KIRTANE & PANDIT

THE IPO READINESS IMPERATIVE

A Practitioner's Guide to Going Public in India

Knowledge Paper | Capital Markets Series

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01. EXECUTIVE SUMMARY

India's capital markets have entered a period of extraordinary, sustained dynamism. Financial year 2025-26 has reinforced - and in several dimensions surpassed - the records set in FY25. Between April 2025 and March 2026, 219 companies raised a combined Rs. 1.78 lakh crore through IPOs across Mainboard and SME platforms - the highest aggregate fundraising in Indian IPO history. The Mainboard alone witnessed 108 listings raising Rs. 1.73 lakh crore, surpassing the entirety of FY25 Mainboard fundraising with a full month still to close. Even as SME IPO volume moderated from the pace of FY25 (163 IPOs raising Rs. 7,000+ crore), the average SME issue size grew from Rs. 44 crore in FY25 to approximately Rs. 48 crore in FY26, reflecting the growing maturity and quality of SME issuers accessing the public market.

The regulatory environment has been correspondingly active. SEBI issued six LODR amendments and multiple ICDR amendments through 2025, capped by a January 2026 LODR amendment restructuring the High Value Debt Listed Entity (HVDLE) framework. September 2025 witnessed SEBI's most significant IPO reforms in years - recalibrating minimum public offer norms, expanding the anchor investor base to include insurance and pension funds, and relaxing promoter ESOP conditions for companies preparing to list.

The window of opportunity for well-prepared companies has never been wider. But the demands on IPO readiness have never been higher. SEBI's sustained reform programme has simultaneously made the listing process more accessible for quality issuers and less forgiving for those who approach it without adequate preparation.

This knowledge paper - updated for the May 2026 regulatory environment - presents a strategic framework to help key decision makers of the Companies understand what IPO readiness truly demands. It is written not to provide a step-by-step manual, but to explain the strategic choices, the organisational obligations, the precise eligibility thresholds, and the diagnostic questions that every aspiring company must confront with consistency and honesty.

A Market That Keeps Rewriting Records

The narrative of India's IPO market in FY26 is one of structural strength asserting itself over volatility. After a record-setting calendar year FY25, early FY26 witnessed a notable cooling. Average listing gains in the first two months of FY26 fell to approximately 2.2 per cent, compared to 16.5 per cent in the same period of FY25, reflecting more cautious investor sentiment amid geopolitical tensions and valuation recalibration. Yet the volume and size of IPO issuances held firm, driven by a deep institutional investor base and the sustained growth of retail participation through the demat account ecosystem, which has crossed 180 million accounts as published in 5paisa Capital Limited's recent article.

This duality - record aggregate fundraising alongside more selective market receptivity - is the defining feature of India's IPO landscape in FY26. It rewards the well-prepared and penalises those who attempt to list on momentum rather than merit.

Mainboard IPO Details

Metric	FY25	FY26
Number of Mainboard IPOs	79	108 (highest ever)
Total Mainboard Fundraising	Rs. 1.62 lakh crore	Rs. 1.73 lakh crore (highest ever)
Avg. Mainboard Issue Size	~Rs. 2,050 crore	~Rs. 1,602 crore
Top Mainboard Sector (by fundraising)	Consumer Discretionary	Financial Services (~34%)
2nd Largest Sector	—	Consumer Discretionary (~31%)
3rd Largest Sector	—	Industrials (~11%)
Avg. Listing Day Gain	~28%	~8%
PE-Backed Listings (% of issuances)	28%	35%
Largest Mainboard IPO	—	Tata Capital Ltd. — Rs. 15,511.87 crore

SME IPO Details (NSE Emerge)

Metric	FY25	FY26
Number of SME IPOs	163	111 (down ~32% YoY)
Total SME Fundraising	Rs. 7,000+ crore	Rs. 5,363 crore (down ~25% YoY)
Avg. SME Issue Size	Rs. 44 crore	~Rs. 48 crore
Top SME Sector (by fundraising)	Consumer Discretionary	Industrials (~36%)
2nd Largest Sector	—	Consumer Discretionary (~23%)
3rd Largest Sector	—	Materials (~10%)
Growth Trajectory of Avg. Issue Size	Rs. 13 cr (FY20) → Rs. 44 cr (FY25)	Rs. 48–50 cr (FY26) — maturing ecosystem

Combined Snapshot

Metric	FY25	FY26
Total IPO Listings (Mainboard + SME)	242	219
Total Funds Raised	Rs. 1.69 lakh crore	Rs. 1.78 lakh crore (record)
Market Cap Added by New Listings	—	Rs. 12.5 lakh crore
Global Rank by Number of IPO Listings	—	2nd (15.3% global market share)

Mainboard IPO Details

RANK	Company	Listing Period	Issue Size (Rs. cr)	Issue Structure	Sector
1	Tata Capital	Oct 2025	15511.87	Fresh Rs 6,846.00 + OFS Rs 8,665.87	NBFC / diversified financial services
2	HDB Financial Services	July 2025	12500	Fresh Rs 2,500 + OFS Rs 10,000	NBFC (retail & MSME lending; HDFC Bank arm)
3	LG Electronics India	Oct 2025	11607.01	100% OFS (Rs 11,607.01)	Consumer electronics & home appliances
4	ICICI Prudential Asset Management	Dec 2025	10602.65	100% OFS (Rs 10,602.65)	Asset management (mutual funds)
5	Lenskart Solutions	Nov 2025	7278.02	Fresh Rs 2,150.38 + OFS Rs 5,127.64	Eyewear retail (omnichannel D2C)
6	Groww (Billionbrains Garage Ventures)	Nov 2025	6632.3	Fresh Rs 1,060.00 + OFS Rs 5,572.30	Fintech / retail broking platform
7	Meesho Limited (formerly Fashnear Technologies)	Dec 2025	5421.2	Fresh Rs 4,250.00 + OFS Rs 1,171.20	E-commerce marketplace
8	NSDL (National Securities Depository)	Aug 2025	4011.6	100% OFS (Rs 4,011.60)	Market infrastructure - securities depository
9	Pine Labs	Nov 2025	3899.91	Fresh Rs 2,080.00 + OFS Rs 1,819.91	Fintech / merchant payments
10	Tenneco Clean Air India	Nov 2025	3600	Fresh Rs 6,846.00 + OFS Rs 8,665.87	Auto components (clean-air / emission systems)

Top 4 SME IPOs - FY26

	Company	Listing Period	Issue Size (Rs. cr)	Issue Structure (Fresh + OFS)	Sector
1	Monika Alcobev Ltd.	Jul 2025	165.63	Fresh Rs 137.03 + OFS Rs 28.60	Luxury alcoholic-beverage import & distribution
2	Safe Enterprises Retail Fixtures	Jun 2025	161.13	100% Fresh (Rs 161.13)	Retail fixtures & shop-fittings manufacturing
3	Anlon Healthcare	Sep 2025	121.03	100% Fresh (Rs 121.03)	Pharma APIs & intermediates
4	Suba Hotels	Oct 2025	75.47	100% Fresh (Rs 75.47)	Mid-market hotel chain (tier 2/3 focused)
5	Shri Ahimsa Naturals	Apr 2025	73.81	Fresh Rs 50.02 + OFS Rs 23.79	Caffeine / green-coffee bean extracts

Beyond IPOs:

- Total equity fundraising through additional issuances stood at Rs. 2.4 lakh crore (up 6% YoY), with preferential allotments at 54%, QIPs at 28%, and rights issues at 18%.
- NSE now ranks 2nd globally by number of IPO listings, with a 15.3% global market share.

Sources: ANI, Kotak Neo, NSE Market Pulse, March 2026 Edition.

Sectoral and Regional Dynamics

Financial services companies dominated Mainboard fundraising in FY26 at 34 per cent, followed by consumer discretionary firms at 31 per cent and industrials at 11 per cent - a composition reflecting both the depth of India's financial sector and India's growing domestic consumption story. In the SME segment, industrial companies led with 36 per cent, followed by consumer discretionary at 23 per cent and materials at 10 per cent.

Regionally, Maharashtra-based companies continued to lead both in SME IPO funds raised (Rs. 5,830 crore) and in market capitalisation of listed SME firms (Rs. 48,428 crore), followed closely by Gujarat (Rs. 47,764 crore) and Delhi (Rs. 39,182 crore). This geographic concentration reflects the density of financial, industrial, and technology businesses in these clusters - but also signals expanding opportunity for issuers from emerging business centres across India.

