

Amendments to SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 to streamline certain requirements relating to public issue to enhance ease of doing business and increase the participation of retail investors

1. Objective

1.1. This memorandum seeks approval of the Board to amend the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, (**'ICDR Regulations'**), to streamline certain requirements relating to public issue to enhance ease of doing business and increase the participation of retail investors, in respect to the following provisions:

1.1.1. Requirement of lock-in of shares at the time of Initial Public Offer (**'IPO'**).

1.1.2. Requirement of Abridged Prospectus.

2. Background

2.1. SEBI has consistently undertaken measures to strengthen the disclosure framework in the capital markets, with the objective of ensuring that information disclosed to investors is timely, relevant and meaningful, thereby facilitating informed decision making by investors. Further, with a view to enhance ease of doing business, SEBI has undertaken several initiatives aimed at simplifying fund raising by issuers.

2.2. SEBI has also received suggestions from the stakeholders and market participants to address challenges faced by the issuers to comply with the lock-in requirements at the time of IPO and to increase the engagement and participation of retail investors in the IPO process.

2.3. Proposals on the aforesaid two items were deliberated in Primary Market Advisory Committee (**'PMAC'**). PMAC recommended the proposals and suggested seeking public comments through consultation.

2.4. A consultation paper was placed on the website of SEBI on November 13, 2025 ('**Consultation Paper**'), seeking public comments on proposals made therein, based on the recommendations of PMAC. The Consultation Paper is placed at **Annexure -I**.

2.5. In response to the aforesaid consultation paper, comments have been received from 17 entities including from Merchant Bankers, Legal firms, financial advisory firms, private / public companies and individuals. The public comments so received have been compiled and tabulated at **Annexure -II**.

2.6. It is observed that all public comments received are in favor of both the proposals. Some commentators have also provided additional suggestions on the proposals.

2.7. Pursuant to the public comments and internal discussion, the proposals mentioned in the Consultation Paper have been modified to continue with the requirement of abridged prospectus and make the draft abridged prospectus available with the draft offer document and suitably update the proposal relating to offer document summary. The following paragraphs set out the existing regulatory provisions, need for review, suggestions and rationale for amendment to existing provisions, analysis of public comments / suggestions and proposals for the consideration of the Board.

3. Review of the requirement of lock-in of shares at the time of IPO

3.1. Existing provisions in ICDR

3.1.1. Regulation 17 of ICDR Regulations prescribes that the entire pre-issue capital held by persons other than the promoters, except shares held by certain specified categories of shareholders, shall be locked-in for a period of six months from the date of allotment in the IPO.

3.2. Need for review

3.2.1. SEBI has received representations from the market participants highlighting challenges faced by the issuers in complying with the lock-in

requirements pertaining to pre-issue capital held by persons other than the promoters, particularly in cases where pledges have been created prior to the IPO.

3.3. Proposed Framework

- 3.3.1. It is proposed to introduce an enabling framework to address the issue of lock-in of pledged shares held by persons other than the promoters. This framework shall include (a) Incorporating enabling provisions in the ICDR Regulations, (b) Mandating incorporation of suitable clauses in the Articles of Association ('**AoA**') of the issuer, and (c) Mandating the issuer to provide necessary intimations to the concerned lenders / pledgees.
- 3.3.2. The issuer intending to undertake a public issue shall, at the time of seeking approval from its Board of Directors, take necessary steps to amend its AoA to incorporate suitable provisions to enable the following:
 - 3.3.2.1. Equity shares, if pledged, shall be treated as locked-in for the applicable period as specified under the ICDR Regulations.
 - 3.3.2.2. In case of invocation of pledge, equity shares shall be locked-in, in the account of the pledgee for the balance period of lock-in.
 - 3.3.2.3. In case of release of pledge, equity shares shall be locked-in, in the account of the pledger for the balance period of lock-in.
- 3.3.3. Pursuant to the amendments in the AoA, the issuer shall issue appropriate notice to all existing lenders / pledgees informing them of the changes made to the AoA. Similar notice may again be sent at the time of filing of the draft offer document with SEBI / Stock Exchanges. Further, the aforesaid provisions of the AoA shall be prominently disclosed in the draft offer document and offer document. Such disclosure shall clearly state that any shares received by lenders / pledgees, upon invocation of the pledge will remain under lock-in for the balance period as required under the ICDR Regulations.

3.3.4. The depositories through their system will ensure that, subsequent to the invocation or release of pledge, the shares in the account of the beneficiary (pledger or pledgee) will automatically be locked-in for the balance period, as required under the ICDR Regulations.

