
UNLOCKING INDIA'S IPO POTENTIAL: DISSECTING THE 2025 SEBI ICDR AMENDMENTS FOR A TRANSPARENT MARKET

Tanuj Goyal & Taha Lakdawala, Symbiosis Law School, Pune

ABSTRACT

Major reforms are introduced with the Issue of Capital and Disclosure Requirements (Amendment) Regulations, 2025. The goal is to enhance transparency and harmonise operational norms of international best practices, and facilitate the ease of doing business in the IPO environment of India. This article emphasises material amendments, including clarity regarding Stock Appreciation Rights (SARs), pro forma financial statements, lock-in levels for promoters, voluntary disclosure, and an extended definition of capital expenditure. It also talks of new disclosure and harmonised compliance requirements, including the reporting of pre-IPO placements, prerequisites of offer documents, and exit post listing of dissenting shareholders by carrying out a detailed assessment of impacts and a comparative survey with the other jurisdictions. The article, in critically analyzing the balance that SEBI strives to achieve, focuses on systems of the U.S and the U.K. trade off the flexibility of the issuers with investor protection in an active capital market.

Keywords: SEBI ICDR (Amendment) Regulations, 2025, IPO Disclosure and Transparency, Stock Appreciation Rights, Investor Protection, Pre-IPO Placement and Reporting.

INTRODUCTION

The Securities and Exchange Board of India (SEBI), which regulates India's securities market, operates with the objective of protecting investors and holistic market development. A key component of SEBI's legal framework is the Issue of Capital and Disclosure Requirements Regulations, 2018 (ICDR Regulations). The ICDR Regulations control the issuance of securities, including rights issues, preferential allotments, and Initial Public Offerings (IPOs). By establishing eligibility standards, disclosure requirements, and procedural guidelines, ICDR Regulations help to shape the road to successful IPOs. In light of this, the SEBI has introduced the Issue of Capital and Disclosure Requirements (Amendment) Regulations, 2025 (ICDR Amendments 2025), effective from 8th March, 2025.¹

The reforms introduced the ICDR Regulations, 2018, are intended to simplify the IPO processes and bring them at par with the SEBI listing regulations. The amendment comes at a vital juncture, given a resurgence in India's capital market where IPOs play a pivotal part. The figures in FY 2024-25 show that the nation saw 80 mainboard IPOs raising INR 1630 billion, much higher than the capital of INR 619 billion raised in the last FY 2023-24.² When the world IPO market activity dipped by 10 per cent during the year 2024, India's National Stock Exchange (NSE) had the largest amount of funds mobilized with an ironic rise in the number of IPOs³. The recently made amendments are significant to listed companies, market intermediaries, and investors, as they improve provisions on rights issues, offer documents, pre-IPO placements, and promoter disclosures. This article discusses the ICDR Amendments 2025 exhaustively, looking at each amendment made, why such amendments were made, their likely benefits and undesirable soft spots to understand the overall effect on the Indian IPO ecosystems

BACKGROUND

Old SEBI ICDR regime had various lacunae that made IPO readiness cumbersome.

¹ Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2025, SEBI, March 4th, 2025, Available at https://www.sebi.gov.in/legal/regulations/mar-2025/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-amendment-regulations-2025_92539.html.

² IPOs in India – FY 2025, KPMG, 30th March, 2025, Available at <https://kpmg.com/in/en/insights/2025/05/ipos-in-india-fy-2025.html>.

³ NSE leads Asia in IPO count in 2024, sets global record for equity capital raised in primary market, Money Control, 3rd January, 2025, Available at <https://www.moneycontrol.com/news/business/ipo/nse-leads-asia-in-ipo-count-in-2024-sets-global-record-for-equity-capital-raised-in-primary-market-12902822.html>.

