

SEBI – ICDR Regulations Amendment of March 2025:

Key changes from Rights Issue perspective

28 March 2025

Introduction

On 3 March 2025, the Securities and Exchange Board of India (SEBI) introduced several changes to the existing rights issue framework, relating to process and disclosure requirements through significant amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (SEBI ICDR Regulations). This amendment, which was notified on 4 March 2025, read with the SEBI circular dated 11 March 2025, wherein the revised timelines for completion of the rights issue process has been notified (Rights Issue Circular) (together the Rights Issue Amendments 2025), aims to streamline the rights issue process, reduce turnaround times, and enhance the efficiency of capital raising by listed companies.

This Ergo will analyse the Rights Issue Amendments 2025 highlighting key modifications, comparing the legal and disclosure framework before and after the changes, and assessing their impact on market participants.

Before introducing the Rights Issue Amendments 2025, SEBI published a consultation paper on 20 August 2024, titled “Faster Rights Issue with Flexibility of Allotment to Selective Investors” (Consultation Paper) inviting feedback from stakeholders on proposed reforms aimed at enhancing the efficiency and appeal of rights issues. Several key recommendations from the Consultation Paper have been incorporated into the Rights Issue Amendments 2025, reinforcing SEBI’s objective of making rights issues a more attractive and competitive fundraising avenue compared to other modes of fund raising.

Key Changes under Rights Issue Amendments 2025

S.No.	Analysis and Impact of the Rights Issue Amendments 2025
Shift from “disclosures mandated by regulatory requirements” towards “reliance on publicly disseminated information”	
1.	No review process, hence, no involvement of SEBI.
	<ul style="list-style-type: none"> i. In accordance with the Rights Issue Amendments 2025, the provisions of 'Chapter III - Rights Issue' of the SEBI ICDR Regulations now apply to all rights issues, regardless of their size. Previously, this chapter was applicable only to issues with a minimum size of INR 500,000,000 (INR 500 million). ii. Pursuant to the amendments, the requirement to file different documents for different types of rights issues has been removed by SEBI, meaning that there is no longer a distinction in the documentation required for rights issues. To ensure uniformity in the process, SEBI has removed the fast-track eligibility requirements. While some of the eligibility criteria have been done away with entirely, some of the eligibility criteria have been converted into disclosure items in the DLOF and letter of offer (LOF). iii. The intention of SEBI is to simplify the entire rights issue process by relying on publicly disseminated information. An issuer proposing the rights issue is already listed and thus, obligated to comply with periodic disclosures requirements as specified under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations) such as corporate governance report, annual report, financial results, disclosure of material events.

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	<p>When it comes to a rights issue, an investor only needs supplementary details to make an informed decision, such as the objects of the issue, price, entitlement ratio, and the participation of the promoters.</p> <p>iv. The Rights Issue Amendments 2025 have eliminated the necessity of submitting a DLOF to SEBI. Instead, pursuant to the amendments the DLOF can be directly submitted to the stock exchanges to obtain in-principle listing approvals. Issuers are now only required to file the LOF with SEBI for information dissemination purposes.</p> <p>v. Furthermore, given that the interval between the filing of the DLOF and LOF is merely three working days, the review process by the stock exchanges is expected to be brief.</p>
2.	No need for appointment of merchant bankers.
	<p>i. To further simplify the process and with the intention of significantly curtail the overall time taken to complete a rights issue, SEBI has done away with the requirement of appointment of merchant bankers, consequently eliminating the requirement of submitting the due diligence certificate by the merchant bankers.</p> <p>ii. The other ancillary activities such as selection of other intermediaries, marketing of the issue, availability of issue material, finalisation of basis of allotment, submission of post issue report, are generic in nature and can be performed by the issuer, registrar to the issue, stock exchanges and other market intermediaries. Thus, the issuers now bear the sole responsibility for compliance, due diligence, and execution, thereby reducing external dependencies and associated costs.</p> <p>iii. Therefore, the role of regulating the issue by issuing observations by SEBI and the role of the merchant bankers to conduct due diligence (amongst other activities) has been done away with, to allow the issuers to make a swift fundraise by disclosing only relevant and rationalised information.</p>
3.	Increased role of the monitoring agency
	<p>Pursuant to the amendment, irrespective of the issue size, the issuer is mandated to appoint a monitoring agency. This is a positive step from SEBI considering that the merchant bankers will no longer be conducting due diligence and verifying the details of the objects mentioned in the DLOF and LOF and the stock exchanges have to also grant in-principle approval within three days of filing of the DLOF, therefore making the review process limited.</p> <p>Thus, monitoring the issue proceeds will be a crucial aspect to ensure an independent check on the use of funds raised.</p>
<i>Rights issue - a preferred mode of fund raising, enabling strategic allocation of capital, and fostering participation from investors</i>	
4.	Expansion of renunciation of rights for promoter and promoter group members
	<p>i. SEBI with the intent to make rights issue a lucrative mode of fund raising, has introduced the concept of renunciation of rights entitlement by the promoter and the promoter group in favour of "specific investors."</p> <p>ii. The issuer is obligated to disclose the following details: (a) the names of the specific investor(s); (b) the names of the promoter(s) or promoter group, including the number of rights entitlements that will be renounced in favour of the specific investor(s); (c) whether the issuer plans to allocate any undersubscribed portion of the rights issue to the specific investor(s). Such disclosures are to be included in the DLOF, LOF, and, in advertisements, as applicable, as well. Additionally, the issuer must notify the stock exchanges at least two days before the issue opens.</p> <p>iii. On the first day of the issue opening, specific investors need to apply before 11:00 am if the promoter or promoter group has given up their rights entitlement for them. The issuer must then report to the stock exchanges by 11:30 am whether these investors have applied.</p> <p>iv. After submitting their applications based on the renounced rights, specific investors cannot withdraw them.</p> <p>v. If the issuer wants to allocate any undersubscribed rights issue portions to these investors, they must submit their application and payment before the basis of allotment is determined.</p> <p>Easing the limitations on the renouncement of rights entitlements for promoters and members of the promoter group, will grant issuers or promoters the flexibility to include certain specific investors as shareholders in the company. This specific allotment may also yield additional advantages, such</p>