The Market Cooling of Early FY26: An Anticipated Recalibration

The moderate listing performance in early FY26 deserves specific mention. After a period of extraordinary retail enthusiasm that drove several IPOs to subscription multiples exceeding 200x, the market has begun applying more discriminating standards. Companies listing with compelling fundamentals, transparent governance, and realistic pricing continue to receive strong institutional and retail support. Those that have attempted to capitalise on sector momentum without underlying earnings quality have faced disappointing listing outcomes.

The message for companies planning to list in FY27 and beyond is clear: the era of undiscriminating market enthusiasm is behind us. Quality of preparation, governance, and earnings story will be decisive. This is not a constraint - it is an opportunity for well-prepared companies to differentiate themselves.

03. IPO VS. ALTERNATIVE CAPITAL: WHY PUBLIC EQUITY WINS

A Company considering an IPO is, by definition, also considering alternatives. The choice is rarely between an IPO and nothing - it is between an IPO and private equity/ bank debt/ non-convertible debentures/ external commercial borrowings, or strategic investment or combination. Understanding when and why an IPO is the superior choice requires a clear-eyed comparison of the characteristics of each option.

3.1 The Comparative Capital Landscape

Capital Form	Key Characteristics & Constraints
Bank Debt / Term Loans	Repayment obligation regardless of business performance; restrictive covenants limit operational and financial flexibility; collateral requirements constrain balance sheet efficiency; interest burden reduces free cash flow; typically not suitable for long-gestation growth capital without underlying cash flow generation.
Non-Convertible Debentures (NCDs)	Fixed coupon obligations; rating-sensitive - deterioration in credit profile triggers adverse consequences; typically available only to larger, established entities; does not strengthen equity base or improve leverage ratios; restrictive covenants may limit future fundraising flexibility.
Private Equity / Venture Capital	Capital available but at significant cost - board representation, information rights, anti-dilution provisions, drag-along clauses, and exit pressure within defined fund life cycles (typically 5-7 years); valuation is privately negotiated and may not reflect true market value; PE funds have contractual exit imperatives that may not align with the company's long-term strategy.
External Commercial Borrowings (ECBs)	Available to eligible entities but carries currency risk, hedging cost, and end-use restrictions; typically suitable only for specific capex or refinancing purposes; not a source of growth equity capital. Ideal for MNCs with Cash Rich Foreign HoldCos.
Strategic Investment / Trade Sale	Provides capital but typically involves significant governance and operational integration requirements; the strategic investor's agenda may not align with the company's long-term vision; valuation is constrained by the strategic buyer's synergy calculus rather than market pricing.
Initial Public Offering (IPO)	Non-repayable equity capital; permanent strengthening of balance sheet and improvement in credit profile; market-determined valuation; no PE fund life cycle exit pressure; ongoing access to follow-on capital at market terms; acquisition currency through listed shares; talent attraction via liquid ESOPs; brand enhancement; promoter liquidity at market valuation without loss of operational control.

3.2 The Strategic Advantages of Public Equity

No Repayment Obligation - Ever

Equity capital raised through an IPO carries no repayment obligation. Unlike debt, which must be serviced regardless of business conditions, equity capital remains permanently deployed in the business. This is particularly significant for capital-intensive businesses or companies investing in long-gestation projects, where the cash flow profile during the investment period may not support debt servicing at the required scale. For a growing company in a cyclical sector, this permanent capital base provides resilience that debt-financed alternatives cannot replicate.

Permanent Balance Sheet Strengthening

An IPO simultaneously strengthens equity, reduces the debt-to-equity ratio, and improves the company's credit profile. This creates a virtuous cycle: a stronger credit profile leads to better terms on future debt facilities, reducing the overall weighted average cost of capital. Companies that have listed, consistently report a material improvement in their ability to negotiate working capital facilities and project finance structures, with lenders responding to the enhanced governance and transparency of a listed entity.

Elimination of PE Fund Life Cycle Pressure

Private equity capital comes with an embedded exit imperative - PE funds are structured with defined life cycles, and their limited partners expect returns within those cycles. This creates pressure for the company to deliver an exit event - IPO, trade sale, or secondary buyout - within the fund's timeframe, which may or may not coincide with the company's optimal strategic moment. Public equity eliminates this structural tension entirely: once listed, the company engages with a permanent, diverse shareholder base without any contractual exit mandate. Promoters retain control of the strategic timeline.

Acquisition Currency - A Long-Term Strategic Asset

Publicly listed shares serve as currency for acquisitions. A company with listed shares can pursue inorganic growth through share-swap transactions - acquiring target companies using its own shares rather than cash- enabling a scale of M&A activity that would be impossible to finance through cash alone. This is a strategic capability that is unavailable to private companies and represents one of the most underappreciated long-term advantages of the public company structure. Several of India's fastest-growing listed entities have used their share currency to complete transformative acquisitions in the years following their IPO.

Enhanced Brand, Credibility, and Market Trust

The market scrutiny, disclosure requirements, and governance standards associated with public listing confer a level of brand credibility and market trust that private companies struggle to match. For companies competing for large customer contracts - particularly government and public sector enterprises - the credibility of public listed status can be a meaningful competitive differentiator. Banking relationships improve, vendor credit terms extend, and employee recruitment benefits from the perception of institutional legitimacy.

ESOP as Transformative Talent Strategy

Employee Stock Option Plans become materially more powerful instruments in a listed company. The ability to offer employees stock options that will crystallise into liquid market value - rather than illiquid private company equity - transforms the ESOP from a theoretical benefit into a concrete wealth creation tool. In competitive talent markets, particularly in technology, financial services, and healthcare, this is a decisive advantage in attracting and retaining senior talent. SEBI's September 2025 reforms have also relaxed conditions for promoter ESOPs, further enhancing the flexibility of equity-based compensation at the leadership level.

Promoter Liquidity Without Loss of Control

An IPO structured with an Offer for Sale (OFS) component allows promoters and early investors to achieve partial liquidity at market valuation - without relinquishing operational control - provided the promoter retains at least 20 per cent post-IPO. This is a balance that private transactions struggle to achieve at equivalent valuations. The revised March 2025 ICDR OFS cap methodology ensures that OFS quantum is tightly regulated and transparent to investors.

Ongoing Access to Capital at Market Terms

A listed company has access to follow-on capital - through Qualified Institutional Placements (QIPs), Rights Issues, and FPOs - at market-determined valuations and with regulatory processes that are significantly lighter than the original IPO. This ongoing capital access flexibility is a permanent structural advantage that compounds over time for companies that maintain investor confidence through transparent performance delivery.

3.3 When an IPO May Not Be the Right Choice

Intellectual honesty demands acknowledging that an IPO is not always the best forward path. Companies where the business model has not been validated, where earnings are highly volatile and difficult to forecast, where the promoter-management team lacks the bandwidth for public company life, or where the contemplated issue size is too small to attract meaningful institutional investor attention may be better served by private capital options - at least until the conditions for a successful public listing can be established.

The question is not whether an IPO is better than debt in the abstract - it is whether this company, at this stage, with this governance quality and with this earnings profile, can understand a public market valuation that justifies the preparation investment and the permanent obligations of public company life. That is a question that deserves honest, expert-led assessment.

04. THE STRATEGIC QUESTION: IS AN IPO RIGHT FOR YOU?

4.1 Key Questions and Why It Matters?

The decision to pursue a public listing is one of the most important and life changing decision that a founder, promoter, or board will ever make. Before embarking on the IPO journey, leadership teams must answer the following questions with complete honesty.

The Question	Why It Matters?
Why are we going public - and is this the right time?	Capital raising, founder liquidity, brand enhancement, and acquisition currency are all legitimate rationales. But the rationale must be coherent and defensible to investors. Going public to fund a business model that has not been validated, or to provide premature promoter exit, tends to attract sceptical institutional investors and compress valuations.
Do we have a sustainable, auditable earnings track record?	SEBI's mainboard Route I requires average pre-tax operating profit of Rs. 15 crore in any three of the last five financial years. Beyond regulatory compliance, institutional investors expect a believable earnings trajectory. The key question is not whether you qualify - it is whether you can attract long-term institutional capital at the valuation you expect.
Is our business model sufficiently mature for public company standards?	Private companies often operate with informal systems, related-party arrangements, and governance shortcuts that are entirely incompatible with listed company life. The question is not just whether these can be corrected, but whether the organisation has the management bandwidth and cultural willingness to sustain public company standards permanently.
Are our promoters fully aligned on the permanent implications?	Promoter lock-in requirements, public disclosure of compensation, scrutiny of related-party transactions, and constraints on share disposals are enduring obligations. Misalignment at the promoter level - where some promoters expect a quick post-lock-in exit while others expect to remain long-term operators - is one of the most common causes of failed IPO processes.
Do we have the institutional infrastructure to be a public company?	Public companies must close books quarterly, produce audited annual statements within 60 days, manage investor relations, conduct board meetings with appropriate formality, respond to SEBI queries within defined timelines, and comply with all LODR disclosure obligations. These cannot be improvised post-listing.