3.3.5. The proposal has also been discussed with select Non-Banking Financial Companies ('**NBFCs**') engaged in the business of extending loans against unlisted shares. These NBFCs have expressed their concurrence.

3.3.6. The above framework only deals with the pledged shares held by persons other than promoters, as the promoters, with the consent of concerned lenders, are able to ensure the release of pledge for the purpose of initiating lock-in as required under ICDR Regulations.

3.4. **Proposal - 1** - In order to facilitate implementation of the above framework by the depositories and enable the pledged shares to be treated as locked-in for the purpose of compliance, the following sub-regulation may be inserted in Regulation 17 of ICDR Regulations:

"(2) Subject to sub-regulation (1), where lock-in of the specified securities cannot be created, the depositories shall, upon receipt of instructions from the issuer, record such securities as "non-transferable" for the duration of the applicable lock-in period."

3.5. **Rationale**

3.5.1. Considering that the shares of an issuer are freely transferable, the existing shareholders may like to create pledge over such shares for their need at any time prior to such shares being subjected to lock-in. This often creates practical challenges for the issuers at the time of IPO, as they may face difficulties in complying with the lock-in requirements pertaining to pre-issue capital held by persons other than the promoters. In case of certain issuers, where the number of shareholders is large or such shareholders are untraceable or unwilling to cooperate, the challenges are further compounded due to the prescribed timelines in the IPO process.

3.5.2. The proposed framework seeks to modify existing procedure to address situations where depositories are unable to create lock-in on pledged shares. The proposed framework will enhance ease of doing business, while safeguarding the interest of lenders.

3.6. **Public Comments**

3.6.1. The statistics on public comments received is tabulated below:

Total comments	Strongly Agree	Agree	Partially Agree	Disagree	Strongly Disagree
17	8	5	4	0	0

3.6.2. In respect of the aforementioned proposal contained in the consultation paper, 17 comments have been received, 8 have strongly agreed, 5 have agreed and 4 have partially agreed with the proposal.

3.6.3. All the commentators have agreed with the proposals. These commentators have also provided additional suggestion on the proposals. The comments relevant to the proposal have been analysed and placed at **Annexure - III**.

3.7. **Proposal for Board approval**

3.7.1. Amendment to ICDR Regulations to insert the following provision may be considered:

“(2) Subject to sub-regulation (1), where lock-in of the specified securities cannot be created, the depositories shall, upon receipt of instructions from the issuer, record such securities as “non-transferable” for the duration of the applicable lock-in period.”

3.7.2. The amendments proposed to ICDR Regulations are placed at **Annexure-IV**.

4. Review of the requirement of Abridged Prospectus

4.1. Existing provisions in ICDR

- 4.1.1. Part A of Schedule VI of ICDR Regulations prescribes the disclosures to be made in the offer document / letter of offer.
- 4.1.2. The Regulations 25, 59(C), 123 and 246 of ICDR Regulations prescribe the requirement of filing of offer document with SEBI.
- 4.1.3. The Regulations 34, 131 and 255 of ICDR Regulations prescribe that each bid application for an issue be accompanied by a copy of abridged prospectus.
- 4.1.4. Part E of Schedule VI of ICDR Regulations specifies the disclosures to be made in an abridged prospectus.

4.2. Need for review

- 4.2.1. There is a requirement of abridged prospectus at the time of offer document but not at the time of draft offer document. Further, it is seen that the draft offer documents and offer documents are often voluminous, which may deter retail investors from reviewing such document, thereby leading to lack of engagement and participation in the IPO process.

4.3. Proposal

- 4.3.1. **Proposal - 2** - The ICDR Regulations may be suitably amended to prescribe that the draft abridged prospectus and abridged prospectus will be submitted along with the draft offer document and offer document respectively and will be hosted on the websites as required under these regulations.
- 4.3.2. **Proposal - 3** - The format of draft abridged prospectus / abridged prospectus may be rationalized as per the amendments proposed at **Annexure - V**.

4.3.3. **Proposal - 4** - The requirement of Offer Document Summary may be dispensed with.

4.4. **Rationale**

4.4.1. The draft offer documents and offer documents comprise of detailed disclosures across various sections such as industry overview, business, financials and litigations etc. These sections often contain detailed legal, financial and technical information.

4.4.2. These documents provide comprehensive disclosures pertaining to all material aspects of the public issue and serves as the primary document for regulatory review and public scrutiny. However, due to its size and complexity, key disclosures relating to the public issue such as major risk factors, financial highlights, objects of the issue and key performance indicators are dispersed across multiple sections. Enhanced focus on key disclosures can improve readability for easy consumption, thereby increasing investor understanding.

