

# PANORAMIC **INITIAL PUBLIC OFFERINGS**

India



LEXOLOGY

# Initial Public Offerings

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## MARKET OVERVIEW

### Size of market

**What is the size of the market for initial public offerings (IPOs) in your jurisdiction?**

In 2024, there were over 250 IPO listings (including main board IPOs and small and medium enterprises segment IPOs), raising over US\$19.6 billion. India also witnessed its largest IPO by Hyundai Motor India Limited in 2024, raising over US\$3.3 billion.

Law stated - 30 April 2025

### Issuers

**Who are the issuers in the IPO market? Do domestic companies tend to list at home or overseas? Do overseas companies list in your market?**

All the issuers in the Indian IPO market are companies incorporated in India under the laws of India. Indian domestic companies typically list at home jurisdiction only, and not overseas. Overseas companies may consider an IPO of their Indian incorporated subsidiary, as they will not be able to list their equity shares directly in India.

However, should foreign issuers wish to raise capital from the Indian securities market, they can also do so through issuance of Indian depository receipts (IDRs), which are financial instruments in the form of depository receipts created by Indian depository, issued against the underlying equity shares of the issuing company. The foreign issuer is required to deposit its equity shares with a custodian bank outside India, against which the Indian depository issues receipts to Indian investors. These IDRs can be listed and traded on the Indian stock exchanges similar to equity shares of Indian issuers.

Law stated - 30 April 2025

### Primary exchanges

**What are the primary exchanges for IPOs? How do they differ?**

The primary exchanges in India are BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) and these exchanges primarily differ in terms of trading volume. BSE was established in 1875 and is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the government under the Securities Contracts (Regulation) Act 1956, as amended (SCRA). The NSE was recognised as a stock exchange under the SCRA in April 1993.

For an IPO, the offer documents must be filed with both the stock exchanges along with being filed with the Securities and Exchange Board of India. The stock exchanges review the draft offer document filed and provide their observations which are required to be incorporated, before granting an in-principle approval for listing. Prior to listing of the equity shares, listing and trading approvals must also be obtained from these exchanges.

Law stated - 30 April 2025

## REGULATION

### Regulators

#### Which bodies are responsible for rulemaking and enforcing the rules on IPOs?

The Securities and Exchange Board of India (SEBI) and the stock exchanges primarily regulate the Indian securities market. SEBI has framed the regulations and guidelines that govern the primary and secondary capital markets of India including the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended (SEBI ICDR Regulations). The SEBI ICDR Regulations are applicable to all public issues undertaken by listed and unlisted companies in India. The issuers must also comply with the requirements prescribed by the stock exchanges for undertaking an IPO, including in relation to certain eligibility requirements for an issuer. In addition, certain aspects of regulations pertaining to IPOs fall within the jurisdiction of multiple other regulators including the Ministry of Corporate Affairs (MCA) and India's central bank, the Reserve Bank of India (RBI). While the MCA administers and regulates compliance under the Companies Act, including with regard to the issuance and transfer of both listed and unlisted securities, IPOs by issuers involved in businesses regulated by the RBI, are also required to be approved by the central bank.

The book running lead managers to an IPO must file a due diligence certificate with SEBI to confirm that appropriate due diligence has been undertaken on the issuer and the disclosures in the offer documents have been made in accordance with the requirements under the SEBI ICDR Regulations. SEBI may also penalise the book running lead managers if there are inadequate disclosures in the offer documents or in case of any other non-compliances.

**Law stated - 30 April 2025**

### Authorisation for listing

#### Must issuers seek authorisation for a listing? What information must issuers provide to the listing authority and how is it assessed?

