



भारतीय प्रतिभूति और विनियम बोर्ड Securities and Exchange Board of India

Consultation Paper

Pre-filing of Offer Document in case of Initial Public Offerings (IPO)

1. Current Life Cycle of offer document in case of IPO:

1.1. An entity desirous of coming out with an IPO is required to undergo the following steps with SEBI:

1.1.1. Filing of the draft offer document (DRHP) with SEBI containing therein all relevant disclosures as mandated in the SEBI (ICDR) Regulations. Lead manager along with issuer can market the issue based on financials provided in the DRHP.

1.1.2. DRHP is also hosted on the website of SEBI, Lead Managers (LM) and Stock Exchanges where the securities of the issuer are intended to be listed for a period of at least 21 days, seeking public comments.

1.1.3. SEBI may seek clarification on the DRHP from the LM.

1.1.4. Stock Exchanges to provide in-principle approval for listing of securities

1.1.5. SEBI to issue observation within 30 days from the receipt of reply to clarification/ in-principle approval.

1.1.6. Post-observation the issuer company, based on market feedback and the market conditions may proceed with filing of the red herring prospectus (RHP) with Registrar of Companies (RoC). The RHP incorporates SEBI observations and updates facts and figures as well as financials of the issuer.

1.1.7. Issuer to make price band advertisement after the filing of RHP. Issue to open at least 2 days after the advertisement. (Typically, filing of RHP to issue opening doesn't exceed 5 days)

2. Concerns

2.1. Generally, the above process entails at least 30 to 70 days after filing of DRHP (based on various factors) before the issuer company can access capital markets. Further, an issuer company may choose to not pursue coming out with its IPO after undergoing the above process.



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- 2.2. It is gathered that one of the concerns for issuer companies is disclosure of sensitive information in the DRHP, which may be beneficial to its competitors, without the certainty that the initial public issuance would be executed.
- 2.3. Another concern is with regards to timing the public issue vis a vis market conditions. Any delay due to such factors results in concerns regarding the “recency” of the feedback obtained from potential institutional investors during the roadshows, thus impacting the pricing as well estimating the issue size.
- 2.4. It is also argued that upon filing of RHP, the document is typically available for only 2-5 days before the issue opens. Thus, updated information (which has incorporated SEBI observations and latest financials) for consumption of investors is not available in public domain for a significantly longer period of time.
- 2.5. Globally, many jurisdictions such as UK, Canada and US permit pre-filing of the offer document for review by the regulatory authority. Subsequently, in case the issuers decides to proceed with the offer, the document incorporating changes mandated by the regulator is made available to public.

3. **Matter for public consultation**

- 3.1. Primary Market Advisory Committee (PMAC) deliberated the matter and favorably considered permitting “pre-filed” document with SEBI to ease the concerns highlighted at Paragraph 2 above. Views/ public comments are sought on the following query :-
 - 3.1.1. Should SEBI introduce an alternative mechanism for regulatory review of offer document by permitting “pre-filing” of offer document for issuers contemplating IPO?
- 3.2. PMAC has also proposed a framework for “Pre-filed” document as delineated below. If the answer/ views to the above query is in the affirmative then views/ public comments are sought on the following point-wise aspects of the framework, proposed for ‘Pre-filed’ documents:-
 - 3.2.1. Issuer makes “pre-filing” of offer document with SEBI and Stock Exchanges without making it available for public for an initial scrutiny period only. This document shall contain all disclosures as required currently under ICDR Regulations.



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- 3.2.2. Issuer shall make a public announcement stating that it has done pre-filing of offer document with SEBI and Stock Exchanges. The issuer company shall state that pre-filing of offer document need not necessarily mean that the issuer shall undertake IPO.

Undertakings: The issuer and lead managers (LMs) shall also submit an undertaking that it shall undertake no marketing/ advertising campaign which refers to its intended IPO or showcases any key performance indicators through any means to public including social media.

- 3.2.3. Stock Exchanges shall provide in-principle approval on the pre-filed document.
- 3.2.4. SEBI shall provide its observations on the pre-filed document within 30 days from the receipt of reply to clarification from LM/ in-principle approval from stock exchange(s).
- 3.2.5. Pursuant to receipt of SEBI observations, an issuer, if it so desires based on market conditions and its own financial requirements, may decide to pursue undertaking IPO. For this purpose, the issuer shall file an updated DRHP (UDRHP -I), a public document, incorporating all observations provided by SEBI.
- 3.2.6. The UDRHP-I shall be available on websites of issuer company, LMs, stock exchanges and SEBI for period of at least 21 days for public comments. The issuer and LMs can undertake marketing of the issue only post UDRHP-I filing.
- 3.2.7. LMs shall upon expiry of the period of 21 days shall file with SEBI details of the comments received by them or the issuer from public. It shall also submit the consequent changes, if any, that are required to be made in the draft offer document. The document shall be termed as UDRHP-II.
- 3.2.8. SEBI shall take note of the changes made to the UDRHP-II:
- i. Changes due to public comments



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- ii. Changes/ updates in UDRHP-I due to regulatory requirement (such as incorporation of latest financials, updates in litigations status etc.)

3.2.9. Pursuant to SEBI taking note of changes in the UDRHP-II, an issuer may file the RHP, a public document, with Registrar of Companies, Stock Exchange(s) and SEBI. The subsequent procedure w.r.t. price band advertisement/issue opening shall remain the same.

3.3. Views/ public comments are also solicited on what additional checks and balances should be considered?

4. Considering the implications of the said matter on the market participants including issuer companies and investors, public comments are invited on the matters at Para 3.1.1, 3.2.1 to 3.2.9 and 3.3 above. Comments may be sent by email or through post, in the following format:

Name of entity / person :			
Contact Number & Email Address :			
Sr. No.	Reference Para of the consultation paper	Suggestion/ Comments	Rationale

While sending email, kindly mention the subject as "**Comments on consultation paper on Pre-filing of offer document in case of Initial Public Offerings (IPOs)**"

The comments may be sent by email to consultationcfd@sebi.gov.in latest by June 06, 2022

Comments can also be sent through post (received latest by June 06, 2022) to the following address:

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