4.2 Alternative Paths to Capital

An IPO is not the only path to significant capital. Companies should rigorously evaluate private equity, NCD issuances, rights issues, and strategic partnerships before committing to the public markets. The question is not whether an IPO is achievable, but whether it is the optimal path given the company's stage, sector, and strategic objectives.

Perspective from practice: We have seen companies where decision was taken to defer an IPO by 18 months, the Company used that time to strengthen governance and financial reporting and then list at a significantly higher valuation multiple turned out to be by far the most value-creating outcome for promoters and early investors. This IPO window does not close permanently for a well-prepared company.

05. CHOOSING THE RIGHT INTERMEDIARIES: THE FIRST AND MOST CRITICAL DECISION

5.1 Why Intermediary Selection Determines Outcomes

The Merchant Banker (BRLM) Sets the Entire Trajectory

The BRLM is not merely a distributor of shares - they are the architect of the transaction structure, the custodian of the equity story, the intermediary between the company and institutional investors, and the primary interface with SEBI during the DRHP review process. The quality of the BRLM's relationship with institutional investors, their experience in handling SEBI observations in complex situations, and their willingness to provide honest - including uncomfortable - feedback on valuation are critical determinants of whether the IPO succeeds.

A BRLM selected primarily for competitive mandate fee rather than relevant sector experience and institutional relationships can expose the company to several risks: a superficially attractive price band that fails to achieve institutional demand; an equity story that has not been stress-tested against the questions institutional investors will actually ask; and inadequate preparation for the specific regulatory concerns that SEBI is likely to raise in the company's sector.

The Statutory Auditor Determines SEBI's Confidence in Your Numbers

SEBI's review of the DRHP is, at its core, a review of the credibility and completeness of financial disclosures. The statutory auditor's restated financial statements and the ICA certificates accompanying the DRHP are the instruments through which SEBI assesses whether financial information is reliable. An auditor without experience in ICDR-compliant financial statements, Ind AS restatement, or NFRA -aligned audit standards will produce work that generates SEBI observations - adding months to the timeline. As per SEBI regulations, only ICAI peer-reviewed audit firms are eligible to sign Examination Report and IPO certificates.

Legal Counsel Shapes the Quality of Every SEBI Interaction

Capital markets legal counsel is responsible for the legal due diligence, DRHP drafting, coordination with SEBI and the exchanges, and management of the observation letter response process. An experienced capital markets lawyer can anticipate SEBI's concerns in specific sectors, pre-emptively address likely observations in the initial DRHP filing, and draft responses that resolve regulatory concerns efficiently. An inexperienced counsel may produce a DRHP that generates multiple rounds of observations, adding four to six months to the timeline - a delay that can be commercially devastating if market conditions deteriorate in the interim.

The Cost of Changing Intermediaries Mid-Process

Companies that change their lead intermediaries after the IPO process has commenced face a disproportionate cost - not just in direct fees, but in time, momentum, and institutional investor confidence. A change of merchant banker mid-process signals instability to the market. A change of auditor after the restatement has commenced requires restarting significant amounts of work. The working group's institutional knowledge of the company, accumulated over months of due diligence and drafting sessions, is largely lost with each personnel change. Choosing right at the outset is materially less expensive than correcting the choice later.

How Intermediary Choice Signals Quality to Institutional Investors

Institutional investors - particularly sophisticated domestic mutual funds and foreign portfolio investors - use the identity and track record of a company's intermediaries as a proxy for the quality of the transaction before they have reviewed a single page of the DRHP. A company presenting itself with a top-tier BRLM, a well-credentialed peer-reviewed auditor, and an experienced capital markets legal firm has, in effect, already passed an initial credibility screen with a significant portion of its target investor base.

5.2 The Selection Framework

Intermediary	What to Evaluate (Beyond Fee Competitiveness)
Book Running Lead Manager (BRLM)	Sector expertise and comparable recent transaction track record; institutional investor relationships in the relevant sector; quality of equity research coverage expected post-listing; intellectual honesty in valuation assessment; SEBI relationship and observation handling experience; post-listing market stabilisation capability; whether the mandate fee reflects fair value or unsustainable underbidding.
Statutory Auditor / Independent Chartered Accountant	Dedicated capital markets practice with partner involvement; ICAI peer review registration (mandatory) and quality of peer review; Ind AS technical expertise in the company's specific sector; ICDR restatement and DRHP certification experience; PCAOB registration (relevant for companies considering international investor roadshows); bandwidth and dedicated IPO team availability; track record of resolving SEBI observations on financial matters.
Legal Counsel (to the Company)	Sector-specific legal due diligence capability; SEBI and stock exchange interaction track record; DRHP drafting quality bench-marked against recent comparable transactions; responsiveness and bandwidth commitment for an intensive drafting process; dedicated capital markets practice with senior partner involvement.
Tax Advisors	Pre-IPO restructuring advisory experience; transfer pricing expertise; understanding of the interaction between tax positions and IPO disclosures; post-IPO compliance capability.
IPO PMO / Advisory	Experience managing working groups across multiple parallel workstreams; sector knowledge to anticipate issues; ability to provide objective coordination across all advisors; prior SEBI observation process management experience.

A governance best practice: *require all shortlisted intermediaries to make credentials presentations directly to the company's board or an IPO committee of the board. Intermediary selection is a board-level decision, not a management committee decision. The board's independent assessment of each intermediary's quality, sector knowledge, and institutional credibility - including its own references and checks - should be documented and form part of the IPO process record.*

06. IPO ELIGIBILITY: MAINBOARD AND SME - THE RULES OF ENTRY

SEBI's ICDR Regulations, 2018, as amended most recently in March 2025, prescribe the eligibility conditions that a company must satisfy before it can make a public offering. These conditions differ materially between a Mainboard IPO and an SME IPO. Understanding them precisely - rather than at a level of approximation - is essential for any company assessing its readiness timeline and choosing its listing pathway.

6.1 Mainboard IPO: Eligibility Framework (Regulation 6, SEBI ICDR)

SEBI has prescribed two routes to Mainboard IPO eligibility. A company must satisfy the conditions of at least one of these routes. Additionally, all issuers - regardless of route - must satisfy a set of general conditions and must not be subject to any of the specified disqualifications.

Route I: The Profitability Route (Regulation 6(1))

This is the standard route for established, profitable companies. To qualify, a company must satisfy ALL of the following conditions simultaneously:

- **Net Tangible Assets:** Minimum Rs. 3 crore in each of the three preceding full financial years (12 months each), calculated on a restated consolidated basis. For fresh issues (not pure OFS), not more than 50 per cent of net tangible assets should be held in monetary assets. If monetary assets exceed 50 per cent, the excess must have been deployed or firmly committed for business deployment. The 50 per cent monetary asset limit does not apply if the entire issue is an OFS.
- **Average Operating Profit:** Average pre-tax operating profit of at least Rs. 15 crore in any three of the last five financial years, with positive operating profit in each of those three years - on a restated consolidated basis.
  Note: The expanded five-year look-back window provides more flexibility for companies with episodic profitability compared to the earlier three-year rule.
- **Net Worth:** Minimum Rs. 1 crore in each of the three preceding full financial years, restated consolidated.
- **Post-Issue Paid-Up Capital:** Minimum Rs. 10 crore.
- **Name Change:** If the Company changed its name within the preceding year, at least 50 per cent of revenue in that year must derive from the activity reflected in the new name.

Route II: The QIB Route (Regulation 6(2))

This route is available to companies that do not meet the profitability norms of Route I. It is used by high-growth pre-profit companies, technology businesses, and companies in sectors with long investment gestation periods.

- The issue must be made exclusively through the **book-building process.**
- At least **75 per cent** of the net offer (post-anchor allocation) must be mandatorily allotted to Qualified Institutional Buyers (QIBs). If this threshold is not achieved at the close of the subscription period, the full subscription money must be refunded - there is no partial allotment.

Additional NSE requirements include:

at least **one promoter** with minimum
three years of experience in the same industry;
submission of three years of annual reports to NSE;
positive net worth (for issues below Rs. 500 crore);
no pending NCLT or NCLAT proceedings;
and no NCLT winding-up petition.