Significantly, ESOPs alone were clearly exempted from the IPO-eligibility test, and other incentive plans (such as stock appreciation rights, or SARs) remained ambiguous.⁴ For practical purposes, many firms reorganized SARs into ESOPs merely to go public.⁵ Lock-in and sale restrictions of promoters were also not clear. SEBI itself noted that ceilings on pre-IPO sales were unclear about secondary transfers, leading the 2025 rules to rectify those caps based on shareholding on the filing date.⁶ Equally, whether repayments of loans constituted capital expenditure (and hence longer lock-in) had been unresolved; the amendments now clearly categorize such loans as capex, and force a three-year promoter lock-in if employed. Lastly, parallel compliance with ICDR and the Listing Regulations (LODR) created duplicate burdens. For instance, LODR mandated listed issuers to appoint a qualified Company Secretary as a compliance officer and make disclosures about certain related-party agreements, but there was no such requirement in ICDR. This resulted in repetitive filings. The 2025 amendments thus harmonize these provisions: the offer document now has to incorporate the LODR-style disclosures about promoter/shareholder agreements⁷, and the issuer's compliance officer should be an eligible company secretary.

In August 2023, SEBI set up an Expert Committee specifically to consider both ICDR and LODR with a view to "facilitating ease of doing business" and harmonising their provisions.⁸ The mandate of the Committee was to harmonise and streamline the two rulebooks, demystifying obligations and lowering compliance costs without decreasing investor protection.⁹ Its terms of reference mentioned "bringing in clarity and reducing the overall compliance burden, including cost of compliance," while still balancing investor safeguards.⁹ In line with these goals, SEBI's March 2025 ICDR amendments are explicitly pitched as streamlining IPO processes and improving transparency. Commentators note that the changes "focus on enhancing disclosure standards, easing regulatory requirements and improving

⁴ Cyril Amarchand Mangaldas, Amendment to Make Companies with Outstanding Stock Appreciation Rights IPO-Eligible: A Few Steps Closer, But Not There Yet, Cyril Amarchand Mangaldas Blog (Apr. 17, 2025), <https://corporate.cyrilamarchandblogs.com/2025/04/amendment-to-make-companies-with-outstanding-stock-appreciation-rights-ipo-eligible-a-few-steps-closer-but-not-there-yet/>.

⁵ AZB & Partners, SEBI ICDR Amendments 2025: An Overview of Key Changes to Framework of Issuance of Securities, Mondaq (Mar. 25, 2025), <https://www.mondaq.com/india/shareholders/1626916/sebi-icdr-amendments-2025-an-overview-of-key-changes-to-framework-of-issuance-of-securities>.

⁶ KPMG India, SEBI ICDR Amendments: A Strategic Step to Streamline Regulatory Landscape (Apr. 2025), <https://assets.kpmg.com/content/dam/kpmgsites/in/pdf/2025/04/chapter-2-sebi-icdr-amendments-a-strategic-step-to-streamline-regulatory-landscape.pdf>.

⁷ Independent Directors' Databank, The Hub—Regulatory Worktop, Newsletter (July 2024), <https://www.independentdirectorsdatabank.in/img/newsletter/2024/668535d29c931.pdf>.

⁸ Shardul Amarchand Mangaldas & Co., SEBI ICDR Amendments 2025: Key Takeaways for IPOs, AMSS (Apr. 2025), <https://www.amsshardul.com/insight/sebi-icdr-amendments-2025-key-takeaways-for-ipos/>.

⁹ Ibid.

investor confidence,” and SEBI stresses they protect investors by creating a stronger, more transparent IPO framework.¹⁰

OVERVIEW OF KEY REGULATORY CHANGES

1. Stock Appreciation Rights

Companies often incentivise their employees through various methods, such as Employee Stock Option Plans (ESOPs), Stock Appreciation Rights (SARs), or Phantom Stock. ESOPs, which are the most common incentive provided by companies, entitle employees to buy shares of the company at a discount. Whereas, SARs and Phantom stocks do not release the actual shares immediately, but incentivise employees depending on the increase in the share price. As per Regulation 5(2) of the ICDR Regulations, 2018,¹¹ an issuer was not allowed to issue an IPO if there was any outstanding convertible security or any other right that would enable any person to receive the equity shares of the issuer. However, the said constraint did not apply to: (i) fully paid-up outstanding convertible securities that must be converted on or before the date of filing the Draft Red Herring Prospectus (DRHP), or (ii) outstanding options granted to employees under an ESOP. This exemption was not granted to SARs and Phantom stocks, which meant that the companies had to revoke such incentives before filing the DRHP, proving to be detrimental to the interests of the employees who enjoyed the shadow of SARs and phantom stocks.