India follows a disclosure-based regime for capital markets. An issuer is required to prepare a draft offer document, the draft red herring prospectus (DRHP) and file it with SEBI and the stock exchanges. Once a DRHP is filed, SEBI and the stock exchanges review the DRHP and may also raise queries or provide observations on the DRHP, which must be responded to and which may also consequently require amendments to the disclosures made in the DRHP. Only upon resolution of those queries or observations, can an issuer proceed to file the red herring prospectus and the prospectus with the SEBI, the stock exchanges and the registrar of companies.

The issuer is also required to make in-principle listing and final listing applications to the stock exchanges where it intends to list its equity shares and is required to obtain approvals against such applications before it can proceed to list its shares and commence trading on the stock exchanges.

**Law stated - 30 April 2025**

## Prospectus

### What information must be made available to prospective investors and how must it be presented?

The disclosures requirements in India for an IPO are governed by the provisions of the SEBI ICDR Regulations. Schedule VI of the SEBI ICDR Regulations sets out the disclosure requirements for offer documents and generally requires, inter alia, the following sections to be covered:

- offer document summary: includes summary of business, summary of industry, pre-offer shareholding, cost of acquisition of shares, etc;
- risk factors: covers the risks in relation to business and operations of the issuer;
- capital structure: typically covers share capital history, build-up of the promoters' and promoter-group shareholding, employee stock option schemes;
- objects of the offer: includes detailed disclosures on the proposed use of IPO proceeds;
- basis for offer price: includes ratios and details of key performance indicators of the issuer and the industry peers that may be relevant to determine IPO price;
- industry overview: provides disclosures on the industry applicable to the business of the issuer;
- business overview: provides an overview of the business operations of the issuer in addition to the strengths and strategies of the issuer with respect to its business;
- key industry regulations: includes key regulations applicable to the issuer and material subsidiaries;
- history and corporate structure of the issuer: discusses the major events and milestones, awards, material agreements (including shareholders' agreements, inter se arrangements and similar agreements), details of subsidiaries, joint ventures, associates, valuation details of past acquisitions;
- management: includes the profiles of directors, key managerial personnel and senior management, terms of appointment (including remuneration), interest in the issuer and other details of directors, key managerial personnel and senior management; and details of board-level committees;
- promoter or principal shareholders: includes profiles and details of promoters, list of promoter group members, certain regulatory confirmations;
- restated financial information for the three full financial years and any interim period;
- management's discussion and analysis of financial position and results of operations;
- outstanding litigation: primarily covers pending criminal, tax and regulatory matters and material civil proceedings for the issuer, subsidiaries, promoters and directors; outstanding criminal and regulatory or statutory actions against key managerial personnel and senior management; and material litigation involving group companies (which has material impact on issuer);
- government approvals: discusses material approvals applicable to the issuer and its material subsidiaries;

- information with respect to group companies: includes corporate information and limited financial information of such group companies;
- terms of the offer and offer procedure; and
- material contracts and documents for inspection: includes list of documents which are available for inspection to public.

SEBI or the stock exchanges may also prescribe certain additional disclosures based on their review of the DRHP once filed.

**Law stated - 30 April 2025**

## **Publicity and marketing**

### **What restrictions on publicity and marketing apply during the IPO process?**

The SEBI ICDR Regulations sets out the regulations under Indian law in connection with public communication, publicity material, advertisements and research reports for any public issue of securities by an Indian issuer. The publicity restrictions may be classified into two periods:

- from the IPO kick-off meeting until filing of the DRHP and such period (pre-filing period); and
- post filing of the DRHP (post-filing period).

During the pre-filing period, the advertising material should be consistent with past practices of the issuer and should not contain any references to the IPO, the valuation of the securities offered in the IPO, future projections of financial performance. During the post-filing period, the advertising material should contain appropriate disclaimers stating that the issuer has filed a DRHP in relation to the IPO. Furthermore, as a basic principle, any advertising materials must correspond to the disclosures in the DRHP and no information extraneous to the prospectus should be included in the advertising material. The roadshow material that are prepared for marketing the IPO must also be based on these guiding principles.