4.4.3. Mandating a focused, concise and standardized summary of offer documents in the form of abridged prospectus at the draft offer document stage can enhance investor comprehension, improve information accessibility and may lead to increase in the engagement of retail investors in the IPO process.

4.4.4. The abridged prospectus may be made available along with the draft offer document and offer document to increase the engagement of the retail investors. Further, the disclosures in the abridged prospectus may be rationalized to make it a focused and concise document.

4.4.5. As the information provided in the abridged prospectus and offer document summary section is similar, it is proposed to remove the offer document summary section from the draft offer document and offer document. In view of the same, it is proposed to modify the proposal as given in the Consultation Paper.

4.5. **Public Comments**

4.5.1. The statistics on public comments received is tabulated below:

Total comments	Strongly Agree	Agree	Partially Agree	Disagree	Strongly Disagree
40	20	15	5	0	0

4.5.2. In respect of the aforementioned proposals contained in the consultation paper, 40 comments have been received, 20 have strongly agreed, 15 have agreed and 5 have partially agreed with the proposals.

4.5.3. All the commentators have agreed with the proposals. These commentators have also provided additional suggestion on the proposals. The comments relevant to the proposals have been analysed and placed at **Annexure - III**.

4.5.4. Some of the suggestions which are proposed to be incorporated in the abridged prospectus are given as under:

4.5.4.1. A few suggestions have been received to include QR code, in the price band advertisement and all public announcements, to access the abridged prospectus. Inclusion of the same will enhance the information availability and hence the suggestion may be considered. Amendments proposed to the abridged prospectus have been revised to include that QR Code and link to access the abridged prospectus to be included in all public announcement relating to the IPO.

4.5.4.2. A few suggestions have been received to include recent transactions undertaken by shareholders, who are not related to promoter(s), it is submitted that information relating to recent acquisitions (up to 1 year and 3 year) can give guidance on the valuation, hence the same may be included in the revised format. Amendments proposed to the abridged prospectus have been revised accordingly.

4.6. **Proposal for Board approval**

4.6.1. The ICDR Regulations may be amended to prescribe that the draft abridged prospectus and abridged prospectus will be submitted along with the draft offer document and offer document respectively and will be hosted on the websites as required under these regulations.

4.6.2. The ICDR Regulations may be amended to rationalize the format of draft abridged prospectus / abridged prospectus as per the amendments proposed at **Annexure - V**. The amendments include simplified disclosure of shareholding and cost of acquisition of shares, inclusion of Key Performance Indicators, Board of Directors and Key Managerial Personnel and deletion of certain disclosures not relevant for a concise document.

4.6.3. The ICDR Regulations may be suitably amended to dispense with the requirement of offer document summary.

5. **Proposed amendments to the ICDR**

5.1. The proposals mentioned at paragraphs 3.7 and 4.6 above require amendments to the ICDR Regulations. The proposed draft amendments to the ICDR Regulations are given at **Annexure - VI**.

5.2. The amendments to the ICDR Regulations may be made applicable from the date of notification of the amendments.

6. **Proposal to the Board**

6.1. The Board is requested to consider and approve the proposals mentioned at paragraphs 3.7 and 4.6 above and the proposed amendments to the ICDR Regulations.

6.2. The Board is also requested to authorize the Chairman to take consequential and incidental steps to give effect to the decisions of the Board.

Encl.:

1. Annexure - I - Consultation Paper
2. Annexure - II - Compilation of Public Comments
3. Annexure - III - Analysis of Public Comments
4. Annexure - IV - Amendments proposed to the ICDR Regulations
5. Annexure - V - Revised format of the abridged prospectus
6. Annexure - VI - Draft amendments to the ICDR Regulations

Annexure - I

The consultation Paper is available at the following link:

<https://www.sebi.gov.in/reports-and-statistics/reports/nov-2025/consultation-paper-on-amendments-to-sebi-issue-of-capital-and-disclosure-requirements-regulations-2018-with-the-objective-of-enhancing-ease-of-doing-business-and-increasing-the-participation-of-re-97742.html>

Annexure - II

This has been excised for reasons of confidentiality.

Analysis of Public Comments

The comments received from public and relevant to the proposals mentioned in the Board Memorandum are summarised as under:

1. Review of the requirement of lock-in of shares at the time of IPO

Proposal 1 - Whether you agree with the proposal to amend the ICDR Regulations to include the following proviso to enable the pledged shares to be treated as locked-in for the purpose of compliance of Regulation 17 of ICDR.

