
SEBI COMPLIANCE FRAMEWORK IN MAINBOARD IPOs: A COMPARATIVE ANALYSIS BASED ON CASE STUDIES OF RECENT IPOs

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ABSTRACT

In light of the evolving complexity within capital markets and the expanding involvement of both institutional and retail investors, the regulation of Initial Public Offerings (IPOs) in India has seen substantial shifts. As the lead regulatory body, the Securities and Exchange Board of India (SEBI) has established an extensive compliance structure designed to uphold accountability, transparency, and the protection of investors throughout the IPO journey. This research offers a critical analysis of the SEBI compliance regime for mainboard IPOs, specifically focusing on the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

By employing a comparative case study methodology, this paper investigates three significant recent IPOs: Zomato, Nykaa, and the Life Insurance Corporation of India. These examples, spanning various industries and performance results, offer a robust framework for assessing the practical application and efficacy of regulatory standards.

The findings indicate that although the SEBI framework achieves rigorous procedural compliance and high disclosure levels, persistent difficulties remain regarding risk transparency, valuation clarity, and performance following listing. Ultimately, the study proposes policy adjustments intended to bolster regulatory supervision without compromising the efficiency of the market.

Keywords: IPO, SEBI, Zomato IPO, Nykaa IPO, LIC IPO, Listing.

CHAPTER - 1

INTRODUCTION

The rise of Initial Public Offerings (IPOs) as a primary method for raising capital underscores the growing maturity of India's financial landscape. Throughout the last decade, the Indian market has seen a notable increase in mainboard IPOs, especially within the technology and consumer sectors. This trend has drawn significant attention from investors, signalling a transformation in investment behaviours and a broadening of the retail investor community.¹

Overseen largely by the SEBI, the regulatory environment for IPOs seeks to mandate that issuers follow rigorous governance and disclosure standards. SEBI plays a vital role in upholding investor trust and ensuring that capital markets operate with fairness and transparency.² In contrast to SME IPOs, mainboard offerings require greater capital and are met with more intense regulatory review.³ The growing number of high-growth startups entering the public markets has added layers of complexity to regulatory monitoring, as conventional valuation methods frequently prove inadequate for these entities.

This research intends to investigate the practical execution of the SEBI compliance framework, with a specific focus on prominent recent IPOs. By examining the cases of Zomato, Nykaa and LIC, this document assesses the effectiveness of compliance mandates in safeguarding investors and preserving market stability.

1.1 Scope and Objectives of the Study

The foremost objective of this study is to offer a nuanced analysis of the SEBI compliance framework governing mainboard IPOs in India. The study aims to evaluate how effectively these regulations are implemented in practice through a comparative analysis of recent IPOs. It further seeks to identify gaps in the existing framework in terms of disclosure standards, valuation practices, and investor protection mechanisms.

¹ Fortune India, *India's IPO Fundraising Soars Nearly 12% Over a Decade; Analysts Eye ₹4 Lakh Crore Milestone in 2026* (Jan. 2026), <https://www.fortuneindia.com/markets/ipo/indias-ipo-fundraising-soars-nearly-12-over-a-decade-analysts-eye-4-lakh-crore-milestone-in-2026/129086>.

² T. Karibasappa, *The Role of SEBI in Regulating the Indian Capital Market*, 1 Int'l J. Res. & Analytical Rev. 73 (2014), <https://www.ijrar.org/papers/IJRAR19D5770.pdf>.

³ Motilal Oswal Fin. Servs. Ltd., *Mainboard IPO and SME IPO: What's the Difference?* (Dec. 30, 2024), <https://www.motilaloswal.com/learning-centre/2024/12/mainboard-ipo-and-sme-ipo-whats-the-difference>.

Objectives of the Study

- To examine the legal and regulatory framework governing mainboard IPOs in India, with particular reference to SEBI (ICDR) Regulations, 2018.
- To analyse the role of SEBI in ensuring transparency, disclosure, and investor protection in the IPO process.
- To evaluate the adequacy and effectiveness of disclosure norms and pricing mechanisms in these IPOs.
- To identify key challenges and gaps in the existing SEBI compliance framework, particularly in relation to valuation and risk disclosure.
- To suggest reforms and measures to enhance supervisory oversight and bolster investor protection in the IPO market.