The issuer will also be required to publish statutory advertisements in the newspapers in the format prescribed under the SEBI ICDR Regulations, at various stages, such as filing of the DRHP, bid opening and closing advertisements, and post-IPO advertisements.

**Law stated - 30 April 2025**

## **Enforcement**

### **What sanctions can public enforcers impose for breach of IPO rules? On whom?**

An issuers' directors and promoters shall be subject to civil and criminal liability for misrepresentation in a prospectus. There are both civil and criminal liabilities in connection with an IPO, set out below:



- If a prospectus is issued in contravention of the Companies Act 2013, as amended (the Companies Act) specifically, under section 26 of the Companies Act, every person who is knowingly a party to the issue of such prospectus shall be punishable with a fine that shall not be less than 50,000 Indian rupees but which may extend to 300,000 Indian rupees.
- Under section 34 of the Companies Act, if a prospectus includes any statement that is untrue or misleading in the form or context in which it is included, or where the inclusion or omission of any matter in such prospectus is likely to mislead, any person who authorises the issue of such prospectus may be held liable under the Companies Act for fraud, provided that nothing in section 34 would apply to a person if he or she proves that such statement or omission was immaterial, or that he or she had reasonable grounds to believe, and did up to the time of issue of the prospectus believe, that the statement was true or the inclusion or omission was necessary.
- Under section 35 of the Companies Act, the promoters of the company and any person who authorises the issue of such prospectus may be held liable to pay compensation to every person who has subscribed for securities of a company acting on any statement included, or the inclusion or omission of any matter, in the prospectus, which is misleading, and who has sustained any loss or damage as a consequence thereof.
- Under section 36 of the Companies Act, any person who knowingly or recklessly makes any statement, promise or forecast which is false, deceptive or misleading or deliberately conceals any material facts, to induce another person to enter into, or to offer to enter into, any agreement to acquire, or dispose of, or subscribe to, or to underwrite, securities, or any agreement of which the actual or purported purpose is to secure a profit to any of the parties from the yield of securities or by reference to fluctuation in the value of securities, may be held liable under the Companies Act for fraud.

Law stated - 30 April 2025

## TIMETABLE AND COSTS

### Timetable

Describe the timetable of a typical IPO and stock exchange listing in your jurisdiction.

The timetable of an IPO in India depends on both the type and size of the offering. Certain IPOs may require a greater amount of pre-IPO preparation on the part of the issuer, particularly with respect to corporate governance and corporate structure, as well as for preparation of financial statements.

The following table sets out an indicative timeline for a typical mainboard listing in India.

Day 0	Months 3 to 4	Months 5 to 7	Months 7 to 9
Kick - off	Finalisation of draft red herring	Receipt of observations from	

	prospectus and filing with Securities and Exchange Board of India (SEBI)	SEBI and stock exchanges and filing necessary replies and updating the offer document receipt of the observations	Red herring prospectus (RHP) filing
Bidding period and price discovery			
Prospectus filing			
Listing and trading			
Anchor investor roadshows			

Law stated - 30 April 2025

## Costs

### What are the usual costs and fees for conducting an IPO?

The issuer must pay the filing fees to SEBI as provided under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended, which is calculated based on the size of the IPO. Furthermore, the issuer must also pay the listing fees to the stock exchanges, for the purpose of the IPO.

Additionally, there are legal counsel's fees, lead managers' fees, underwriters' fees, statutory auditor or chartered accountant fees, statutory advertisements-related expenses and other third-party expenses, which must be taken into consideration in relation to the IPO. The issuer and the shareholders selling in the IPO must also bear the costs and expenses directly attributable to the IPO on a pro rata basis in accordance with applicable law.

Law stated - 30 April 2025

## CORPORATE GOVERNANCE

### Typical requirements

#### What corporate governance requirements are typical or required of issuers conducting an IPO and obtaining a stock exchange listing in your jurisdiction?