Parallel to the recommendations of the expert committee,¹² the 2025 ICDR Amendment has removed the bridge between the ESOPs and SARs by adding the latter into the exemption list under Regulation 5(2) of the ICDR Regulations. It is noteworthy that the Draft Prospectus and the Prospectus will contain the pertinent disclosures about the scheme and such SARs, as well as the total number of equity shares that will be issued as a result of the exercise of such rights. Additionally, equity shares granted to employees under the stock appreciation rights plan are now eligible for the relaxation of the lock-in restriction that previously applied to equity shares

¹⁰ Cyril Amarchand Mangaldas, SEBI ICDR Amendments: Key Developments in Regulatory Framework (Client Alert, Mar. 2025), <https://www.cyrilshroff.com/wp-content/uploads/2025/03/Client-Alert-SEBI-ICDR-Amendments.pdf>.

¹¹ SEBI ICDR Regulations, 2018, Regulation 5(2).

¹² Report of the Expert Committee, Recommendations for facilitating ease of doing business and harmonization of the provisions of ICDR and LODR Regulations, SEBI, Available at https://www.sebi.gov.in/sebi_data/commndocs/jun-2024/Expert%20Committee%20report%20on%20ICDR%20and%20LODR-new_p.pdf.

granted to employees under the Employee Stock Options schemes. Furthermore, equity shares granted to employees under the stock appreciation rights plan are no longer subject to the lock-in provision, similar to equity shares granted to employees under the employee stock option (or employee stock purchase scheme). In this context, Regulation 17 of the SEBI ICDR Regulations¹³ has been amended to clarify that the relaxation from lock-in also applies to shares obtained through bonus issues against equity shares granted through employee stock options, employee stock purchase plans, or stock appreciation rights plans.

2. Setting the Participation threshold in the offer for sale component of an IPO

The eligibility thresholds for an issuer who does not meet the eligibility requirements listed under Regulation 6(1) of the SEBI ICDR Regulations¹⁴ are, among other things, outlined in Regulation 6(2) of the SEBI ICDR Regulations.¹⁵ Only after completing the book-building process and agreeing to give at least seventy-five per cent of the net offer to eligible institutional buyers will such an issuer be permitted to make an IPO. The limit of the number of shares that selling shareholders may offer for sale in an IPO under Regulation 6(2) is set by Regulation 8A of the ICDR Regulations.¹⁶ As per Regulation 8A, (i) Shareholders who hold more than 20% of the company's pre-IPO shares on a fully-diluted basis are not permitted to offer more than 50% of their pre-IPO shares on a fully-diluted basis, and (ii) shareholders who hold less than 20% of the company's pre-IPO shares on a fully-diluted basis are not permitted to offer more than 10% of their pre-IPO shares on a fully-diluted basis. The expert committee noted that clarity should be given to make sure that the total number of shares that a shareholder may sell (either as part of the IPO or through other secondary transfers before the issue or IPO) does not surpass the thresholds established under Regulation 8A.¹⁷

In light of the aforementioned observations, the 2025 ICDR amendments have made it clear that the restrictions outlined in Regulation 8A will be applied cumulatively to the total number of shares offered for sale to the public, as well as to any secondary sale transactions that took place before the issue. These restrictions will be calculated using the shareholding as of the date the draft offer document was filed. The regulation appears to classify shares offered for public sale and pre-IPO secondary transfers under the same heading. Moreover, it complies

¹³ SEBI ICDR Regulations, 2018, Regulation 17.

¹⁴ SEBI ICDR Regulations, 2018, Regulation 6(1).

¹⁵ SEBI ICDR Regulations, 2018, Regulation 6(2).

¹⁶ SEBI ICDR Regulations, 2018, Regulation 8A.

¹⁷ Supra Note 5.

with the regulatory expectations regarding the accounting for transfers outside of the offer for sale when determining the thresholds, as supported by feedback from recent transactions.

