and process changes to attain the following:

(i) reduce time taken between announcement of record date & issue price by the board and issue closing, thereby reducing price risks;

(ii) make the application and allotment process more efficient;

(iii) introduction of dematerialized REs and trading of REs on stock exchange platform.

3.0 Consultation with stakeholders and public comments

3.1 Based on the recommendations of PMAC, a discussion paper (**Annexure – I)** was placed on the SEBI website for public comments on May 21, 2019.Following changes were proposed in the discussion paper :

3.1.1 Reduction in period of notice for Record Date.

3.1.2 Replacing the requirement to publish a newspaper advertisement confirming completion of dispatch with giving intimation to the stock exchanges.

3.1.3 Moving to electronic modes of receiving entitlements, processing, payment and settlement in a Rights Issue.

3.2 Comments (**Annexure – II)** on the discussion paper were received from 21 participants which included 6 trading members, 5 merchant bankers, 2 industry bodies, 2 stock exchanges, 2 depositories, 2 law firms , 1 bank and 1 listed company.

3.3 After receiving public comments, another round of meetings with market participants were conducted on Sept 20, 2019 and Sept 25, 2019 to further discuss the procedural aspects of proposed Rights Issue process.

4.0 Changes proposed in the discussion paper, main comments received thereon and recommendations are discussed as follows:

4.1 **Reduction in period of notice for Record Date:**

4.1.1 Regulation 42 of the SEBI (LODR) Regulations 2015 requires companies to give 7 clear working days (i.e. excluding date of notice and record date) for setting a record date. Regulation 73(1) of ICDR requires issue price to be determined before deciding the record date. Both these regulations combined together require issuer to set issue price when board of the company decides record date. Record date, due to requirement of 7 clear working days' notice, assuming no holidays other than weekend, in practice works out to period of 11 to 13 days.

Proposal: It is proposed to reduce the notice period under Regulation 42 of LODR to 3 clear working days (instead of 7 clear working days). Further, the requirement to determine issue price prior to record date may continue.

4.1.2 **Comments received from market participants**

i. Regulation 42 of SEBI LODR encapsulates determination of record date for various corporate actions e.g. declaration of dividend, rights issue, bonus issue, split of face value, merger, etc. It needs to be clarified whether the reduction in notice period would be effected only for rights issues or for rest of the corporate actions too.

ii. The proposed reduction of 3 days will not provide sufficient time for shareholders to understand the information pertaining to the offer and take informed decision whether to trade prior to ex-date or not. Further, in case of Foreign Portfolio Investors (FPIs) who operate from different time zones and most of such investors come through Global Custodian (GC), the announcement of information takes 1 or 2 days considering multiple layers involved. Such investors may get very less time to take note of announcement information and take trading decision, if any.

4.1.3 **Recommendation**

Notice of 3 clear working days' implies that date of intimation and the record date are excluded. Therefore, dissemination of information to shareholders & other investors shall be at least 4 days before record date and at least 3 days before share starts trading on an ex-rights basis (refer Table 1 below). It, therefore, gives enough time for shareholders and investors to take note of announcement information and trade in the shares. Notice of 3 clear working days would not come in the way of execution and settlement of any trades consequent to announcement of terms of the rights issue.

Table 1:

Existing	Key Activities	Proposed
T	Board Meeting to decide Record date and Issue Price	**T**
T+1 to T+9	Days available for trading in shares before ex-rights trading	**T+1 &T+2**
T+10	Ex-rights trading starts (1 day before Record Date)	**T+3**
T+11	Record date	**T+4**

The reduction in notice period would be effected only for rights issues and not for the rest of corporate actions as mentioned under Regulation 42 of LODR Regulations.

Hence, it is proposed to reduce the notice period under Regulation 42(2) of LODR Regulations to 3 working days (excluding the date of intimation and the record date), only for rights issues. The change shall be effected by adding a proviso to Regulation 42 (2) of LODR Regulations.

4.2 **<u>Replacing the requirement to publish a newspaper advertisement confirming completion of dispatch with giving intimation to the stock exchanges</u>**

4.2.1 Regulation 84 of the SEBI ICDR Regulations requires issuer to publish an advertisement in newspapers confirming completion of dispatch of the letter of offer and composite application forms to shareholders of the company, at least 3 days before the date of opening the issue. Further, Section 62 of the Companies Act, 2013 prescribes that dispatch has to be completed 3 days before issue opening. In addition, the companies shall be required to send emails to shareholders whose email addresses are available with depositories, informing them about the dispatch completion.

