

(b) bid/issue period,

working day shall mean all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in the city as notified in the offer document are open for business;

(c) the time period between the bid/ issue closing date and the listing of the specified securities on the stock exchanges, working day shall mean all trading days of the stock exchanges, excluding Sundays and bank holidays, as per circulars issued by the Board.

(2) All other words and expressions used but not defined in these regulations, but defined in the Act or the Companies Act, 2013, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and/or the rules and regulations made thereunder shall have the same meaning as respectively assigned to them in such statutes or rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

### **Applicability of the regulations**

3. Unless otherwise provided, these regulations shall apply to the following:

- (a) an initial public offer by an unlisted issuer;
- (b) a rights issue by a listed issuer; <sup>22</sup>[\*\*\*]
- (c) a further public offer by a listed issuer;
- (d) a preferential issue by a listed issuer;
- (e) a qualified institutions placement by a listed issuer;
- (f) an initial public offer of Indian depository receipts;
- (g) a rights issue of Indian depository receipts;
- (h) an initial public offer by a small and medium enterprise;
- (i) a listing on the <sup>23</sup>[innovators growth platform] through an issue or without an issue; and
- (j) a bonus issue by a listed issuer.

<sup>24</sup>[\*\*\*]

<sup>22</sup> The words and symbol “where the aggregate value of the issue is fifty crore rupees or more;” omitted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2025 w.e.f. 08.04.2025.

<sup>23</sup> Substituted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2019, w-e-f 05.04.2019. Prior to its substitution, it read as “institutional trading platform”.

<sup>24</sup> Omitted by the SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2025 w.e.f. 08.04.2025. Prior to the omission, the proviso read as under,-

“Provided that in case of rights issue of size less than fifty crores rupees, the issuer shall prepare the letter of offer in accordance with requirements as specified in these regulations and file the same with the Board for information and dissemination on the Board’s website.”.

Provided further that these regulations shall not apply to issue of securities under clause (b), (d) and (e) of sub-regulation (1) of regulation 9 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

## **CHAPTER II - INITIAL PUBLIC OFFER ON MAIN BOARD**

### **PART I: ELIGIBILITY REQUIREMENTS**

#### **Reference date**

4. Unless otherwise provided in this Chapter, an issuer making an initial public offer of specified securities shall satisfy the conditions of this Chapter as on the date of filing of the draft offer document with the Board and also as on the date of <sup>25</sup>[filing] the offer document with the Registrar of Companies.

#### **Entities not eligible to make an initial public offer**

5. (1) An issuer shall not be eligible to make an initial public offer -

- (a) if the issuer, any of its promoters, promoter group or directors or selling shareholders are debarred from accessing the capital market by the Board.
- (b) if any of the promoters or directors of the issuer is a promoter or director of any other company which is debarred from accessing the capital market by the Board.
- (c) if the issuer or any of its promoters or directors is a <sup>26</sup>[wilful defaulter or a fraudulent borrower.]
- (d) if any of its promoters or directors is a fugitive economic offender.

**Explanation:** The restrictions under (a) and (b) above shall not apply to the persons or entities mentioned therein, who were debarred in the past by the Board and the period of debarment is already over as on the date of filing of the draft offer document with the Board.

(2) An issuer shall not be eligible to make an initial public offer if there are any outstanding convertible securities or any other right which would entitle any person with any option to receive equity shares of the issuer:

Provided that the provisions of this sub-regulation shall not apply to:

<sup>25</sup> Substituted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Seventh Amendment) Regulations, 2019, w-e-f 01.01.2020 for the word “registering”.

<sup>26</sup> Substituted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 w.e.f. 14.1.2022 for the words “wilful defaulter.”.

- (a) outstanding options granted to employees, whether currently an employee or not, pursuant to an employee stock option scheme in compliance with the Companies Act, 2013, the relevant Guidance Note or accounting standards, if any, issued by the Institute of Chartered Accountants of India or pursuant to the Companies Act, 2013, in this regard;
- <sup>27</sup>[(b) outstanding stock appreciation rights granted to employees pursuant to a stock appreciation right scheme, which are fully exercised for equity shares prior to the filing of the red herring prospectus (in case of book-built issues) or the prospectus (in case of fixed price issues), as the case may be, disclosures regarding such stock appreciation rights and the scheme and the total number of equity shares resulting from the exercise of such rights are made in the draft offer document and offer document.]
- <sup>28</sup>[(c)] fully paid-up outstanding convertible securities which are required to be converted on or before the date of filing of the red herring prospectus (in case of book-built issues) or the prospectus (in case of fixed price issues), as the case may be.

