

CAPITAL MARKETS PRACTICE

INITIAL PUBLIC OFFERING (IPO)

Scope of the Capital Markets Practice

We, at Khurana and Khurana, are committed to expertly guiding our clients through the complexities of equity and debt securities offerings. Our team possesses the knowledge and skill to handle intricate transactions for a diverse range of issuers, from well-established corporations to young startup companies embarking on their first public offering.

We provide comprehensive legal support to a broad spectrum of market participants, including corporate entities, financial institutions, and governmental bodies. Our approach is client-centric, focusing on tailored solutions that address the specific needs of each client, whether they are preparing for an IPO, expanding their market presence, or exploring innovative financing strategies to augment their business growth.

Our practice covers a wide array of capital market transactions, including IPOs, Qualified Institutions Placements (QIPs), preferential allotments, rights issues, Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), Alternate Investment Funds (AIFs) and other complex capital raising structures. We pride ourselves on delivering strategic advice and seamless execution that help our clients achieve their capital market objectives.

With extensive knowledge of both Indian and international regulatory frameworks, our team is well-equipped to assist clients in navigating not only domestic transactions but also cross-border offerings and global listings. As we continue to grow our presence in the capital markets landscape, we remain dedicated to fostering long-term partnerships grounded in trust, innovation, and a deep understanding of our clients' business goals.

Initial Public Offering (IPO)

An **Initial Public Offering (IPO)** is the process through which a privately held company offers its shares to the public for the first time, transitioning from a private to a publicly traded entity. This allows the company to raise capital from public investors, who in turn acquire equity ownership in the company. The IPO is a significant milestone, facilitating broader access to funding and enabling investors to participate in the company's future growth.