3. Voluntary disclosure of proforma financials

According to the 2025 ICDR Amendments, a company may voluntarily decide to provide proforma financial statements of acquisitions or divestitures (i) even if those transactions fall below the ICDR Regulations' materiality threshold, which is 20% or more of the turnover, net worth, or profit before taxes of the most recent consolidated financial statements of the business, or (ii) if the purchases and sales were finished before the most recent time frame for which financial data is provided in the offer document or draft offer document. Additionally, the company may disclose the proforma financials for the financial periods it chooses, and they must be prepared in compliance with any guidance notes, standards on assurance engagements, or guidelines periodically issued by the ICAI and certified by the statutory auditor or CAs who possess a valid certificate issued by the ICAI Peer Review Board.

Presenting proforma financials in the event of multiple acquisitions and/or divestitures is an intriguing topic that is still being researched. A combined set of proforma financial information should be provided for multiple acquisitions, according to the SEBI ICDR Regulations. However, it is unclear if these acquisitions must be multiple "material" acquisitions. Accordingly, in case of voluntary proforma financials, does this imply that all purchases or sales, regardless of their significance, must be considered when creating the performance financial information.

4. Material Agreement and Litigation-related disclosures

According to clause 5A, paragraph A of part A (Schedule III) of the SEBI Listing Regulations,¹⁸ the Amendment mandates that the agreements that affect the issuer's management or control, impose restrictions on the issuer, or create liability for the issuer be disclosed in the IPO offer document. Additionally, the Amendment requires that the lower of the monetary thresholds specified in the SEBI Listing Regulations be followed when making disclosures about ongoing civil litigation in the IPO offer documents. According to the board's materiality policy, the issuer had to disclose significant civil litigation in its IPO offer documents under the pre-Amendment regime. Disclosure of all criminal proceedings involving the issuer's senior

¹⁸ SEBI LODR Regulations, 2025, Schedule III, Clause 5A, Para A.

management and key managerial personnel, as well as any actions taken by statutory and regulatory authorities against them, is mandatory.

5. *Mandatory Reporting of Pre-IPO Placements*

The 2025 changes mandate issuers to report any pre-IPO placement mentioned in the draft red herring prospectus (DRHP) to stock exchanges within 24 hours of the deal. This broadens mandatory reporting from public market trades to private allotments, providing early investors with visibility into equity dilution, strategic entries, and pricing prior to an IPO listing.¹⁹

From a legal perspective, this does greatly improve transparency. Nonetheless, experts raise concerns regarding uncertainty, specifically, whether secondary transfers by disposing shareholders (which are not primary issues by the issuer) would also come under the scope of this 24-hour rule.²⁰

Though in line with emerging international trends of greater transparency, few regulators mandate such stringent reporting deadlines for private pre-IPO deals. The mandate, although being enlightened, could potentially add timing and compliance hassles in tightly held or high-pressure deal cultures. This is a commendable investor-friendly initiative, but could be enhanced with better clarification through SEBI notifications or AIBI advisories to minimise interpretational ambiguities.

6. *Expanded definition of Capital Expenditure*

Under the 2025 SEBI ICDR Amendments, the definition of capital expenditure has been made plain to include repayment of borrowings made to finance capital expenditure. This clarification, made through the Explanation to Regulation 7(2)²¹, brings the disclosure requirement in line with actual financing practice, whereby companies frequently borrow funds for acquiring capital assets and subsequently utilize IPO proceeds to repay the borrowings. By classifying such repayments as capital expenditure, the amendment provides that issuer disclosures better capture the true end-use of proceeds, as opposed to simply classifying

¹⁹ Nishith Desai Associates, SEBI ICDR Amendments 2025 – Key Developments & Practical Implications, Lexology (Apr. 30, 2025), <https://www.lexology.com/library/detail.aspx?g=fddb6b50-053f-49a9-817d-faa881708378>.

²⁰ Ibid.

