



## SEBI ICDR Amendments, 2025 Key Takeaways from a Rights Issue Perspective

SEBI has ushered in a slew of changes to the rights issue framework, process and disclosure requirements by way of its amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“**SEBI ICDR Regulations**”) published in the Official Gazette on March 8, 2025 read with the SEBI circular dated March 11, 2025 titled “**Faster rights issue with a flexibility of allotment to specific investor(s)**”(together, the “**Recent ICDR Amendments**”).

While the Recent ICDR Amendments propose a number of changes in the initial public offering (“**IPO**”) process as well, this Client Update only relates to the changes made to the rights issue framework, process and disclosure requirements. For a summary of the changes made by the Recent ICDR Amendments in relation to the IPOs, please [click here](#).

SEBI, based on its review of empirical data, observed that the amount raised through rights issues was significantly lower than that raised through other modes available to listed companies, such as qualified institutions placements and preferential allotments. This could possibly be attributed to the rights issue process being lengthy and overall time-consuming. To streamline the rights issue process and enhance its attractiveness as a fundraising method, SEBI has taken steps to reduce timelines and scrutiny involved in the process and in turn, further rationalize the disclosure requirements. This includes amendments such as eliminating the appointment of lead managers, doing away with the requirement of filing of the draft letter of offer with SEBI for review and streamlining the disclosure requirements in the letter of offer.

Prior to the Recent ICDR Amendments, SEBI had released the consultation paper titled “**Faster rights issue with flexibility of allotment to selective investors**” on August 20, 2024 (“**Consultation Paper**”) to seek comments, views and suggestions from the public and other stakeholders on various proposals for enabling faster rights issue with flexibility of allotment to specific investors.

### Elimination of the role of the book running lead managers from the rights issue

Under the Recent ICDR Amendments, the requirement to appoint lead managers (merchant bankers) for the purposes of a rights issue has been dispensed with. Accordingly, the complete onus of preparation of the draft letter of offer (“**DLOO**”) and letter of offer (“**LOO**”) and the due diligence exercise has been shifted to the issuer. The submission of the due diligence certificate by the lead managers is no longer required, ensuring no requirements for deal management or gatekeeping of compliance obligations.

All other ancillary activities and compliance requirements carried out by the merchant bankers such as selection of other intermediaries, marketing of the rights issue, ensuring availability of issue material, finalization of basis of allotment, submission of post issue report will be performed by the issuer, registrar to the issuer, stock exchanges and depositories (in accordance with the provisions of the SEBI ICDR Regulations, as amended by the Recent ICDR Amendments). For instance, finalization of the basis of allotment will now be carried out by the registrar along with the designated stock exchanges, dispatch of certificates or refunds will be undertaken by the registrar and the validation of the application bids received for subscribing to the shares in the rights issue and finalization of the basis of allotment shall be carried out by the stock exchanges and depositories along with the registrar to the issue.

### Uniform timeline for all rights issues

Under the erstwhile SEBI ICDR Regulations, only if an issuer meets certain eligibility requirements such as: (a) the equity shares of the issuer have been listed on any stock exchange for a period of at least three years; (b) the average market capitalization of public shareholding of the issuer is at least ₹ 250 crores; (c) the issuer has been in compliance with the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”) for the last three years; (d) the promoter and promoter group shareholders have mandatorily subscribed to their rights entitlements; and (e) the issuer has redressed at least 95% of the complaints received from the investors; it would be eligible for a fast track rights issue, i.e., in such cases, the DLOO is not required to be filed with SEBI for its review.



Pursuant to the Recent ICDR Amendments, such eligibility requirements have been completely deleted. 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 DLOO and LOO.