CATEGORIES OF IPO

Mainboard IPO

SME (Small and Medium Enterprise) IPO

TYPES OF IPO FILING

Fixed Price

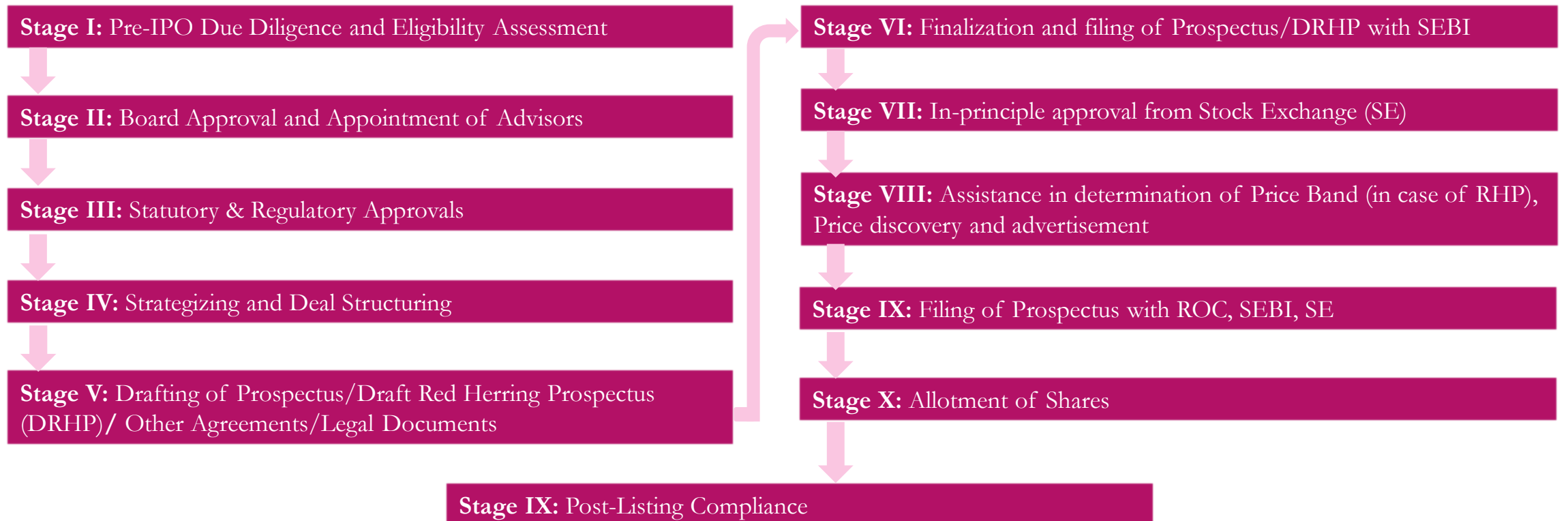
Book Building

LISTING PLATFORMS

For Main Board: NSE & BSE

For SME: NSE Emerge & BSE SME

IPO: Stage-Wise Scope of Services



Stage-I

PRE-IPO DUE DILIGENCE

This stage involves conducting a comprehensive audit to ensure compliance, proper documentation, and IPO readiness. As a full-service law firm, we assist our clients in identifying compliance gaps, advise on corrective actions, help rectify any missed regulatory obligations, and ensure that all legal requirements are met before proceeding for an IPO.

Example: If any tax returns have not been filed by the due date, we guide the company in filing them promptly and advise on the payment of any requisite penalties.

ELIGIBILITY ASSESSMENT

We assist our clients in assessing whether they meet the listing eligibility criteria for conducting an IPO. This assessment depends on the selected stock exchange (NSE or BSE) and the listing platform (Main Board or SME). Eligibility criteria typically focuses on: (i) financial performance (ii) Company's historical track record. Detailed criteria for IPO eligibility are provided by SEBI on their website, and additional information can be found on the websites of the BSE and NSE.

For instance, both BSE and NSE require that post-issue equity exceeds ₹10 crore for a main board listing. For listing on the SME platform of BSE, a net worth of at least ₹1 crore for the last two financial years is required. Additionally, one of the criteria for listing on NSE is that the company must have achieved operating profit in at least two of the last three years.

Stage- II

BOARD APPROVAL & APPOINTMENT OF ADVISORS

Upon confirming eligibility, the next crucial step is to obtain formal approval from the board of directors to proceed with the IPO listing process. Our firm can assist in the following ways:

Advisory Role

- **Guidance on Governance:** We provide expert advice on the necessary governance procedures to ensure compliance with corporate laws and best Practices.
- **Documentation Advice:** We offer insights on the specific documents and resolutions required for the board meeting, ensuring all legal requirements are met.

Active Support Role:

- **Reviewing/Drafting Board Resolutions:** We undertake reviewing/drafting of the necessary board resolutions and meeting minutes to help the company formalize the approval process, ensuring compliance and clarity.
- **Assist with Decision-Making during Board Meetings:** We guide company through the legal aspects of the discussion and decision-making process.
- **Identifying/Recommending Advisors:** We assist in identifying and recommending qualified advisors, such as investment bankers and auditors, helping the company evaluate their credentials and suitability for the IPO process.
- **Negotiation Assistance:** We assist the company with negotiations on engagement letters and terms with selected advisors, ensuring that the company's interests are well Protected.

Our firm is committed to providing comprehensive support throughout the board approval process, ensuring that all necessary steps are taken to facilitate a successful IPO listing.

Stage- III

STATUTORY & REGULATORY APPROVALS

We provide comprehensive support throughout the regulatory approval process, guiding the company through the substantial list of approvals required at each stage of the transaction. We oversee and facilitate with the regulatory filings that are essential for both the company and the book-running lead managers (BRLMs).

Our Services Include:

- **Advising on Financial Compliance:** We work closely with the company's accounting team to ensure that financial statements are prepared in compliance with ICDR regulations, providing guidance on necessary disclosures and regulatory requirements.
- **Refining Business Model and Prospectus Plan:** We assist in reviewing and refining the business model and prospectus plan to ensure they align with regulatory expectations and effectively communicate the company's value proposition to potential investors.
- **Regulatory Clearance:** We provide liaising to obtain regulatory clearance for the IPO from SEBI, ROC, and the stock exchanges, ensuring that all required documentation is submitted accurately and on time.