The issuers are required to comply with the provisions related to corporate governance, as provided under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended (the SEBI Listing Regulations) and

the Companies Act, 2013 (the Companies Act) and the rules made thereunder, each as amended. While the SEBI Listing Regulations will become effective only upon listing of the issuer, the stock exchanges, for the purposes of granting their in-principle approvals, require issuers proposing to list to comply with requirements relating to corporate governance prior to the filing of the draft red herring prospectus with the Securities Exchange Board of India (SEBI) and the relevant stock exchanges.

The board should comprise at least six directors and a maximum of 15 directors. The Companies Act and the SEBI Listing Regulations also provide the number of independent directors required on the board of issuer. The SEBI Listing Regulations and the Companies Act mandate every listed issuer to have at least one woman director on its board of directors. Furthermore, the board of directors of the top 1,000 listed issuers are required to have at least one independent woman director. Post-listing, the continuation of a director serving on the board of directors of a listed entity shall be subject to approval by the shareholders in a general meeting at least once every five years from the date of their appointment or reappointment.

Issuers are required to constitute various board-level committees such as the following, with prescribed representation:

- an audit committee;
- a nomination and remuneration committee;
- a stakeholders' relationship committee;
- a risk management committee (if the issuer is among the top 1,000 listed entities determined on the basis of market capitalisation); and
- a corporate social responsibility committee.

The SEBI Listing Regulations also prescribe certain corporate governance-related requirements in relation to an Indian subsidiary (including a material subsidiary) of a listed company. For example, at least one independent director on the board of the issuer should also be a director on the board of its unlisted material subsidiary (whether incorporated in India or not) and a material subsidiary for this purpose is a subsidiary whose turnover or net worth exceeds 20 per cent of the issuer's consolidated turnover or net worth, respectively, in the immediately preceding accounting year.

**Law stated - 30 April 2025**

## **New issuers**

### **Are there special allowances for certain types of new issuers?**

While regulations permit larger companies with a minimum paid-up capital of 100 million Indian rupees to list their equity shares on the recognised stock exchanges, often know as main board IPOs, SEBI also provides an avenue for small and medium enterprises (SMEs) to offer their shares to the public and avail capital for their businesses. The listing requirements for IPOs under the SME route are slightly relaxed as compared with the requirements for a main board IPO, given the SME IPOs route is availed by small and emerging companies, with an intent to encourage such companies to enhance visibility and brand image, and avail capital for their growth and operations.

For instance, there is no minimum post-issue paid-up capital requirement for an SME proposing to undertake an IPO through the SME IPO route and companies with post-issue paid-up capital of up to 250 million Indian rupees are eligible to undertake their IPO under this route. Conversely, issuers proposing to undertake IPO under the main board route, are required to have a minimum post-issue paid-up capital of 100 million Indian rupees. Furthermore, as part of listing eligibility requirements, while main board IPOs require issuers to have net tangible assets of at least 30 million Indian rupees in each of the preceding three full years (of which not more than 50 per cent are held in monetary assets), the corresponding requirement for an SME IPO is restricted to only one year. There is no restriction limiting the monetary assets at 50 per cent of the net tangible assets under SME IPO related regulations. It is also to be noted that there is no requirement to submit the draft offer document to SEBI for its review and issuers are required to directly file the offer document with SEBI, which is in contrast to the requirement for a main board IPO wherein SEBI reviews and issues observations on the draft offer document.