Proposal: The Companies Act, 2013 requires companies to complete dispatch of the letters of offer and composite application forms to shareholders of the company 3 days before issue opening. Since this requirement has to be complied with and there are other process changes (dissemination on stock exchanges) suggested that will ensure shareholders are aware of the rights issue, this requirement of publishing advertisement may be done away with. It is suggested that issuers may intimate stock exchanges before issue opening about dispatch completion, which would be notified to shareholders/ investors through the corporate announcements module on the exchange websites.

4.2.2 **Comments received from market participants**

i. There may be shareholders who may not have access to internet /emails/receive emails from the issuer/exchange due to any unforeseeable circumstances. In such situation, advertisement in the newspapers which has wide circulation may be beneficial for the investor/shareholder.

ii. The requirement of pre-issue advertisement of three days can be truncated to one day prior to the issue opening date as done under Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (“Takeover Regulations”).

iii. The intimation to the Stock Exchanges must be made no later than one working day from the completion of dispatch.

iv. The intimation of dispatch completion to the stock Exchange and sending emails to shareholders 'confirming dispatch completion' should be completed at least 2 days prior to Issue Open date.

4.2.3 **Recommendations**

It is proposed to accept suggestion to continue with dispatch completion advertisement in newspaper by the issuer to address the concern of shareholders who may not have access to internet /emails due to any unforeseeable circumstances. Therefore, it is proposed that issuer shall continue to make newspaper advertisement for dispatch completion along with an intimation of dispatch completion to the stock exchanges for dissemination on their websites. Since Section 62 of the Companies Act, 2013, prescribes that dispatch has to be completed 3 days before issue opening, it is proposed that dispatch completion newspaper advertisement and dissemination on stock exchange website shall be done by the issuer at least 2 days before issue opening.

Hence, it is recommended that Regulation 84 of ICDR Regulations shall be amended to effect aforesaid changes.

4.3 **<u>Moving to electronic modes of receiving entitlements, processing, payment and settlement in a Rights Issue:</u>**

4.3.1 Currently rights entitlements ("RE") are intimated to shareholders through composite application form ("CAF"). Registrar overprints RE in the CAF based on rights ratio post the record date and dispatches the same to shareholders. This process of printing and dispatch currently takes ~7 days or more depending on number of shareholders. Shareholders can use the CAF for either applying in the issue or renouncing the entire entitlements or request registrar for split forms if partial renouncement is required. Further RE can also be traded on the exchanges, however the settlement is physical.

Further, renouncer or renouncee, in the current process, cannot apply through ASBA as the registrar needs to verify validity of renouncement by verifying the CAF and signature of shareholder. Application by a renouncee requires payment through bank and not ASBA. As a result, post issue process stretches up to 13-15 days till allotment and 17 days till listing.

Proposal: In order to address these issues, certain process changes were suggested:

a) Dematerialization of REs under a separate ISIN and credit of REs to shareholders' demat account only.
b) Shareholder can use such dematerialized RE for applying in the rights issue or renouncement, either full or in part. The need to request for split forms would be done away with.
c) Based on communication in the exchange notification for dispatch completion, shareholders holding shares in physical form would be required to provide details of their demat account to the Registrar up to 7 days before issue closing. Registrars would credit the REs to the demat account of such shareholder within 2 days of receipt of information.
d) Overprinting of CAFs would not be required and application form in a format similar to current IPO form would be used. Such blank forms would be also available on the website of exchanges.
e) Shareholders and renouncees would fill up the form / use online application facility provided by ASBA banks. Investors would need to indicate in the form the number of shares they intend to apply for, based on their entitlements and any additional quantity.

f) All investors would be required to mandatorily use ASBA as payment mode, whether shareholders/ renouncers or renouncees.

g) Post the closure of the issue, the ISIN for the REs will be temporarily suspended. This would ensure that no trading/transfer is permitted thereafter.

h) Registrar would receive application details from the Stock Exchange. Facility for correction of bid data on T+1 i.e. next working day after issue closing may be provided.

i) Registrar would use the application file provided by exchanges, along with details of actual RE available in the demat account of all the applicants and details of amount blocked in the ASBA accounts. After the basis of allotment is approved, shares shall be credited to the demat account of the applicants.

j) Post allotment, the ISIN for REs would be cancelled. Company shall thereafter obtain listing and trading permission from stock exchange.

k) In cases where promoter/ promoter group conducts an inter-se transfer of renunciation, the trading platform of the stock exchange can provide this facility through a separate window, pursuant to a request. This would ensure that flexibility provided for inter-se transfer between promoters and promoter group can be met.

l) Stock exchanges may permit trading of REs and such facility would be available to ensure that renouncees will be able to participate in the rights issue.

m) No withdrawal of applications will be permitted for any shareholder after the issue closure.

n) Fractional entitlements currently are rounded down, but preference for allotment of one share is given if such shareholder makes application for additional shares.

