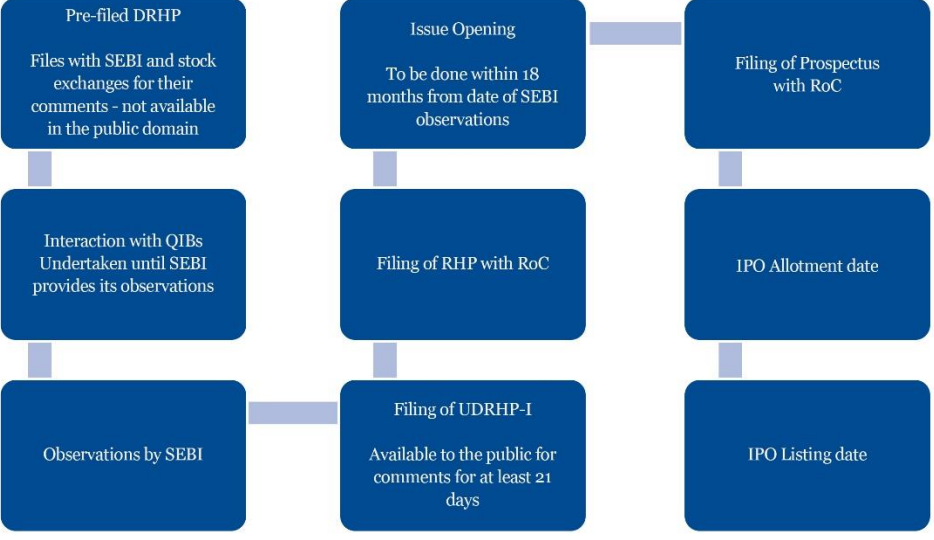


Key Provisions	Particulars
I. IPO through Pre-filing of Draft Offer Document	
Ambit and Process	 <pre> graph TD A[Pre-filed DRHP Files with SEBI and stock exchanges for their comments - not available in the public domain] --> B[Interaction with QIBs Undertaken until SEBI provides its observations] A --> C[Observations by SEBI] A --> D[Issue Opening To be done within 18 months from date of SEBI observations] B --> E[Filing of RHP with RoC] C --> F[Filing of UDRHP-I Available to the public for comments for at least 21 days] D --> E D --> G[Filing of Prospectus with RoC] E --> H[IPO Allotment date] F --> H G --> I[IPO Listing date] </pre> <ul style="list-style-type: none"> ● <u>Pre-filed DRHP</u> <ol style="list-style-type: none"> i. Issuers are required to file the pre-filed draft offer document (‘Pre-filed DRHP’) with SEBI and the stock exchange(s) (‘SEs’); ii. While the DRHP filed under Chapter II is publicly available, the Pre-filed DRHP will not be available in the public domain, but can be used for interaction with qualified institutions buyers (‘QIBs’) for limited marketing of an IPO (‘QIB Interaction’); iii. In addition to a due diligence certificate, the book running lead managers (‘BRLMs’), along with the issuer, are required to submit an undertaking that they will not conduct any marketing / advertisement for the IPO. The format and content of this undertaking is currently awaited; iv. Further, issuers are required to issue a public announcement, disclosing the fact of pre-filing, without providing any other details of the IPO; and v. Public communications must be consistent with past practices during the period between the date of the board meeting approving the IPO and the date of filing the UDRHP-I or withdrawal of the Pre-filed DRHP. ● <u>UDRHP-I</u> <ol style="list-style-type: none"> i. Post filing of the Pre-filed DRHP, SEBI may recommend changes or provide observations, within 30 days from the later of the dates of receipt of: (i) the Pre-filed DRHP, (ii) in-principle approval letter from the SEs, or (iii) satisfactory reply from the BRLMs on any clarifications sought by SEBI, any regulator/ agency, <i>etc.</i> Post undertaking changes to comply with SEBI’s observations, issuers

