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SEBI's new IPO norms: A strategic boost for India's capital markets



The Securities and Exchange Board of India (SEBI) has introduced sweeping reforms to its Initial Public Offering (IPO) regulations on 12 September 2025¹, signaling a bold step toward deepening India's capital markets and easing the path for large corporations and start-ups to go public.

These reforms come at a time when India's IPO market is showing resilience despite global headwinds, with US\$4.6 billion² raised in H1 2025 alone and a stronger pipeline of high-profile IPOs expected in the second half of the year. Several Indian companies have also undertaken a 'reverse flip,' shifting their overseas holding structures back to India in preparation for listing.



**\$4.6 billion
raised in H1 2025**

¹ Sebi board meeting: 10 key takeaways from IPO reforms to mutual fund regulation tweaks - The Economic Times

² Resilient India IPO market nets \$4.6 billion in first half of 2025: EY Global Trends - H1 IPO market activity in 2025 | The Economic Times



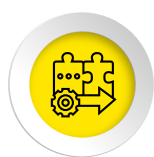
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● Key amendments notified in June 2025

SEBI has notified the following amendments, which were proposed in its Board meeting on 18 June 2025:



Key changes



Erstwhile provisions



Amendment

ESOP flexibility for start-up promoters	Founders classified as ‘Promoters’ at the time of DRHP filing were required to liquidate their ESOP holdings prior to filing, since promoters were not eligible for ESOPs under the SEBI Share Based Employee Benefits and Sweat Equity Regulations, 2021 (ESOP Regulations).	The ESOP regulations have been amended to allow employees identified as Promoters (or those included in the Promoter Group) identified in the DRHP to continue holding stock options, SARs, or other benefits under such schemes, provided these were validly granted at least one year prior to the DRHP filing.
Clarification on OFS lookback exemption	Under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR), equity shares received as part of a court-approved merger scheme were exempt from the minimum one-year holding requirement for sale in OFS (provided the original investment in amalgamating company was held for over a year). However, such exemption was not expressly provided for equity shares issued on conversion of compulsorily convertible securities received as part of the court-approved merger scheme	SEBI has now amended the ICDR to extend this exemption to equity shares arising on conversion of fully paid compulsorily convertible securities received under a court-approved merger scheme, provided the original investment in the amalgamating company was held for over a year.
Eligibility of specified non-promoters’ shares for MPC	As per the existing ICDR, the exemption from one year holding requirement on shares contributed toward the 20% Minimum Promoter Contribution (MPC) was previously available only to promoters receiving securities under an approved merger scheme (where invested capital was held for more than one year).	SEBI has now clarified that this exemption also extends to securities received on merger by other specified non-promoter investors as well, who are eligible to contribute towards MPC

Separately, SEBI in its Board meeting held on 12 September 2025

approved a series of reforms that reflect a strategic shift in India’s capital market philosophy. While the detailed regulations are awaited, the reforms aim to reshape the IPO landscape:

1 Minimum Public Offer (MPO) and Shareholding (MPS) Adjustments

SEBI has proposed to recalibrate the Minimum Public Offer requirements and timelines for achieving Minimum Public Shareholding for certain categories of companies, based on their post-listing market capitalization size:

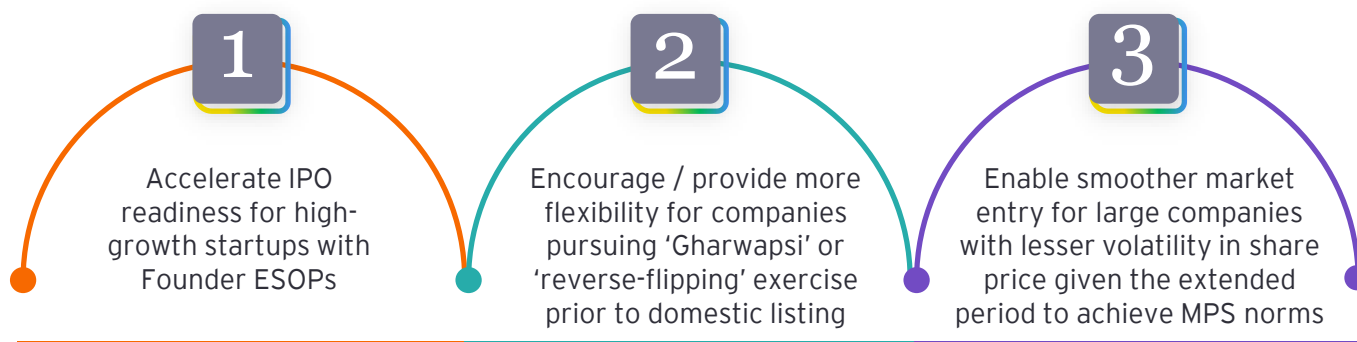
Post-issue MCap	Existing norms	Proposed norms
MCap > INR50,000 Cr but ≤ INR100,000 Cr	MPO of 10% MPS of 25% to be achieved within 3 years	MPO of INR1,000 Cr and min. 8% of post issue MCap MPS of 25% to be achieved within 5 years
MCap > INR100,000 Cr	MPO MPO of INR5,000 Cr and at least 5% of the post issue MCap MPS MPS of 10% to be achieved within 2 years and 25% within 5 years	MPO <ul style="list-style-type: none">Where MCap ≤ INR500,000 Cr, MPO to be INR6,250 Cr and at least 2.75% of the post issue MCapWhere MCap > INR500,000 Cr, MPO to be INR15,000 Cr and at least 1% of the post issue MCap (subject to a min. dilution of 2.5%) MPS <ul style="list-style-type: none">Where public shareholding < 15% (on listing): MPS of 15% to be achieved within 5 years and 25% within 10 yearsWhere public shareholding ≥ 15% (on listing): MPS of 25% to be achieved within 5 years from date of listing

2 Anchor Investor Participation

SEBI has proposed to expand the scope for anchor investors, especially in smaller IPOs, including reservation for anchor portion now proposed to be increased from one-third to 40%. Life insurance companies and pension funds are now part of the reserved anchor allocation, increasing institutional depth and stability in IPO pricing. Also, allocation limits for anchor portion is also proposed to be amended.

Our perspective: Navigating the new IPO Landscape

These reforms and amendments mark an important step in easing the IPO process for Indian startups and large corporations alike. These changes may:



These reforms are expected to redefine how companies approach IPOs from pre-listing strategy to post-listing compliance and are a welcome move from SEBI. Going forward, it would be beneficial if SEBI also considers extending the current founder ESOP relaxation to ESOPs granted by a foreign parent company (prior to a reverse flip) as well.

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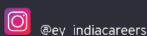
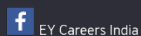
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