Registrar shall follow existing process in this regard under the new process.

o) In certain cases, due to the rights entitlement ratio decided by the company, the entitlement of shareholder may be less than one share. In such cases, shareholder receives CAF with zero entitlement but is eligible to apply in the current process. In the proposed system also, similar process would be adopted.

Electronic credit and trading of rights renunciation will make the process of renunciation more transparent and efficient. Payment through ASBA facility is investor friendly and enables faster completion of the post issue process. As a result of these measures, post issue timeline would be reduced by around 11 days.

4.3.2 **Comments received from market participants**

The comments received from the market participants were mostly related to suggestions with respect to procedural and operational aspects of the proposed Rights Issue process and were in favor of the proposed Rights Issue process. No comments were received from the market participants which opposed the proposals.

Also, comments were received with respect to Regulation 99 of ICDR Regulations (Fast Track Rights Issue process), which may be examined separately, as the comments were not related to the content of the discussion paper.

4.3.3 **Discussion with market participants**

The comments received by SEBI have been discussed with the market participants. In light of the discussions, proposal w.r.t. informing physical shareholders to provide their demat details up to 7 days prior to issue closing date, was re-considered and it was proposed that for physical shareholders who do not want to renounce/trade REs and want to apply in the issue, more time can be provided for informing their demat account details. Accordingly, it is proposed that for shareholders who hold shares in physical form and for cases where demat details are not available, it shall be informed to the shareholders to provide their demat account details for credit of REs up to 2 working days prior to issue closure, so that credit of REs in their demat account take place before issue closure.

In terms of clause 2(h) (iii) of Securities Contracts (Regulation) Act, 1956, “rights or interest in securities” are covered under definition of “securities”. Hence, trading in Rights Entitlement on the secondary market platform of Stock exchanges will be similar to as it happens in case of ordinary shares. Trading of REs on the secondary market platform of Stock exchanges will happen electronically on T+2 rolling settlement basis where T is the date of trading. To separate the trading of REs from the trading of ordinary shares, a separate ISIN shall be given for the REs.

4.3.4 **Recommendations**

It is proposed to accept abovementioned suggestions at para 4.3.3 and proposals given at para 4.3.1 with respect to regulatory and process changes in Rights Issue.

Thus, in view of aforesaid, following key regulatory changes are proposed:

i. Rights Entitlement will be credited in demat account only.
ii. Physical shareholders will be required to provide details of demat account for credit of Rights Entitlement.
iii. All investors shall mandatorily use the ASBA facility to apply in the rights issue.
iv. No withdrawal of applications will be permitted for any shareholder after issue closure.

v. Disclosures related to new process changes in the draft letter of offer and letter of offer.

Accordingly, it is proposed that Regulation 70, Regulation 76, Regulation 87, Regulation 88, Schedule V – Formats of due diligence certificates, Schedule VI Part B – Disclosure in a letter of offer, of ICDR Regulations shall be amended suitably to affect aforesaid regulatory changes. It is also proposed that a new regulation (Regulation 77A) shall be inserted to reflect changes with regard to credit of Rights Entitlements and allotment of specified securities in dematerialized form only.

As the proposals made at para 4.3.1, would also result to changes in Rights Issue process, appropriate circular shall be issued in accordance with the amended regulations. Further, suggestions' received from market participants with respect to procedural and operational aspects of the proposed Rights Issue process shall be appropriately considered and dealt in the said circular (list of such suggestions is placed at **Annexure III**).

5.0 New timeline pursuant to implementation of proposed changes:

Table 2:

Existing	Key Activities	Proposed
T	Board Meeting to decide Record date and Issue Price	T
T+10	Ex-rights trading starts (1 day before Record Date)	T+3
T+11	Record date	T+4
T+12	Dispatch Starts	T+5
T+19	Dispatch Completion	T+6
T+20	Dispatch confirmation advertisement + intimating stock exchange confirming dispatch completion for dissemination to public	T+7

T+23	Issue Opening	T+9
T+37	Issue Closing*	T+23
T+51	Basis of Allotment	T+27
T+52	Allotment of Shares	T+28
T+55	Listing and trading	T+31**

*Issue Open Period in the table above is considered as 15 days, which is the minimum period under the Companies Act, 2013.

**In case the issue is kept open for 30 days, which is the maximum period under the Companies Act, 2013, then the listing and trading shall be reduced to T+46 days from T+70 days.