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	<p>may file an updated draft red herring prospectus-I (UDRHP-I) with SEBI, which will be made public for comments for at least 21 days from the date of filing;</p> <p>ii. Outstanding convertible securities or any other right which would entitle any person with any option to receive equity shares will be permitted to subsist until prior to SEBI issuing observations on a Pre-filed DRHP, at which point, the fact of conversion/ exercise is required to be intimated to SEBI;</p> <p>iii. A minimum gap of seven working days is required between the date of intimation to SEBI about completion of the QIB Interaction and date of filing UDRHP-I;</p> <p>iv. Issuers are required to issue a public announcement for filing of the UDRHP-I, inviting comments from the public;</p> <p>v. The provisions of Chapter II apply <i>mutatis mutandis</i> to IPOs with a Pre-filed DRHP under Chapter IIA. However, Regulations 8 (additional conditions for offer for sale) and 15 (securities ineligible for minimum promoters' contribution) will apply at the time of filing the UDRHP-I instead of the Pre-filed DRHP. Thus, the one year prior holding period, which was required to be complied with by selling shareholders offering their shares for sale in an IPO will be considered from the date of filing of the UDRHP-I, and not the Pre-filed DRHP.</p> <ul style="list-style-type: none"> • <u>UDRHP-II</u> <p>i. Post expiry of the 21-day period, and incorporation of comments from the public, issuers may then file an updated draft red herring prospectus-II (UDRHP-II) with SEBI before filing the red herring prospectus with the concerned Registrar of Companies (RoC).</p> • <u>Issue Opening</u> <p>i. While the SEBI ICDR Regulations permits opening of IPOs within 12 months from the date of issuance of SEBI's observations, this process permits opening of IPOs within 18 months from the date of issuance of SEBI observations on the Pre-filed DRHP, provided that the UDRHP-I is filed with SEBI and SEs within 16 months from such date.</p>
<i>QIB Interaction</i>	<ul style="list-style-type: none"> • Issuers are permitted to interact with QIBs for limited marketing of an IPO from the time of filing the Pre-filed DRHP till SEBI issues observations thereon. Such QIB Interaction must be restricted to the information contained in the Pre-filed DRHP; and • Issuer and BRLMs are required to prepare a list of QIBs who have participated in the QIB Interaction, and to submit a confirmation of closure of the QIB Interaction to SEBI.

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<p>Changes which require Fresh Filing of the Pre-filed DRHP or DRHP with SEBI</p>	<p>The Fourth Amendment Regulations have liberalized certain thresholds under Schedule XVIA for changes requiring a fresh filing of a Pre-filed DRHP or DRHP, after SEBI has issued observations thereon, <i>vis-à-vis</i> Schedule XVI, such as:</p> <ul style="list-style-type: none"> • Any addition to the objects of the issue resulting in an increase in the estimated issue size / means of finance by more than 50% (<i>vis-à-vis</i> 20% under Schedule XVI); • If there are grounds to believe that there is an exacerbation of risk on account of deletion of an object resulting in a decrease in issue size by more than 50% (<i>vis-à-vis</i> 20% under Schedule XVI); or • Increase / decrease in the estimated issue size by more than 50%, for fresh issues (<i>vis-à-vis</i> 20% under Schedule XVI).
<p>II. Basis for Issue Price</p>	
<p>Key Performance Indicators</p>	<ul style="list-style-type: none"> • <u>Explanation and Certification</u> <ol style="list-style-type: none"> i. KPIs are required to be approved by the audit committee, certified by the statutory auditor / peer reviewed chartered accountants / cost accountants (‘Expert Body’), and such certificate will be included in the list of material documents for inspection; ii. KPIs are required to be comprehensive, along with an explanation on how these KPIs have been used by the management historically to analyse / track / monitor the issuer’s operational and/or financial performance; and iii. KPIs are required to be provided for the period for which restated financial information is disclosed in the offer document, and additions / dispositions to the business are required to be explained, along with their impact on KPIs. • <u>KPI related disclosures to be included in the Offer Documents:</u> <ol style="list-style-type: none"> i. All KPIs of the issuer disclosed to investors during the three years preceding the date of filing the DRHP / RHP, and the audit committee’s confirmation that verified and audited details for such KPIs have been disclosed; ii. Any other relevant and material KPIs of the business, relevant for arriving at the basis for issue price; iii. Comparison with Indian and / or global listed peer companies: The set of peer companies should include companies of comparable size, from the same industry and with similar business model (if one to one comparison is not possible, appropriate notes to explain the differences may be included).