General Disqualifications (Applicable to Both Routes)

No company may make a Mainboard IPO if:

- The Company, its promoters, directors, selling shareholders, or any company associated with them has been debarred from accessing capital markets by SEBI.
- Any promoter or director is classified as a wilful defaulter or fraudulent borrower by any bank or financial institution.
- Any promoter or director has been declared a fugitive economic offender under the Fugitive Economic Offenders Act, 2018.
- There are outstanding convertible securities or rights to subscribe to equity shares that have not been converted, exercised, or provided for in the DRHP.
- The Company's application has been rejected by a stock exchange in the preceding six months.
- There are pending defaults in payment of interest or principal to bondholders, debenture holders, or fixed deposit holders.

6.2 SME IPO: Eligibility Framework

The SME IPO framework - governed by Chapter IX (Regulation 229) of the ICDR Regulations and the eligibility criteria specified by NSE Emerge and BSE SME - provides a more accessible capital markets entry point for smaller companies. The offer document approval for SME IPOs rests with the stock exchange (not SEBI directly), which examines the draft prospectus against its own eligibility criteria and the ICDR Chapter IX requirements.

SEBI ICDR Conditions for SME IPOs

- **Post-Issue Paid-Up Capital:** Must not exceed Rs. 25 crore. If post-issue paid-up capital is Rs. 10 crore or less, the company is unambiguously within the SME category. Companies with post-issue paid-up capital between Rs. 10 crore and Rs. 25 crore may also access the SME platform under Chapter IX.
- All shares offered in dematerialized form; promoter shareholding must be **100 per cent demat** prior to filing.
- All existing partly-paid shares must have been **fully paid up** or forfeited prior to the IPO.

Exchange-Specific Eligibility Criteria (NSE Emerge / BSE SME - Updated 2025)

Criterion	Requirement
Minimum Track Record	At least 3 years of operational existence (including combined track record of converted entity for proprietorships, partnerships, or LLPs converted into companies).
Net Tangible Assets	Minimum Rs. 3 crore in the last full financial year (revised upward in November 2023; 50% must be held in India for BSE SME).
Net Worth	Minimum Rs. 1.5 crore for BSE SME / Rs. 1 crore in each of the two preceding full financial years for NSE Emerge.
Operating Profit (EBITDA)	Minimum Rs. 1 crore in any 2 of the last 3 financial years; positive operating profit in the most recent full financial year preceding the application date.
Free Cash Flow to Equity	Positive FCFE for at least 2 of the last 3 financial years.

Leverage Ratio	Maximum debt-to-equity ratio of 3:1. Financial companies may be subject to sector-specific norms.
No Defaults	No defaults in repayment of principal or interest on bank or NBFC loans in the last 3 years.
Promoter Contribution	Minimum 20 per cent of post-issue paid-up capital; locked in for 3 years from the date of allotment.
Market Making	Mandatory for 3 years post-listing; Market Maker (typically the Merchant Banker) provides two-way quotes; cannot hold more than 5 per cent of issue size at any time.
Underwriting	100 per cent mandatory; at least 15 per cent underwritten by the Merchant Banker.
Website	Active, functional website - mandatory throughout the listing lifecycle.

6.3 Mainboard vs. SME: Key Comparative Differences

Parameter	Mainboard IPO	SME IPO
Listing Exchange	NSE / BSE Main Platform	NSE Emerge / BSE SME
DRHP Approval Authority	SEBI	Stock Exchange (NSE/BSE)
Post-Issue Paid-Up Capital	Minimum Rs. 10 crore	Maximum Rs. 25 crore
Profitability Requirement	Avg. Rs. 15 crore op. profit (3 of 5 years)	Rs. 1 crore op. profit (2 of 3 years)
IPO Application Size	Rs. 13,000 to Rs. 15,000	Minimum Rs. 1 lakh
Underwriting	Not mandatory	100% mandatory (15% by BRLM)
Market Making	Not mandatory	Mandatory for 3 years
Financial Reporting	Quarterly accounts	Half-yearly accounts (relaxed)
Regulator Scrutiny	Directly by SEBI	By stock exchange
Investor Categories	QIBs, NIIs, RIIs, Anchor Investors	Market Maker, NIIs, RIIs
Post-Listing Path	Permanent Mainboard listing	Can migrate to Mainboard after 3 years

6.4 Migration from SME to Mainboard

SME-listed companies may migrate to the Mainboard upon achieving post-issue paid-up capital between Rs. 10 crore and Rs. 25 crore, provided they have been listed on the SME platform for at least three years and meet all Mainboard listing eligibility criteria. Migration requires shareholder approval through a special resolution by postal ballot, with votes in favour from non-promoter shareholders being at least twice the votes cast against by non-promoter shareholders. Migration significantly increases visibility to institutional investors and enhances valuation multiples in most cases.

07. THE FIVE PILLARS OF IPO READINESS

IPO readiness is not a single-dimensional assessment. It is a multi-pillar organisational evaluation that examines the company's fitness for public life across five interconnected domains. A company may score highly on financial reporting but have material governance deficiencies. It may have impeccable governance but lack the operational infrastructure to produce quarterly results on time. The five pillars must be assessed holistically and addressed in parallel, typically over a preparation period of 12 to 24 months.

Pillar 1: Financial Readiness

Financial Statements & Restatement

SEBI requires the DRHP to contain Ind AS-compliant financial statements (standalone and consolidated) for the preceding three financial years plus any applicable stub period. These statements must not be older than 135 days from the date of filing. For many private companies, the transition from I-GAAP to Ind AS is itself a multi-quarter exercise. Errors in the transition- particularly around financial instruments, lease accounting, business combinations, and employee benefits-are among the most common causes of SEBI observations.

- Restatement of historical financials involves retroactively adjusting three years of financial statements and explaining and disclosing all material and non-material restatement adjustments in the DRHP.

- The 135-day staleness rule means that if the IPO process extends beyond this window, updated financials must be prepared and re-audited- adding cost and time.

Quality of Financial Reporting

Beyond technical Ind AS compliance, investors and their advisors will scrutinise the granularity of segment disclosures, the consistency of accounting policies across periods, the robustness of revenue recognition, the treatment of related-party transactions, and the completeness of contingent liability disclosures.

Internal Controls over Financial Reporting (ICoFR)

The ICoFR framework requires that statutory/ Internal auditors assess and report on the adequacy and operating effectiveness of internal financial controls. For many pre-IPO companies, the control environment is informal, undocumented, and dependent on the judgment of a few key individuals. Formalising and testing these controls are a significant undertaking that must begin well before the DRHP drafting phase.

Key diagnostic question: *Can your finance team close the books within 15 days of month-end, produce management accounts that reconcile to the general ledger, and respond to an auditor query within 48 hours? If uncertain, your financial readiness journey is longer than you may have anticipated.*

Pillar 2: Governance Readiness

Board Composition

SEBI's LODR Regulations prescribe: minimum six directors; at least one-third independent directors (at least half if the chairperson is non-executive); at least one woman director; separation of chairperson and managing director roles in specific circumstances. Many private companies have boards constituted purely as a family or founder conclave. Identifying, engaging, and onboarding credible independent directors takes time and should begin at least 12-18 months before the anticipated listing date.

Board Committees

Listed companies must constitute an Audit Committee (independent director as chairperson), Nomination and Remuneration Committee, Stakeholders Relationship Committee, and- for companies with specified characteristics-a Risk Management Committee. These committees must have formal charters, meet with appropriate frequency, and their proceedings must be minuted to demonstrate substantive deliberation.

Related-Party Transactions

Related-party transactions are among the most scrutinised areas in any IPO due diligence. The November 2025 LODR Fifth Amendment has introduced scale-based materiality thresholds-replacing earlier fixed monetary limits-which will govern post-IPO RPT approvals. Pre-IPO restructuring to unwind or regularise related-party arrangements is frequently required and can be more time-consuming than anticipated.

Governance is not about form - it is about substance. A board that ticks all compositional boxes but does not engage substantively with management on strategy, risk, and performance will not satisfy sophisticated institutional investors, who increasingly conduct direct engagement with independent directors as part of their pre-investment diligence.