For example, an issuer is required to disclose the following:

- Whether the issuer has been in compliance with the equity listing agreement or the SEBI Listing Regulations, for a period of three years immediately preceding the reference date;
- Whether the issuer has redressed at least 95% of the complaints received from the investors until the end of the quarter immediately preceding the month of the reference date;
- any show-cause notices, excluding proceedings for imposition of penalty, that have been issued by SEBI and pending against the issuer or its promoters or whole-time directors as on the reference date. Further, in cases, where against the issuer or promoters or whole-time directors, any show-cause notice has been issued by SEBI or the adjudicating officer, in a proceeding for imposition of penalty or prosecution proceedings initiated by SEBI, necessary disclosures in respect of such actions along with potential adverse impact on the issuer shall be made in the LOO; and
- the equity shares of the issuer have not been suspended from trading as a disciplinary measure during the last three years immediately preceding the reference date.

### Elimination of SEBI review process in rights issues

In order to expedite the rights issue process, the Recent ICDR Amendments have done away with the requirement to file a DLOO, irrespective of whether the issuer meets the fast-track eligibility, with SEBI for seeking observations. Similar to a qualified institutions placement, as done for a preliminary placement document, the DLOO can be straightaway filed with the stock exchanges for the purposes of seeking in-principle listing approvals. Under the Recent ICDR Amendments, issuers will be required to file only the LOO with SEBI for the purposes of dissemination of information. Additionally, since the timeline between the filing of the DLOO and LOO is only three working days, it is likely that the review process by the stock exchanges will be limited, similar to the review process for the preliminary placement document in a qualified institutions placement.

### Common rationalized disclosure for all rights issues

The disclosure requirements for the DLOO and / or the LOO have been rationalized several times by SEBI. Prior to the Recent ICDR Amendments, issuers meeting the requirements of public report compliance under SEBI Listing Regulations and maintaining a robust investor grievance mechanism were required to prepare their DLOO and LOO in accordance with Part B of Schedule VI of the SEBI ICDR Regulations. However, if the conditions were not met, issuers were required to follow the detailed disclosure requirements set out in Part B-1, which was akin to the much-detailed disclosures to be made in an offer document for an IPO or public offers. Additionally, issuers undergoing a change in control and making a rights issue for the first time post such change in control were required to provide certain specified disclosures unless three full financial years have elapsed since such transition. Similarly, issuers which had got listed on the stock exchanges pursuant to a scheme of arrangement and making their first rights issue post-listing were required to adhere to disclosure requirements under Part B-1 (i.e., robust IPO-type extensive disclosures) if the three-year period had not elapsed.

Pursuant to the Recent ICDR Amendments, all the above-mentioned distinctions and separate disclosure requirements stand deleted. Issuers will now be uniformly required to make disclosures in the DLOO and LOO in accordance with the new Part B, which sets out simplified disclosure requirements. For amendments made to disclosure requirements, see **“Disclosures under Part B of the Recent ICDR Amendments”** below.

### Introduction of “specific investors” to subscribe to (a) rights entitlements renounced by promoters and members of promoter group and/or (b) to subscribe in case of under-subscription

Promoters and members of promoter group will now be permitted to renounce their rights entitlements in favour of specific investors. This flexibility allows for more strategic capital allocation and investor participation. This relaxation has provided flexibility to the issuer/promoter to on-board specific investors who may not be shareholders of the company, as shareholders of the company. The issuer is required to disclose – (i) name of the specific investor(s); (ii) name of the promoter(s)/promoter group and number of rights entitlements to be renounced in favour of such specific investor(s); (iii) whether the issuer intends to allot any undersubscribed portion of rights issue to the specific investor(s). Such disclosures are to be made in the DLOO, LOO and in certain cases, in an advertisement as well and the issuer is required to also intimate the stock exchanges at least two days prior to the issue opening date.



An application made by the specific investors in cases where the rights entitlement has been renounced by the promoter/promoter group in favour of the specific investors is required to be made on the first day of issue opening before 11:00 am and the issuer shall disclose to the stock exchanges whether such investor have made the application or not, for dissemination on the first day of issue opening by 11:30 A.M. Additionally, once the application is made by the specific investor(s) against the rights entitlements renounced to them by the promoters/ members of promoter group, such specific investor(s) will not be permitted to withdraw such applications. In cases where the issuer intends to allot any undersubscribed portion of rights issue to the specific investors, the application shall be made with the application money prior to the finalization of basis of allotment.