1.2 Hypothesis

This study is based on the hypothesis that while the regulatory regime developed by SEBI has considerably strengthened transparency and investor protection in mainboard IPOs in India, its heavy reliance on disclosure-based compliance has limitations in effectively addressing issues such as valuation accuracy, risk comprehension, and post-listing performance.⁴ However, with targeted regulatory reforms and improved oversight, the framework can continue to ensure market integrity while supporting capital formation.

1.3 Research Questions

This research is guided by the following core questions:

- What framework of laws and regulations applies to mainboard IPOs in India under the SEBI?
- To what extent have recent IPOs complied with SEBI regulations?

⁴ K. Jayalakshamma, *The Impact of SEBI's Initial Public Offering (IPO) Guidelines on Market Practices*, 3 Int'l J. Res. & Analytical Rev. 586 (2016), <https://www.ijrar.org/papers/IJRAR19D5848.pdf>.

- What are the key challenges and limitations in the existing compliance framework, particularly in relation to valuation and risk disclosure?
- How effective are SEBI's regulatory mechanisms in addressing post-listing performance concerns and protecting investor interests?
- What reforms are necessary to strengthen the SEBI compliance framework while maintaining market efficiency and facilitating capital formation?

1.4 Research Methodology

Doctrinal Research Approach

The present research utilises a doctrinal methodology, focusing on the legal principles and regulatory provisions governing IPOs in India. Special emphasis has been placed on the framework established by the SEBI, particularly the *SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR)*, which regulate disclosure norms, eligibility criteria, and procedural aspects of mainboard IPOs.

Analysis of Case Studies

The research analyses recent mainboard IPOs as illustrative case studies to understand the practical application of SEBI's compliance framework. IPOs such as Zomato, Nykaa and LIC have been examined. These case studies provide insight into disclosure practices, pricing strategies, regulatory compliance, and post-listing outcomes, enabling a comparative assessment of the effectiveness of the existing framework.

Secondary Sources of Data

For the purposes of this study, reliance is placed on secondary sources of data. These include books, journal articles, SEBI reports, company filings such as Draft Red Herring Prospectuses (DRHPs), and market analysis reports. The views and interpretations of various scholars and financial experts have also been considered to gain a thorough understanding of the regulatory and practical dimensions of IPO compliance in India.

1.5 Limitations of the Study

While the study provides a focused analysis of SEBI's compliance framework in mainboard

IPOs, certain inherent limitations must be acknowledged. The research does not undertake a quantitative or empirical assessment of investor behaviour or market performance and therefore does not measure the direct causal impact of regulatory compliance on investment outcomes. The interpretation of disclosures and valuation practices is also subject to a degree of subjectivity.

Further, the study does not engage in primary data collection such as interviews with regulators, market participants, or investors, which could have provided deeper practical insights into compliance challenges. The complexity and technical nature of financial disclosures may also limit the extent to which all aspects of compliance can be critically evaluated within the scope of this research. As a result, the findings are primarily analytical and interpretative, rather than exhaustive or empirically conclusive.

CHAPTER - 2

REGULATORY LANDSCAPE OF IPOs

The statutory and regulatory regime governing IPOs in India is not merely a collection of procedural requirements; it is a meticulously designed apparatus intended to balance capital formation with investor protection. This chapter examines the transition from merit-based regulation to a disclosure-based paradigm, anchoring the analysis in the legislative intent behind the SEBI Act, 1992,⁵ and the SEBI (ICDR) Regulations, 2018.⁶

2.1 OVERVIEW OF SEBI'S MANDATE

The genesis of modern Indian capital market regulation lies in the establishment of the SEBI via the SEBI Act, 1992.⁷ The legislative intent behind this statute was to create a specialised body capable of fostering market development while curbing systemic malpractice.

Prior to 1992, the regulation of capital issues was handled by the Controller of Capital Issues (CCI),⁸ which operated under a merit-based system that often involved administrative control over the pricing of securities. The shift to SEBI marked a fundamental transformation in

⁵ Securities and Exchange Board of India Act, 1992, No. 15, Acts of Parliament, 1992 (India).

⁶ Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (India).

⁷ Securities and Exchange Board of India Act, 1992, *supra* note 5.

