

# Rights Entitlements

## Investors' Awareness



## Rights Entitlement (RE)

- Concept of Dematerialised REs was operationalised on Jan 22, 2020
- SEBI Circular No. SEBI/HO/CFD/DIL2/CIR/P/2020/1 - Streamlining the Process of Rights Issue
- SEBI/HO/CFD/SSEP/CIR/P/2022/66 Dated May 19, 2022
- Applicable for Rights Issue where Letter of Offer (LoF) is filed with the Stock Exchanges on or after Feb 14, 2020
- BSE Notices
  - 20200305-21 dated March 5, 2020 and
  - 20200518-13 dated May 18, 2020

## Rights Entitlement (RE) - Highlights

- **How to know your RE**
  - Details with respect to RE available on the website of Registrar to Issue.
  - Email intimations sent by Issuers / Registrar
- REs credited in the Demat Account of the Shareholder
  - Separate ISIN
  - If the demat account frozen/ closed/ not available, in suspense escrow
- Investor can trade in the RE
  - Buy/ Sell in the market through Stock Broker OR
  - Off Market buy/ sell using Delivery Instruction Slips (DIS)

## Rights Entitlement (RE) – Highlights .....

- RE holders can
  - Apply for entitlement OR
  - Apply for more than entitlement OR
  - Apply for less than entitlement
  
- **RE status in case of No Action from Investor**
  - REs which are neither renounced nor subscribed by the shareholders, ***shall lapse on closure of the Rights Issue***

## Rights Entitlement (RE) – Physical Shareholders

- Physical Shareholders can get RE only in Demat form
  - Required to provide demat account details to Issuer / Registrar not later than two working days prior to issue closing date
  - Credit of REs in their demat account to take place at least one day before issue closing date

## Rights Entitlement (RE) – How to Apply

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- Only ASBA application is permitted
- Submit only One application per Demat account
  - If REs in multiple demat accounts, multiple applications please
- Application Form
  - Applicants can use application form available on the website of Registrar/ Issuer/ BRLMs/ Stock Exchanges OR
  - To make an application in writing on a plain paper
- Allotment
  - Allotment will be done by the Registrar

## Options Available – Rights Holder

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- The Rights Entitlement Letter will clearly indicate the number of Rights Equity Shares that the Eligible Equity Shareholder is entitled to
- The Fractional part shall be ignored by rounding down the entitlement
  - However, priority allotment of 1 share if extra applied for subject to availability

## Options Available – Rights Holder .....

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- If the Eligible Equity Shareholder applies in the Issue, then such Eligible Equity Shareholder can:
  - Apply for its Rights Equity Shares to the full extent of its Rights Entitlements; or
  - Apply for its Rights Equity Shares to the extent of part of its Rights Entitlements (without renouncing the other part); or
  - Apply for Rights Equity Shares to the extent of part of its Rights Entitlements and renounce the other part of its Rights Entitlements; or
  - Apply for its Rights Equity Shares to the full extent of its Rights Entitlements and apply for additional Rights Equity Shares; or
  - Renounce its Rights Entitlements in full



## Trading in Rights Entitlement (RE)

- BSE - "R" Group
- T + 2 Day Settlement
- Trade for Trade
  - No short selling allowed
- Trading commences along with the Opening of the Issue
  - Closed at least Three days prior to the closure of the rights issue
- Trading on Stock Exchanges Platform
  - Through Stock Broker
  - Like Normal Trading
  - Exchanges have issued notices, trading has commenced
- For off Market Trade
  - Give off market instruction to DP

## Examples - Rights Entitlement (RE)

- **Situation – 1**
  - Applied for 100 Rights in Demat account 1
  - RE balance in Demat account 1 is 100
- Allotment
  - 100 shares to be allotted provided there are no errors
- **Situation - 2**
  - Applied for 100 Rights in Demat account 1
  - Applied for 100 Rights in Demat account 2
  - RE balance in Demat account 1 is 100
  - RE balance in Demat account 2 is 50
- Allotment
  - 100 shares to be allotted in Demat Account No. 1
  - 50 shares to be allotted in Demat Account No. 2
  - Additional shares (max 50 more) may be allotted in Demat Account No. 2 subject to oversubscription

## Examples - Rights Entitlement (RE) .....

### ▪ Situation - 3

- Originally had 100 Rights in Demat account 1
- Applied for 100 Rights in Demat account 1 on Day 1
- Sold the RE in the market, Nil RE balance as on closure of issue

### ▪ Allotment

- Nil allotment Amount will be refunded

### ▪ Situation - 4

- Originally had 100 Rights in Demat account 1
- Purchased 200 more, So 300 RE balance as on closure of issue
- Applied for 1000 Rights in Demat account 1

### ▪ Allotment

- 300 shares to be allotted in Demat Account No. 1
- Additional shares (upto 700 max) may be allotted subject to oversubscription

## Examples - Rights Entitlement (RE) .....

### ▪ Situation - 5

- RE balance in Demat account 1 is 100
- RE balance in Demat account 2 is 50
- Applied for 150 Rights in Demat account 1
- Applied for Nil Rights in Demat account 2

### ▪ Allotment

- 100 shares to be allotted in Demat Account No. 1
- Nil shares to be allotted in Demat Account No. 2 – 50 RE lapsed
- Additional shares (max 50) may be allotted in Demat Account No. 1 subject to oversubscription

## Examples - Rights Entitlement (RE) .....

### ■ Situation - 6

- RE entitlement – physical - 100
- RE balance in Demat is 200
- Applied for 100 Rights for physical using R-WAP
- Applied for 200 Rights in Demat using ASBA

### ■ Allotment

- 100 shares to be allotted – you will need to provide demat details for the shares to be received in your demat account
- 200 shares to be allotted in Demat Account

**THANK YOU**