



SEBI ICDR Amendments, 2025

Key Takeaways from an IPO Perspective

SEBI has ushered in a slew of changes to the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“**SEBI ICDR Regulations**”) by way of its amendments published in the Official Gazette on March 8, 2025 (“**Recent ICDR Amendments**”). Such amendments relate to various revisions to the main board IPO framework and corresponding disclosures, the rights issues domain, aspects relating to SME IPOs, harmonization of various provisions in the SEBI ICDR Regulations with the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”), etc. The key amendments relating to IPOs have been discussed below in detail. Do note that all such amendments discussed below are already in effect since the publication of the Recent ICDR Amendments in the Official Gazette.

Voluntary disclosure of proforma financials and financials of business/ subsidiaries acquired/ divested

- **Voluntary disclosure of proforma financials:** Pursuant to the Recent ICDR Amendments, a company may voluntarily choose to provide proforma financial statements of acquisitions/ divestments (i) even when such acquisitions/ divestments are below the materiality threshold specified in the ICDR Regulations (*i.e.* 20% or more of the turnover, net worth or profit before tax of the latest consolidated financial statements of the company), or (ii) if the acquisitions/ divestments have been completed prior to the latest period for which financial information is disclosed in the draft offer document or the offer document. Further, the proforma financials may be disclosed for such financial periods as determined by the company and shall be prepared in accordance with any guidance note, standard on assurance engagement or guideline issued by the ICAI from time to time and certified by the statutory auditor or chartered accountants, who hold a valid certificate issued by the Peer Review Board of the ICAI.
- **Voluntary disclosure of financials of business/ subsidiaries acquired/ divested:** The Recent ICDR Amendments provide that a company may voluntarily include financial statements of a business or subsidiary acquired/ divested, provided such financial statements are certified by the auditor of the business or subsidiary acquired/ divested, or chartered accountants that hold a valid certificate issued by the Peer Review Board of the ICAI.

Facilitative provisions introduced in respect of outstanding SARs

- **IPO eligibility requirement relaxed:** Pursuant to the eligibility requirements in existence under the SEBI ICDR Regulations, a company may not file its draft red herring prospectus if there are any outstanding convertible securities or any other right or option that would entitle a person with any option to receive the company's equity shares, except for any (i) mandatorily convertible securities that will convert prior to filing of the red herring prospectus, and (ii) ESOP-based allotments. The Recent ICDR Amendments provide for a third exception, *i.e.* outstanding stock appreciation rights (SARs) granted to employees pursuant to a SARs scheme, which are fully exercised for equity shares prior to the filing of the red herring prospectus (in the case of book-built issues). Do note that the details of such SARs scheme and the total number of equity shares resulting from the exercise of such SARs are required to be included in the draft offer document and offer document.
- **Minimum promoter contribution:** The Recent ICDR Amendments provide that for the purposes of determining minimum promoters' contribution, the post-IPO capital will take into consideration the exercise of any SARs that are outstanding and will be converted prior to filing the red herring prospectus in respect of the IPO, in addition to the existing requirement of considering conversion of outstanding convertible securities into equity shares and exercise of vested employee stock options.



- **Lock-in exemption allowed:** The Recent ICDR Amendments allow the following additional categories of equity shares to be exempt from the mandatory six-month lock-in applicable in the event of an IPO: (i) equity shares allotted to employees, whether currently an employee or not, pursuant to a SARs scheme, and (ii) equity shares held by an employee stock option trust or transferred to the employees by an employee stock option trust pursuant to exercise of options by the employees, whether currently employees or not, in accordance with a SARs scheme.