**Law stated - 30 April 2025**

### **Anti-takeover devices**

**What types of anti-takeover devices are typically implemented by IPO issuers in your jurisdiction? Are there generally applicable rules relevant to takeovers that are relevant?**

Acquisition of shares or voting rights of listed target companies are regulated by SEBI under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 2011, as amended (the Takeover Code). In terms of the Takeover Code, any acquisition of shares or voting rights, which taken together with shares or voting rights held by the acquirer along with persons acting in concert, entitle them to exercise 25 per cent or more of the voting rights in such target company, shall not be permitted unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company. In addition, any acquirer who, along with persons acting in concert, holds 25 per cent or more of the voting rights in a target company (but less than the maximum permissible non-public shareholding), shall be obliged to make a public announcement of an open offer prior to acquire more than 5 per cent of the voting rights in the target company within any given financial year. The Takeover Code also stipulates that acquisition of shares by an individual exceeding the thresholds set out above shall also result in the obligation to make an open offer irrespective of whether or not there is a change in the aggregate shareholding with the persons acting in concert. These provisions are in-built into the regulations and play a critical role in preventing hostile takeovers.

Separately, should a person be identified as a promoter, and such promoter holds more than 10 per cent of the voting rights in the listed company, the provisions of the SEBI Listing Regulations shall bar such person from being re-classified as a non-promoter. A perception of continuity of control would be expected to disincentivise a potential acquirer from acquiring the target company given the existing promoter would continue to be a promoter of the listed company even after the acquisition has been concluded.

Furthermore, under the provisions of the Companies Act, unless the articles of association of a company provide for the retirement of all directors at every annual general meeting, not less

than two-thirds of the total number of directors of a public company shall be persons whose period of office is liable to determination by retirement of directors by rotation. However, independent directors are excluded from this requirement and as such, are required to be appointed for a specific term, as set out in the Companies Act. The appointment and in the given context, importantly, the removal of independent directors is subject to special resolution with 75 per cent shareholder approval. Should the 75 per cent threshold not be met, the resolution to remove such independent director would only be approved where a simple majority of shareholders vote in favour of such resolution, and the votes cast by the public shareholders in favour of the resolution exceed the votes cast against such resolution. Potential acquirers would also need to consider these requirements in relation to removal of independent directors prior to contemplating a takeover.

Law stated - 30 April 2025

## FOREIGN ISSUERS

### Special requirements

**What are the main considerations for foreign issuers looking to list in your jurisdiction? Are there special requirements for foreign issuer IPOs?**

A foreign issuer is not permitted to list its equity shares on the Indian recognised stock exchanges. However, should a foreign incorporated company wish to raise funds from the Indian securities market, it shall be able to do so through issuance of Indian depository receipts (IDRs), which are financial instruments in the form of depository receipts created by Indian depository, issued against the underlying equity shares of the issuing company. The foreign issuer is required to deposit its equity shares with a custodian bank outside India, against which the Indian depository issues receipts to Indian investors. While the equity shares of such foreign issuers are not permitted to be listed on the stock exchanges, IDRs, which are denominated in Indian rupees, can be listed and traded on the Indian stock exchanges similar to equity shares of Indian issuers, subject to compliance with the applicable eligibility and other procedural requirements set out under the Companies Act 2013 (the Companies Act), and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended (SEBI ICDR Regulations).

While relatively recent, the International Financial Services Centre Authority (IFSCA) at the Gujarat International Finance Tec-City, notified the regulatory framework through the International Financial Services Centres Authority (Listing) Regulations 2024 (IFSCA Listing Regulations), permitting foreign issuers to undertake initial public offer of their securities on the recognised international stock exchanges in the International Financial Services Centres in India, namely India International Exchange (IFSC) Limited and NSE IFSC Limited which are subsidiaries of BSE Limited and the National Stock Exchange of India Limited, respectively. The securities and other permitted financial products listed on these exchanges shall be denominated in a specified foreign currency, as set out in the IFSCA Listing Regulations. To be eligible to undertake a public offer in terms of these regulations, an issuer must have recorded an operating revenue of at least US\$20 million in the previous financial year or averaged such amount over the previous three financial years, a pre-tax profit of at least US\$1 million or averaged such amount over the previous three financial years, and a minimum post-issue market capitalisation of US\$25 million.