The waterfall mechanism for allotment of shares in a rights issue pursuant to the Recent ICDR Amendments has also been modified as follows (to include (D) below):

- A. Existing shareholders (with rights entitlement) including the renounced portion;
- B. Additional subscription to shareholders (in case of unsubscribed portion in (A));
- C. Additional subscription to renounees for additional securities (in case of unsubscribed portion in (A) and (B)); and
- D. Allotment to any specific investor(s) (in case of unsubscribed portion in (A), (B) and (C)).

### **New disclosure requirements under Schedule VI Part B of the Recent ICDR Amendment**

Pursuant to the Recent ICDR Amendments, the requirements pertaining to the DLOO and LOO have been further rationalized by requiring disclosure of only the relevant information regarding the rights issue such as objects of the issue, price, record date and entitlement ratio.

Some of the significant changes in the disclosure requirements are as follows:

- Issuers will only be required to provide a summary of the description of the business, detailed description of the business as a separate section will no longer be required;
- If any portion of the issue proceeds is intended for the acquisition of shares in another entity, and as a result, the acquired entity becomes a subsidiary of the issuer, the issuer may voluntarily provide proforma financial statements to illustrate the acquisition's financial impact;
- The section on management discussion and analysis of financial condition and results of operations will no longer be required to be disclosed;
- Detailed disclosures in relation to pending matters which, if they result in an adverse outcome, would materially and adversely affect the operations or the financial position of the issuer and matters involving moral turpitude on the part of the issuer are no longer required to be disclosed;
- For the purposes of determining the materiality for disclosing outstanding litigation, the lower of either the thresholds provided by SEBI Listing Regulations or as per the policy of materiality defined by the board of directors of the issuer will be considered;
- Detailed disclosures in relation to the past directorships of the directors and details of the key managerial personnel and senior management are no longer required;
- The following extract of the audited consolidated financial statements prepared in accordance with applicable accounting standards for the last financial year (with the comparative prior full year period) and latest limited review financial statements, if any, disclosed to the stock exchanges with the comparative prior year period shall be included in the DLOO and LOO ( for the limited reviewed period, this information should not be earlier than six months prior to the date of the opening of the issue):
  - total income from operations;
  - net profit/loss before tax and extraordinary items;
  - net profit/loss after tax and extraordinary items;
  - equity share capita;
  - reserves and surplus;
  - net worth;
  - basic earnings per share;
  - diluted earnings per share;
  - return on net worth; and
  - net asset value per share.

The latest quarterly results disclosed to the public can be included in the DLOO and LOO; and

- Detailed rationale for the issue price describing how the issuer has arrived at the price for the rights issue.



## Timeline for rights issues

Prior to the Recent ICDR Amendments, while a fast-track rights issue typically took 12-14 weeks, a non fast-track rights issue used to take approximately 6-7 months from the date of the board meeting approving the rights issue until the date of closure of the rights issue. The Recent ICDR Amendments provide that the rights issue may be completed within 23 working days from the date of the board of directors of the issuer approving the rights issue (except in case of rights issue of convertible debt instruments which require prior shareholders' approval).

