

CHAPTER 2

SEBI ICDR Amendments - a strategic step to streamline regulatory landscape

This article aims to:

Discuss the key changes introduced in the SEBI ICDR Regulations



Background

In an effort to ease compliance and reduce costs, the Government of India in the Union Budget for FY 2023-24 announced that the financial sector regulators would conduct a comprehensive review of the existing regulations, incorporating suggestions from the public and regulated entities. In line with this objective, on 24 August 2023, an Expert Committee was constituted to review the

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) and Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations). The aim of the Expert Committee was to harmonise the provisions of these regulations and to promote ease of doing business.

Subsequently, Securities and Exchange Board of India (SEBI), through a press release on 4 October 2023, invited suggestions from public and regulated entities on various SEBI regulations, including the LODR and ICDR Regulations. The Expert Committee then presented its recommendations to SEBI based on the suggestions and recommendations received.

Consequently, on 3 March 2025, SEBI published amendments to ICDR Regulations (ICDR Amendment Regulation 2025).

This article discusses the key aspects of the ICDR Amendment Regulations 2025.



Key Amendments

The ICDR Amendment Regulations 2025, have *inter-alia*, introduced or amended the following:

1. Voluntarily disclosure of proforma financials

Schedule VI – Disclosures in the offer document, abridged prospectus and abridged letter of offer of the SEBI ICDR Regulations required companies to include proforma financial statements in their offer documents if they had a significant acquisition or disposal (20 per cent or more of turnover, net worth, or profit/loss) after the latest financial period but before filing the offer document. Companies could also voluntarily include proforma statements even if the changes were below this threshold. However, the SEBI ICDR Regulations did not have an enabling regulation to voluntarily include proforma financial statements or the disclosure of proforma financials for acquisitions or divestments in a placement document for a qualified institutions placement (QIPs).

The ICDR Amendment Regulations 2025 allows companies to voluntarily include proforma statements for such fiscal periods as it deems necessary. These proforma financial statements should be prepared in accordance with any guidance note, standard on assurance engagement or a guideline issued by the Institute of Chartered Accountants of India (ICAI) from time to time and certified by the statutory auditor or chartered accountants with a valid Peer Review certificate.

Companies may disclose this information even if acquisitions or disposals occurred before the completion of the latest financial period. Similarly, companies may also disclose financial statements of acquired or divested subsidiaries/businesses in QIP, provided they are certified by a peer-reviewed statutory auditor or independent chartered accountant. Further, companies may voluntarily provide proforma financial statements incorporating the information with regard to the proposed purchase of business or interest in business, that are expected to be acquired out of the proceeds of the said issue.

2. Permission to file DRHP where issuers have outstanding Stock appreciation rights (SARs) granted to employees

At present, Regulation 5 of the ICDR Regulations does not permit companies with outstanding convertible securities or other rights (that allow someone to receive equity shares) to file an initial public offer

(IPO). However, companies, that have granted options to employees and fully paid-up convertible securities that will be converted before the filing, are eligible to file an IPO. The ICDR Amendments Regulations 2025 now allow companies, with outstanding SARS granted to employees, to file for an IPO.



3. Amendments affecting the promoter / promoter group

- a. Regulation 8A of the ICDR Regulations provides the quantum of shares that can be offered for sale by selling shareholders in an IPO, if the offer is covered under Regulation 6(2) of the said Regulations i.e. to undertake an IPO under the non-profitability route. In order to restrict the selling shareholders from selling any additional shares prior to the IPO, in secondary transfers outside of the IPO, the ICDR Amendment Regulations 2025 stipulate that the promoters' holdings should be calculated as of the date of filing the draft offer document, including all shares offered for sale to the public and any secondary sales prior to the issue.

A new explanation has been added to Regulation 8A of the ICDR Regulations which clarifies that the calculation to determine a promoter's holding should be calculated with reference to their shareholding as of the date of the draft offer document and apply cumulatively to the total number of shares offered for

sale to the public and any secondary sale transactions prior to the issue.

- b. Regulation 15 of the ICDR Regulations provides securities that are ineligible in computation of the minimum promoters' contribution. The ICDR Amendment Regulations 2025 clarify that the price per share for these securities should be adjusted for corporate actions like share splits, bonus issues, etc.
- c. Regulation 54 of the ICDR Regulations requires reporting of all transactions by promoters and the members of the promoter group between the date of filing of the draft offer document and the closure of an issuance to the stock exchanges. In order to enhance transparency and information available for investors, the ICDR Amendment Regulations 2025 have expanded this requirement to include pre-IPO placement transactions. This means that issuers will have to report any proposed pre-IPO placement mentioned in the draft offer document to the stock exchanges within 24 hours of the transaction.

- d. Amendments have been introduced in Regulation 16 of the ICDR Regulations to clarify that if loans are being repaid from the proceeds of the issue, and such loans have been utilised for capital expenditure, then a longer promoter lock-in period shall apply. This was done so that the issue proceeds are not used as a means of bridge financing for capital expenditure without appropriate checks and balances contemplated under the ICDR Regulations.
- e. Clause 5A of paragraph A of part A of Schedule III of the LODR Regulations requires companies to disclose agreements entered into by the shareholders, promoters, promoter group entities, related parties, directors, key managerial personnel, employees of the listed entity or of its holding, subsidiary or associate company, among themselves or with the listed entity or with a third party, solely or jointly, which, either directly or indirectly or potentially or whose purpose and effect is to, impact the management or control of the listed entity or impose any restriction or create any liability upon

the listed entity. These agreements may not be disclosed by issuer companies in their offer documents prior to listing.

