



JSA Prism Capital Markets and Securities

March 2025

Key updates for equity capital markets under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2025

On March 3, 2025, the Securities and Exchange Board of India (“SEBI”) approved amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“SEBI ICDR Regulations”). These amendments were published in the official gazette on March 8, 2025, as the SEBI ICDR Amendment Regulations, 2025 (“Amendment”). The Amendment will take effect from the specified date except for regulations related to the rights issue by a listed issuer which will come into force on the 31st day of their publication in the official gazette and apply to rights issues approved by the board of the issuer post this Amendment. The Amendment introduces certain significant structural changes affecting capital raising, disclosure norms, compliance obligations, and regulatory oversight.

The Amendment also takes care of some of the recurring SEBI observations on the draft offer documents filed by companies eyeing for an Initial public offering (“IPO”). It standardises some of the definitions and provisions under the SEBI ICDR Regulations and SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 (“SEBI Listing Regulations”) and resonates with the views taken by expert committees through their consultation papers in relation certain conceptual ambiguity existing under various capital markets regulations in the past.

Some of the key amendments in the equity capital markets space are discussed below:

Stock Appreciation Rights (“SARs”)

1. Regulation 5(2) of the SEBI ICDR Regulations has been amended to introduce SARs, as valid dilutive instruments, which are fully exercised prior to filing of the Red Herring Prospectus (“RHP”), in addition to Employee Stock Option Plans (“ESOPs”) and compulsorily convertible securities which will convert prior to filing of the RHP for entities eligible to make an IPO. As per the Amendment, relevant disclosure pertaining to SARs should be accordingly made in the draft offer document and offer documents. This Amendment is in line with the evolving corporate incentive structures.

The Amendment also harmonises the existing provisions under the SEBI (Share-Based Employee Benefits and Sweat Equity) Regulations, 2021 which allows and regulates such stock-based benefits and SEBI Listing

Regulations. It also speaks with the consultation paper released by the expert committee for facilitating ease of doing business and harmonisation of the provisions of SEBI ICDR Regulations and SEBI Listing Regulations dated June 26, 2024.

Finalised position in relation to employee benefits schemes in relation to IPO:

- a) ESOPs settled for equity shares – Permitted;
- b) ESOPs settled for cash (fully or partly) – Not permitted. Only cashless exercise is permitted in terms of SEBI (Share Based Employee Benefits) Regulations, 2014;
- c) SARs settled for equity shares – Permitted now, subject to full exercise of rights prior to RHP filing. Further, SEBI advisory dated February 27, 2023, will stand modified and be read in conjunction with aforementioned amendment;
- d) SARs settled for cash – Not permitted; and
- e) any other employee benefit scheme settled for cash – Not permitted.

Accordingly, SARs are to be considered for lock-in calculation of Minimum Promoters' Contribution ("MPC") and the exemption from lock-in requirements available in respect of ESOPs will also be extended to any equity shares allotted pursuant to a bonus issue against equity shares allotted pursuant to SARs scheme.

Changes in public announcement norms

1. Public announcements post filing of the IPO draft offer document within 2 (two) days have been amended to 2 (two) working days. Further, the requirement to keep the draft offer document available for public comments for 21 (twenty-one) days from the date of its filing has been amended to 21 (twenty-one) days from the date of publication of the public announcement on filing of the draft offer document.
2. The pre-issue advertisement and the price band advertisement have been merged into 1 (one) advertisement, which will be made at least 2 (two) working days prior to the opening of the issue. The format of the pre-issue and price band advertisement has also been provided in the Amendment.

Promoter lock-in

Under the pre-Amendment regime, if the majority of the fresh issue proceeds are proposed to be utilised for capital expenditure, the MPC lock-in period will be 3 (three) years from the date of allotment in the initial public offer, otherwise, the MPC will be locked in for 18 (eighteen) months. Similarly, promoters holding in excess of MPC will be locked in for a 6 (six) month period. However, if the majority of the fresh issue proceeds is proposed to be utilised for capital expenditure, the lock in will be for 1 (one) year.

The Amendment also formalises the repayment of existing loans that may have been taken for the purpose of such capital expenditure to be considered for the fresh issue proceeds being utilised for capital expenditure. This has been a recurring SEBI observation and has now been introduced as an amendment for SEBI ICDR Regulations.