6.0 Amendment to SEBI LODR Regulations, 2015

If approved by Board, Regulation 42(2) of the LODR Regulations may be amended in line with the recommendations under Para 4.1. Proposed amendments are placed at **Annexure IV** for approval of the Board.

7.0 Amendment to SEBI ICDR Regulations, 2018

If approved by Board, in line with the recommendations under Para 4.2, Regulation 84 of the ICDR Regulations, may be amended. In line with the recommendations under Para 4.3, Regulation 70, Regulation 76, Regulation 87, Regulation 88, Schedule V – Formats of due diligence certificates, Schedule VI Part B – Disclosure in a letter of offer, of ICDR Regulations, may be amended and a new regulation - Regulation 77A shall be inserted after Regulation 77 of ICDR Regulations. Proposed amendments are placed at **Annexure V** for approval of the Board.

8.0 Proposal for consideration and approval

The Board is requested to consider and approve the proposals under Para 4.0 and revised set of regulations at Para 6.0 and 7.0. The Chairman may be authorized to amend the Regulations and take consequential and incidental steps to give effect to the decisions of the Board.

Annexure I

Discussion Paper

Review of Rights Issue Process

1. Objective

1.1. The objective of this discussion paper is to seek comments / views from the public and market intermediaries on Review of Rights Issue Process.

2. Background

2.1. Securities market, including the primary markets, is dynamic and needs to keep pace with the evolving economic and technological environment. Accordingly, there has been a significant change in the regulatory framework governing the primary markets, particularly initial public offerings, thereby making the product timelines and processes efficient.

2.2. While SEBI has enabled rights issue through the fast track route, subject to certain conditions, cutting down significantly on the timelines, SEBI is further exploring ways to make the rights issue process more efficient. Issuers perceive a higher exposure to price risk due to current rights issue process while investors expect allotment and listing timelines to be shortened. The current process of trading of rights entitlement, which is settled physically with low liquidity, is also needed to be addressed.

2.3. This discussion paper evaluates means to (i) reduce time between announcement of terms of the issue and issue closing thereby reducing price risks, and (ii) make the application and allotment process more efficient by using the banking and depository infrastructure and provide issuers with an efficient mechanism for raising funds, and to streamline the process, reduce post issue timeline for rights issues and methodologies associated with rights issue fund raising process.

3. Issue

3.1. A current rights issue process, through the fast track route, typically takes about 55-58 days from the time the Company decides to launch the rights issue till listing. This timeline (excluding the period taken for completing the letter of offer and any statutory and regulatory approvals) has three broad components:

3.1.1. 26 days from the notice of the Board Meeting to the opening of the Rights Issue

3.1.2. Issue Period of at least 15 days and not more than 30 days from the opening of the Rights Issue to the closing of the Rights Issue – this is a requirements under the Companies Act 2013

3.1.3. 12 working days [~15 days] for allotment and listing

The key activities and timeline in the current process are as follows:

Key Activities [1]	Timeline	Regulatory Requirements	Regulation
Board Meeting to decide record date and Issue Price	**T**	Price to be decided before record date	ICDR
Ex-rights trading starts (1 day before Record Date)	T+10	-	
Record date	**T+11**	7 clear working days gap from Board meeting	LODR
Dispatch Starts	T+12	-	
Dispatch Completion	T+19	• Takes 7-8 days • 3 days before Issue opening	Companies Act
Dispatch confirmation advertisement	T+20	3 days prior to Issue opening	ICDR
Issue Opening	**T+23**	-	
Issue Closing	**T+37**	Issue to be kept open for minimum 15 days	ICDR and Companies Act
Basis of Allotment	T+51	~12 days for due to physical forms	
Allotment of Shares	T+52	-	
Listing and trading	**T+55**	-	

[1] *Activities listed above relates to period other than preparation, diligence and SEBI review period for draft LOF*

3.2. During the period specified in 3.1.1 and 3.1.2 above, the issuer company and the shareholders of the Company are exposed to price risk. It can be observed from past transactions that once the rights issue price and terms are announced, the stock price or the company and the rights issue price begin to converge, leaving little incentive to shareholders to benefit from the rights issue price, which is typically at a discount to the trading price at the time of announcement. Also chances of macro events impacting stock performance of companies, from the time issue price is announced are high, given current rights issue timelines.

3.3. Further, while in IPOs, with the introduction of UPI based payments coupled with ABSA facility, it is proposed that allotment and trading is completed in 3 working days from issue closure, in a rights issue, allotment and trading processes take up to 12 working days from issue closure. This is largely on account of physical verification of forms and requests that deal with renunciation, consequently allowing non ASBA payments for renouncees.