²¹ SEBI ICDR Regulations, 2018, Regulation 7(2).

repayments as general corporate purposes. This will likely enhance the offer document transparency and consistency.²²

7. Certificate for Repayment of Loans and Clarification of Working Capital Disclosure

SEBI has eased the process of auditor certification for IPO objects covering repayment of loans. It may be issued by a peer-reviewed chartered accountant (CA) where the loan tenure was not accounted for under a statutory auditor by the issuer. This relaxation is for group companies and subsidiaries with dissimilar audit setups, allowing procedural ease.³

For working capital items, the amendment makes it clear that disclosures should be done using audited standalone financials, with restatements required should consolidated figures be altered. This promotes uniformity in the calculation of long-term working capital requirements so that there are no disparities between standalone and consolidated disclosures.⁴

These changes are in line with ICAI's audit principles and reduce friction in IPO preparation. However, mandatory restatements of standalone results following consolidated adjustments may delay IPO timelines in some cases. This is a pragmatic and technically sound adjustment. The certification relaxation is especially helpful for conglomerates, though added care will be needed in audit coordination where restatements are required.

8. DRHP Filing Announcement and Comment Period Alignment

Earlier, issuers used to be mandated to release a public announcement of DRHP filing within two calendar days. The amendment now gives this timeframe of two working days, harmonizing disclosure obligations with business realities.²³ Concurrently, the window for public comments, earlier measured from the date of DRHP filing, is now measured from the date of announcement, thus ensuring the entire 21-day window for investor review.²⁴

This addresses long-pending industry concerns regarding weekend or holiday-day filing, leaving scarce time for statutory advertising. Issuers are no longer penalized for off-business

²² India Briefing, SEBI ICDR Regulations 2025 Amendment: Rights Issues & Disclosure (May 2025), <https://www.india-briefing.com/news/sebi-icdr-regulations-2025-amendment-rights-issues-disclosure-36844.html>.

²³ Shardul Amarchand Mangaldas & Co., SEBI ICDR Amendments 2025: Key Takeaways for IPOs, AMSS (Apr. 2025), <https://www.amsshardul.com/insight/sebi-icdr-amendments-2025-key-takeaways-for-ipos/>.

²⁴ Ibid.

days in their timeline to comply. This is a sensible reform keeping ease of doing business in mind. This aligns SEBI practices more with international best practices and reduces unnecessary procedural risks.

9. Exit Opportunity for Dissenting Shareholders

Regulation 281A, newly added under the 2025 SEBI ICDR Amendments, provides a post-listing exit to dissenting shareholders under circumstances where there is a variation in the specified objects of the issue or an alteration in contractual terms pertaining to those objects, as elaborated under Schedule XX. The provision mandates promoters or controlling shareholders of the issuer to offer this exit opportunity. But the regulation does not extend to companies that do not have identifiable promoters or controlling shareholders. Significantly, although the provision requires an exit offer, it does not make explicit the specific mechanism or procedure pursuant to which such an offer shall be made to dissenting shareholders, potentially creating a subject area of uncertainty in its implementation.

10. Consolidation of Pre-Issue and Price Band Advertisements

The amendment consolidates the erstwhile pre-issue advertisement and price band advertisement into a combined notice, to be published at least two working days prior to the issue opening. Formatting flexibility has also been introduced by SEBI for reducing redundancy in such disclosures as the "Basis for Offer Price."²⁵

This step is for cost savings and regulatory ease. Commentaries observe that this is of particular assistance to issuers issuing big newspaper campaigns²⁶ But digital link reliance on full disclosures presumes access by investors and digital literacy.

While other jurisdictions like the U.S. and U.K. rely on electronic filings rather than newspaper notices, SEBI's hybrid model strikes a balance between traditional investor outreach and modern efficiency. Overall, it is a logical and well-structured simplification. It reduces duplication and saves costs without undermining investor protection, though SEBI must ensure that essential pricing information remains clearly accessible.

²⁵ Supra, note 22.

²⁶ Supra, note 23.

IMPACT ANALYSIS

The amendment is a reflection of the wide business implications on companies and corporations and is representative of a major shift towards a more open and enabling capital raising environment. The amendments offer greater flexibility in structuring employee incentives for an IPO-ready business by aligning the disclosure and compliance requirements with the LODR framework and lifting restrictions on instruments like SARS.²⁷ This is particularly beneficial to tech startups and tech businesses. The meaning of capital expenditure has been expanded²⁸ to cover the repayment of related loans, which facilitates the deleveraging projects in capital-intensive sectors such as manufacturing and infrastructure. Moreover, better litigation disclosures of pre-IPO and promoter deals amplify investor faith and market transparency, and hence attract institutional investors to issuers.