### **Eligibility requirements for an initial public offer**

#### **6. (1) An issuer shall be eligible to make an initial public offer only if:**

- a) it has net tangible assets of at least three crore rupees, calculated on a restated and consolidated basis, in each of the preceding three full years (of twelve months each), of which not more than fifty per cent. are held in monetary assets:
- Provided that if more than fifty per cent. of the net tangible assets are held in monetary assets, the issuer has utilised or made firm commitments to utilise such excess monetary assets in its business or project;
- Provided further that the limit of fifty per cent. on monetary assets shall not be applicable in case the initial public offer is made entirely through an offer for sale.
- b) it has an average operating profit of at least fifteen crore rupees, calculated on a restated and consolidated basis, during the preceding three years (of twelve months each), with operating profit in each of these preceding three years;
- c) it has a net worth of at least one crore rupees in each of the preceding three full years (of twelve months each), calculated on a restated and consolidated basis;

<sup>27</sup> Inserted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2025 w.e.f. 08.03.2025.

<sup>28</sup> Renumbered by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2025 w.e.f.08.03.2025. Prior to its renumbering, it read as “(b)”.

- d) if it has changed its name within the last one year, at least fifty per cent. of the revenue, calculated on a restated and consolidated basis, for the preceding one full year has been earned by it from the activity indicated by its new name.
- (2) An issuer not satisfying the condition stipulated in sub-regulation (1) shall be eligible to make an initial public offer only if the issue is made through the book-building process and the issuer undertakes to allot at least seventy five per cent. of the net offer to qualified institutional buyers and to refund the full subscription money if it fails to do so.
- <sup>29</sup>[(3) If an issuer has issued SR equity shares to its promoters/ founders, the said issuer shall be allowed to do an initial public offer of only ordinary shares for listing on the Main Board subject to compliance with the provisions of this Chapter and these clauses -
- i. the issuer shall be intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology or nano-technology to provide products, services or business platforms with substantial value addition.
  - <sup>30</sup>[ii. the net worth of the SR shareholder, as determined by a Registered Valuer, shall not be more than rupees one thousand crore.  
Explanation: While determining the individual net worth of the SR shareholder, his investment/ shareholding in other listed companies shall be considered but not that of his shareholding in the issuer company.]
  - iii. The SR shares were issued only to the promoters/ founders who hold an executive position in the issuer company;
  - iv. The issue of SR equity shares had been authorized by a special resolution passed at a general meeting of the shareholders of the issuer, where the notice calling for such general meeting specifically provided for -
    - a. the size of issue of SR equity shares,
    - b. ratio of voting rights of SR equity shares vis-à-vis the ordinary shares,

<sup>29</sup> Inserted by the SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2019 w.e.f.29.07.2019.

<sup>30</sup> Substituted by the SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2021 w.e.f. 26.10.2021. Prior to its substitution, clause ii. and the Explanation read as follows:

*“ii. the SR shareholder shall not be part of the promoter group whose collective net worth is more than rupees 500 crores:*

*Explanation: While determining the collective net worth, the investment of SR shareholder in the shares of the issuer company shall not be considered.”*

- c. rights as to differential dividends, if any
  - d. sunset provisions, which provide for a time frame for the validity of such SR equity shares,
  - e. matters in respect of which the SR equity shares would have the same voting right as that of the ordinary shares,
- <sup>31</sup>[v. the SR equity shares have been issued prior to the filing of draft red herring prospectus and held for a period of at least three months prior to the filing of the red herring prospectus;]
- vi. The SR equity shares shall have voting rights in the ratio of a minimum of 2:1 upto a maximum of 10:1 compared to ordinary shares and such ratio shall be in whole numbers only;
  - vii. The SR equity shares shall have the same face value as the ordinary shares;
  - viii. The issuer shall only have one class of SR equity shares;
  - ix. The SR equity shares shall be equivalent to ordinary equity shares in all respects, except for having superior voting rights.]