3.4. Given the above timelines, there is a need to reduce the timelines both in the pre issue opening phase and after issue closure such that the issuer and shareholders benefit from process efficiencies.

4. **Proposal**

4.1. **Reduction in period of notice for Record Date:** Regulation 42 of the SEBI (LODR) Regulations 2015 requires companies to give 7 clear working days (i.e. excluding date of notice and record date) for setting a record date. Regulation 73(1) of ICDR requires issue price to be determined before determining record date. Both these regulations combined together require issuer to set issue price when board of the company decides record date. Record date, due to requirement of 7 clear working days' notice, assuming no holidays other than weekend, in practice works out to period of 11 to 13 days.

Suggestion: To reduce the notice period under Regulation 42 of LODR to 3 clear working days (instead of 7 clear working days), and the requirement to determine issue price prior to record date may continue.

Rationale: Three clear working days' notice would actually result in dissemination of information to shareholders and other investors at least 4 days before record date and at least 3 days before share starts trading on an ex-rights basis. It, therefore, gives enough time for shareholders and investors to trade in the shares. Notice of 3 clear working days would enable execution and settlement of any trades consequent to decision on terms of the rights issue.

Board Meeting to decide Record date and Issue Price	T
Ex-rights trading starts (1 day before Record Date)	T+3
Record date	T+4

4.2. **Replacing the requirement to publish a newspaper advertisement confirming completion of dispatch with giving intimation to the stock exchanges:** Regulation 84 of the SEBI ICDR Regulations requires issuer to publish an advertisement in newspapers confirming completion of dispatch of the letter of offer and composite application forms to shareholders of the company, at least 3 days before the date of opening the issue. Further, Section 62 of the Companies Act, 2013 prescribes that dispatch has to be completed 3 days before issue opening. In addition, the companies shall be required to send emails to shareholders whose email addresses are available with depositories, informing them about the dispatch completion.

Suggestion: The Companies Act, 2013 requires companies to complete dispatch of the letters of offer and composite application forms to shareholders of the company 3 days before issue opening. Since this requirement has to be complied with and there are other process changes suggested that will ensure shareholders are aware of the rights issue, this requirement of publishing advertisement may be done away with. It is suggested that issuers may intimate stock exchanges before issue opening about dispatch completion, which would be notified to shareholders/ investors through the corporate announcements module on the exchange websites.

Rationale: A public advertisement process adds time and cost to the rights issue process. All material information is communicated to shareholders/ investors through stock exchange announcements. In addition, companies often use electronic means to communicate with their shareholders, on an ongoing basis. Hence, the requirement to give a newspaper advertisement can be replaced with requirement to intimate the shareholders through the stock exchanges and through email where such details are available.

4.3. **Moving to electronic modes of receiving entitlements, processing, payment and settlement in a Rights Issue:** Currently rights entitlements ("RE") are intimated to shareholders through composite application form ("CAF"). Registrar overprints RE in the CAF based on rights ratio post the record date and dispatches the same to shareholders. This process of printing and dispatch currently takes ~7 days or more depending on number of shareholders. Shareholders can use the CAF for either applying in the issue or renouncing the entire entitlements or request registrar for split forms if partial renouncement is required. Further RE can be traded on the exchanges, however the settlement is physical.

Further, renouncer or renounces, in the current process, cannot apply through ASBA as the registrar needs to verify validity of renouncement by verifying the CAF. Application by a renouncee requires payment through bank and not ASBA. As a result, post issue process stretches up to 13-15 days till allotment and 17 days till listing, within the 12 working days' limit prescribed in the regulations for rights issues.

Suggestion: In order to address these issues, certain process changes are suggested.

b. Dematerialization of entitlements under a separate ISIN - rights entitlements ("RE") shall be credited to shareholders' demat account only.
c. Shareholder can use such dematerialized RE for applying in the rights issue or renouncement, either full or in part. The need to request of split forms would be done away with.
d. Based on communication in the exchange notification for dispatch completion, shareholders holding shares in physical form would be required to provide details of their demat account to the Registrar at least 7 days before issue closing. Registrars would credit the entitlements to the Demat account of such shareholder within 2 days of receipt of information.
e. Overprinting of CAFs would not be required and application form in a format similar to current IPO form would be used. Such blank forms would be also available on the website of exchanges.
f. Shareholders and renouncees would fill up the form/use online application facility provided by ASBA banks. Investors would need to indicate in the form the number of shares they intends to apply for, based on entitlements and any additional quantity.
g. All investors would be required to mandatorily use ASBA as payment mode, whether shareholders/ renouncers or renouncees.
h. Post the closure of the issue, the ISIN for the rights renunciation will be temporarily suspended. This would ensure that no trading/transfer is permitted thereafter.