Pillar 3: Regulatory & Compliance Readiness

SEBI ICDR Eligibility Assessment

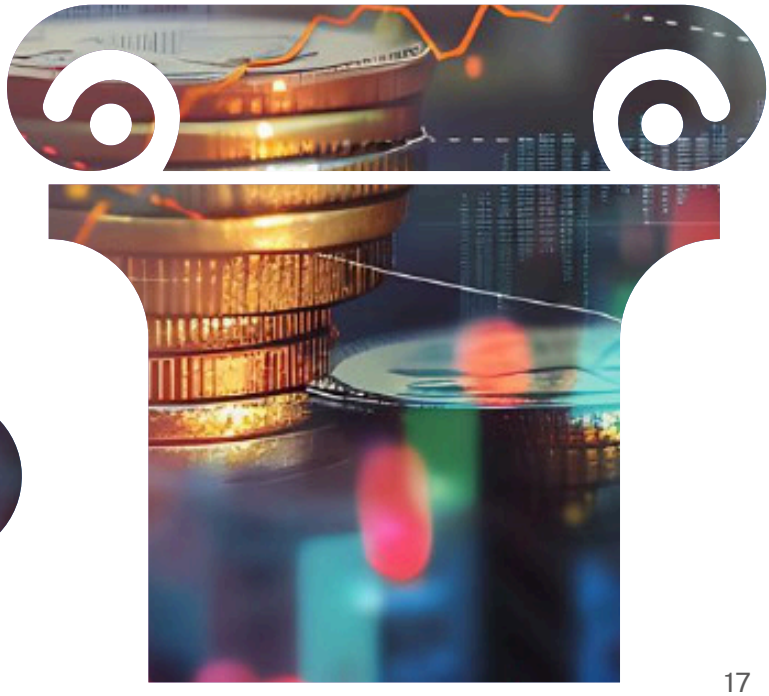
The eligibility analysis - as set out in Section 6 - must be conducted rigorously, accounting for restated consolidated financials and not merely management accounts. Companies that are borderline on the profitability criterion need to assess whether they qualify for Route I or Route II, and the implications of that choice for the book-building strategy and investor targeting.

Tax Compliance & Structuring

A pre-IPO tax due diligence will examine historical tax positions, adequacy of provisions for contingent tax liabilities, transfer pricing compliance, and the post-IPO tax structure. Unresolved material tax disputes must be disclosed as risk factors in the DRHP and can be a significant cause of investor concern.

Capital Structure Clean-Up

SEBI's March 2025 ICDR amendments introduced revised OFS shareholding cap calculations - tied to shareholding as at the DRHP date rather than a historical reference date. Companies with multiple rounds of equity issuances, including ESOPs, convertible securities, and preferential allotments, must undertake a careful capital structure analysis. All convertible securities must be converted or extinguished before the DRHP can be filed.



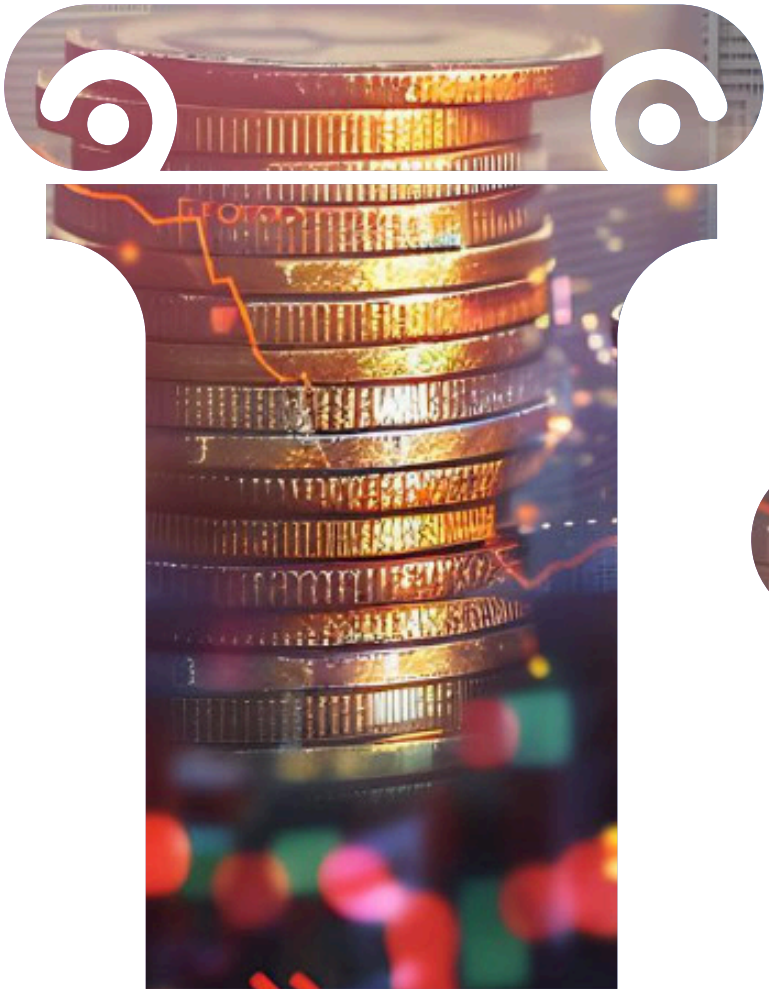
Pillar 4: Operational Readiness

Systems & Technology Infrastructure

Public companies must produce quarterly unaudited results within 45 days of quarter-end and full-year audited results within 60 days. Meeting these timelines requires an ERP infrastructure, a chart of accounts structured for Ind AS reporting, and a finance team with the capacity to execute a compressed close process. Companies running on legacy or manual systems face the additional burden of a technology implementation in parallel with IPO preparation.

Human Capital & Leadership

The IPO process will consume 60-70 per cent of the time of the CFO, CEO, and Company Secretary for an extended period. The profile of a public-company CFO - investor relations, financial planning and analysis, Ind AS expertise, board committee management, external stakeholder communications-differs substantially from that of a private-company finance director. This talent gap, if unaddressed, affects both the quality of the IPO process and the company's ability to manage public company obligations post-listing.



Pillar 5: Market & Investor Readiness

The Equity Story

The equity story must answer several questions with clarity and conviction: What is the market opportunity? What is the company's competitive differentiation? What is the earnings growth trajectory? How will IPO proceeds be deployed, and what returns will they generate? What are the key risks, and how is management mitigating them? The equity story must run consistently through the DRHP, management presentations to investment banks, and investor roadshow interactions. Inconsistencies between the narrative and the financial data are problematic for investor confidence.

Valuation Expectation Alignment

One of the most common causes of failed or withdrawn IPOs is a mismatch between promoter valuation expectations and what the market will sustain. With institutional investors applying more disciplined valuation standards in FY26-as evidenced by the moderation in early 2026 listing performance - the risk of overpricing has increased relative to the prior two years. The optimal IPO pricing leaves a degree of value on the table at listing, creating institutional goodwill that is invaluable in the post-IPO period.

The most successful IPO promoters approach valuation with the mindset of a long-term partnership with public shareholders, not a one-time transaction. Leaving a degree of value on the table at listing-ensuring a positive first-day return-creates institutional goodwill that is invaluable in the post-IPO period.

08. THE IPO JOURNEY: A PHASE-BY-PHASE ROADMAP

A well-managed Main Board IPO process typically spans 12 to 24 months from the commencement of preparatory work to the date of listing. The timeline varies depending on the company's starting point on each of the five pillars, the complexity of required restructuring, market conditions, and regulatory processing times.

Phase	Typical Timeline	Key Activities
Phase 1: Strategic Assessment & Decision	Months 1-3	IPO readiness assessment and gap analysis across all five pillars; evaluation of alternative capital options; strategic decision to proceed; intermediary short listing, credentials assessment, and selection
Phase 2: Organisational Preparation	Months 3-12	Board reconstitution; independent director appointments; governance committees established; finance team strengthening; ERP/systems upgrade; ICoFR design and testing; RPT rationalisation and documentation
Phase 3: Financial & Legal Preparation	Months 6-15	Ind AS restatement; three-year financial statement preparation; tax due diligence and remediation; related-party unwinding; ESOP scheme regularisation; capital structure clean-up; pre-IPO placement (if applicable)
Phase 4: Transaction Structuring	Months 12-18	Investment bank mandate; legal counsel appointment; DRHP drafting (3-4 months of intensive working group sessions); equity story development; valuation exercise; KPI identification and DRHP verification
Phase 5: DRHP Filing & SEBI Review	Months 18-22	Confidential or public DRHP filing with SEBI; public announcement within 2 working days (March 2025 requirement); SEBI observation letter; management responses; Updated DRHP-I preparation
Phase 6: Roadshow & Listing	Months 22-24	Anchor investor allocation; pre-IPO PDIE; institutional and retail roadshow; pricing; allotment; listing; post-listing compliance framework activation

Timeline note: *The above is indicative. Companies with significant structural issues to remediate, complex group structures, or pending regulatory approvals may require materially longer preparation periods. Under the March 2025 ICDR amendments, companies that file confidentially have an 18-month window to launch the IPO post-SEBI observations; publicly filed DRHPs have a 12-month window. PDIE – Pre Deal Investor Education*

The IPO Project Management Office (PMO) Imperative

The IPO PMO functions as the nerve centre of IPO preparation: setting and tracking timelines, coordinating between the company's internal teams and all external advisors, identifying and escalating risks, managing the virtual data room, and ensuring the working group operates cohesively. In our experience, companies that do not invest in a dedicated PMO consistently underestimate the coordination burden and suffer avoidable delays. The PMO role-whether staffed internally or through a specialist advisor-is among the most value-creating interventions available in the IPO process.