In addition to the above, a foreign company could also consider incorporating a company in India and taking such Indian subsidiary public in accordance with the applicable provisions of the Companies Act and the SEBI ICDR Regulations.

Law stated - 30 April 2025

### **Selling foreign issues to domestic investors**

**Where a foreign issuer is conducting an IPO outside your jurisdiction but not conducting a public offering within your jurisdiction, are there exemptions available to permit sales to investors within your jurisdiction?**

In terms of the provisions of the Companies Act and applicable rules thereunder, any company including a foreign issuer company shall be permitted to offer its shares under a private placement to a maximum of 200 persons (excluding qualified institutional investors to whom the securities may be marketed as part of the IPO), in a given financial year, without being required to comply with the public offering requirements. Should such shares be offered to more than 200 persons, the public offering requirements would get triggered and the issuer company would be obligated to issue a prospectus and comply with the public offer requirements under the Companies Act and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended. It is to be noted that the issuer would, however, be required to comply with the regulatory requirements set out under the Companies Act in order to be able to undertake such private placement of its shares including issuing a private placement offer cum application letter, allotting securities within the stipulated timelines and filing the return of allotment, among others. Investment by Indian residents in securities of the foreign issuers shall, however, be subject to applicable overseas investment rules and regulations specified by the Reserve Bank of India, from time to time.

Law stated - 30 April 2025

## **TAX**

### **Tax issues**

**Are there any unique tax issues that are relevant to IPOs in your jurisdiction?**

Under current Indian tax laws, unless specifically exempted, capital gains arising from the sale of equity shares held as investments in an Indian company are generally taxable in India. A securities transaction tax (STT) is levied both at the time of transfer and acquisition of the equity shares (unless exempted under a prescribed notification), and the STT is collected by an Indian stock exchange on which the equity shares are sold. Any capital gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months immediately preceding the date of transfer will be subject to long-term capital gains in India at the specified rates depending on certain factors, such as STT paid, whether the sale is undertaken on or off the stock exchanges, the quantum of gains and any available treaty relief.

In terms of the Finance Act 2024, taxes payable by an assessee on the capital gains arising from transfer of long-term capital assets shall be calculated on such long-term capital gains at the rate of 12.50 per cent, where the long-term capital gains exceed 125,000 Indian rupees, subject to certain exceptions in case of resident individuals and Hindu Undivided Families. With respect to capital gains arising in an off-market sale, long-term capital gains are subject to tax at the rate of 10 per cent (plus applicable surcharge and cess) without the exemption of 125,000 Indian rupees. Furthermore, any capital gains realised on the sale of listed equity shares held for a period of 12 months or less immediately preceding the date of transfer will be subject to short-term capital gains tax in India. Short-term capital gains, arising from the sale of such equity shares on a stock exchange would be subject to tax at the rate of 20% (plus applicable surcharge and cess) for transfers taking place after 23 July 2024.

**Law stated - 30 April 2025**

## INVESTOR CLAIMS

### Forums

**In which forums can IPO investors seek redress? Is non-judicial resolution of complaints a possibility?**

The SEBI Complaint Redressal System (SCORES) is an online grievance redressal facilitation platform provided by the Securities and Exchange Board of India (SEBI) and an issuer must register on the SCORES platform. An investor may file a complaint on the SCORES platform against an issuer. Furthermore, an investor may also file a complaint directly with SEBI and if not satisfied, may file an appeal in the Securities Appellate Tribunal against a SEBI order.

Additionally, an investor can seek redress by filing a suit against an issuer or merchant bankers or another party with a court of competent jurisdiction in India.