Stage- IV

STRATEGIZING AND DEAL STRUCTURING

Numerous critical strategic decisions must be made as part of the IPO process. Our firm provides essential support by offering the following services:

1. Advisory Role

- **Listing Venue and Exchange Selection:** We analyze and advise on the most suitable stock exchange (e.g., NSE or BSE) and listing platform (main board or SME) based on your company's profile, market conditions, and investor expectations.
- **Terms and Conditions Determination:** We assist in drafting and negotiating key terms and conditions for the IPO, including pricing strategies, lock-up periods for existing shareholders, and rights of new investors.
- **Exit Strategies for Strategic Investors:** We provide legal guidance on structuring exit options for strategic investors, ensuring that their interests are protected while aligning with your company's long-term goals.

2. Execution Support

- **Identifying Initial Backers:** We leverage our industry connections to help identify potential investors or backers who can provide initial support and confidence in the IPO, including institutional investors and venture capital firms.
- **Structuring the Deal:** We assist in developing the overall deal structure, including the allocation of shares, pricing mechanisms, and timing of the offering, ensuring it is optimized for market reception.
- **Risk Assessment and Strategy Development:** Our team of attorneys conduct thorough risk assessments to identify potential hurdles, including regulatory challenges and market conditions. We develop tailored strategies to mitigate these risks and enhance the likelihood of a successful IPO launch.

Stage- V

DRAFTING OF OFFER DOCUMENT/ PROSPECTUS/RED HERRING PROSPECTUS/ OTHER AGREEMENTS OR LEGAL DOCUMENTS

The preparation of the offer document is crucial for regulatory approval and serves an essential source of information for potential investors. Depending on the type of IPO—whether it is a fixed price issue or a book building issue—our firm offers following tailored services to meet the specific requirements of each.

1. For Fixed Price Issue IPOs

- **Drafting the Prospectus:** We draft a comprehensive prospectus that includes all relevant details, such as the company's financial statements, business overview, risk factors, and use of proceeds. This document must meet the specific regulatory requirements outlined by SEBI for fixed price offerings.
- **Review and Compliance Checks:** We conduct thorough reviews to ensure that the prospectus adheres to all legal standards, minimizing risks associated with disclosures.
- **Coordination with Financial Advisors:** Our team works closely with your financial advisors to ensure that the financial data is presented accurately and clearly.

2. For Book Building Issue IPOs:

- **Drafting the Draft Red Herring Prospectus (DRHP):** We prepare the DRHP, which serves as a preliminary document providing information about the company and the offering. This document is critical for potential investors during the bidding process.
- **Regulatory Filings:** We manage the filing of the DRHP with SEBI and ensure compliance with all requirements throughout the book building process.
- **Investor Communication Strategy:** We assist in formulating a strategy for communicating the DRHP to potential investors, ensuring clarity and transparency to foster interest.
- **Supporting Documentation:** We assist in drafting other essential agreements and documents that may be required during the IPO process, including: Underwriting Agreements, Escrow Agreements, Lock-up Agreements, etc.

Stage- VI

FINALIZATION AND FILING OF PROSPECTUS/DRHP WITH SEBI

Our firm plays a pivotal role in the finalization and filing of the prospectus or Draft Red Herring Prospectus (DRHP) with SEBI.

- We meticulously review and refine the offer document before filing to ensure it includes all necessary details, such as financial disclosures, risk factors, and business strategies, in compliance with SEBI's guidelines and industry best practices.
- Our legal experts provide strategic guidance to address any regulatory requirements or modifications suggested by SEBI, ensuring that the document is robust, accurate, and ready for submission.
- We manage the entire filing process, ensuring that all documentation is complete and submitted on time, minimizing delays in regulatory approvals.

Stage- VII

IN-PRINCIPLE APPROVAL FROM STOCK EXCHANGE (SE)

Once the prospectus or DRHP is submitted to SEBI:

- We proceed to secure in-principle approval from the chosen stock exchange (e.g., NSE or BSE) on the IPO application.
- Our team liaises closely with the stock exchange authorities, guiding the company through the application process and ensuring all required criteria are met.
- We provide advisory support on satisfying the listing requirements and assist in addressing any questions or concerns raised by the exchange to facilitate a smooth approval process.