IPO lock-in amendments

- **Repayment of capex loans to be considered for longer promoter lock-in requirements:** The SEBI ICDR Regulations stipulate that the minimum promoters' contribution shall be locked-in for a period of three years and the residual promoter holding for a period of one year, in case the majority of the issue proceeds from an IPO, excluding the portion of offer for sale component, is proposed to be utilized for 'capital expenditure' (i.e. civil work, miscellaneous fixed assets, purchase of land, building and plant and machinery etc). In this regard, the Recent ICDR Amendments provide that repayment of existing loans that may have been availed for the purpose of capital expenditure are also required to be considered towards determining the extent of issue proceeds proposed to be utilized for capital expenditure purposes.
- **Bonus issuances on ESOP allotments exempt from IPO lock-in requirements:** Pursuant to the Recent ICDR Amendments, the exemption from lock-in requirements available in respect of ESOP-based allotments under Regulations 17(a) and 17(b) of the SEBI ICDR Regulations will also extend to any equity shares allotted pursuant to a bonus issue against equity shares allotted pursuant to an ESOP scheme/ ESPS scheme/ SARs scheme.

Litigation disclosures in IPO offer documents

- **'Material' civil litigation:** Pursuant to the existing requirements under the SEBI ICDR Regulations in respect of outstanding litigation, a company is required to disclose material civil litigation in its offer documents based on the materiality policy adopted by its board of directors. The Recent ICDR Amendments now provide that outstanding civil litigation must be based on the lower of the following: (i) the materiality policy determined by the board of directors and disclosed in the IPO offer documents, or (ii) where the value or expected impact in terms of value of such litigation, exceeds the lower of the following: (a) 2% of turnover, as per the latest annual restated consolidated financial statements of the company; or (b) 2% of net worth, as per the latest annual restated consolidated financial statements of the company, except where the arithmetic value of the net worth is negative; or (c) 5% of the average of absolute value of profit or loss after tax, as per the last three annual restated consolidated financial statements of the company.
- **Disclosure of certain litigation relating to KMPs and SMPs:** The Recent ICDR Amendments require the disclosure of all criminal proceedings involving KMPs and SMPs and also actions by regulatory authorities and statutory authorities against such KMPs and SMPs in the IPO offer documents.

Reporting of pre-IPO transactions to stock exchanges within 24 hours

Pursuant to the Recent ICDR Amendments, any proposed pre-IPO placement disclosed in the draft offer document is required to be reported to the stock exchanges within 24 hours of such transactions, in part or in entirety.

Computation of thresholds for participation in the offer for sale component of an IPO

Pursuant to the existing requirements under the SEBI ICDR Regulations, in respect of draft offer documents filed under Regulation 6(2) of the SEBI ICDR Regulations: (i) shareholders with over 20% of the pre-IPO shareholding on a fully-diluted basis cannot offer more than 50% of their pre-IPO shareholding on a fully-diluted basis in the IPO, and (ii) shareholders with less than 20% of the pre-IPO shareholding on a fully-diluted basis cannot offer more than 10% of the pre-IPO shareholding of the company on a fully-diluted basis



in the IPO. In this regard, the Recent ICDR Regulations specify that the limits set out under (i) and (ii) above are required to be calculated with reference to the shareholding as on the date of the draft offer document and will apply cumulatively to the total number of shares offered for sale to the public as well as any secondary sale transactions prior to the IPO.

Statutory advertisements

- **Revised timeline for publishing DRHP filing advertisement:** Pursuant to the Recent ICDR Amendments, the erstwhile requirement of making a public announcement within 2 days of filing the draft offer document has been amended to 2 working days. Further, the requirement to keep the draft offer document public for 21 days from the date of its filing has been amended to 21 days from the date of publication of the public announcement on filing of the draft offer document.
- **Pre-issue and price band advertisement combined:** Pursuant to the Recent ICDR Amendments, the former pre-issue advertisement and the price band advertisement have been combined into a single pre-issue and price band advertisement, which shall be made after filing the red herring prospectus and at least two working days before the opening of the issue, in the same newspapers in which the DRHP filing advertisement is made. A format of such pre-issue and price band advertisement has also been provided in the Recent ICDR Amendments.