## General conditions

7. (1) An issuer making an initial public offer shall ensure that:

- a) it has made an application to one or more stock exchanges to seek an in-principle approval for listing of its specified securities on such stock exchanges and has chosen one of them as the designated stock exchange, in terms of **Schedule XIX**;
- b) it has entered into an agreement with a depository for dematerialisation of the specified securities already issued and proposed to be issued;
- c) all its specified securities held by the promoters are in dematerialised form prior to filing of the offer document;
- d) all its existing partly paid-up equity shares have either been fully paid-up or have been forfeited;
- e) it has made firm arrangements of finance through verifiable means towards seventy five per cent. of the stated means of finance for a specific project proposed to be funded from

<sup>31</sup> Substituted by the SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2021 w.e.f. 26.10.2021. Prior to its substitution, clause v. read as follows:

*“v. The SR equity shares have been held for a period of atleast 6 months prior to the filing of the red herring prospectus;”*

the issue proceeds, excluding the amount to be raised through the proposed public issue or through existing identifiable internal accruals.

(2) The amount for general corporate purposes, as mentioned in objects of the issue in the draft offer document and the offer document shall not exceed twenty five per cent. of the amount being raised by the issuer.

**Explanation:** <sup>32</sup>[For the purposes of regulation 6 and regulation 7]:

- (I) “project” means the object for which monies are proposed to be raised to cover the objects of the issue;
- (II) In case of an issuer which had been a partnership firm or a limited liability partnership, the track record of operating profit of the partnership firm or the limited liability partnership shall be considered only if the financial statements of the partnership business for the period during which the issuer was a partnership firm or a limited liability partnership, conform to and are revised in the format prescribed for companies under the Companies Act, 2013 and also comply with the following:
  - (a) adequate disclosures are made in the financial statements as required to be made by the issuer as per schedule III of the Companies Act, 2013;
  - (b) the financial statements are duly certified by the statutory auditor stating that:
    - (i) the accounts and the disclosures made are in accordance with the provisions of schedule III of the Companies Act, 2013;
    - (ii) the applicable accounting standards have been followed;
    - (iii) the financial statements present a true and fair view of the firm’s accounts;
- (III) In case of an issuer formed out of a division of an existing company, the track record of distributable profits of the division spun-off shall be considered only if the requirements regarding financial statements as provided for partnership firms or limited liability partnerships in Explanation (II) are complied with.

<sup>33</sup>[(3) The amount for:

<sup>32</sup> Substituted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 w.e.f. 14.1.2022 for the words “*For the purposes of this regulation*”.

<sup>33</sup> Inserted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 w.e.f. 14.1.2022.

- (i) general corporate purposes, and
- (ii) such objects where the issuer company has not identified acquisition or investment target, as mentioned in objects of the issue in the draft offer document and the offer document,

shall not exceed thirty five per cent. of the amount being raised by the issuer:

Provided that the amount raised for such objects where the issuer company has not identified acquisition or investment target, as mentioned in objects of the issue in the draft offer document and the offer document, shall not exceed twenty five per cent. of the amount being raised by the issuer:

Provided further that such limits shall not apply if the proposed acquisition or strategic investment object has been identified and suitable specific disclosures about such acquisitions or investments are made in the draft offer document and the offer document at the time of filing of offer documents.]

#### **Additional conditions for an offer for sale**

**8.** Only such fully paid-up equity shares may be offered for sale to the public, which have been held by the sellers for a period of at least one year prior to the filing of the draft offer document:

Provided that in case the equity shares received on conversion or exchange of fully paid-up compulsorily convertible securities including depository receipts are being offered for sale, the holding period of such convertible securities, including depository receipts, as well as that of resultant equity shares together shall be considered for the purpose of calculation of one year period referred in this sub-regulation.

Provided further that such holding period of one year shall be required to be complied with at the time of filing of the draft offer document.