Our goal is to streamline the path to in-principle approval, paving the way for the subsequent steps in the IPO journey.

Stage- VIII

PRICE DISCOVERY

During the price discovery phase, our firm plays a crucial role in ensuring compliance with pricing regulations and fairness to investors. We offer the following services:

- **Advisory on Pricing Methods:** We guide the issuer company in choosing between the fixed price and book-building methods for setting the IPO price, explaining the implications of each approach.
- **Regulatory Compliance and Documentation Review:** Our team ensures that all pricing regulations established by SEBI are meticulously followed throughout the process, minimizing the risk of non-compliance. We review all documentation, including pricing agreements and disclosures, to ensure accuracy and adherence to regulatory Standards.
- **Investor Communication Strategy:** We assist in developing a clear communication strategy that explains the pricing methodology and price band to potential investors, fostering transparency and confidence in the offering.

ISSUE OF ADVERTISEMENT

Following the filing of the red herring prospectus (for a book-built issue) or the prospectus (for a fixed price issue) with the Registrar of Companies (ROC), our firm assists in the advertisement process:

- **Advertisement Strategy Development:** We guide the company on formulating an advertising strategy that ensures compliance with regulatory requirements while maximizing outreach.
- **Drafting/Reviewing Advertisements:** Our team drafts/reviews the required advertisements, ensuring they include all necessary information, including the pricing methodology and price band, and comply with SEBI Regulations.
- **Publication Coordination:** We assist in coordinating the publication of advertisements in: (i) an English national daily with wide circulation, (ii) a Hindi national newspaper with wide circulation, (iii) a regional language newspaper with wide circulation in the location of the company's registered office.

Stage- IX

FILING OF PROSPECTUS WITH ROC, SEBI, SE

Following the completion of the price discovery process, our firm takes a leading role in filing the finalized prospectus with the Registrar of Companies (ROC), SEBI, and the relevant stock exchange (SE). We ensure that the prospectus reflects the determined pricing details and all other essential information, fully complying with regulatory standards.

- Our team meticulously coordinates the submission process, verifying that the document meets the guidelines of each regulatory body and incorporates the outcomes of the price discovery phase.
- We actively liaise with the authorities to address any additional requirements or clarifications they may need, ensuring a smooth and efficient filing.

Our goal is to facilitate a seamless transition from price discovery to regulatory approval, setting the stage for a successful IPO launch.

Stage- X

ALLOTMENT OF SHARES

Our Services During the Share Allotment Stage include:

1. Ensuring Regulatory Compliance

- We ensure that the share allotment process fully adheres to SEBI guidelines, stock exchange rules, and the Companies Act, 2013.
- Our team reviews and provides legal oversight to guarantee that the documentation and distribution of shares meet regulatory standards.

2. Advising on Allocation Strategy

- We guide the company on the most effective allocation strategy for different investor categories, including institutional, retail, and high-net-worth investors.
- Our team acts as a liaison with the Book-Running Lead Managers (BRLMs) to ensure that the allocation strategy is executed in line with regulatory requirements.

3. Drafting and Reviewing Allotment Documents

- We assist in drafting and reviewing allotment letters and related agreements, such as underwriting and escrow arrangements, ensuring accuracy and legal compliance.

4. Managing Investor Queries and Dispute Resolution

- We handle investor communications, addressing any queries or grievances related to the share allotment process.
- Our firm provides prompt legal assistance in resolving any disputes or discrepancies regarding share allotments.

5. Post-Allotment Compliance and Reporting

- We facilitate all necessary regulatory filings with SEBI, stock exchanges, and the Registrar of Companies (ROC), ensuring timely and accurate disclosures.
- Our team oversees the publication of mandatory post-issue advertisements detailing subscription levels, share allotments, and any applicable refunds.

6. Oversight on Refund Process

- We ensure that the refund process for non-allotted shares is conducted smoothly, in full compliance with SEBI's guidelines.