i. Registrar would receive application details from the Stock Exchange. Facility for correction of bid data on T+1 i.e. next working day after issue closing may be provided.

j. Registrar would use the application file provided by exchanges, along with details of actual RE available in the demat account of all the applicants and details of amount blocked in the ASBA accounts. After the basis of allotment is approved, shares shall be credited to the demat account of the applicants.

k. Post allotment, the ISIN for REs would be cancelled. Company shall thereafter obtain listing and trading permission.

l. In cases where promoter/ promoter group conducts an inter-se transfer of renunciation, the trading platform of the stock exchange can provide this facility through a separate window, pursuant to a request. This would ensure that flexibility provided for inter-se transfer between promoters and promoter group can be met.

m. Stock exchanges may permit trading of rights entitlements and such facility would be available to ensure that renouncees will be able to participate in the rights issue.

n. No withdrawal of applications will be permitted for any shareholder after issue closure.

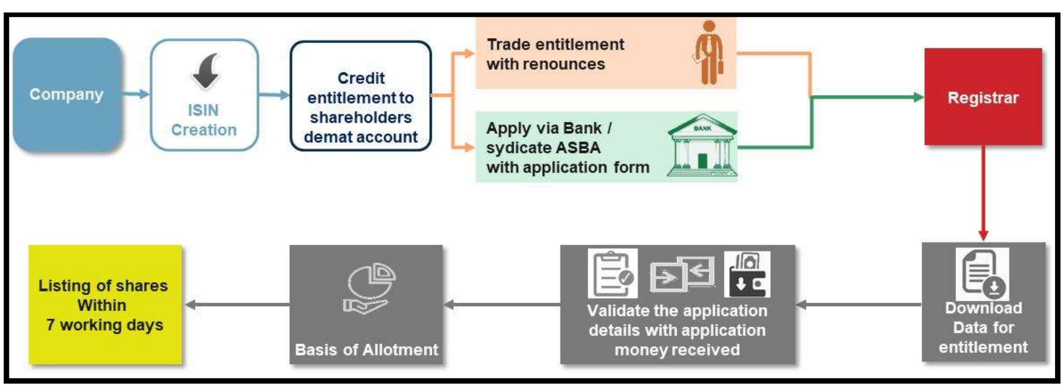
o. Fractional entitlements currently are rounded down, but preference for allotment of one share is given if such shareholder makes application for additional shares. Registrar shall follow existing process in this regard under the new process.

p. In certain cases, due to the rights entitlement ratio decided by the company, the entitlement of shareholder may be less than one share. In such cases, shareholder receives CAF with zero entitlement but is eligible to apply in the current process. In the proposed system also, similar process would be adopted.

Rationale: Electronic credit and trading of rights renunciation will make the process of renunciation more transparent and efficient. Payment through ASBA facility is investor friendly and enables faster completion of the post issue process. As a result of these measures, post issue timeline would be reduced by 11 days.

A. Proposed Process & Timeline:

A process diagram of the proposed flow is given below:



It is expected that if the above changes are carried forth, the new timeline will be as follows:

Existing	Key Activities	Proposed
T	Board Meeting to decide Record date and Issue Price	T
T+10	Ex-rights trading starts (1 day before Record Date)	T+3
T+11	Record date	T+4
T+12	Dispatch Starts	T+5
T+19	Dispatch Completion	T+6
T+20	Dispatch confirmation advertisement	NA
NA	Company intimates stock exchange confirming dispatch completion for dissemination to public [and sends emails to shareholders confirming dispatch completion.]	Before issue opening
T+23	Issue Opening	T+9
T+37	Issue Closing*	T+23
T+51	Basis of Allotment	T+27
T+52	Allotment of Shares	T+28
T+55	Listing and trading	T+31

**Issue Open Period in the table above is considered as 15 days, which is the minimum period under the Companies Act, 1956*

The process indicated above can be used for securities other than equity shares offered on rights basis to the shareholders also.

5. **Public comments**

5.1. Considering the implications of the said matter on the market participants including listed companies, market intermediaries and investors, public comments on the policy framework proposed above are solicited. The comments on above, may be sent by email or through post, in the format below:

Name of entity / person : Contact Number & Email Address :			
Sr. No.	**Reference Para of the discussion paper**	**Suggestion/ Comments**	**Rationale**

While sending email, kindly mention the subject as **"Comments on discussion paper for Review of Rights Issue Process"**.