Key Provisions	Particulars
	<ul style="list-style-type: none"> • Ongoing Disclosures: Issuers are required to continue to disclose the KPIs, on a periodic basis, at least once in a year (or for any lesser period as determined by the issuer), for at least the later of: (i) one year after the listing date or period specified by SEBI; or (ii) till the utilisation of the issue proceeds as per the disclosure made in the objects of the issue section of the prospectus. Issuers are required to explain any change in these KPIs during such period, and to obtain certification of ongoing KPIs by a member of an Expert Body.
<p>Price Per Share</p>	<p>Issuers and BRLMs are required to now disclose the following details in relation to issue price / floor price / price band in the offer documents:</p> <ul style="list-style-type: none"> • Price per share for the following issuances / transactions during the 18 months preceding the date of filing of the DRHP / RHP, where such issuance / transaction is equal to or more than 5% of the issuer's fully diluted paid-up share capital (calculated based on the pre-issue capital before such transactions and excluding employee stock options granted but not vested) in a single transaction or multiple transactions combined together over a span of rolling 30 days: <ol style="list-style-type: none"> primary issue of shares (equity / convertible securities) ('Primary Issuances'), excluding shares issued under ESOP / ESOS and issuance of bonus shares; and secondary sale / acquisition of shares (equity / convertible securities), where promoter / promoter group entities / selling shareholder(s) / shareholder(s) having the right to nominate director(s) in the board ('Secondary Transactions'), are a party to the transaction (excluding gifts). <p>In case there are no such transactions to report under (i) and (ii) above, then the price per share based on the last five Primary Issuances or Secondary Transactions, not older than three years prior to the date of filing of the DRHP / RHP, irrespective of the size of transactions, is required to be disclosed. Such price per share is required to be adjusted for corporate actions e.g. split, bonus, etc;</p> • Floor price and cap price being [●] times the weighted average cost of acquisition ('WACA') based on Primary Issuances or Secondary Transactions, is required to be disclosed, along with a recommendation of a committee of independent directors stating that the price band is justified based on quantitative factors/KPIs vis-à-vis the WACA of Primary Issuances/Secondary Transactions; • Detailed explanation for offer price / cap price being [●] times of WACA of Primary Issuances / Secondary Transactions, along with comparison of KPIs and financial ratios for the last three full financial years and stub period (if any) included in the offer document; and • Explanation for offer price / cap price being [●] times of WACA of Primary Issuances / Secondary Transactions in view of the external factors which may have influenced the pricing of the issue.

Key Provisions	Particulars
III. Miscellaneous Amendments	
Monitoring of Issue Proceeds	<p>The Fourth Amendment Regulations now mandate monitoring of utilisation of proceeds raised through preferential issues and QIPs, by SEBI-registered credit agencies, where the issue size exceeds INR 100 crores.</p> <p>The monitoring agency ('MA') is required to submit its report on a quarterly basis, till 100% of the issue proceeds through such issuances have been utilised. The issuer's board and management are required to provide their comments on the MA's findings. Further, the issuer is required to upload the MA's report on its website and to submit it to SEs within 45 days from each quarter-end.</p>
Filings with SEBI Head Office	Issuers are now required to file offer documents for IPOs, rights issues, and further public offers, with the SEBI at its head office only.

Way Forward

The Fourth Amendment Regulations have introduced the framework for pre-filing of draft offer documents, in line with the mechanisms in foreign jurisdictions such as the United States of America, Canada and the United Kingdom. While the new framework may add to the timeline for IPOs, the Pre-filed DRHP would not be generally available to potential competitors for the period of review by SEBI and SEs. This would enable issuers to exercise more control on the disclosure of sensitive data and timing thereof, including in cases of withdrawal of an IPO based on market conditions. Further, permitting issuers to engage in QIB Interaction for limited marketing of the issue post filing of the Pre-filed DRHP is a welcome step.

In light of increased scrutiny of valuation of IPOs, especially for new-age technology companies, the amendments seek robust and detailed disclosures of KPIs and pricing of primary issuances and secondary sales, along with clear linkages to justifying the offer price. These disclosures facilitate more transparency and clarity in pricing, and propose to help reduce information asymmetry for retail investors.

The amendments requiring monitoring of proceeds from preferential issues and QIPs seek to align with the extant provisions for public issues and rights issues. While such issuances are not made to the general public and are undertaken after shareholders' approval, SEBI had, in its memorandum on this issue, stated that such monitoring is required, considering that any misuse of such funds would adversely impact the shareholders.