

Sebi proposes confidential 'pre-filing' of IPO papers



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alleviating the concerns around privacy.

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EASE OF GOING PUBLIC

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	Date of filing DRHP	Sebi approval	IPO opening
Paytm	7/15/2021	10/22/2021	11/8/2021
Zomato	4/28/2021	7/2/2021	7/14/2021
Oyo	9/30/2021		
Delhivery	11/2/2021		5/11/2022
Aadhar Housing	1/24/2021		
Gland Pharma	7/10/2020	10/19/2020	11/9/2020
Pharমেasy	11/10/2021		
Star Health	7/22/2021	10/13/2021	11/30/2021
PolicyBazaar	8/2/2021	10/18/2021	11/1/2021
Sona BLW	2/23/2021	5/6/2021	6/14/2021
Nykaa	8/2/2021	10/11/2021	10/28/2021

Source: Prime Database

Markets regulator seeking comments from public on its new proposal by June 6

SAMIE MODAK
Mumbai, 11 May

The Securities and Exchange Board of India (Sebi) has pondered the introduction of confidential initial public offering (IPO) filings and 'pre-filing' of offer documents — a move aimed at giving issuers the flexibility and alleviating the concerns around privacy. Industry players said the concepts, if implemented, would give a fillip to the domestic capital markets, ease the process, and encourage more companies to go public.

The proposals, however, are still at discussion stage, with Sebi floating a consultation paper seeking public response. In the paper,

Sebi has sought views on the introduction of an alternative mechanism for regulatory review of offer documents by permitting pre-filing of offer documents for issuers contemplating an IPO. Also, the regulator has sought feedback on allowing the pre-filing of offer documents with only Sebi and the stock exchanges "without making it available to the public for initial scrutiny". This will be similar to the concept of confidential IPO filings.

Global jurisdictions in the US, the UK, and Canada allow the pre-filing and confidential filing of IPO documents with their respective regulators. In recent years, companies like Airbnb, Slack, and Uber have reportedly taken the confidential filing route. The regulator has underscored some of the concerns faced by companies wanting to go public under the current structure. At present, an issuer has to file a draft red herring prospectus (DRHP) with Sebi. The DRHP is required to have detailed disclosures about the company's business,

financials, and competitive landscape. All DRHPs filed with Sebi are available in public domain. Typically, Sebi takes more than 30 days to approve or give its final comments on the DRHP. The company is then required to file its red herring prospectus before launching its IPO. The timing of the IPO also depends on market conditions.

Currently, the time gap between filing an offer document with Sebi and launching the IPO is months in many cases. Often companies decide to drop their listing plans after filing the offer documents. Moreover, as the offer document has to make extensive disclosures, there are concerns raised around sharing sensitive information in the DRHP, which could benefit competitors without the certainty that the IPO would see the light of day. "Pre-filing process would address the sensitivities and concerns of issuers due to the long wait between filing and the actual offer launch. This would encourage many issuers to test the waters and evaluate

the option for an IPO at an early stage, thereby providing better opportunities to investors," said Moin Ladha, partner, Khaitan & Co. Under the proposed changes, companies will only have to make a public announcement stating they have done a pre-filing of the offer documents with Sebi and the exchanges. The regulator has said it would provide its observations on the pre-filed document in a month's time. Later, if the issuer decides to go public, it would have to update the document with observations provided by Sebi and other latest information before releasing it to the public.

"The tentative framework proposed, albeit extensive, does appear to be more conducive to both the issuer, as well as investors. The changes proposed by Sebi will, to some extent, assuage the concerns with respect to the disclosure of sensitive information in the DRHP. The overall success of this framework will depend on how the process and the timelines are integrated," said Gaurav Mistry, partner, DSK Legal.