The comments may be sent by email to rightsissue@sebi.gov.in or sent by post at the following address latest by June 21, 2019:

Ms. Amy Menon
Deputy General Manager
Corporation Finance Department
Securities and Exchange Board of India
SEBI Bhavan
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Bandra Kurla Complex
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Issued on: **May 21, 2019**

Annexure II

(This has been excised for reasons of confidentiality)

Annexure III

Comments / suggestions received from market participants with respect to procedural and operational aspects of the proposed Rights Issue process:

i. Uploading data w.r.t entitlement on the website of the RTI will be helpful. As the investors may check their respective RE on the website of RTI by keying their details.

ii. If the demat account of the shareholder is inoperative / frozen, it is suggested that the rights entitlements are credited in an escrow demat account of the Company and an intimation should be send to the shareholder.

iii. Clarification is needed as to how this process of obtaining ISIN for "rights entitlement" will work, what will be the time period for obtaining this ISIN and how these "rights entitlement" will be listed on stock exchanges which will make trading of "rights entitlement" possible on stock exchange platform.

iv. Dematerialization of RE should be completed prior to giving intimation to stock exchange regarding completion of dispatch and temporarily locked in till issue opens.

v. Instead of dispensing with the over-printing of CAFs at one go, it be done in a phased manner. Therefore, initially, CAFs would continue to have the overprinted entitlement, in addition to the REs being credited to the demat accounts of the shareholders. Once this process is time tested, overprinting may be discontinued.

vi. Format for CAFs for rights issues should be different from the application form applicable for the IPOs and SEBI may consider issuing a separate format for CAFs for rights issues.

vii. Trading of REs should continue to be allowed in off-market mode with settlement in physical mode, in addition to Stock Exchange trading.

viii. Holding of securities in demat form should be the eligibility criteria for applying in rights issue. Requirement of providing demat details to Registrar should be initiated when the company declares record date and upto Issue opening.

Annexure IV

THE GAZETTE OF INDIA

EXTRAORDINARY

PART – III – SECTION 4

PUBLISHED BY AUTHORITY

SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai, the , 2019

SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) (FIFTH AMENDMENT) REGULATIONS, 2019

No. . ─ In exercise of the powers conferred by section 11, sub-section (2) of section 11A and section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with section 31 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Board hereby makes the following regulations to further amend the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, namely,–

1. These regulations may be called the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2019.

2. They shall come into force on the date of their publication in the Official Gazette.

3. In the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, in regulation 42, in sub-regulation (2), the following proviso shall be inserted, namely, -

> "Provided that in the case of rights issues, the listed entity shall give notice in advance of at least three working days (excluding the date of intimation and the record date)."

AJAY TYAGI
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA

Footnotes:

1. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 were published in the Gazette of India on 2nd September 2015 vide No. SEBI/LAD-NRO/GN/2015-16/013.

2. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, were subsequently amended on:
   a) December 22, 2015 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2015 vide notification no. SEBI/LAD-NRO/GN/2015-16/27.
   b) May 25, 2016 by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2016 vide notification no. SEBI/LAD-NRO/GN/ 2016-17/001.
   c) July 8, 2016 by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 vide notification no. SEBI/ LAD-NRO/GN/2016-17/008.

d) January 4, 2017 by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2016 vide notification no. SEBI/ LAD-NRO/GN/2016-17/025.
e) February 15, 2017 by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2017 vide notification no. SEBI/LAD/NRO/GN/2016-17/029.
f) March 6, 2017 by the Securities and Exchange Board of India (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017 vide Notification No. LAD-NRO/GN/2016- 17/037 read with March 29, 2017 by Securities and Exchange Board of India (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017 vide notification no. SEBI/LAD/NRO/GN/2016-17/38.
g) May 9, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 vide notification SEBI/LAD-NRO/GN/2018/10.
h) May 30, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2018 vide notification no. SEBI/LAD-NRO/GN/2018/13.
i) June 1, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2018 vide notification no. SEBI/LAD-NRO/GN/2018/21.
j) June 8, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018 vide notification no. SEBI/LAD-NRO/GN/2018/24.
k) September 6, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2018 vide notification no. SEBI/LAD-NRO/GN/2018/30.
l) November 16, 2018 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2018 vide notification no. SEBI/LAD-NRO/GN/2018/47.
m) March 29, 2019 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2019 vide notification no. SEBI/LAD-NRO/GN/2019/07.

n) May 7, 2019 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2019, vide notification no. SEBI/ LAD-NRO/GN/2019/12.

o) June 27, 2019 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2019, vide notification no. SEBI/ LAD-NRO/GN/2019/22.

p) July 29, 2019 by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2019, vide notification no. SEBI/LAD-NRO/GN/2019/28.