⁸ MISM, SEBI – An Evolution Of, <https://mism.org/pointer/sebi--an-evolution-of/> (last visited Apr. 28, 2026).

regulatory philosophy: moving away from "price-fixing" or "merit-judgment" and toward a system of disclosure-based regulation. SEBI's primary duty, as enshrined in its mandate, is to safeguard investor interests, foster the growth of the securities market, and ensure its regulation through transparency and accountability.⁹ By mandating that issuers provide comprehensive and accurate information, SEBI seeks to correct the "information asymmetry" inherent in financial markets, where issuers naturally possess more knowledge than potential retail investors.

2.2 OVERVIEW OF ICDR REGULATIONS, 2018

Unlike older frameworks, the 2018 regulations were drafted to streamline the process, reduce compliance burdens, and enhance the clarity of disclosures for investors.

- **Eligibility Criteria (Regulation 6):** The core of the ICDR is to ensure that only companies with a demonstrable financial track record enter the mainboard. Regulation 6(1) stipulates essential entry barriers, including requirements for net tangible assets, minimum average operating profit, and net worth. The legislative intent here is to safeguard investors by preventing "shell" or financially unviable companies from accessing public funds prematurely.¹⁰
- **Disclosure Standards (Schedule VI):** The ICDR mandates that the DRHP must disclose all material facts such as risks, business models, and financial health. The intent is to shift the burden of "truth" onto the issuer. The regulation requires that disclosures must be clear, concise, and understandable, ensuring that an investor is not misled by obfuscated financial jargon.¹¹
- **Pricing Mechanism (Regulation 26):** While SEBI does not set the price, it regulates the process by which the price is determined, ensuring that the book-building process is fair and that the price discovery mechanism is protected from manipulation.¹²

⁹ Securities and Exchange Board of India, About SEBI, <https://www.sebi.gov.in/about-sebi.html> (last visited Apr. 28, 2026).

¹⁰ Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, Reg. 6 (India).

¹¹ Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, Sch. VI (India).

¹² Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, Reg. 26 (India).

2.3 THE DISCLOSURE-BASED REGIME

The core premise of India's extant regulatory framework is that the overseeing authority functions as a verifier of information rather than a financial consultant.¹³ This approach is rooted in the belief that market efficiency is optimised when participants are provided with accurate and transparent data.

Within this disclosure-oriented system, the statutory obligation rests with the issuing entity to reveal all "material" information.¹⁴ The regulatory goal is considered fulfilled if an investor proceeds with an investment after the company has clearly disclosed significant risk factors, such as a lack of prior profitability, as the decision is deemed to be informed.

Nonetheless, a persistent friction exists because the law presumes that the "typical investor" possesses the expertise required to interpret these complex filings. Consequently, while the framework effectively regulates the volume of shared data, the actual clarity and utility of such information for individual retail investors continue to be a focus of significant academic and regulatory scrutiny.

The transition to this regime reflects a move toward a sophisticated, mature market economy where the State facilitates fairness through transparency, leaving the final assessment of value to the market forces themselves.

CHAPTER - 3

COMPARATIVE CASE STUDY ANALYSIS

This chapter evaluates the efficacy of the SEBI (ICDR) Regulations, 2018, by applying them to the public offerings of Zomato, Nykaa, and the LIC. Each specific instance acts as a lens, highlighting the inherent conflict between strict adherence to regulatory procedures and the actual financial circumstances of the issuing company.

¹³ Mukesh Kumar Kumawat et al., *Regulatory Reforms and IPO Performance in India: Evidence from Pre- and Post-SEBI Reforms* (Apr. 17, 2026), <https://assets-eu.researchsquare.com/files/rs-9437842/v1/a8e6aa9d-9e0e-4c7f-bf83-35a989df7116.pdf>.

¹⁴ Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, *supra* note 6.