"Provided further that, in cases where lock-in of the specified securities cannot be created, the depositories, upon receipt of instructions from the issuer, shall record such securities as 'non-transferable' for the duration of the applicable lock-in period."

1.1. Public Comments

1.2. The statistics on public comments received is tabulated below:

Total comments	Strongly Agree	Agree	Partially Agree	Disagree	Strongly Disagree
17	8	5	4	0	0

1.3. All the commentators have agreed with the proposal. A few of these commentators have suggested that a uniform SoP and Model Clauses of AoA to be prescribed.

1.4. Analysis of Public Comments

In respect of the suggestion regarding uniform SoP and Model Clauses of AoA, it is submitted that the same can be considered and will be taken up separately.

2. Review of the requirement of Abridged Prospectus

Proposal 2 - Whether you agree with the proposal to amend ICDR Regulations to make Offer Document Summary available separately from the draft offer document and offer document and hosted on the website of the issuer, the Board, stock exchanges where specified securities are proposed to be listed and lead manager(s) associated with the issue.

Proposal 3 - Whether you agree with the proposal to amend the ICDR Regulations to rationalize the disclosures made in the Offer Document Summary.

Proposal 4 - With the availability of the Offer Document Summary, whether you agree with the proposal to amend the ICDR Regulations to dispense with the requirement of abridged prospectus.

2.1. Public Comments

2.2. The statistics on public comments received is tabulated below:

Total comments	Strongly Agree	Agree	Partially Agree	Disagree	Strongly Disagree
40	20	15	5	0	0

2.3. All the commentators have agreed with the proposal. A few commentators who have agreed with the proposal have provided additional suggestions. The same are summarised as under:

2.3.1. Offer document summary should be available in regional languages of every state where public engagement occurs.

2.3.2. Disclosure of information through infographics / charts and visual summaries be mandated.

2.3.3. Price band advertisement shall include QR code to access the offer document summary.

- 2.3.4. Understanding the language of auditor qualifications is difficult. A section where management answers qualifications will help in better understanding.
- 2.3.5. Third parties include entities independent of the promoters. Prices at which the company was recently valued are important sources of information used by investors to develop their own valuation and hence must be included.
- 2.3.6. Name of the monitoring agency, the underwriters, details of different reservations and price related information to be included.
- 2.3.7. Disclosures in Industry section be enhanced to include information such as industry size and segments, growth trends, competitors, history etc.
- 2.3.8. XBRL and machine readable Offer Document Summary be mandated.

2.4. Analysis of Public Comments

- 2.4.1. In respect of the suggestions relating to offer document summary to be made available in regional languages, it is submitted that the same may be taken up separately.
- 2.4.2. In respect of the suggestions mandating infographics / charts and visual summaries, it is submitted that although it is desirable, it may not be made mandatory.
- 2.4.3. In respect of the suggestions to include QR code to access the offer document summary in the price band advertisement, and all public announcements, it is submitted that it will enhance the information availability and hence the same may be considered. Amendments proposed to the abridged prospectus have been revised to include that QR Code and link to access the abridged prospectus to be included in all public announcement relating to the IPO.

- 2.4.4. In respect of the suggestions to include management comments on Auditor qualifications, it is submitted that including Auditor qualifications and management comments on Auditor qualifications will increase the size of abridged prospectus, which may not be desirable as the objective is to make it a concise document to increase investor understanding.
- 2.4.5. In respect of the suggestions to include recent transactions undertaken by shareholders, who are not related to promoters, it is submitted that information relating to recent acquisitions (up to 1 year and 3 year) can give guidance on the valuation, hence the same may be included in the revised format. Amendments proposed to the abridged prospectus have been revised accordingly.
- 2.4.6. In respect of the suggestions to include the name of the monitoring agency, the underwriters and details of different category of reservations it is submitted that such information is already included in the draft offer documents / offer documents, hence the same may not be relevant for the concise format of the abridged prospectus. Further, offer documents typically do not include price, hence price related information will not be available at the stage of filing of abridged prospectus. Hence, the suggested changes may not be included.
- 2.4.7. In respect of the suggestions to enhance the disclosures in the industry section, it is submitted that mandating certain information may not be suitable for different type of industries. Hence, the same may not be considered.
- 2.4.8. In respect of the suggestions to mandate XBRL and machine readable abridged prospectus, it is submitted that XBRL format will enhance the analysis of such information. Hence, the same may be considered in a phased manner.

Annexure - IV

Amendment shall be notified after following the due process.

Annexure - V

Amendment shall be notified after following the due process.

Annexure - VI

Amendment shall be notified after following the due process.