Amendments vis-à-vis confidential filings

- **Confidential filing stage:** Pursuant to the Recent ICDR Amendments, a company is required to make a public announcement of the confidential filing within 2 working days of filing of the confidentially-filed draft offer document.
- **UDRHP – 1 stage:** Pursuant to the Recent ICDR Amendments, a company is required to make a public announcement within 2 working days of filing of the updated draft red herring prospectus – I (“**UDRHP – 1**”, *i.e.* the first publicly available version of the draft offer document). Further, the UDRHP – 1 is required to be made available for comments for 21 days from the date of publication of such public announcement.
- **Relaxation on outstanding SARs:** Pursuant to the existing requirements under the SEBI ICDR Regulations, the following were permitted to exist even after the issuance of observations by SEBI on the confidentially-filed draft offer document: (i) outstanding ESOPs granted to employees and ex-employees, and (ii) mandatorily convertible securities that will convert prior to filing of the red herring prospectus. The Recent ICDR Amendments provide for a third exception, *i.e.* outstanding stock appreciation rights (SARs) granted to employees pursuant to a SARs scheme, which are fully exercised for equity shares prior to the filing of the red herring prospectus (in the case of book-built issues). The details of such SARs scheme and the total number of equity shares resulting from the exercise of such SARs are required to be included in the draft offer document and offer document.

Amendments in respect of loan repayment and working capital objects

- **Relaxations in respect of loan repayment object requirements:** Pursuant to the earlier requirements under the SEBI ICDR Regulations, where one of the objects of an IPO is loan repayment, the company is required to obtain a certificate from its statutory auditor certifying the utilization of loan for the purposes availed. Further to the Recent ICDR Amendments, SEBI has allowed for such certificate to be obtained from a chartered accountant holding a valid certificate issued by the Peer Review Board of the ICAI in respect of the following: (i) periods not audited by the current statutory auditor, or (ii) where the loan which is proposed to be repaid was availed by a subsidiary and the current statutory auditor of the company is not the statutory auditor of the subsidiary.
- **Nuances introduced in respect of the long term working capital object:** Pursuant to the Recent ICDR Amendments, the disclosures to be made in respect of long term working capital requirements on a standalone basis, are required to be made based on audited standalone financial statements. Further, such standalone financial statements are required to be restated if there are any restatements/ adjustments in the restated consolidated financial statements which may have impact on the audited standalone financial statements.



Additional disclosures on shareholding pattern

Additional disclosure is required in the 'Summary of the offer document' section of the IPO offer document which will comprise a prescribed tabulation demonstrating the shareholding of each of the promoters, promoter group and additional top 10 shareholders of the company on a pre-IPO basis, as well as a post-IPO basis (subject to finalization of the basis of allotment).

Disclosure on material agreements

The SEBI Listing Regulations, from a listed company perspective, require disclosure on agreements entered into by a company's shareholders, promoters, promoter group entities, related parties, directors, KMPs, and employees of the company or its holding, subsidiary or associate company, among themselves or with the company or with a third party, solely or jointly, which, either directly or indirectly or potentially or whose purpose and effect is to, impact the management or control of the company or impose any restriction or create any liability upon the company. Pursuant to the Recent ICDR Amendments, the details of such afore-mentioned agreements are also required to be disclosed in the IPO offer documents.

Clarification on securities ineligible for minimum promoter contribution

Pursuant to the Recent ICDR Amendments, it has been clarified that the price per share for determining the securities ineligible for minimum promoters' contribution is to be computed after adjusting for corporate actions undertaken by the company such as share split, bonus issue etc.

Requirement introduced for compliance officer to be a company secretary

Pursuant to the Recent ICDR Amendments, the compliance officer of a company is required to be a person qualified to be a company secretary, for alignment with such existing requirement under the SEBI Listing Regulations.

Please feel free to address any further questions or request for advice to:

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