3.1 ZOMATO IPO: BRIEF CASE STUDY

A. Legal Compliance

Zomato's IPO was executed under the framework of the ICDR Regulations, 2018. The company successfully complied with the procedural requirements for a mainboard IPO, including the filing of the DRHP and the final RHP. The company adhered to Regulation 6 regarding eligibility criteria¹⁵ and Schedule VI of the ICDR Regulations, which mandates specific disclosures concerning risk factors, business strategies, and capitalisation. From a strictly doctrinal perspective, the issuance was compliant with all threshold requirements set by the regulator.¹⁶

B. Disclosure Quality

The RHP offered a thorough account of material risks, detailing historical losses, customer acquisition "burn rates," and the precarious nature of future profits.¹⁷ Although these disclosures were technically exhaustive and satisfied "materiality" requirements, their clarity for retail investors remains questionable. By employing sophisticated financial indicators like Gross Order Value (GOV), which do not align with traditional accounting standards, the prospectus may have obscured the entity's actual financial instability.¹⁸

C. Market Outcome

The Zomato IPO case study shows that merely complying with regulatory requirements does not guarantee that retail investors understand a company's true value. By focusing on rapid growth and market expansion rather than traditional profitability, Zomato relied on unconventional financial metrics that differed from standard accounting practices. Although the company met its legal obligations by disclosing risks in the DRHP, much of this information was presented in complex and technical language. The market volatility following the listing suggests a broader issue of formal, checklist-style compliance taking precedence

¹⁵ Zomato Ltd., *Red Herring Prospectus* 343 (July 6, 2021), https://www.bseindia.com/downloads/ipo/Zomato_RHP_070720212008.pdf.

¹⁶ Zomato Ltd., *Red Herring Prospectus* (July 6, 2021), https://www.bseindia.com/downloads/ipo/Zomato_RHP_070720212008.pdf.

¹⁷ Zomato Ltd., *Red Herring Prospectus* 36 (July 6, 2021), https://www.bseindia.com/downloads/ipo/Zomato_RHP_070720212008.pdf.

¹⁸ Zomato Ltd., *Red Herring Prospectus* 14 (July 6, 2021), https://www.bseindia.com/downloads/ipo/Zomato_RHP_070720212008.pdf.

over ensuring that investors can meaningfully assess a company's actual worth.

3.2 NYKAA IPO: BRIEF CASE STUDY

A. Legal Compliance

The IPO of FSN E-Commerce Ventures Limited (Nykaa) was conducted in full alignment with the regulatory framework set by the SEBI (ICDR) Regulations, 2018. The IPO structure involved a mix of newly issued shares to raise capital for business expansion and an Offer for Sale (OFS) by existing shareholders, which is a standard procedure under SEBI guidelines. The company satisfied all mandatory disclosure requirements regarding its business model, operational risks, and financial history as outlined in Schedule VI of the ICDR Regulations.¹⁹

B. Disclosure Quality

The RHP clearly described Nykaa's business as a consumer technology platform, focusing on the Beauty and Personal Care (BPC) and fashion segments.²⁰ The disclosure provided transparent warnings regarding risks such as dependency on third-party vendors for inventory and the high expenditure required for marketing and influencer partnerships. While technically comprehensive, the RHP used complex performance metrics such as Gross Merchandise Value (GMV) and unique transacting customers to frame the business as a "high-growth technology" firm, which may have masked the realities of traditional retail economics.²¹

C. Market Outcome

Nykaa's valuation goal was centred on its narrative as a premier lifestyle-focused consumer technology platform, aimed at capturing the high growth of India's e-commerce sector. At its peak, the market valuation reached an "overvaluation nightmare" state, with the stock trading at a P/E ratio exceeding 1,200, which critics argued did not align with its actual profit margins. The market debut was a blockbuster success, with shares closing with gains of nearly 96% on

¹⁹ FSN E-Commerce Ventures Ltd., *Prospectus* (Nov. 2, 2021), <https://www.morganstanley.com/content/dam/msdotcom/en/indiaofferdocuments/pdfs/FSN-ECommerce-Ventures-Limited-Prospectus.pdf>.

²⁰ Animesh Bhattacharjee, *The Curious Case of Nykaa's Bonus Issue*, 6 *Emerging Econ. Cases J.* 16 (2024), <https://doi.org/10.1177/25166042231203618>.