09. THE EVOLVING REGULATORY LANDSCAPE: SEBI AMENDMENTS 2025-26

SEBI's regulatory reform agenda in 2025-26 has been among the most active periods in recent memory. Companies planning their IPO must calibrate their preparation - particularly their post-listing governance architecture - against the current regulatory framework, not the framework that existed when they began planning. Below is a structured summary of the most significant amendments effective as at mid 2026.

9.1 SEBI ICDR Amendments

March 2026 ICDR Amendments (Effective March 21, 2026)

• Lock-in of pledged pre-issue non-promoter shares via non-transferability:

SEBI moved away from the consultation paper's original proposal of mandating an Articles of Association amendment to deem pledged shares as locked-in. Instead, Regulation 17 was restructured by inserting a new sub-regulation (2): where lock-in of specified securities cannot be technically created in the depository system, the depositories - acting on the issuer's instructions - must mark such securities as "non-transferable" for the full duration of the applicable lock-in period. This is a cleaner, system-level solution that addresses the operational gap (depository systems being unable to enforce lock-in over already-pledged securities) without forcing renegotiation of pledge documentation or pre-IPO AoA amendments. The practical effect for issuers is reduced legal preparation workload compared to what the consultation paper signalled, but increased coordination required with depositories and pledgees at the DRHP stage.

• Abridged prospectus reformed - not replaced:

SEBI also rejected the consultation paper's proposal to replace the abridged prospectus with a wholly new "Offer Document Summary." Instead:

- The Offer Document Summary section that previously sat within the offer documents has been omitted, to avoid duplication of information provided to investors.
- A new concept - the draft abridged prospectus - has been introduced. Regulations 25 and 59C (mainboard IPOs), 123 and 124 (rights issues), and 246 (SME IPOs) have been amended to require submission of a draft abridged prospectus alongside the draft offer document, hosted on the websites of the issuer, SEBI, stock exchanges, and lead managers.
- Part E and Annexure I of Schedule VI have been comprehensively substituted with a clearly defined 12-part disclosure structure for the draft abridged prospectus and abridged prospectus, with contingent liabilities and related party transactions elevated as standalone sections.
- The requirement of attaching a physical copy of the abridged prospectus with each application form has been substituted - each application form must now include a QR code and link to access the red herring prospectus, the abridged prospectus, and the price band advertisement.

April 2026 Intermediaries Amendments (Effective April 15, 2026)

- The existence of a pending criminal complaint, FIR filed by SEBI, or a charge sheet relating to economic offences will no longer, by itself, lead to automatic disqualification - bringing the framework into alignment with the "innocent until proven guilty" principle.
- Disqualification criteria upon conviction have been expanded: in addition to offences involving moral turpitude, conviction for any economic offence or securities law violation will now attract disqualification.
- A "not fit and proper" declaration against an associate or group entity will not automatically impair the eligibility of the intermediary unless they are directly linked to the same disqualifying event.
- Where key persons are declared "not fit and proper," intermediaries must replace such persons within 30 working days or ensure they relinquish voting rights and divest holdings within six months.
- The compliance period under section 11B(1) directions has been reduced from one year to six months.

March 2025 ICDR Amendments (Effective March 8, 2025)

These amendments introduced the most comprehensive revision to the ICDR framework in several years:

- **Confidential Filing:** Companies may now file their DRHP confidentially with SEBI and the stock exchanges. A public announcement must be made within 2 working days of such confidential filing. The key advantage: companies that file confidentially have an 18-month window from SEBI observations to launch the IPO (versus 12 months for publicly filed DRHPs), allowing them to time the market without premature public disclosure.

- **Revised OFS Shareholding Cap Methodology:** The limits on Offer for Sale by existing shareholders - (i) shareholders with over 20 per cent pre-IPO holding on a fully-diluted basis cannot offer more than 50 percent of their pre-IPO shareholding; (ii) shareholders with below 20 per cent pre-IPO holding cannot offer more than 10 per cent of the company's pre-IPO shareholding - are now calculated with reference to shareholding as at the DRHP date and apply cumulatively to both the IPO OFS and any secondary sales prior to the IPO.

- **Compliance Officer:** The Issuer must now appoint a qualified Company Secretary as Compliance Officer. This professionalises the secretarial function from an earlier stage of the listing lifecycle.

- **Combined Pre-Issue and Price Band Advertisement:** The earlier separate pre-issue and price band advertisements have been merged into a single announcement, published at least two working days before the issue opening - after filing the RHP with the Registrar of Companies.

- **Voluntary Disclosure of Proforma Financials:** Companies may voluntarily disclose proforma financials for acquisitions or divestments occurring after the financial period covered in the DRHP-increasing disclosure quality and reducing investor uncertainty around post-period material transactions.

SEBI September 2025 IPO Reforms (Effective from Notified Date)

SEBI's board meeting on September 12, 2025 produced sweeping reforms designed to attract larger issuers and deeper institutional capital participation:

- **Minimum Public Offer (MPO) Norms Recalibration:** Companies with higher post-listing market capitalisation now have more time and flexibility in meeting public shareholding obligations. This acknowledges the practical challenges large corporations face when diluting equity while ensuring that investor participation remains central to India's capital market philosophy.

- **Expanded Anchor Investor Framework:** The reserved anchor investor allocation has been expanded to 40 per cent of the QIB portion. Insurance companies and pension funds have been added to the eligible anchor investor universe - significantly deepening the institutional anchor base and strengthening price discovery and IPO pricing stability for large issues.

- **Promoter ESOP Relaxation:** Pre-IPO promoter ESOP grants are subject to more flexible conditions. This is specifically designed to allow companies to align founder and key management interests through equity without triggering the earlier stringent pre-IPO lock-in and classification consequences - supporting the reverse-flip trend of Indian companies relocating overseas structures back to India for domestic listings.

- **SWAGAT-FI Framework:** SEBI launched the Single Window Automatic & Generalised Access for Trusted Foreign Investors (SWAGAT-FI), offering simplified FPI registration for sovereign wealth funds, insurance companies, and regulated retail funds - with documentation reduction and validity periods of up to 10 years. This is expected to increase foreign institutional participation in Indian IPO anchor books.

SME IPO Amendments (Effective July 1, 2025)

- **OFS Caps:** New limits on the Offer for Sale component in SME IPOs, restricting the proportion of total proceeds that may be directed to promoter/investor exits - ensuring a meaningful fresh capital component in SME fundraising.
- **Revised Profitability Requirement:** Minimum Rs. 1 crore operating profit (EBITDA) in any 2 of the 3 preceding financial years; positive operating profit in the most recent full year preceding the application. Leverage Cap Enforcement: Debt-to-equity ratio not to exceed 3:1 - enforced with greater stringency than in prior years.
- **No Default Condition:** No default in loan repayment to banks or NBFCs in the preceding 3 years, with exchange-level verification now more systematic.

9.2 SEBI LODR Amendments (2025-26)

LODR Third Amendment (September 8, 2025)

- **Scale-Based RPT Materiality Thresholds:** The materiality threshold for Related Party Transactions requiring shareholder approval has been replaced from fixed monetary limits (Rs. 1,000 crore or 10 per cent of consolidated turnover, whichever lower) with a scale-based framework under Schedule XII - giving large companies proportionally higher materiality thresholds while ensuring appropriate oversight for smaller listed entities.
- **Subsidiary RPT Oversight:** The audit committee of a listed entity now has expanded jurisdiction to scrutinise RPTs undertaken by subsidiary companies, even where the listed entity itself is not a direct party- provided the transaction exceeds specified thresholds. This significantly increases the governance perimeter for conglomerate-structured groups.
- **Terminology Update:** 'Firm' replaced with 'organisation' for social impact assessment purposes, broadening the scope of eligible CSR-partner entities to include NGOs.

