



INTRICO Insight: SEBI's Enhanced Framework for Returning and Resubmitting Draft Offer Documents: A Detailed Analysis

The Securities and Exchange Board of India (SEBI) has introduced significant reforms to its process for handling draft offer documents, aiming to create a more efficient, transparent, and investor-centric capital market. These changes, focusing on the return and resubmission of draft offer documents, represent a paradigm shift in how public issues are evaluated and approved.



1. Transition from Prolonged Review to Structured Return and Resubmission:

- **Problem Addressed:** Previously, if SEBI identified deficiencies in a draft offer document, it often led to protracted review periods, causing significant delays and uncertainty for issuers.
- **New Approach:** SEBI has moved towards a definitive return of non-compliant documents, accompanied by detailed feedback on the identified deficiencies. This allows issuers to precisely address the issues and resubmit their applications within a defined timeframe.
- **Benefits:**
 - ✓ **Reduced Ambiguity:** Clear communication of deficiencies eliminates guesswork and allows for targeted rectification.
 - ✓ **Faster Turnaround:** The structured process minimizes unnecessary delays, enabling quicker market access for compliant issuers.
 - ✓ **Predictability:** Issuers gain a clearer understanding of the approval timeline, facilitating better planning.

2. Amplified Emphasis on Regulatory Compliance:

- **Zero Tolerance for Non-Compliance:** SEBI has adopted a stricter stance against incomplete or non-compliant draft offer documents. Any deviation from regulatory requirements will result in immediate rejection.
- **Detailed Disclosure Requirements:** The new guidelines reinforce the importance of accurate and comprehensive disclosures, covering financial, operational, and risk-related aspects.
- **Due Diligence:** Issuers are now required to conduct thorough due diligence before submission, ensuring that all information is verified and substantiated.
- **Consequences:**
 - ✓ Increased scrutiny of disclosures.
 - ✓ Higher likelihood of rejection for deficient documents.
 - ✓ Enhanced quality of public offerings.

3. Fortified Investor Protection Mechanisms:

- **Transparency and Clarity:** SEBI's focus on clear and unambiguous disclosures empowers investors to make informed decisions.
- **Risk Disclosure:** Issuers are mandated to provide comprehensive risk





disclosures, highlighting potential challenges and uncertainties.

- **Financial Integrity:** Strict adherence to accounting standards and financial reporting norms ensures the reliability of financial information.
- **Impact:**
 - ✓ Increased investor confidence.
 - ✓ Reduced information asymmetry.
 - ✓ Greater market stability.

4. Streamlined Market Entry and Enhanced Efficiency:

- **Expedited Approval Process:** The structured resubmission process significantly reduces approval timelines, facilitating faster market entry for eligible companies.
- **Reduced Administrative Burden:** Clear guidelines and defined procedures minimize administrative complexities and bottlenecks.
- **Capital Market Accessibility:** The streamlined process enhances accessibility to capital markets, supporting business growth and expansion.
- **Economic Impact:**
 - ✓ Increased capital formation.
 - ✓ Stimulated economic activity.
 - ✓ Enhanced market competitiveness.
 - ✓



5. Detailed Implications for Issuers and Market Participants:

- **Heightened Issuer Responsibility:** Issuers must invest in robust compliance frameworks and due diligence processes.
- **Enhanced Role of Intermediaries:** Investment banks, legal advisors, and auditors play a crucial role in ensuring compliance and facilitating the approval process.
- **Increased Scrutiny by SEBI:** SEBI's enhanced monitoring and enforcement mechanisms will ensure adherence to regulatory norms.
- **Impact on Market Dynamics:** The new guidelines will likely lead to a higher quality of public offerings and increased investor confidence.

6. Actionable Strategies for Issuers:

- **Pre-Filing Due Diligence:** Conduct a comprehensive review of all disclosures and compliance requirements before submitting the draft offer document.
- **Engage Experienced Professionals:** Partner with reputable legal, financial, and regulatory experts to navigate the complex approval process.
- **Develop a Robust Compliance Framework:** Implement internal controls and procedures to ensure ongoing compliance with SEBI regulations.
- **Maintain Transparent Communication:** Establish clear lines of communication with SEBI and address any queries or concerns promptly.
- **Continuous Monitoring of Regulatory Updates:** Stay abreast of SEBI's evolving regulations and guidelines to ensure ongoing compliance.
- **Detailed Documentation:** Maintain accurate and complete records of all





information and documentation related to the public offering.



7. Specific Examples of areas of increased scrutiny, An Intrico special remark:

- **Related Party Transactions:** Deeper dives into the fairness and transparency of these transactions.
- **Use of Proceeds:** Very specific detailing of how all raised funds will be used.
- **Risk Factors:** More granular and realistic risk factor disclosures.

- **Financial Projections:** Justification and support of all financial projections.
- **Corporate Governance:** Proof of strong corporate governance practices.

Conclusion:

SEBI's updated guidelines for returning and resubmitting draft offer documents represent a significant step towards creating a more efficient, transparent, and investor-friendly capital market. By emphasizing compliance, transparency, and investor protection, these reforms will enhance the quality of public offerings and foster greater confidence in the Indian capital market. Issuers must proactively adapt to these changes by strengthening their compliance frameworks and engaging with experienced professionals to ensure a smooth and successful approval process.