**Explanation:** If the equity shares arising out of the conversion or exchange of the fully paid-up compulsorily convertible securities are being offered for sale, the conversion or exchange should be completed prior to filing of the offer document (i.e. red herring prospectus in the case of a book built issue and prospectus in the case of a fixed price issue), provided full disclosures of the terms of conversion or exchange are made in the draft offer document.

Provided further that the requirement of holding equity shares for a period of one year shall not apply:

- a) in case of an offer for sale of a government company or statutory authority or corporation or any special purpose vehicle set up and controlled by any one or more of them, which is engaged in the infrastructure sector;
- b) if the equity shares offered for sale were acquired pursuant to any scheme approved by a High Court <sup>34</sup>[\*\*\*] or approved by a tribunal or the Central Government under the sections 230 to 234 of Companies Act, 2013, as applicable, in lieu of business and invested capital which had been in existence for a period of more than one year prior to approval of such scheme;
- c) if the equity shares offered for sale were issued under a bonus issue on securities held for a period of at least one year prior to the filing of the draft offer document with the Board and further subject to the following:
  - (i) such specified securities being issued out of free reserves and share premium existing in the books of account as at the end of the financial year preceding the financial year in which the draft offer document is filed with the Board; and
  - (ii) such equity shares not being issued by utilisation of revaluation reserves or unrealized profits of the issuer.

<sup>35</sup>**[Additional conditions for an offer for sale for issues under sub-regulation (2) of regulation 6**

**8A.** For issues where draft offer document is filed under sub-regulation (2) of regulation 6 of these regulations:

- a. shares offered for sale to the public by shareholder(s) holding, individually or with persons acting in concert, more than twenty per cent of pre-issue shareholding of the issuer based on fully diluted basis, shall not exceed more than fifty per cent of their pre-issue shareholding on fully diluted basis;
- b. shares offered for sale to the public by shareholder(s) holding, individually or with persons acting in concert, less than twenty per cent of pre-issue shareholding of the issuer based on fully diluted basis, shall not exceed more than ten per cent of pre-issue shareholding of the issuer on fully diluted basis;
- c. for shareholder(s) holding, individually or with persons acting in concert, more than twenty per cent of pre-issue shareholding of the issuer based on fully diluted basis, provisions of lock-in as specified under regulation 17 of these regulations shall be

<sup>34</sup> The words, symbol and numbers “*under the sections 391 to 394 of Companies Act, 1956,*” omitted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 w.e.f. 14.1.2022.

<sup>35</sup> Inserted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 w.e.f. 14.1.2022.



applicable, and relaxation from lock-in as provided under clause (c) of regulation 17 of these regulations shall not be applicable.]

<sup>36</sup>[*Explanation.-* The limits set out in (a) and (b) above shall be calculated with reference to the shareholding as on the date of filing of the draft offer document and shall apply cumulatively to the total number of shares offered for sale to the public and any secondary sale transactions prior to the issue.]

## **PART II: ISSUE OF CONVERTIBLE DEBT INSTRUMENTS AND WARRANTS**

### **Eligibility requirements for issue of convertible debt instruments**

**9.** An issuer shall be eligible to make an initial public offer of convertible debt instruments even without making a prior public issue of its equity shares and listing thereof.

Provided that it is not in default of payment of interest or repayment of principal amount in respect of debt instruments issued by it to the public, if any, for a period of more than six months.

### **Additional requirements for issue of convertible debt instruments**

**10. (1)** In addition to other requirements laid down in these regulations, an issuer making an initial public offer of convertible debt instruments shall also comply with the following conditions:

- (a) it has obtained credit rating from at least one credit rating agency;
- (b) it has appointed at least one debenture trustee in accordance with the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993;
- (c) it shall create a debenture redemption reserve in accordance with the provisions of the Companies Act, 2013 and rules made thereunder;
- (d) if the issuer proposes to create a charge or security on its assets in respect of secured convertible debt instruments, it shall ensure that:
  - (i) such assets are sufficient to discharge the principal amount at all times;
  - (ii) such assets are free from any encumbrance;
  - (iii) where security is already created on such assets in favour of any existing lender or security trustee or the issue of convertible debt instruments is proposed to be secured by creation of security on a leasehold land, the consent of such lender or security trustee or

<sup>36</sup> Inserted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2025 w.e.f. 08.03.2025.