²¹ FSN E-Commerce Ventures Ltd., *Prospectus* 44-91 (Nov. 2, 2021), <https://www.morganstanley.com/content/dam/msdotcom/en/indiaofferdocuments/pdfs/FSN-ECommerce-Ventures-Limited-Prospectus.pdf>.

the first day, resulting in a market capitalisation of over Rs 1 lakh crore. Once the lock-in period imposed on pre-IPO investors expires, the stock faced significant downward pressure as the market realised the valuation was decoupled from long-term financial sustainability.²²

3.3 LIC IPO: BRIEF CASE STUDY

A. Legal Compliances

The LIC IPO was conducted in line with the procedural framework of the ICDR Regulations, 2018. As a massive statutory body, the corporation followed the mandated steps for a mainboard IPO, which included filing the DRHP and the final RHP. Because of the corporation's unique legal status and size, the IPO required specific regulatory modifications and relaxations granted by SEBI to facilitate the public issue. All technical prerequisites, including the filing of required certifications and regulatory documentation, were completed to ensure the offering met the legal standards necessary for a public issue of this scale.²³

B. Disclosure Quality

The RHP contained exhaustive information regarding the corporation's risk factors, extensive business operations, and financial status. To explain its value, the company primarily utilised the "Embedded Value" (EV) metric, a specialised financial calculation designed to assess life insurance entities by determining the present value of future profits alongside current net assets. While this data was technically precise and satisfied the disclosure requirements, it presented a significant challenge for the average retail investor. The complexity of the EV methodology meant that even though the company disclosed the necessary financial figures, the information was not easily understood by those accustomed to traditional stock valuation methods, creating a gap between the provided data and the investor's ability to interpret the company's true worth.²⁴

C. Market Outcome

The market outcome revealed a clear disconnection between the corporation's dominant market

²² Important Points From Nykaa's Listing on NSE, BSE, INDIAN RETAILER, <https://indianretailer.com/article/whats-hot/retail-trends/important-points-from-nykaa-s-listing-on-nse-bse.a7504> (last visited Apr. 21, 2026).

²³ Life Ins. Corp. of India, *Red Herring Prospectus* (Apr. 26, 2022), https://www.bseindia.com/downloads/ipo/RHP_260420222354.pdf.

²⁴ R. Balakrishnan, *LIC IPO – the Elephant Makes an Entry*, PRIMEINVESTOR (Feb. 21, 2022), <https://primeinvestor.in/reports/lic-ipo-the-elephant-makes-an-entry/>.

share and the actual financial returns available to shareholders. A major factor impacting the stock's reception was the unique legal structure of LIC, where a significant portion of the generated surplus is mandated by law to be distributed to policyholders rather than to shareholders. This arrangement made it difficult for the market to value the company using standard equity frameworks, as investors realised that profitability for shareholders might be constrained by these statutory distribution requirements. Ultimately, the discrepancy between the valuation presented during the IPO and the financial reality of these profit-sharing dynamics negatively influenced market sentiment and the stock's post-listing valuation.²⁵

3.4 COMPARATIVE SYNTHESIS

Across the IPOs of Zomato, Nykaa, and Life Insurance Corporation of India, a clear pattern emerges: all three achieved strict procedural compliance with the ICDR Regulations, 2018. Each issuer fulfilled the required filings, risk disclosures, and certifications needed for a mainboard listing. However, this checklist-style compliance hides a deeper issue, that is, technical adherence does not ensure that retail investors actually understand the information or that valuations are accurate.

A common feature across these IPOs is the use of specialised, non-standard financial metrics to justify valuations. Zomato relied on Gross Order Value (GOV), Nykaa emphasised Gross Merchandise Value (GMV), and LIC used Embedded Value (EV). While these metrics are permitted under current disclosure norms, they are often difficult for retail investors, who are more familiar with profit-based measures, to interpret. As a result, although the regulatory framework ensures disclosure, it does not guarantee that the information is easily understandable.

Finally, the market performance of all three companies shows a recurring gap between the narrative in the prospectus and long-term financial sustainability. After initial enthusiasm faded or lock-in periods ended, stock prices in each case came under pressure as investors reassessed fundamentals. This suggests a key regulatory limitation: formal compliance may protect issuers legally, but it does not prevent overvaluation or ensure that retail investors fully grasp the risks

²⁵ K. Sathish & Nara Ashwini, *Hype of Uncovering the Truth Behind LIC's IPO*, 11 Int'l J. Adv. Eng'g Mgmt. Sci. 25 (2025), <https://media.neliti.com/media/publications/619570-hype-of-uncovering-the-truth-behind-lics-288d7cdb.pdf>.

embedded in complex disclosures.