**Law stated - 30 April 2025**

### Class actions

**Are class actions possible in IPO-related claims?**

The Companies Act 2013, as amended (the Companies Act) and the applicable rules thereunder include provisions for class action suits to be filed before the national company law tribunal (NCLT). However, this has rarely been tested in India and there are no precedents specifically for shareholder class action suits under Indian companies law to date in relation to IPO-related claims. To date, there have been only two class action suits alleging gross financial oppression and mismanagement, and fraudulent conduct – one in relation to undervalued sale of financial instruments, and the other in relation to undervaluation of the company leading to a benefit to the parent company as opposed to the shareholders. Public shareholder actions against listed companies in India have typically been driven by proxy advisory firms, that issue public reports and or seek SEBI intervention against alleged malpractice by issuers, or their promoters or directors and management.

The following criteria are set out under the Companies Act and rules thereunder:

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Not less than 100 shareholders or 10 per cent of the total number of shareholders, whichever is lesser, or shareholders holding 10 per cent of share capital of the company, may complain to the NCLT seeking relief if the affairs of the company are conducted in a manner prejudicial to public interest or in a manner prejudicial or oppressive to or any member or to the interests of the company. The NCLT may waive the strength requirement for such application as well and pass orders against the company and its directors in such matters.

- Not less than 100 shareholders or 5 per cent of the total number of shareholders, whichever is lesser, or shareholders holding 5 per cent of share capital of the company, may file an application with the NCLT to initiate class action against the company, and its directors or officers, which would be subject to additional compliance requirements such as public notice.

**Law stated - 30 April 2025**

### **Claims, defendants and remedies**

#### **What are the causes of action? Whom can investors sue? And what remedies may investors seek?**

The main cause of action in case of an IPO is misstatements in prospectus, which, under the Companies Act, could lead to civil and criminal liabilities. The promoters may be held liable for breaches on disclosures of information committed by issuer such as misstatement in prospectus, furnishing of false or incorrect information, or for failure to disclose material facts that are necessary to be disclosed in the prospectus.

Where a prospectus is issued containing untrue or misleading statements, or omissions likely to mislead, any person who authorises the issue of such prospectus shall be liable for punishment for fraud. However, a person can be exempt from liability if they can prove that the statement or omission was immaterial or that they had reasonable grounds to believe, and did believe, that the statement was true up to the time of issue of the prospectus. Furthermore, the Companies Act also imposes civil liability in cases where a person, relying on misleading information included in the prospectus, makes an investment in the issuer company and sustains losses. In such a case, the issuer company and certain individuals associated with it, including directors, promoters, and experts, are liable to compensate the investor.

The remedies that investors may seek can be:

- payment of compensation for any loss or damage suffered by an investor as a consequence of misstatement in the prospectus; and
- liability for fraud (including imprisonment and fine), unless it is proved that such statement or omission was immaterial or that there were reasonable grounds to believe and the persons authorising the issue of the prospectus did up to the time of issue of the prospectus believe, that the statement was true, or the inclusion or omission was necessary.

In addition, SEBI has catch-all powers to initiate criminal action and or issue directions (including restraining any persons from accessing the Indian securities market or dealing



in Indian securities for a specified period) it deems appropriate for a contravention of any of the provisions of any SEBI rules and regulations.

**Law stated - 30 April 2025**

## UPDATE AND TRENDS

### Key developments

Are there any other current developments or emerging trends that should be noted?

Below are key developments or emerging trends in the Indian IPO market:

- The Securities and Exchange Board of India has introduced confidential filing of draft offer document in November 2022 by way of amendments to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended. Under confidential filing, an issuer must file the pre-filed draft offer document with the stock exchanges and the Securities and Exchange Board of India, and while the pre-filed draft offer document is under review, an issuer is allowed to interact with the qualified institutional buyers for limited marketing of the IPO.
- Any special rights, such as nomination rights which are typically available to investors under a shareholders' agreement, cannot continue post-listing after IPO.
- Recently, there has been strict regulatory scrutiny for (a) the usage of proceeds in the IPO and related disclosures, and (b) the identification of promoters of an issuer (more specifically for issuers where the parent entity is an overseas entity).

**Law stated - 30 April 2025**