Stronger exit obligations simultaneously promote corporate governance and predictability of risk through mandatory proposals to the dissenting shareholders and disclosures pertaining to litigation. The issuers can strive for greater transparency through better communication of the strategic significance of acquisitions and business combinations by implementing the voluntary disclosure pro forma financials. All these reforms are beneficial in a way that they harmonise the investor protection and ease of doing business through the reduction of regulatory barriers, market accessibility, and enabling issuers to have more control in investor expectations, as well as making them more accountable and holding them to higher disclosure and accountability standards.

The main areas of impact are the following:

1. Implications on the Issuer and Capital-Raising

The 2025 reforms fundamentally changes the methods employed by the issuer to come to the market for an IPO from a structuring and timing point of view. The regulatory framework has done away with the crucial obstacle for high-growth, talent-intensive firms by expanding eligibility to cover current employee instruments such as fully exercised SARs, and specifically

²⁷ Kinjal Ahuja and Ashish Rawat, Unvested SARs in the IPO Pipeline: A regulatory Blind Spot in SEBI's 2025 ICDR Amendment, IndiaCorpLaw, <https://indiacorplaw.in/2025/08/15/unvested-sars-in-the-ipo-pipeline-a-regulatory-blind-spot-in-sebis-2025-icdr-amendments/>.

²⁸ Supra Note. 1.

incorporating them in the MPC computation.²⁹ Moreover, flexibility regarding use-of-proceeds and lock-in triggers is enhanced by the clarification that follows regarding repayment of borrowings originally incurred to finance capital expenditures that also qualify as "capital expenditure". As a result, issuers can better align their post-IPO commitments and pre-IPO capital structure with real financing methods.

However, increased procedural requirements—such as increased disclosure, stricter audit/certification procedures, and a false sense of preparedness for investor inquiries—will accompany this increased flexibility, potentially lengthening internal preparation times and driving up costs.³⁰ The amendments alter the structure of an IPO in subtle yet significant respects, according to a trade journal, even though they streamline in some areas.

2. The Investor Protection and Disclosure Improvements

The goal of reducing information asymmetry prior to listing is at the heart of the amendments. The transparency bar is rising dramatically as a result of new requirements such as 24-hour reporting of initial public offerings (IPOs) to stock exchanges, clarification of previously gray-area instruments like SARs, and higher litigation & KMP/regulatory disclosure thresholds.³¹

These new measures result in earlier visibility of secondary trades, capital-structure changes, and dilution risks for both institutional and retail investors. This boosts investor confidence and will probably encourage more people to participate.

On the other hand, longer windows and a heavier disclosure burden may reduce issuer agility and raise compliance costs; issuers may also find it more difficult to schedule their initial public offerings (IPOs) during shifting market windows.

3. Timing Considerations and Market-Mechanics

The modifications have important ramifications for time-to-market and IPO launch mechanics.

²⁹ Armin Pardiwala, Vinit Gaud, and Kermina Patel, SEBI ICDR Amendments 2025: An Overview of Key Changes To Framework Of Issuance Of Securities, Mondaq, <https://www.mondaq.com/india/shareholders/1626916/sebi-icdr-amendments-2025-an-overview-of-key-changes-to-framework-of-issuance-of-securities>.

³⁰ Bhavesh Vora, Khushbu Shah, Redefining IPO Frameworks: A Detailed Exploration Of SEBI's 2025 ICDR Amendment, BCAJ, <https://bcajonline.org/journal/redefining-ipo-frameworks-a-detailed-exploration-of-sebis-march-2025-icdr-amendment/>.

³¹ Lakshmi Narasimha, Impact of SEBI's 2025 ICDR Amendment on India's IPO Market, Taxguru, <https://taxguru.in/sebi/impact-f-sebis-2025-icdr-amendments-indias-ipo-market.html>.