The new timeline for completion of the rights issues process from the date of board meeting approving the rights issue until the date of closure of the rights issue is set forth below:

Activity performed during rights issue process	Timelines
1 <sup>st</sup> board meeting for approval of rights issue	T
Notice for 2 <sup>nd</sup> board meeting to fix record date, price, entitlement ratio etc.	T* (subject to board's/ shareholders' approval)
Application by the issuer for seeking in-principle approval along with filing of DLOO with stock exchanges	T+1
Receipt of in-principle approval from stock exchanges	T+3
2 <sup>nd</sup> board meeting for fixing record date, price, entitlement ratio etc.	T+4
Filing of final LOO with SEBI (for the purposes of dissemination of information) and stock exchanges	T+5 to T+7
Record Date	T+8
Receipt of beneficiary position on record date (at the end of the day)	T+8
Credit of rights entitlement	T+9
Dispatch / communication to the shareholders of LOO	T+10
Publication of advertisement for completion of dispatch	T+11
Publication of advertisement for disclosing details of specific investors	T+11
Issue opening and commencement of trading in rights entitlement (issue to be kept open for a minimum of 7 days as per the Companies Act, 2013)	T+14
Validation of bids	T+14 to T+20
Closure of rights entitlement trading (3 working days prior to issue closure date)	T+17
Closure of off-market transfer of rights entitlement	T+19
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 2<sup>nd</sup> 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.*

## Miscellaneous

A number of other changes have also been undertaken through the Recent ICDR Amendments. These include:

- Chapter III of the SEBI ICDR Regulations will now be applicable to all rights issues, irrespective of the issue size.
- In addition to meeting the eligibility requirements as provided in Regulation 61 of the extant 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.
- The requirement for preparing and circulating an abridged letter of offer has been removed. The issuer will now only circulate the LOO to shareholders.
- Under the extant SEBI ICDR Regulations, with regard to reporting of the transactions in the company's securities by the promoters and promoter group between the date of filing of the DLOO and LOO, no specific timeline was mandated. Pursuant to the Recent ICDR Amendments, it has been mandated to report such transactions to the stock exchanges within a period of 24 hours.



- Any pre-issue placement by the issuer must also be reported to the stock exchanges within a period of 24 hours.
- To ensure adequate checks and balances it is mandated that the issuer shall make arrangements for the monitoring agency to monitor the use of issue proceeds for all rights issues (irrespective of the issue size).

## A few issues to consider

The Recent ICDR Amendments will enable faster rights issues with greater flexibility in allotment to specific investors. These changes are expected to encourage issuers to utilize the rights issue mode for further fundraising. However, certain areas will still require clarity.

- **Disclosure of full financial statements:** The revised disclosures under Part B, as amended by the Recent ICDR Amendments, only provides a list of ten financial metrics that need to be disclosed from the financial statements of the issuer. The requirement to provide the audited financial statements in the DLOO and LOO has been omitted. This raises a question whether the issuer can provide disclosures in relation to the other financial metrics provided in the financial statements or include the full financial statements even voluntarily. Indian capital markets regulations still do not recognize inclusion-by-reference for offer documents yet and accordingly, no reference to other financial metrics can be made in any roadshow presentations scheduled prior to the rights issue until the full financial statements are included in the DLOO and LOO.
- **Subscription by specific investor:** Pursuant to the Recent ICDR Amendments, a specific investor can apply (a) for rights entitlement renounced in its favour by the promoter or members of the promoter group; and/or (b) for the unsubscribed portion of the rights issue in accordance with the waterfall mechanism for allotment. However, the Recent ICDR Amendments do not specify if one specific investor can undertake both i.e., it subscribes to the rights entitlements renounced in its favour by the promoter or members of the promoter group and subscribes to the undersubscribed portion of the rights issue as well. If one specific investor is to undertake both of these activities, it will have to make one application on the first day of the issue prior to 11 AM and the second application on the last day of the issue but prior to the finalization of the basis of allotment. This may lead to multiple applications by one specific investor in the rights issue which is otherwise a ground for technical rejection of the application. A clarification in this regard may be required. Additionally, it is also unclear if specific investors can apply for the unsubscribed portion of the rights entitlement unless such specific investors have also applied for the rights entitlement renounced in its favour by the promoter or members or the promoter group as it is not possible to make an application for subscription of the unsubscribed portion of the rights issue if such specific investor is neither a renounee nor a shareholder on the record date.

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