Faster approvals, revised compliance timelines and changes in renunciation provisions for rights issue

1. Reduced timelines and faster approval process for rights issue by a listed issuer has been introduced. The rights issue amendments are in line with the consultation paper released for faster rights issue with flexibility of

allotment to selective investors on August 20, 2024. Post the Amendment, the draft letter of offer is not required to be filed with SEBI; instead, it can be directly filed with stock exchanges.

2. Public announcement of draft letter of offer on issuer's website for public comments has been omitted.
3. The threshold for applicability of the SEBI ICDR Regulation for rights issue by a listed issuer wherein the aggregate value of the issue is INR 50,00,00,000 (Indian Rupees fifty crore) or more under Regulation 3 and Regulation 60 of the SEBI ICDR Regulation has now been omitted.
4. Therefore, the SEBI ICDR Regulations is now uniformly applicable for all rights issue regardless of the issue size.
5. Regulation 69 of the SEBI ICDR Regulation has been amended to eliminate the obligation for issuers to appoint a merchant banker for rights issue. Instead, the responsibilities have been redistributed amongst the issuer, the registrar and the stock exchanges. Accordingly, the requirement of submission of due diligence certificate by the lead managers under Regulation 71 of the SEBI ICDR Regulation and provisions relating to due diligence being conducted by the merchant bankers and the mandatory issue agreement to be entered between the issuer and merchant bankers have also been deleted. However, given the stock exchange approval process, issuers may still require to appoint advisors for the purpose of ensuring compliance under SEBI ICDR Regulations.
6. An additional eligibility criterion has been added wherein in case the equity shares of the issuer are suspended from trading as a disciplinary measure as on the reference date, the issuer will not be eligible to make the rights issue. This will deter companies under trading suspensions from using rights issues as a means to resolve their liquidity issues.
7. The Amendment also allows the promoters/promoter group to renounce their rights entitlements in favour of specific investors. Regulation 77 B has been introduced *vide* this Amendment which defines the specific investor as any investor who is eligible to participate in rights issue and whose name has been disclosed by the issuer in terms of Regulation 84 in the issue related advertisements. Further, the issuers are also allowed to allocate any unsubscribed portions to specific investors basis the terms captured in the Amendment. As per the Amendment, the letter of offer should specifically disclose the intention of issuer to allot the under-subscribed portion of the rights issue to specific investors.

Post this Amendment, SEBI has also issued a circular no. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2025/31 on March 11, 2025, wherein the revised timelines for completion of the rights issue process within 23 (twenty-three) working days from the date on which the board of the issuer approves the rights issue has been notified.

Reporting of pre-IPO transaction

Disclosure of pre-IPO transactions are mandatorily required to be reported to stock exchanges within 24 (twenty-four) hours of such pre-IPO transactions (in part or in entirety). This is aligned with advisories issued by SEBI earlier in relation to the public announcement and price band advertisement with respect to proposed/undertaken pre-IPO placement and should be read in conjunction with the July 4, 2023, SEBI advisory.

Objects related amendments

The Amendment clarifies that for loan repayment object, a certificate on utilisation of loan for the purpose it was availed may be obtained from the chartered accountant, holding a valid peer review certificate instead of the statutory auditor: (a) for the periods *not* audited by the current statutory auditor; or (b) the loan which is proposed to be repaid was availed by a subsidiary and the issuer's current statutory auditor is *not* the statutory auditor of the subsidiary.

Disclosure pertaining to the object of utilisation of long-term working capital to be included basis audited standalone financials. Such standalone financial statements will be restated if there are any restatements/adjustments in the restated consolidated financial statements which may have impact on the audited standalone financial statements.

Disclosure of material agreements in the IPO offer document

The Amendment requires the disclosure of agreements impacting the management or control of the issuer or imposing any restriction or creating any liability upon the issuer (as prescribed under clause 5A, paragraph A of part A (Schedule III) of SEBI Listing Regulations) in the IPO offer document.

Litigation related disclosure in the IPO offer document

In line with the SEBI Listing Regulations, with respect to disclosures relating to outstanding civil litigation in the IPO offer documents, the Amendment mandates to follow the lower of the monetary thresholds prescribed therein. Under the pre-Amendment regime, the issuer was required to disclose material civil litigation in its IPO offer documents based on the materiality policy adopted by its board.

All criminal proceedings involving key managerial personnel and senior management of the issuer and also the actions by regulatory authorities and statutory authorities against such key managerial personnel and senior management of the issuer are required to be disclosed.