LODR Fifth Amendment (November 19, 2025)

- **Schedule XII - RPT Materiality Framework:** Formally introduced the turnover-linked materiality thresholds replacing earlier fixed rupee limits. All listed entities must recalibrate their RPT approval processes and update their materiality policies accordingly.
- **Enhanced Audit Committee Jurisdiction:** Strengthened oversight provisions require listed entities to obtain prior audit committee approval for subsidiary RPTs exceeding specified thresholds even where the listed entity is not a direct party.
- **Annual Reporting Changes:** More granular RPT disclosure requirements in annual reports, including breakdowns by transaction value and approval process.
- **Payment Mechanism Standardisation:** Updated provisions governing payment mechanisms in the context of RPTs, aimed at eliminating inconsistencies between the LODR framework and the Companies Act 2013.

LODR Sixth Amendment (December 16, 2025)

- Additional changes to the governance framework for debt-listed entities; amendments to financial disclosure timing and format; clarifications to related party definitions and applicability of RPT norms to newly acquired subsidiaries.

LODR Amendment 2026 (January 20, 2026 - Currently in Effect)

This amendment undertook a comprehensive restructuring of the High Value Debt Listed Entity (HVDLE) regime under Chapter V of the LODR Regulations:

- **HVDLE Threshold Enhancement:** The threshold for classification as an HVDLE has been raised from Rs. 1,000 crore to Rs. 5,000 crore of outstanding non-convertible debt. This substantially reduces the compliance burden for mid-sized debt issuers who were previously subject to full Chapter V governance requirements- reducing interpretational gaps and compliance costs.

- **Direct Credit of Securities:** Regulation 39(2) has been substituted to mandate credit of securities in dematerialised form within 30 days for investor service requests (transmission, transposition, etc.)-tightening investor service timelines.
- **Unclaimed Amounts Unified Framework:** A structured framework for transferring unclaimed and unpaid amounts from escrow accounts - aligning with Companies Act 2013 for companies and establishing a SEBI-managed IPEF mechanism for non-company entities.
- **Governance Clarifications:** Several definitional clarifications including the substitution of 'government companies' with 'public sector companies' in RPT exemption provisions - an important practical change for government-promoted listed entities.

Revised RPT Industry Standards (Effective June 26, 2025)

The Industry Standards Forum, in consultation with SEBI, issued revised Industry Standards specifying the minimum information to be provided to Audit Committees and Shareholders for RPT approvals - structured in three parts (Part A: basic transaction details; Part B: comparative benchmarks; Part C: auditor confirmations). These revised standards apply to RPTs entered on or after the effective date and require all listed entities to update their audit committee process documentation and board meeting formats.

10. ON THE HORIZON: CONSULTATION PAPERS NOT YET EFFECTIVE (AS AT MAY 2026)

SEBI's consultation paper process provides advance visibility into the regulatory direction of travel - allowing companies and their advisors to anticipate requirements that, while not yet in force, are likely to become effective within the next 12-24 months. Companies that begin building infrastructure for these requirements during their IPO preparation period will be materially better positioned for post-listing compliance.

BRSR Core Assurance Expansion and IFRS S1/S2 Alignment.

SEBI's phased glide path for BRSR Core reasonable assurance continues to expand. For FY26, the top 500 listed entities must mandatorily undertake assessment or assurance of BRSR Core KPIs, with the requirement extending to the top 1,000 from FY27. Value chain ESG disclosures as per BRSR Core apply to the top 250 listed entities (by market capitalisation) from FY25 onwards on a comply-or-explain basis, with limited assurance from FY26 onwards. SEBI continues to consult on alignment of climate-related financial disclosure with IFRS S1 and S2. Companies that will list in FY27 and FY28 should treat BRSR Core data infrastructure - particularly Scope 1, Scope 2, and value-chain Scope 3 emissions - as a core IPO preparation workstream, not a post-listing project.

Cybersecurity Disclosure for Listed Entities

The SEBI Cybersecurity and Cyber Resilience Framework (CSCRF), issued on 20 August 2024 with adoption deadlines of 1 January 2025 (for entities where prior cybersecurity circulars existed) and 1 April 2025 (for entities being covered for the first time), applies to SEBI-regulated entities - stock brokers, depository participants, AIFs, merchant bankers, registrars, portfolio managers, and so on. ***However, a materiality-based cybersecurity incident disclosure framework for listed entities generally*** - analogous to the SEC's Form 8-K requirement (within 4 business days of materiality determination) - remains anticipated rather than notified. Companies in data-intensive sectors (financial services, technology, healthcare, e-commerce) should assess their cybersecurity incident response and disclosure capabilities as part of their IPO readiness programme. Merchant bankers and registrars engaged on an IPO will themselves now be subject to CSCRF, which is worth confirming during intermediary selection.

Other Areas of Active Consultation

SEBI's consultation pipeline continues to focus on ease of doing business in primary markets, OFS process simplification, governance norms for high-value debt-listed entities, and refinements to insider trading and PIT regulations. Companies that embed regulatory tracking as an ongoing function - rather than a point-in-time compliance check - consistently demonstrate better quality DRHPs, fewer SEBI observations, and shorter IPO timelines.

11. COMMON FAILURE POINTS: WHERE COMPANIES FALL SHORT

An honest assessment of IPO failures - whether measured by withdrawn DRHPs, delayed listings, listing-day losses, or post-listing underperformance - reveals a consistent set of failure patterns. Understanding these patterns is as important as understanding the success framework.

Failure Pattern 1: Starting Too Late

The most pervasive IPO failure is not dramatic - it is mundane. Companies that begin preparing for an IPO when they believe the market is ready for them, rather than when they are ready for the market, consistently find that they need 12-18 months more than they expected. The governance gaps, financial reporting deficiencies, and tax exposures that surface during the DRHP drafting process cannot be resolved quickly without creating audit risk and SEBI scrutiny.

Failure Pattern 2: Over-Reliance on Investment Bank Optimism

Investment banks compete aggressively for IPO mandates and sometimes provide valuation ranges more optimistic than the evidence supports. Companies that structure their IPO pricing around these projections, only to find that institutional book-building reveals materially weaker demand, face the painful choice of pricing at a discount - damaging brand and promoter credibility - or withdrawing entirely. The moderation in early 2026 listing performance has made this risk more acute than at any point in the previous two years.

Failure Pattern 3: Governance-in-Form, Not in Substance

Sophisticated institutional investors have developed robust frameworks for assessing governance quality beyond its formal characteristics. A company may constitute an audit committee with technically qualified independent directors, but if those directors were appointed because of personal relationships with the promoter rather than domain expertise, if they do not attend meetings regularly, or if the information flow from management to the board is inadequate, investors will identify these weaknesses - frequently through direct engagement with independent directors in pre-deal investor education meetings.

Failure Pattern 4: Related-Party Complexity

India's business landscape, particularly for first-generation promoter-driven companies, is characterised by extensive related-party ecosystems. Unravelling these arrangements before listing - ensuring all continuing related-party transactions comply with the November 2025 LODR amendments on scale-based materiality and audit committee oversight - is complex and time-consuming. Companies that underestimate the time required for this restructuring routinely find it on the critical path of their IPO timeline.

Failure Pattern 5: ESOP & Capital Structure Complexity

Employee Stock Option Plans implemented without proper regulatory compliance - incorrect fair value computation, non-compliant vesting schedules, inadequate accounting, or failure to obtain shareholder approval-are a frequent source of SEBI observations. Companies with complex capital structures involving multiple share classes, convertible instruments, and anti-dilution provisions must complete all required simplifications and conversions before the DRHP can be filed.

Failure Pattern 6: The Post-Listing Shock

Some companies successfully navigate all of the above and list - only to struggle in the post-listing period. This happens when the company cannot sustain the quarterly reporting cadence, when the equity story proves more resilient on paper than in the business's actual performance, or when management is not equipped for investor relations and analyst engagement demands.

The post-listing period is not the end of the IPO journey - it is the beginning of a permanent accountability structure.

In our experience, the companies with material governance gaps identified during the DRHP review process take an average of six to nine months longer to receive final observations. Preparation quality directly determines timeline quality - and in a market where the IPO window can narrow quickly, timeline quality determines value creation.

12. ANTICIPATING THE FREQUENTLY ASKED HARD QUESTIONS

Every company that undertakes an IPO will face rigorous interrogation - from SEBI through its observation letters, from investment banks during due diligence, from institutional investors during the pre-deal investor education (PDIE) and roadshow, and from research analysts post-listing. The ability to anticipate and prepare credible, evidence-based answers to these questions is a critical differentiator between companies that complete their IPOs smoothly and those that do not.

