

Awareness on Rights Entitlement (RE)

Important information regarding dealing in Rights Entitlements (REs) pursuant to rights issue by Company.

As an Investor, you should follow precautions while dealing with Rights Entitlement received in your demat account or when you buy REs on a stock exchange trading platform through your broker.

It is important to note that if you do not take appropriate action on the Rights Entitlements before the closing of trading window and/or rights issue closing date then, these will become worthless and will lose its value.

Rights Issue is a corporate action where a company invites its existing shareholders to apply for additional shares in proportion to their holdings, at a discounted price. For doing so, the company prepares a list of eligible shareholders based on shareholding as on the "Record Date (RD)".

The eligible shareholders will receive the Rights Entitlement (RE) in their demat account before the opening of Rights Issue.

The Rights Entitlements (REs) are not like ordinary equity shares of a company but are a type of coupon/voucher (referred to as rights entitlements) that can be used to apply for the rights shares. Rights entitlements are offered to shareholders as a ratio to the number of securities held on this record date. A shareholder may refuse to apply/subscribe to the rights issue and just let the 'right' lapse. Application for a rights issue shall be made only through ASBA facility.

Alternatively, the shareholder can renounce the rights entitlement (REs) in favour of another person at a price through following modes :

- a. **On Market Renunciation** : By trading/selling them on the secondary market platform of the Stock Exchanges in the same manner as trading / selling equity shares.
- b. **Off Market Renunciation** : By way of an off-market transfer through a depository participant in demat mode only in the same manner as transfer of equity shares.

You may get REs under following conditions

A] When you receive REs based on the holding :

If you are holding shares in a company as on the Record Date”, Right Entitlements (REs) would be allotted to you as per company’s set ratio. The units of REs will be credited to your Demat Account and you will be able to see them in your portfolio. You can take either of the following actions

If you wish to participate in the Rights Issue, you will have to make an application to the company and pay requisite application money.

- i. If you do not wish to participate in the Rights Issue, you can renounce (or sell) the REs before the issue closing date.

It may be noted that the trading window for rights renunciation using the exchange’s trading platform is available only for a limited period for maximum 2 weeks and lasts until a day or two before the closure of rights issued by the company.

For the Rights Issue application process, you may refer to the email received from the company / RTA on your registered e-mail address or you may refer to the company / RTA website.

If you do not tender REs for applying the Rights Issue by making an application with requisite application money nor renounce (or sell) on or before the Issue closing date, REs shall lapse and be worthless. They will get extinguished after the Issue closing date and hence you will not be able to see them in your Portfolio.

B] When you Buy on the stock exchange platform :

Any one who wishes to apply for rights issue may also buy Rights Entitlements (REs) when they are listed on stock exchange for trading (renunciation).

Rights entitlements should not be confused with actual equity shares of the company and investors are cautioned while trading in Rights Entitlements(REs). REs trade at a price lower than actual stock price due to fact that the price quoted is a premium that buyer is willing to pay to seller to acquire a right to participate in Rights Issue application at discounted price.

When you buy REs you will receive them in your demat account on the settlement day and then you can take either of the following actions.

- i. If you wish to participate in the Rights Issue, you will have to make an application to the company and pay requisite application money.
- ii. If you do not wish to participate in the Rights Issue, you can renounce (or sell) the REs before the issue closing date.

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