

SHAH INVESTOR'S HOME LTD.

CIN: U67120GJ1994PLC023257

Member: NATIONAL STOCK EXCHANGE OF INDIA LTD.
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Depository: NATIONAL SECURITIES DEPOSITORY LTD. DPID: IN300343
CENTRAL DEPOSITORY SERVICES LTD. DPID: 12029300

FREQUENTLY ASKED QUESTIONS (FAQs) ON RIGHTS ENTITLEMENTS ("REs")

These FAQs offer only a simplistic explanation/clarification on Credit of Rights Entitlements ("REs") in dematerialized form, Renunciation process and trading of REs on stock exchange platform and terms/concepts related to the SEBI/HO/CFD/DIL2/CIR/P/2020/13 dated January 22, 2020 on "Streamlining the Process of Rights Issue" ("SEBI Circular"). Any such explanation/clarification that is provided herein should not be regarded as an interpretation of law nor be treated as a binding opinion/guidance from the BSE Ltd. ("Exchange"). For full particulars of laws governing the Rights Entitlement ("REs"), please refer to actual text of the said SEBI Circular along with relevant Acts/Regulations/Circulars issued by SEBI and other regulatory authorities.

1. What is Rights Entitlement (REs)?

Rights Entitlements (REs) is the number of new shares of new shares that the shareholder of a company is eligible to apply for under the Rights issue offer of that company. REs are basically calculated by applying a ratio on the existing shareholding of the shareholders on a specific day called Record Date (RD).

2. Whether REs are given in physical or in Demat form ?

REs are credited to the demat account of eligible shareholders in dematerialized form.

3. Whether REs are credited in same ISIN number as of equity shares or in different ISIN number ?

The REs are credited in a separate ISIN to the demat account of the shareholders, against the shares held by them as on the record date

4. When REs are credited ?

REs are credited to the demat account of the shareholders before the date of opening of the issue.

5. How physical shareholders can get their REs ?

Physical shareholders shall be required to provide their demat account details to Issuer / Registrar to the Issue for credit of REs not later than two working days prior to the issue closing date, such that credit of REs in their demat account takes place at least one day before the issue closing date.

6. What options a shareholder has w.r.t. REs credited to his demat account?

A shareholder can deal with REs credited to his account in following manner:

- a) He can apply for the equity shares of the company in full or in part of his REs
- b) He can renounce / sell his REs

7. How trading will happen in REs?

REs shall be traded on secondary market platform of Stock exchanges, with T+2 rolling settlement, similar to the equity shares.

8. When trading in REs will commence?

Trading in REs on the secondary market platform of stock exchanges shall commence along with the opening of the rights issue

9. When trading in REs will close?

Trading in REs shall be closed at least four days prior to the closure of the rights issue

10. How investors holding REs in demat form can renounce it?

Investors holding REs in dematerialized mode shall be able to renounce their entitlements by trading on stock exchange platform or off-market transfer. Such trades will be settled by transferring dematerialized REs through depository mechanism, in the same manner as done for all other types of securities. The transactions in REs will be settled on trade-for-trade basis

11. What are the payment modes available for Rights Issue?

Application for a rights issue shall be made only through ASBA facility.

12. How I can get the application form for Rights issue?

- a) The issuer shall dispatch a common application form to its shareholders as on the record date. Along with application form, the issuer shall also send the details of the rights entitlements of the shareholder separately.
- b) This application form can be used both by shareholder or renouncee.
- c) Registrar to the issue shall also upload the application forms on its website.
- d) Applicants can use application form available on the website of registrar to the issue or printed forms sourced from the issuer, merchant bankers or registrars to the issue.
- e) In terms of Regulation 78 of the ICDR Regulations, investor also has option to make an application in writing on a plain paper.

13. How I will know what is the ISIN Number for REs?

The issuer is required to specify the ISIN for REs while announcing the record date. Based on the rights entitlement ratio, the issuer shall credit REs in dematerialized mode through corporate action to shareholders holding shares as on the record date

However, this ISIN of REs shall be kept frozen (for debit) in the depository system till the date of opening of the issue

14. What will happen if demat account of the shareholder is frozen?

If the demat account of a shareholder is frozen or demat account details are not available, including shares held in unclaimed suspense account or in the account of IEPF Authority, then REs shall be credited in a suspense escrow demat account of the Company and an intimation should be sent to such shareholder by the issuer /Registrar to the issue.

15. What will happen to REs that are neither renounced nor subscribed by the shareholders?

REs which are neither renounced nor subscribed by the shareholders, shall be lapsed after closure of the Rights Issue.

16. What will happen if REs are purchased through On market renunciation / Off market renunciation, and no application is made for subscribing the shares / other securities offered under Rights Issue?

As mentioned in point number 15 above, such REs shall be lapsed after closure of the Rights issue.

17. How many applications can be made from one demat account for REs?

Investor shall submit only one application form for REs available in a particular demat account.

18. Whether any persons who are not existing shareholders of the issuer company as on record date, can apply to the Rights Issue?

Yes.

By purchasing the REs, a person who is not an existing shareholder of the issuer company can apply to the Rights Issue.

19. From where I can get the detailed information about REs of the Rights Issue of an issuer?

Please refer the Letter of offer (LOO) of such issuer coming up with Rights issue. They are required to include detailed process related to REs, its trading etc. in their LOO

Trading in REs -

20. What are the related trading details for REs?

Details of different parameters as mentioned below—

- Market Type- Equity Market
- Order Matching – Anonymous Order Book. Continuous Matching with Price Time priority
- Group available for trading- “R”
- Lot size- 1 share
- Order Type- All Orders types applicable in continuous trading
- Tick Price- Rs 0.05 or Rs 0.01
- Price band- +/- 40%

21. In which segment do you trade Right Entitlement?

Rights entitlement would be traded on the Equity market segment of BSE.

22. What would be the symbol of the Right Entitlement stock?

The Exchange shall intimate the market pre trading date.

23. Which all market sessions would the Right Entitlement be available for trading?

Trading in Rights Entitlement will be permitted in all the Trading Sessions i.e. the pre-open, auction session, continuous trading session, both block deal sessions (morning and afternoon) & post closing session

24. How would be base price calculated?

On the first day of the Right Entitlement, the base price would be calculated as (Closing Price of the stock - Right Entitlement price).

On every subsequent days the Closing price of the Right Entitlement trading would be the base price.

Clearing & Settlement ---

25. How would the settlement happen for Rights entitlement?

All clearing members in CM segment shall be eligible for clearing and settlement of Rights Entitlement. Trades executed shall be settled on T+2 basis. Trades executed shall be cleared and settled on gross basis and funds shall be settled in net basis.

26. What would be the applicable margin for trading Rights?

Applicable margin shall be 100% of Rights Entitlement.

27. Can we put the trade as INST and then allocated the trades in different account in OTR?

Yes

28. What would be the settlement type for such trades?

Trade to Trade & T+2 Rolling Settlement

29. What happens to any shortage in settlement of such trades?

Any shortages in Rights Entitlement shall be directly closed-out at the highest price of Rights Entitlement prevailing across the Exchanges from the day of trading till the T+1 day or 20% above the settlement price of Rights Entitlement on the T+1 day, whichever is higher.

Finance & Accounts ---

30. What will be transaction charges on this Right's trading?

The transaction charges for Rights entitlement is Rs. 275/- per crore of gross turnover.

31. What will be the STT on such trades?

STT rate as per serial no 4(a) of the table under section 98 of the Finance (no.2) act 2004, pertaining to 'Sale of Option in Securities. STT payable by the seller at the rate of 0.05% of the value at which such Rights Entitlements are traded.