CHAPTER - 4

IDENTIFYING GAPS IN THE REGULATORY FRAMEWORK

This chapter builds on the earlier analysis to identify structural gaps within the existing IPO regulatory regime under the SEBI framework. Keeping in view the interpretative nature of this study, the discussion does not aim to produce empirical certainty but rather to develop reasoned legal arguments based on the examination of disclosures, case studies, and market outcomes.

4.1 VALUATION ACCURACY AND COMPLIANCE

A central issue within the current regulatory framework is that formal compliance with disclosure requirements does not necessarily result in fair or accurate pricing of an IPO. Under the ICDR Regulations, 2018, companies are needed to disclose all material information relevant to valuation.²⁶ However, the law does not prescribe how valuation should be determined, nor does it standardise the metrics used for this purpose.

In practice, this allows companies to justify high valuations using complex, growth-orientated indicators instead of traditional profitability measures. For instance, as seen in the case studies, Zomato relied on Gross Order Value (GOV), Nykaa used Gross Merchandise Value (GMV), and LIC relied on Embedded Value (EV). While these metrics are legally permissible, they are not easily understood by the average retail investor.

From a layperson's perspective, this creates a situation where the "price" of a company is explained using unfamiliar and technical concepts rather than simple indicators like profit or earnings. As a result, even though all required information is disclosed, investors may not be able to judge whether the IPO is overpriced or fairly valued.²⁷

Thus, the gap lies not in the absence of regulation, but in its design: the framework ensures that information is provided, but it does not ensure that valuation is transparent, comparable, or

²⁶ Gokul Rajan & CAM Markets Team, *Financial Disclosures Under the New ICDR Regulations – Half a Step Forward*, Cyril Amarchand Mangaldas Blog (May 2, 2019), <https://corporate.cyrilamarchandblogs.com/2019/05/new-icdr-regulations-sebi-financial-disclosures/>.

²⁷ Venkatachalam Shunmugam, *Explainer: How to Distinguish Speculation from Investment in IPO Bets*, Nat'l Inst. of Sec. Mkts. Blog (Nov. 11, 2025), <https://www.nism.ac.in/blog/explainer-how-to-distinguish-speculation-from-investment-in-ipo-bets/>.

easily understandable. This weakens the ability of retail investors to make informed investment decisions.

4.2 THE PROBLEM OF RISK COMPREHENSION

Another significant limitation of the disclosure-based regime is the assumption that investors can understand the risks presented to them. The DRHP is intended to provide complete information about a company's risks, business model, and financial condition. However, in practice, these documents are often lengthy, technical, and difficult for non-expert investors to interpret.²⁸

Risk factors are typically disclosed in dense legal and financial language, sometimes running into dozens of pages. While this satisfies the legal requirement of "full disclosure", it raises an important question: Is such disclosure meaningful, or does it merely function as a form of legal protection for the issuer?

For the average retail investor, many of these risks remain buried within complex terminology and extensive documentation. As a result, there is a difference between disclosure and understanding. Investors may technically have access to all relevant information, but they may not fully comprehend its implications.²⁹

This creates what may be described as "legal noise", where the volume and complexity of information reduce its practical usefulness. Consequently, the regulatory framework succeeds in transferring information, but not necessarily in ensuring that investors can process and act upon it effectively.

4.3 POST-LISTING ACCOUNTABILITY

While SEBI exercises significant control during the pre-listing stage through disclosure requirements, filings, and approvals, its direct role in regulating valuation and performance

²⁸ Yashvi Davda, Jay Patel & Jignesh Vidani, *A Study on Investor Perception of Investing in IPO and Direct Listing Among the People Living in Ahmedabad City*, 2 *Contemp. J. Applied Sci.* 643 (2024),

²⁹ Tina Puri et al., *Investor Awareness and Corporate Risk Disclosure in Initial Public Offerings (IPOs): Examining Alignment, Understanding and Market Implications*, *Frontline Mktg. Mgmt. & Econ. J.* (Vol. 6) (2026),

https://www.researchgate.net/publication/400582140_Investor_Awareness_and_Corporate_Risk_Disclosure_in_Initial_Public_Offerings_IPOs_Examining_Alignment_Understanding_and_Market_Implications.

reduces considerably once trading begins.

