

SEBI streamlines rights issue process, allows investor selection

May 2025



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Executive Summary

This alert highlights Securities and Exchange Board of India ("SEBI") new framework aimed at accelerating and streamlining the Rights Issue process.

SEBI has rolled out a new framework to fast-track rights issues, targeting completion within 23 working days of board approval. This move aims to streamline fundraising, cut delays and costs, and boost market efficiency for listed companies.

These measures will apply to all rights issues by listed companies approved by their boards on or after April 7, 2025.

SEBI's revamped rights issue framework boosts efficiency on account of two major changes:

- A shortened 23-day timeline for faster, cost-effective capital raising, and
- A greater allotment flexibility, allowing promoters to engage with selective investors—enhancing participation and fundraising potential.

Key highlights of the revised framework



Key highlights of the new SEBI Rights Issue Framework:

No SEBI Filing of DLoF

Draft Letter of Offer no longer needs SEBI review. Only the final Letter of Offer (LoF) is filed, with simplified disclosures. DLoF goes only to stock exchanges for in-principle approval.



Faster Fund Raise

With a 23-day timeline, companies can raise capital faster and at lower costs.

Selective Allotment in Under-Subscribed Issues

Unsubscribed shares can now be allotted to select investors at the same issue price.



Share Allotment via Automation

Allotment and bid validation to be fully automated by stock exchanges, depositories, and registrars within six months - by end of September 2025.



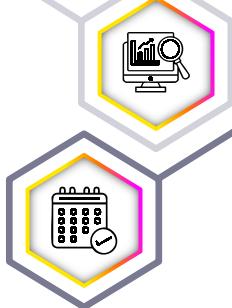
Monitoring Agency Mandatory

Required for all rights issues (previously only for issues above INR 100 crore) to ensure fund use tracking.



Promoter Rights Entitlement (RE) Transfer Flexibility

Promoters can renounce rights entitlements to specific investors with prior disclosure. Applications from such investors are non-withdrawable.



Merchant Banker Appointment Optional

No longer mandatory; can be appointed voluntarily for added efficiency.

Source: SEBI Circular dated March 11, 2025 SEBI/HO/CFD/CFD-PoD-1/P/CIR/2025/31

New timeline of Rights Issue



Sr. No.	Broad activities	Timelines (Working Days)
1.	Board meeting to approve the rights issue -Draft Letter of Offer to be kept ready	T
2.	Notice for second board meeting to fix record date, price and entitlement ratio*	T*
3.	Apply for In-principle approval along with the Draft Letter of Offer with Stock Exchanges	T+1
4.	Receipt of in-principle approval from Stock Exchanges	T+3
5.	Board meeting for fixing record date, price and entitlement ratio	T+4
6.	Filing of Letter of Offer with Stock Exchanges and SEBI	T+5 to T+7
7.	Record Date	T+8
8.	Credit of Right Entitlements (REs)	T+9
9.	Dispatch of Letter of Offer	T+10
10.	Advertisement for completion of dispatch & disclosing details of specific investors	T+11
11.	Issue opening and commencement of trading in REs	T+14
12.	Closure of REs trading (three working days prior to issue closure)	T+17
13.	Closure of off-market transfer of REs	T+19
14.	Issue closure	T+20
15.	Transfer of funds to Issuer's monitoring account	T+22
16.	Commencement of trading of shares	T+23

*Rights Issue of convertible debt instruments wherein shareholder's approval is required, the notice to be given on the date of receiving shareholders' approval.

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