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Annexure V

THE GAZETTE OF INDIA

EXTRAORDINARY

PART – III – SECTION 4

PUBLISHED BY AUTHORITY

SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai, the , 2019

SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) (FIFTH AMENDMENT) REGULATIONS, 2019

No. – In exercise of the powers conferred under section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following Regulations to further amend the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, namely:-

1. These regulations may be called the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Fifth Amendment) Regulations, 2019.

2. They shall come into force on the date of their publication in the Official Gazette.

3. These regulations shall be applicable to the draft letter of offer, letter of offer and abridged letter of offer filed on or after the date of coming into force of these regulations.

4. In the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018,-

I. In regulation 70, after sub-regulation (6), the following sub-regulation shall be inserted, namely,-

"(7) In the letter of offer and the abridged letter of offer, the issuer shall disclose the process of credit of rights entitlements in the demat account and renunciation thereof."

II. Regulation 76 shall be substituted by the following regulation, namely,-

"**ASBA.**

76. An applicant to the rights issue shall do so only through the ASBA facility, which facility shall be provided by the issuer in the manner specified by the Board.

Provided that payment through any other electronic banking mode shall be permitted in respect of an application made for any reserved portion outside the issue period."

III. After regulation 77 and before regulation 78, the following regulation shall be inserted, namely,-

“**Credit of rights entitlements and allotment of specified securities.**

77A. (1) The rights entitlements shall be credited to the demat account of the shareholders before the date of opening of the issue.

(2) Allotment of specified securities shall be made in the dematerialised form only.”

IV. In regulation 84, -

A. the word “three” shall be substituted by the word “two”;

B. after the words and symbol, “opening of the issue,” and before the word “disclosing”, the words and symbol, “and also give an intimation to the stock exchanges for dissemination on their websites,” shall be inserted.

V. In regulation 87, after the words “thirty days” and before the symbol “.”, the words “and no withdrawal of application shall be permitted after the issue closing date” shall be inserted.

VI. In regulation 88, the following second proviso shall be inserted, namely,-

“Provided further that payment of balance money in calls, outside the issue period, may be through electronic banking modes.”

VII. In Schedule V, in Form A, in the paragraph beginning with the words and symbol “We confirm that:”,-

A. clause (10) shall be omitted and existing clauses (11), (12) and (13) shall be re-numbered as clauses (10), (11) and (12) respectively;

B. after clause (12) so re-numbered, the symbols and words “[*The option to receive physical security certificates in a rights issue shall be available only for a period of six months from the date of coming into force of these regulations.]” shall be omitted.

VIII. In Schedule VI, in Part B, in clause (5), -

A. in sub-clause (XVIII),-

i. in item (1), the words and symbol “issue of certificates/demat credit” shall be substituted by the words “demat credit of securities”;

ii. in item (2), -

a. in sub-item (b), para 2. shall be omitted;

b. in sub-tem (e), the words “paid along with application, and particulars of cheque, etc. to be drawn in favour of the issuer’s account” shall be substituted by the words “blocked with SCSB for using ASBA facility along with application”;

c. in sub-item (f), the words “and shall not utilise the application form for any purpose including renunciation even if it is received subsequently” shall be omitted.

iii. in item (5),-

a. the word “refunds” shall be substituted by the words and symbol “un-blocking of ASBA/refunds”;

b. the word “refund” shall be substituted by the words and symbol “un-blocking of ASBA/refund”

iv. in item (6), in para c), existing sub-paras (i), (ii) and (iii) shall be re-numbered as sub-paras (ii), (iii) and (iv) and before the sub-para (ii) so re-numbered, the following sub-para shall be inserted, namely,-

“(i) Unblocking amount in ASBA accounts”

B. in sub-clause (XIX), in item (f), the words “and to consider them similar to non-ASBA applications while finalizing the basis of allotment” shall be omitted;

C. in sub-clause (XXIII), item (A) shall be substituted by the following item, namely,-

“(A) Allotment of specified securities shall be in the demateralised form.”

AJAY TYAGI

CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA

Footnote:

1. The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 were published in the Gazette of India on September 11, 2018 vide No. SEBI/LAD-NRO/GN/2018/31.

2. The Principal Regulations were subsequently amended on:-

(a) December 31, 2018 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements)(Amendment) Regulations, 2018, vide notification No. SEBI/LAD-NRO/GN/2018/57.

(b) March 29, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements)(Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/05.

(c) April 5, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements)(Second Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/08.

(d) July 29, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements)(Third Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/29.

(e) September 23, 2019 by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements)(Fourth Amendment) Regulations, 2019, vide notification No. SEBI/LAD-NRO/GN/2019/35.

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