Disclosure of voluntary proforma financials

Basis the Amendment, the issuer may voluntarily disclose proforma financial statements of acquisitions/divestments even when such acquisitions/divestments are below the materiality threshold specified in the SEBI ICDR Regulations or if the acquisitions/divestments have been completed prior to the latest period for which financial information is disclosed in the IPO offer document. The issuer may also include financial statements of a business or subsidiary acquired/divested, provided such financial statements are certified by the auditor of the business or subsidiary acquired/divested, or chartered accountants holding a valid peer review certificate.

Amendments pertaining to confidential filings

1. Basis the Amendment, the issuer is required to make a public announcement of the confidential filing within 2 (two) working days of filing of the draft offer document and updated draft RHP – I. Further, SARs which are fully exercised for equity shares prior to the filing of the RHP are now exempted for confidential filings.
2. Other important amendments:
 - a) compliance officer must be a qualified company secretary. This is in line with the existing obligations of a compliance officer under SEBI Listing Regulations;
 - b) the Amendment also clarifies that the calculation of price per share for determining ineligible securities for MPC, to be done after adjusting the same for corporate actions such as share split, bonus issue, etc. undertaken by the issuer;
 - c) in relation to Regulation 6(2) offerings, under the pre-Amendment regime, if the shares offered by a shareholder (individually or PAC) were more than 20% of the pre-issue shareholding of the issuer, the shareholder cannot offer more than 50% of their pre-issue shareholding. In a situation wherein the pre-issue shareholding is less than 20%, the shareholder cannot offer more than 10% of the pre-issue shareholding of the issuer. The Amendment provides the clarity that the shareholding to be calculated as

on the date of the IPO draft offer document and the threshold limit will apply cumulatively to the total number of shares offered for sale to the public as well as any secondary sale transactions prior to the IPO; and

- d) additional disclosures in the IPO offer documents.
- 3. In offer document summary, the details pertaining to the pre-issue and post-issue shareholding as at allotment in the prescribed format must be included for the promoter(s), promoter group and additional top 10 (ten) shareholders of the issuer.
- 4. In relation to disclosure under basis for offer price chapter, in relation to disclosure of EPS, P/E ratio, RoNW and NAV, a new format has been introduced. A statement to be added that the lead managers have exercised due diligence and satisfied themselves before assigning weights with respect to EPS and RoNW.

Capital Markets and Securities

JSA has an active Capital Markets & Securities Laws practice that covers the entire spectrum of Capital Markets activities spread over (a) initial public offerings (IPOs) and follow- on public offerings (FPOs); (b) rights issues; (c) qualified institutions placements of equity shares; (d) infrastructure investment trusts (InvITs); (e) Bank MTN programs, foreign currency and rupee denominated offshore bonds and private placements of bonds; (f) acquisitions involving the takeover regulations and taking companies off the stock exchange under delisting regulations; (g) advisory services to listed companies; and (h) advisory work for securities market intermediaries ranging across stock brokers, merchant bankers, mutual funds, venture capital funds, alternate investment funds, asset management companies, underwriters and the like, for statutory and regulatory compliance, registrations with the Securities and Exchange Board of India (SEBI); and (i) defending regulatory and disciplinary action by SEBI, appeals before the Securities Appellate Tribunal, and related litigation and appeals before the High Courts and the Supreme Court of India.

Capital Markets (IPOs, Public Issues, InvITs and Private placement of Equity and Debt Securities): JSA has an active role in domestic and international IPOs, rights issues and private placements in equity markets.

InvITs: JSA plays an active role in InvITs and have been involved in setting up and registering the first ever infrastructure investment trust in India. Over the years, JSA has been associated with a large number of InvIT transactions.

Private Placements: JSA has also been active in PIPE transactions and preferential allotments by listed companies to Private Equity investors.

Debt Capital Markets: JSA has an extensive experience and expertise in the specialised field/sphere of offshore debt capital markets and have advised on marquee issuances of offshore bonds/notes (Bonds or Notes).

Takeover Regulations and Delisting: Conducting due diligence on target companies, listed and unlisted, involving Securities Laws, dealing with all transaction documentation, including public tender offer documentation, and compliance with takeover regulations and delisting of securities off the securities markets, is an integral part of JSA's Securities Laws practice.

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18 Practices and
41 Ranked Lawyers



7 Ranked Practices,
21 Ranked Lawyers



12 Practices and 50
Ranked Lawyers



14 Practices and
12 Ranked Lawyers



20 Practices and
22 Ranked Lawyers



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