

IPO draft documents may be kept away from public view until SEBI/stock exchange observations,

Issuers may choose opportune time for public view: Notification dated 21.11.2022

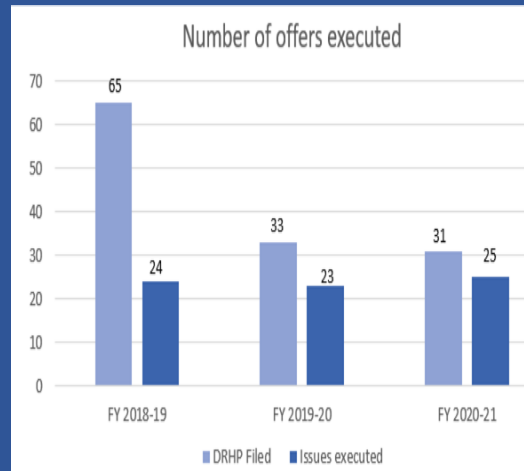
What has been notified?

- SEBI introduced an alternative offer document (DRHP) vetting process: **Chapter IIA** has been inserted in IDCR Regulations.
- Present method requires draft offer documents to be in public view while awaiting SEBI/exchanges observations, thereby giving away confidential information, even as the issuer may choose not to come with public offer

What is Draft Red Herring Prospectus ('DRHP')/ Draft Offer Document ('DoD')

- Means the draft filed with SEBI for public issue.

Statistics on number of DRHP Filed in the last 3 FYs*



Global regulatory practice

- Countries like USA, UK, Canada permit pre-filing of offer document for review.
- Upon the issuer deciding to go public, the offer document is then finalized and made public.

*Source : SEBI Board Meeting Agenda Papers

Amendments introduced

- DOD pre-filed with SEBI and Stock exchange will **not be in public domain** until updated DOD is filed with SEBI basis SEBI's comments on earlier pre-filing.
- Time from pre-filing till filing of updated DOD is the initial scrutiny period.
- Limited marketing - only with Qualified Institutional Buyers
 - implementation with 'Testing The Water' (TTW) feature
 - permitted during the Pre-filing stage.
 - Lead manager to submit an undertaking to this effect.
- Public communication/ marketing from date of BM approving IPO till filing of updated DOD.
- Extended timeline for coming up with IPO
 - Issue should open within **18 months** from date of SEBI Observation
 - updated DOD to be filed within 16 months.**
 - Presently, issue has to open within 12 months from date of SEBI Observation.
- Enhanced limits for modification in the issue size
 - permitted to the extent of 50% of the estimated issue size**
 - Presently the limit is 20%.

Potential reasons behind the amendment

- Issuers at time defer IPO, due to market volatility
 - Results in timing difference in uploading of DRHP and executing the IPO.
 - Investors lose interest.
 - But information rich document already in public domain.
 - Undue advantage to peer competitors from sensitive information in DRHP.
- Another reason being a lot of issuers backing out / dropping the issue (as show in the pie-chart)

Refer our article on the said topic [here](#)

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