Stage- IX

POST-LISTING COMPLIANCE

Following a successful IPO, our firm continues to supporting the issuer company with post-listing compliance obligations to ensure continued adherence to regulatory standards and maintain investor confidence. We offer the following services:

- **Regulatory Filings and Disclosures:** We assist in preparing, reviewing, and filing mandatory post-issue advertisements that detail subscription levels and the manner of share allotment, ensuring compliance with SEBI guidelines.
- **Financial Reporting Compliance:** Our team provides guidance on the preparation of ongoing financial statements and reports required by regulatory authorities, ensuring transparency and adherence to market regulations.
- **Corporate Governance Support:** We help establish robust corporate governance frameworks that align with the regulatory standards for publicly listed companies, advising on board composition, roles, and responsibilities.
- **Drafting and Implementation of Policies:** We assist in drafting essential policies, such as the Code of Conduct, Insider Trading Policy, Whistleblower Policy, and Document Retention & Archival Policy, ensuring these are in place and in line with SEBI regulations.
- **Continuous Regulatory Monitoring:** Our team continuously monitors changes in regulatory requirements and advises on necessary adjustments to ensure that your company remains compliant with all post-listing obligations.
- **Investor Relations and Communication:** We provide legal support for ongoing communication strategies to keep investors informed about corporate developments, promoting transparency and safeguarding your company's market reputation.

NSE Listing Fees- Main Board

The listing fee applicable from April 01, 2022 is as follows:

A. Listing Fee Structure based on Paid Up Capital

	AMOUNT (Rs)
Initial Listing Fees	50,000
Annual Listing Fees (on equity share, bond and/or debenture capital)	
Upto Rs 100 crore paid up capital	3,00,000
Above Rs 100 crore and Upto Rs 200 crore paid up capital	3,80,000
Above Rs 200 crore and Upto Rs 300 crore paid up capital	4,90,000
Above Rs 300 crore and Upto Rs 400 crore paid up capital	5,95,000
Above Rs 400 crore and Upto Rs 500 crore paid up capital	7,30,000

- Companies which have a paid up capital, bond and/or debenture and/or debt capital, etc. of more than ₹500 crore will pay minimum fees of ₹7,35,000/- and an additional listing fees of ₹4,800/- for every increase of ₹5 crore or part thereof in the paid up share, bond and/debenture and/or debt capital, etc.
- Companies which have a paid up share, bond and /or debenture and/or debt capital etc. of more than ₹1,000 crore will pay minimum fees of ₹ 12,20,000/- and an additional listing fees of ₹5,125/- for every increase of ₹5 crore or part thereof in the paid up share, bond and/debenture and/or debt capital, etc.

B. Fee structure based on Market Capitalisation

- Incremental Fee shall be levied for listed companies with market capitalization above ₹2500 crores as follows - ₹5000 per ₹1000 Crores.
- The incremental fee due to market capitalization is capped at ₹20 lakhs (excluding the component towards paid up capital).
- For the purpose of this computation, Market Capitalization shall be deduced as follows:
 - (i) Monthly average market capitalization = Average of Highest market capitalization during the month and Lowest market capitalization during the month
 - (ii) Average of the above for the twelve months period preceding the invoicing date i.e. from April 1, XXXX to March 31, XXXX.

Note: Excluding statutory taxes

NSE Listing Fees- SME (EMERGE)

The listing fee applicable from November 1, 2023, is as follows:

Listing Fees Structure	AMOUNT (Rs)
Processing Fees	25,000
Initial Listing Fees (Applicable at the time of Final Listing Application)	50,000 Or 0.01% of Issue Size (Whichever is Maximum)
Annual Listing Fees	
Annual Listing Fees (Applicable from subsequent financial year post listing)	0.02% of the full market capitalization as on March 31

Note: Excluding statutory taxes

BSE Listing Fees- Main Board

The schedule of Annual Listing Fees from FY 2024-25 is given below:

A. Listing Fee Structure based on Paid Up Capital:

Note: Plus Applicable Taxes

Initial Listing Fee	Rs. 20,000	
Particulars of Listed Capital (Rs.)	Amount (Rs.)	Amount (Rs.)
	Exclusively Listed Companies	Commonly Listed Companies (i.e., Companies Listed on Stock Exchange(s) having nationwide presence)
Upto 100 crore paid up capital	3,25,000	2,85,000
Above 100 crore and upto 200 crore paid up capital	3,60,000	
Above 200 crore and upto 300 crore paid up capital	4,65,000	
Above 300 crore and upto 400 crore paid up capital	5,65,000	
Above 400 crore and upto 500 crore paid up capital	6,95,000	
Above 500 crore and upto 1000 crore paid up capital	Rs.7,00,000/- and an additional listing fee of Rs. 4,560/- for every increase of Rs. 5 crores or part thereof above 500 crores in the paid up share capital.	
Above 1000 crore paid up capital	Rs.11,60,000/- and an additional listing fee of Rs.4,870/- for every increase of Rs. 5 crores or part thereof above 1,000 crores in the paid up share capital.	

NOTE:

- The capital to be considered for the above schedule includes equity shares, preference shares, Indian Depository Receipts, Fully convertible debentures, partly convertible debentures and any other security convertible into equity shares.
- In case of debenture capital (not convertible into equity shares) listed prior to April 1, 2017, the fees applicable will be 75% of the above fees.
- Fees are applicable for the full year.
- In case of InvITs / REITs capital (Public issue) the fees applicable will be 75% of the above fees, subject to minimum of Rs. 200,000.

B. Annual Listing Fees based on Market Capitalisation

- Incremental fees for listed companies with market capitalization above Rs 2,500 crore as Rs 5,000/- per Rs. 1000 crore.
- The above incremental fee due to market capitalization is capped at Rs. 20 Lakhs (excluding the component towards paid-up capital).
- For the purpose of this computation, market capitalization is calculated as follows:
 - Monthly average market capitalization = Highest market capitalization during the month and lowest market capitalization during the month.
 - Average of the above for the twelve months period preceding the invoicing date.

Note: Excluding statutory taxes

BSE Listing Fees- SME SEGMENT

The Annual Fees is Rs 25,000/- or 0.01% of full market capitalization, whichever is higher. The basis of calculation of Market Capitalization will be the closing price as on 31st March or the last day of trading in the financial year.

Cost Estimation – Mainboard IPO

S.NO.	Activity	As a % of offer size (Approximation)
(1)	BRLMS' fees and commissions (including underwriting commission), Brokerage, selling commission, bidding charges, processing fees and bidding charges for the Members of the Syndicate, Registered Brokers, SCSBs, RTA and CDPSs	2 – 10 %
(2)	Fees payable to the Registrar to the offer	>15 lacs
(3)	Other expenses	
i.	Listing fees, SEBI filing fees, BSE & NSE processing fees, book building software fees	0.1 – 5 %
ii.	Other regulatory expenses	0.01-1 %
iii.	Printing and stationery expenses	0.02 – 0.1 %
iv.	Fees payable to the legal counsels	0.1 – 0.5 %
v.	Advertising and marketing expenses for the offer	0.1 – 2 %
vi.	Fees payable to other parties to the offer including but not limited to the Statutory Auditors, independent chartered accountants, industry report provider and Monitoring Agency	0.3 – 0.5 %
vii.	Miscellaneous	0.02 – 0.1 %
	Total Estimated Offer Expenses	2.6 % - 19.2 %

Note: Excluding statutory taxes

Cost Estimation – SME IPO

S.NO.	Activity	As a % of offer size (Approximation)
(1)	Lead Manager Fees including other intermediaries' fees	2 – 5 %
(2)	Advertising and Marketing Expenses	0.1 – 2 %
(3)	Listing fees, Regulators Including Stock Exchanges	0.5 – 5 %
(4)	Printing and distribution of Issue Stationary and other expenses	0.1 – 1 %
(5)	Fees payable to the legal Counsel, auditors etc.	3 – 5 %
(6)	Miscellaneous	0.5 – 2 %
	Total Estimated Offer Expenses	7.7 % - 20 %

Note: Excluding statutory taxes

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Thank You !



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