A 21-day public notice period for the draft red herring prospectus creates a pre-pricing period of fixed duration that did not previously exist at this scale, even though the goal is simplification (e.g., integration of advertisement formats: pre-issue + price-band into one).

Many market observers note that even a short mandatory delay can reduce pricing flexibility in a fast-moving IPO window, potentially delaying listing or causing issuers to miss out on favorable market opportunities.

The United States, the United Kingdom, and Australia, on the other hand, employ regulator review in place of public comment windows, allowing for the enforcement of public offers more quickly.³² Therefore, issuers may view timing risk as a cost even though Indian regulatory strictness improves investor protection.

4. Governance and Post-Listing Ecosystem Effects

Aside from the IPO itself, the amendments reflect a fundamental move towards governance maturity and post-listing accountability. The inclusion of provisions such as post-listing exit rights for dissenting shareholders (under new Reg. 281A)³³ and more stringent monitoring for use of proceeds instils mechanisms that hold issuers accountable beyond the listing date.

From a governance perspective, this could heighten the standards for promoter conduct, leadership transparency and institutional investor trust. It could also promote improved board practices, stronger audit monitoring and stronger capital-raising storytelling.

But issuers need to be prepared for intensified regulatory scrutiny and constant procedural compliance—e.g., making pre-IPO placements transparent, use-of-proceeds certified, and SAR/ESOP instruments duly integrated. Lack of preparedness will undermine the advantages (capital access, talent retention) with intensifying governance expenses or delayed listing timelines.

5. Strategic Outlook and Market Positioning

Strategically, the reforms place India's public-markets ecosystem in a position to seize the IPO aspirations of younger economy firms: tech, SaaS, platforms, and infrastructure and

³² Supra Note. 27.

³³ SEBI India (ICDR) (Amendment) Regulations, 2025, § 281A).

manufacturing firms that need cleaner capital-structure mechanics.³⁴ These changes represent a recalibration that can help support the pipeline of offerings past headline-driven surges.

If properly implemented, the regulatory enhancements could enhance India's appeal for domestic listings, reverse-flip transactions, and foreign issuers looking to access Indian retail/institutional capital. They could also support investor confidence in the long-term excellence of Indian IPOs.

However, success depends upon implementation: whether issuers respond quickly, whether advisers and underwriters rationalize procedures, and whether SEBI succeeds in sustaining execution pace along with its upgraded disclosure regime. Unless delays continue or expenses increase, the reforms risk slowing listing momentum instead of encouraging it.

COMPARISON WITH BEST GLOBAL PRACTICES

(i) United States

The United States capital markets are supervised mainly under the Securities Act of 1933 and the Securities Exchange Act of 1934, managed by the Securities and Exchange Commission (SEC). SEBI ICDR 2025 amendments reflect some SEC practices but are different in others.

Pre-IPO Placements and SARs Disclosure

Full disclosure of pre-IPO equity deals, such as employee stock options and stock appreciation rights (SARs), is required by the SEC under Item 701 of Regulation S-K.³⁵ SEBI's 2025 amendment to mandate SARs disclosure and allow exercised SARs prior to RHP filing aligns with this approach.³⁶ However, while the SEC requires detailed footnote disclosures in audited financial statements, SEBI mandates upfront quantitative disclosure in the draft offer document, a move considered by some market participants as more prescriptive than principle-based.

³⁴ Supra Note. 27.

³⁵ 17 C.F.R. § 229.701 (2024), <https://www.law.cornell.edu/cfr/text/17/229.701>.

³⁶ Cyril Amarchand Mangaldas, Amendment to Make Companies with Outstanding Stock Appreciation Rights IPO-Eligible: A Few Steps Closer, But Not There Yet, Cyril Amarchand Blog (Apr. 17, 2025), <https://corporate.cyrilamarchandblogs.com/2025/04/amendment-to-make-companies-with-outstanding-stock-appreciation-rights-ipo-eligible-a-few-steps-closer-but-not-there-yet/>.