At this stage, market forces primarily determine the stock price. While this is consistent with the philosophy of a free market, it also creates a regulatory void. If an IPO is initially overvalued or if investors have misunderstood the company's fundamentals, there is limited regulatory intervention available to correct this.³⁰

The case studies illustrate that, following listing, companies such as Zomato, Nykaa, and LIC experienced price corrections after initial market enthusiasm declined. These corrections often occurred when investors reassessed the company's fundamentals more realistically, especially after lock-in periods expired.

This raises a critical concern: although the regulatory framework ensures compliance at the entry stage, it does not adequately address the consequences of mispricing or misunderstanding after listing. In effect, the burden of correcting valuation errors shifts entirely to the market, which can lead to significant losses for retail investors.

Therefore, the post-listing phase highlights a structural limitation—while compliance protects issuers from legal liability, it does not ensure sustained investor protection or accountability in terms of long-term performance.

CHAPTER - 5

CONCLUSION AND RECOMMENDATIONS

5.1 KEY FINDINGS OF THE STUDY

This study was initiated to evaluate the effectiveness of the IPO regulatory framework under the SEBI, particularly within the framework of recent high-profile public offerings. The analysis indicates that the framework performs strongly at a procedural level. Filing requirements, disclosure obligations, and regulatory checks are largely followed with precision, ensuring a structured and transparent issuance process.

However, the core finding of this research is that procedural compliance does not necessarily

³⁰ Himali Patel, *Rich IPO Valuations? Track Post-Listing Performance Before Investing*, Bus. Standard (Nov. 13, 2025), https://www.business-standard.com/finance/personal-finance/rich-ipo-valuations-track-post-listing-performance-before-investing-125111301651_1.html.

translate into substantive clarity. While companies meet the formal standards laid down under the SEBI (ICDR) Regulations, 2018, gaps remain in how valuation and risk are communicated and understood.

In effect, the system ensures that information is available, but not that it is meaningfully accessible. This distinction is critical. The study therefore finds that the current regime is effective in enforcing compliance, but limited in ensuring that investors can independently assess the fairness of pricing or the depth of associated risks.

5.2 RECOMMENDATIONS FOR REFORM

In light of the identified gaps, certain targeted reforms may strengthen the existing framework without undermining market efficiency:

1. **Greater Scrutiny of Valuation Models:**

While price discovery should remain market-driven, requiring clearer justification of valuation metrics, especially when non-traditional indicators are used, would improve transparency and comparability.

2. **Simplified Risk Disclosures for Retail Investors:**

Alongside detailed disclosures, issuers could be required to provide a concise and simplified summary of key risks in plain language. This would not replace technical disclosures but would act as an accessible layer, enabling retail participants to better understand critical concerns without navigating extensive legal and financial terminology. Recently, on March 16, SEBI through a notification introduced a draft abridged prospectus as part of its IPO reforms, creating a concise, standardised, and word-limited summary of key disclosures to make offer documents easier for retail investors to understand and access.³¹

3. **Strengthened Post-Listing Oversight Mechanisms:** Introducing a limited post-listing reporting framework such as periodic disclosures comparing projected performance

³¹ Press Trust of India, *SEBI Amends Norms to Simplify IPO Disclosure Framework; Introduces Draft Abridged Prospectus*, Fortune India (Mar. 23, 2026), <https://www.fortuneindia.com/markets/sebi-amends-norms-to-simplify-ipo-disclosure-framework-introduces-draft-abridged-prospectus/131509>.

with actual outcomes could improve accountability. A short “cooling-off” phase with enhanced monitoring may also help stabilise investor expectations and reduce the impact of initial market hype.

These recommendations do not call for a shift away from the disclosure-based regime but rather for its refinement to ensure that disclosure serves its intended purpose.

5.3 FINAL CONCLUSIONS

The evolution of India’s IPO market reflects a broader shift toward efficiency, accessibility, and rapid capital formation. The current regulatory approach, centred on disclosure and market-driven pricing aligns with this objective. However, as this study demonstrates, efficiency must be balanced against the need to preserve investor confidence and protect capital.

A framework that prioritises speed and procedural completeness, without equal emphasis on clarity and interpretability, risks weakening this balance. The challenge, therefore, is not to replace the existing system but to recalibrate it, ensuring that transparency is not merely formal but functional.

Ultimately, a well-regulated market is not only one where rules are followed but also one where participants are equipped to make informed decisions.

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