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	as providing a safeguard against potential issues, decreasing the need for underwriting, and enabling the issuer to price the rights issue more effectively.
5.	Mode of allotments
	<p>SEBI allows the issuer to make allotments as follows:</p> <ol style="list-style-type: none"> i. full allotment is made to eligible shareholders in full or in part and also to the renouncers who have applied for the portion renounced in their favour. ii. allotment to eligible shareholders who have applied for additional specified securities, provided there is under-subscription in (i) above; iii. allotment to renouncers who have applied for additional specified securities, provided there is under-subscription in (i) and (ii) above; <p>Now, in case there is an undersubscription under (i), (ii) and (iii) above, then allotment to specific investors can be made from such unsubscribed portion.</p> <p>However, for making an allotment to a specific investor under Regulation 90(4)(d), the issuer must make a public announcement by naming these specific investors in the advertisement.</p>
Truncated disclosure requirements	
6.	Uniform disclosure requirements
	<p>Prior to the amendments if the issuer fulfilled the fast-track eligibility requirement an issuer undertook the right issue with limited disclosures in the DLOF and LOF in accordance with Part B of Schedule VI of the SEBI ICDR Regulations.</p> <p>If such fast-track eligibility requirements were not met, a more detailed disclosure requirements provided under Part B-1 were followed which were similar to extensive disclosures necessary for an initial public offer (IPO) or public offering document.</p> <p>Now, to ensure uniformity in the process, SEBI has removed the fast-track eligibility requirements and has accordingly done away with the differentiation of Part B and Part B-1 of Schedule VI. Pursuant to the amendment, now an issuer undertaking a rights issue is required to comply with the updated Part-B of Schedule VI of the SEBI ICDR Regulations, thereby ensuring uniform disclosures in both the DLOF and LOF for all rights issues.</p>
7.	Deletion of certain sections from the draft letter of offer and letter of offer leading to a more rationalised disclosure requirement
	<p>Due to the publicly disseminated information, SEBI has decided to do away with certain disclosure requirement / sections of the DLOF and LOF. Some of the most important amendments amongst others are mentioned below:</p> <p>Deletion of the following sections:</p> <ol style="list-style-type: none"> i. Management Discussion and Analysis of Financial Position and Results of Operations (MDNA); ii. Business - requirement for a comprehensive section on the business has been eliminated. The issuer is now required to present only a summary of the business description. iii. Financial information - requirement include complete set of audited financial statements has been eliminated. However, the DLOF and LOF must include following extract of audited consolidated financial statements that comply with relevant accounting standards for the most recent financial year, along with comparative data from the previous full year. Additionally, any latest limited review financial statements disclosed to the stock exchanges, with comparative figures from the prior year, should also be incorporated. For the limited review period, this information should not be older than six months from the opening date of the issue: <ol style="list-style-type: none"> a) Total income from operations b) Net profit/loss before tax and extraordinary items c) Net profit/loss after tax and extraordinary items d) Equity share capital e) Reserves and surplus f) Net worth g) Basic Earnings per share h) Diluted Earnings per share i) Return on net worth