IPO Proceeds Use and Auditor Reporting

The SEC requires "use of proceeds" disclosures but does not mandate auditor certification of end-use monitoring.³⁷ SEBI's amendment requiring independent monitoring for IPO proceeds earmarked for working capital or loan repayment goes further. While this enhances transparency, some critics argue it imposes an unnecessary burden on issuers, particularly loss-making startups, a segment that is otherwise encouraged by liberalized listing norms in the U.S., such as the JOBS Act.³⁸

Prospectus Timeline and Public Feedback

The U.S. process allows public review of the S-1 registration statement via EDGAR but without a formal comment period akin to SEBI's 21-day DRHP public comment window.³⁹ The SEBI model promotes participatory regulation, but U.S. practices underscore speed and confidentiality until the SEC declares the registration "effective."

Advertising and Communication

The SEC has liberalized communications in the pre-IPO stage, particularly under Rule 163A and 134, encouraging early engagement with institutional investors.⁴⁰ SEBI's move to consolidate advertisements into a single format (removing pre-issue and price-band ads) is seen as a simplification. However, the Indian regime remains stricter on marketing communications compared to the U.S., where testing-the-waters communications are permitted for emerging growth companies.

(ii) United Kingdom

In the UK, the IPO regime is regulated by the UK Prospectus Regulation Rules (PRR)⁴¹ and FCA Listing Rules. Although similar in their investor protection goals, SEBI's amendments are more compliance-oriented in structure.

³⁷ 17 C.F.R. § 229.504 (2024); see also SEC, Securities Act Forms (Form S-1).

³⁸ Jumpstart Our Business Startups (JOBS) Act, Pub. L. No. 112-106, 126 Stat. 306 (2012).

³⁹ *Supra*, note 30.

⁴⁰ SEC Rule 134, 17 C.F.R. § 230.134; Rule 163A, 17 C.F.R. § 230.163A.

⁴¹ Prospectus Regulation (EU) 2017/1129, Annex 1 (as retained in UK law post-Brexit).

Employee Incentives and Equity Dilution

UK issuers must disclose equity dilution, including employee option schemes, in line with Annex 1 of the PRR.⁴² SEBI's recognition of SARs (subject to full exercise before RHP filing) is comparable. However, the UK allows more discretion to underwriters and sponsors in determining materiality, whereas SEBI's threshold-based disclosures are more formulaic.

Use of Proceeds

The UKPRR emphasizes clarity but does not mandate monitoring agencies.⁴³ SEBI's requirement for independent monitoring where IPO proceeds are used for general corporate purposes may enhance accountability, but UK market participants rely more on reputational discipline and sponsor due diligence rather than post-facto certification.

Prospectus and Comments

The UK does not require a formal public comment window on the prospectus draft. FCA's approval process is confidential until publication.⁴⁴ SEBI's public-facing DRHP process introduces stakeholder engagement but may expose companies to premature scrutiny.

Communications

Marketing and pathfinder documents in the UK are tightly regulated under FSMA 2000, but flexibility is afforded to issuers in structuring institutional placements.⁴⁵ SEBI's revised advertising framework, while simpler, continues to restrict communication channels in ways that may hinder dynamic marketing strategies favoured in the UK.

CONCLUSION

The SEBI ICDR (Amendment) Regulations, 2025, address real-world issues, bring India's IPO ecosystem up to date with international norms, and safeguard investors. These changes give businesses more flexibility, especially in capital allocation and employee incentive plans, improve transparency through better disclosures, and lessen regulatory friction by harmonizing

⁴² Ibid.

⁴³ FCA Listing Rules LR 3.4.4 & PRR 3.1.3.

⁴⁴ FCA, Guide to Listing and Prospectus Approval, UK Financial Conduct Authority (2023).

⁴⁵ Financial Services and Markets Act 2000, c. 8 (UK).

with the LODR framework. SEBI's strategy is suited to the corporate governance requirements and maturing investor base of the Indian market, even though it is still more compliance-driven than the principle-based systems of the U.S. and the U.K. However, some ambiguities need more explanation, like dissenting shareholder exit mechanisms and pre-IPO secondary transfer disclosures. Overall, the changes strengthen India's standing as a robust and investor-friendly capital market in a highly competitive global environment by striking a strategic balance between regulatory oversight and ease of doing business.