Therefore, to align the provisions of ICDR Regulations with LODR Regulations, SEBI Amendment Regulations 2025 have amended paragraph (10)(E) of Schedule VI of ICDR Regulations. Companies are now required to disclose the details of these agreements, as mandated by the LODR Regulations, in their offer document.



4. IPO objective – repayment of loans

- a. If one of the objects of the offer is utilisation of issue proceeds to fund long-term working capital requirements, certain additional disclosures were prescribed under paragraph (9)(A)(5) of Part A of Schedule VI of the ICDR Regulations where information is required to be provided on a 'standalone basis'. The ICDR Amendment Regulations 2025 clarify that these disclosures should be based upon the audited standalone financial statements. Additionally, if there are restatements or adjustments in the consolidated financial statements that impact the standalone financial statements, the standalone financial statements must also be restated.
- b. ICDR Regulations previously required statutory auditors or peer-reviewed chartered accountants to certify financial information in the offer document, including restated financials. However, certification of loan utilisation had to be done by the statutory auditor. The ICDR Amendment Regulations 2025 have

amended paragraph 9(A) of Schedule VI of the ICDR Regulations, permitting issuers to obtain the loan utilisation certificate either from the company's statutory auditor or from a chartered accountant with a valid peer-review certificate. This flexibility applies if the periods were not audited by the current statutory auditor; or if the loan proposed to be repaid has been availed by a subsidiary where the current statutory auditor of the issuer is not the statutory auditor of the subsidiary.

5. Harmonisation of provisions of ICDR Regulations with LODR Regulations

- a. Before the amendment, there was no materiality concept for disclosing litigations in the offer document, although Regulation 30 of LODR Regulations had certain thresholds. To align the LODR Regulations and ICDR Regulations, the ICDR Amendment Regulations 2025 have introduced a concept of materiality in Paragraph 12 of Part A of Schedule VI of the ICDR Regulations. Further, it requires

companies to disclose all criminal proceedings involving key managerial personnel and senior management of the issuer and actions by regulatory authorities and statutory authorities against key managerial personnel and senior management of the issue.

- b. The ICDR Regulations requires issuers to appoint a compliance officer to redressal of monitor compliance of

securities laws and for redressal of investors' grievances. However, previously no specific qualifications to be a compliance officer were stipulated. The ICDR Amendment Regulations 2025 aligns the qualification of a compliance officer with the LODR Regulations and now specifies that the compliance officer must be qualified to be a Company Secretary.



- c. The ICDR Amendment Regulations 2025 have aligned certain definitions such as associate, employee, financial year, securities law, etc. in ICDR Regulations with those in the LODR Regulations.

6. Rights issue

With an aim to streamline processes and offer greater flexibility, the ICDR Amendment Regulations 2025 have *inter-alia* introduced the following amendments to the ICDR Regulations, related to rights issue:

- a. removal of the previous monetary threshold of INR50 crore for rights issue under Regulation 3(b). This implies that ICDR Regulations would be applicable to all rights issue irrespective of the issue size.
- b. similar to QIPs, the draft letter of offer is required to be directly filed with stock exchanges for the purpose of seeking in-principal listing approvals under Regulation 71. The final Letter

of Offer is then to be submitted to SEBI for information and dissemination.

- c. permitting promoters and promoter group to renounce their rights entitlements to specific investors by giving additional disclosures about these specific investors and the promoter group under Regulation 84.
- d. under Regulation 74, sub-regulation (3) and the proviso related to reservation for employees along with rights issue has been omitted.
- e. In Regulation 69, issuers are now directly responsible for preparing the draft letter of offer and letter of offer. The erstwhile requirement of appointing one or more merchant bankers and due diligence thereby, has been dispensed with.

Further, SEBI has also issued a circular dated 11 March 2025 on faster rights issue with a flexibility of allotment to specific investor(s).

Next steps

In today's dynamic and rapidly evolving market environment, regulatory adaptability and coherence are essential for sustaining investor confidence and market integrity. The SEBI ICDR Amendment Regulations 2025 aim at harmonising regulations with the LODR Regulations. This is a strategic step towards strengthening the capital market ecosystem in India as this initiative not only simplifies procedural requirements for market participants but also reflects SEBI's ongoing commitment to enhancing transparency and promoting ease of doing business. Also, once a company is listed, it will primarily follow the

LODR Regulations. The harmonisation of the ICDR Regulations with the LODR Regulations also ensures that there are no conflicting or redundant compliance requirements. This streamlining helps listed companies maintain consistent and efficient compliance practices, reducing the regulatory burden and enhancing transparency for investors.

By aligning regulatory provisions and reducing redundancies, SEBI is fostering a capital market that is more transparent, inclusive, and conducive to economic growth. These reforms contribute to building a more efficient, accessible, and investor-friendly ecosystem.