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	<p>j) Net Asset Value per Share</p> <p>iv. Management - comprehensive disclosures regarding the previous directorships of the directors, as well as information about key managerial personnel and senior management, are no longer necessary.</p> <p>v. Outstanding legal proceedings - the requirement for a designated section has been removed, but a brief overview of legal proceedings has been included in a tabular format as per the prescribed requirements under the amendments. Furthermore, the issuer is no longer required to reveal matters concerning moral turpitude.</p>
8.	Miscellaneous
	<p>i. Apart from the eligibility requirements mentioned under Regulation 61 of the SEBI ICDR Regulations, going forward, issuers will not be eligible to make a rights issue if the equity shares of the issuer are suspended from trading, as a disciplinary measure, as on the reference date.</p> <p>ii. The obligation to prepare and distribute an abridged letter of offer has been eliminated, instead the issuer is only required to send the LOF to shareholders.</p>

Revised timelines

Indicative timeline of broad activities involved in rights issue from the date of approval of board of directors of the Issuer till the date of closure of rights issue:

S.No.	Broad activities performed during Rights Issue Process	Timelines (Working Days)
1.	1 st Board meeting for approval of rights issue	T (T being the date of Board of Directors of the Issuer approving the Rights Issue)
2.	Notice for 2 nd Board meeting to fix record date, price, entitlement ratio etc. <i>Subject to Board's/ shareholders' approval*</i>	T*
3.	Application by the issuer for seeking in-principle approval along with filing of Draft Letter of Offer with Stock Exchanges	T+1
4.	Receipt of in-principle approval from Stock Exchanges	T+3
5.	2 nd Board meeting for fixing record date, price, entitlement ratio etc.	T+4
6.	Filing of Letter of Offer with Stock Exchanges and SEBI	T+5 to T+7
7.	Record Date	T+8
8.	Receipt of BENPOS on Record date (at the end of the day)	T+8
9.	Credit of Right Entitlements (REs)	T+9
10.	Dispatch / Communication to the shareholders of Letter of Offer	T+10
11.	Publication of advertisement for completion of dispatch	T+11
12.	Publication of advertisement for disclosing details of specific investor(s)	T+11
13.	Issue opening and commencement of trading in Res (Issue to be kept open for minimum 7 days as per Companies Act, 2013)	T+14
14.	Validation of Bids	T+14 to T+20
15.	Closure of REs trading (3 working days prior to issue closure date)	T+17
16.	Closure of off-market transfer of REs	T+19
17.	Issue closure	T+20

**If the Issuer is making a Rights Issue of convertible debt instruments, wherein shareholder's approval is required, then the notice for 2nd Board meeting to fix record date, price, entitlement ratio etc. would be given on the date of receiving shareholders' approval and the remaining timeline would be adjusted accordingly.*

Comment

The Rights Issue Amendments 2025 is a step in the right direction by SEBI to streamline the entire process involved under rights issue and enhance the efficiency of capital raising by listed companies. Certain areas which may still require certain clarity are:

a) Allotment to specific investors:

- i. The specific investors to whom allotment are to be made under Regulation 90(4)(d) could be the "same set of investors" to whom the promoter and promoter group have renounced their rights entitlement or can be "different set of specific investors" or can be a combination of both. Clarity on this issue is currently missing in the proposed amendments.
- ii. In relation to the allotment to the specific investors by the issuer in the case of undersubscription, instances where the issuers are bound by the minimum subscription and they need to meet the ninety percent criteria, it has to be seen how the issuers will ensure that the specific investors subscribe to the unsubscribed portion.
- iii. Allotment to specific investors can also be made when promoter and promoter group renounce their rights entitlement, in the favour of specific investors. As a result, other shareholders do not have the option to renounce their rights in the favour of specific investors. In professionally managed companies, where there are no promoters, no renouncement of the right entitlements can be made. Understanding the renunciation process in such companies is crucial, as the only means of allotting shares to specific investors would be through an issuance by the issuer in cases of undersubscription.

b) Litigation thresholds:

The materiality policy with respect to disclosing outstanding material legal proceedings, will be determined by the lower of the threshold as mentioned under Regulation 30 of the SEBI Listing Regulations. However, in the amendment for determining the materiality threshold the regulator has used the term "annual restated consolidated financial statements." It can be assumed, that for the purpose of determination of the materiality threshold the issuer should use audited consolidated financial statements as mentioned under Regulation 30 of the SEBI Listing Regulations.

The Rights Issue Amendments of 2025 envisages one rights issue methodology for all rights issues, by shortening the process timelines, removing unnecessary intermediary roles, and streamlining disclosure requirements. This amendment aims to make rights issues a quicker, more economical, and appealing choice for companies seeking to raise funds.

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