12.1 Questions on Financial Performance

- What accounts for the variation in operating margins across the three restated years, and why should we expect the most recent trend to be sustained?
- Your revenue has grown substantially, but free cash flow has not kept pace. How do you explain the working capital build, and when do you expect cash conversion to improve?
- What is the quality of your order book / revenue backlog, and what portion of your disclosed pipeline has historically converted?
- How confident are you in the EBITDA projections embedded in the DRHP objects of the issue, given that capital deployment is subject to execution risk?
- Your related-party revenue is significant. What would happen to your earnings if those transactions were discontinued or repriced at market rates?

12.2 Questions on Governance & Regulatory Compliance

- How long have your independent directors known the promoters? Have any of them previously served as consultants or received fees from the company or its group entities?
- What is the board's track record of managing conflicts of interest? Can you describe an instance where an independent director exercised independent judgment contrary to the promoter's preference?
- How does the audit committee satisfy itself on the reliability of management accounts between statutory audit cycles?
- With the November 2025 LODR amendments on scale-based RPT materiality thresholds, how have you redesigned your RPT approval process, and are there transactions that will now require shareholder approval that previously did not?
- What cybersecurity incidents, if any, has the company experienced in the last three years, and what is the company's incident response and disclosure framework?

12.3 Questions on Business Model & Strategy

- You have identified a significant market opportunity. What prevents larger, better-capitalised competitors from replicating your model and eroding your market share?
- Your growth has been concentrated in one geography, customer, or product segment. What is the diversification plan, and what is the execution risk?
- How dependent is the business on one or two key individuals, and what succession planning is in place?
- You intend to use Rs. X crore for capital expenditure. What is the return profile of this investment, on what assumptions, and over what time horizon?

12.4 Questions on IPO Structuring & Market Context

- The OFS component is significant. Is the promoter's desire for liquidity premature, given that the company is still in a growth phase?
- What is the basis for the price band, and how does it compare to listed peers on EV/EBITDA, P/E, and P/B multiples?
- What were the valuation multiples at which private equity investors participated, and how does the IPO pricing compare?
- Given that early 2026 IPO listing performance has been muted - average listing gains of only 2.2 per cent in January-February 2026 - what gives you confidence that your specific issue will attract the institutional demand you expect?
- If the SEBI observation process takes longer than anticipated and market conditions deteriorate in the interim, what is the company's Plan B?

The ability to answer these questions with data-backed, internally consistent, and honest responses is not built in the days before the roadshow- it is built over the months of rigorous preparation that precede it. Companies that have done the work find these conversations energising rather than threatening.

13. CONCLUSION: THE PATH FORWARD

The decision to take a company public is among the most consequential a founder or promoter can make. India's IPO market - with record Mainboard fundraising of Rs. 1.73 lakh crore in FY26 and a structural deepening of both institutional and retail investor bases - offers a genuine and vibrant opportunity for well-prepared companies to access public capital.

But the journey demands respect for its complexity. Financial restatement, governance transformation, regulatory navigation, operational infrastructure building, and investor story development are not tasks that can be delegated to a checklist or compressed into a few months. They are the substance of organisational readiness - the deep work that separates companies that successfully cross the listing threshold from those that approach it without adequate preparation.

The regulatory landscape has evolved significantly. The March 2025 and September 2025 ICDR amendments, the series of LODR amendments through 2025, and the January 2026 LODR amendment have restructured both the IPO process and the post-listing compliance architecture in ways that must be built into governance design from the start of preparation. And the consultation papers currently in progress - on the Offer Document Summary, pledged share lock-ins, ESG disclosures, and intermediary fitness - signal that the regulatory evolution will continue through FY27 and beyond.

The Questions to Begin With

For any company considering an IPO in the next two to four years, it is recommended that begin with an IPO readiness diagnostic - a structured assessment across the five pillars described in this paper. The diagnostic will surface the gaps, prioritise the remediation actions, and provide a realistic estimate of the preparation timeline.

- Where are we today on each of the five pillars of IPO readiness?
- Do we meet - and can we sustain - the SEBI eligibility criteria for our chosen listing route?
- What are our most material gaps / long lead items, and how long will it realistically take to address them?
- What organisational investments - in talent, systems, and governance - do we need to make before we are genuinely ready?
- Who are the right intermediaries for each component of our preparation, and how do we structure those relationships from the outset?
- What is the optimal window for our IPO, given our readiness trajectory and current market conditions?

The companies that succeed at their IPO are not necessarily those with the most extraordinary businesses - they are those that took the time to prepare extraordinarily well. The IPO is not the destination; it is the proof of a journey taken seriously.

14. ABOUT KIRTANE & PANDIT LLP

Kirtane & Pandit LLP, Chartered Accountants, is a 70+ year-old accounting, auditing, and consulting firm with a strong national presence spanning seven offices across India and clients across 15+ countries. The firm is registered with the Institute of Chartered Accountants of India (ICAI), is a member of the Public Company Accounting Oversight Board (PCAOB) in the United States, and is categorised as a Category I firm by the Reserve Bank of India, the Comptroller and Auditor General, and the Insurance Regulatory and Development Authority of India.

The Capital Markets Practice of Kirtane & Pandit LLP is led by a dedicated team of professionals with deep expertise in IPO assurance, capital markets consulting, financial due diligence, and post-listing compliance. The firm has been involved in more than 30 capital market transactions in recent years - across Mainboard IPOs, SME IPOs, QIB certifications, Rights Issues, and pre-IPO advisory - serving as Statutory Auditors, Independent Chartered Accountants, and Project Management Advisors.

As a founding member firm of the KGS Alliance - the first active Pan-India alliance of Bhartiya CA firms - Kirtane & Pandit LLP brings the combined resources, specialist expertise, and geographic reach of 76+ partners, 40+ directors, and 1,000+ professionals across 11 offices to each capital markets engagement.

Our Capital Markets Service Offerings

Service	Description
IPO Project Management Office (PMO)	End-to-end coordination of the IPO preparation process, from readiness assessment through to listing - managing the working group, tracking timelines, and driving the remediation agenda.
IPO Readiness Assessment	Structured diagnostic across all five pillars, benchmarked against current SEBI eligibility and governance requirements, with a gap analysis and remediation roadmap.
Statutory Audit & Restatement	Ind AS-compliant statutory audit and restatement of three-year financials for inclusion in the DRHP, including preparation of PCAOB-aligned comfort letters for international investor roadshows.
Independent Chartered Accountant Services	ICDR-compliant certificates, circle-ups, consent and comfort letters, and bring-down due diligence calls for DRHP, RHP, and Prospectus.
ICoFR Design & Testing	Design, documentation, and testing of Internal Controls over Financial Reporting - aligned with SEBI LODR post-listing requirements.
Tax Due Diligence & Structuring	Pre-IPO tax due diligence, restructuring advisory, transfer pricing analysis, and post-IPO compliance framework establishment.
BRSR Assurance & ESG Advisory	ESG readiness assessment, BRSR assurance, BRSR Core implementation, carbon footprint assessment, and sustainability reporting aligned with SEBI consultation paper directions.
Financial Due Diligence	Buy-side and sell-side financial due diligence in the context of pre-IPO capital raises and acquisitions.
Valuation Advisory	Independent business and asset valuation for IPO pricing, ESOP fair valuation, and related purposes.
Forensic & Transaction Advisory	Review of related-party transactions, forensic due diligence, and fund flow analysis.

ABOUT THE AUTHOR

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CA Akhilesh Joshi is a Fellow Chartered Accountant (FCA) and a Director at Kirtane & Pandit LLP, where he leads engagements across Capital Markets and Transaction Advisory. His work has spanned assurance engagements, mergers and acquisitions, due diligence, and Ind AS/IFRS audits, alongside the full spectrum of equity capital market instruments - IPOs, QIPs, and rights issues. His practice is anchored in IPO advisory, where he advises issuers on pre-IPO readiness, regulatory due diligence under the SEBI ICDR Regulations, financial restatement under Ind AS and IFRS, and the assurance workstreams that underpin a Draft Red Herring Prospectus and its progression to listing approval. He has also led assurance engagements for large listed entities, bringing the rigour of public-company reporting to the issuers he advises.

A Diploma in IFRS holder from ACCA, UK, he is well versed in the application of both International Financial Reporting Standards (IFRS) and Indian Accounting Standards (Ind AS), with particular depth in their interplay in cross-border capital raises and public-market disclosure. This first-hand experience of what enables a smooth listing - and what commonly delays one - informs the perspective offered throughout this guide.

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