

aibi

Creating robust investment culture

Association of Investment Bankers of India



Investor Focused **PROSPECTUS**

NAVIGATION GUIDE

2025-2026

Foreword

The capital markets play a vital role in channelising savings into productive enterprises and fostering inclusive economic growth. At the heart of this process lies the prospectus—an essential disclosure document that enables investors to make informed investment decisions. However, given its technical nature and volume, navigating a prospectus can often be challenging, particularly for retail investors.

With this objective in mind, Association of Investment Bankers of India (AIBI), in collaboration with Stakeholders Empowerment Services, is pleased to present the Investor Focused Prospectus Navigation Guide. This Guide has been thoughtfully curated to demystify the prospectus and present its key sections, and disclosures, in a simple, structured, and easy-to-understand manner. It is our endeavour to empower investors with clarity, confidence, and the ability to critically evaluate the offer document.

This initiative reflects AIBI's continued commitment towards strengthening investor awareness, enhancing transparency, and promoting best practices in the Primary Capital Markets. By bridging the information gap between technical and voluminous regulatory disclosures and investor understanding, we hope this Guide will serve as a practical and reliable reference for investors across market segments.

We place on record our sincere appreciation and gratitude to Mr. J. N. Gupta and his dedicated team at Stakeholders Empowerment Services for their invaluable time, domain expertise, and persistent efforts in bringing out this publication.

We also acknowledge the support and inputs received from AIBI Board and Pantomath Capital Advisors Limited team which have enriched the content and relevance of this publication.

We trust that this Investor Focused Prospectus Navigation Guide will contribute meaningfully towards informed investing and further the shared goal of building a transparent, robust, and investor-friendly capital market in India.

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January 15, 2026

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A GUIDE TO BASIC TERMINOLOGIES

1. Prospectus / Offer Document (DRHP / RHP):

The official document that contains all material information about the company and the issue.

2. Issue Type (IPO / FPO / OFS):

IPO is the first public issue, FPO is a further issue by a listed company, OFS is sale by existing shareholders.

3. Primary Issue / Secondary Sale (OFS):

Primary issue creates new shares, secondary sale involves sale of existing shares.

4. Fresh Issue:

New shares issued by the company to raise money for its own use.

5. Offer for Sale (OFS):

Existing shareholders sell their shares to the public and receive the proceeds.

6. Price Band:

The minimum and maximum price at which investors can bid.

7. Face Value:

The nominal value of each share stated in the prospectus. Not necessarily reflective of real value.

8. Issue Size:

Total value of shares offered in the issue.

9. Lot Size:

Minimum number of shares an investor must apply for.

10. Bid / Application:

The process by which an investor applies for shares in the issue.

11. Cut-off Price:

The final issue price determined after the bidding process.

12. Anchor Investors:

Large institutional investors allotted shares before the issue opens to the public.

13. Qualified Institutional Buyers (QIB):

Regulated institutions such as mutual funds and insurance companies.

14. Non-Institutional Investors (NII / HNI):

High-value investors applying for shares above the retail limit.

15. Retail Individual Investors (RII):

Individual investors applying within the retail investment limit.

16. Book Building:

A price discovery process based on investor demand within a price band.

17. Oversubscription / Undersubscription:

Demand for shares exceeds or falls short of the number offered.

18. Basis of Allotment:

The method used to decide how shares are allocated among applicants.

19. Allotment Date:

The date on which shares are allotted to successful applicants.

20. Listing Date:

The date on which shares start trading on the stock exchange.

21. Lock-in Period:

The period during which certain shareholders cannot sell their shares.

22. Promoter / Promoter Group:

Persons or entities in control of the company before listing.

23. Post-Issue Shareholding:

Shareholding pattern of the company after completion of the issue.

24. Objects of the Issue:

The purposes for which the company intends to use the funds raised.

25. Utilisation of Proceeds:

How the company actually plans to spend the issue proceeds.

26. Underwriting / Book Running Lead Managers (BRLMs):

Investment banks responsible for managing and marketing the issue.

27. Registrar to the Issue:

The entity handling applications, allotment, and investor records.

28. Market Maker (for SME IPOs):

An intermediary that provides liquidity by continuously buying and selling shares post listing.

29. ASBA (Application Supported by Blocked Amount):

A mechanism where the application money remains blocked in the investor's bank account until allotment is finalised.

30. FPI (Foreign Portfolio Investor):

A foreign investor investing in Indian securities for portfolio investment purposes.

31. FDI (Foreign Direct Investment):

Investment by a foreign person or entity in an Indian company on a long-term basis, with the intention of acquiring a lasting interest, which may include significant influence or control depending on the stake and rights acquired.

32. ADR (American Depository Receipt):

A negotiable instrument representing shares of an Indian company, traded on US stock exchanges.

33. GDR (Global Depository Receipt):

A negotiable instrument representing shares of an Indian company, traded on international stock exchanges outside India.

34. EPS vs. Diluted EPS:

EPS shows earnings per share based on current shares outstanding, while diluted EPS reflects potential dilution from instruments like options, warrants, or convertible securities.

35. Recognised Stock Exchanges:

Stock exchanges that are approved by SEBI to operate in India and on which securities are permitted to be listed and traded.

36. Grey Market:

An unofficial market where IPO shares are traded before listing, outside the stock exchange framework.

Prospectus: An Essential Guide for Retail Investors

Retail participation in IPOs plays an important role in the functioning of the capital markets. Accordingly, it becomes necessary to examine the basis on which retail investors evaluate and select IPOs. There are many opinions or schools of thought on the factors that influence such decisions.

- A. Informal market prices/ sentiments (grey market premium / GMP)
- B. Advisory disseminated through television, websites, and research reports (by regulated and unregulated advisors).
- C. Study of the Prospectus.

Among these, only (C) **the prospectus** can be considered to be the appropriate and reliable basis for retail investors to make an investment decision. The reason is straightforward: the prospectus is the only source of information that is subject to regulatory scrutiny, with disclosures that are verified and legally accountable. In contrast, information emanating from sources (A) and (B) is neither regulatorvetted nor assured to be accurate. Moreover, A & B may have individual bias or motivation packed in their report or advice, as they are not doing any free service and can have undeclared non-transparent financial motive.

Market behaviour across cycles further underscores this concern. During bullish phases, exuberance and aggressive promotion by sources (A) and (B) can make almost every issue appear attractive, often masking underlying quality concerns. Conversely, in bearish or subdued markets, these very sources

tend to recede, making it difficult even for fundamentally sound offerings to garner adequate investor interest.

This raises a larger question: should the IPO pipeline dry up during market downturns and become congested during market upswings? Is this philosophy good for the market? Certainly, not.

A well-functioning market requires the maturity to absorb capital supply across cycles and the ability to differentiate between high-quality and weak offerings, irrespective of prevailing sentiment.

A matured market needs informed investors, who can evaluate on their own, to a large extent, whether to invest or not? Therefore, it is important to wean away investors from unsolicited advice/information from A & B.

Accordingly, it is imperative that the IPO prospectus be positioned as the primary and first-choice document for retail investment decisions. Once investors develop the capability to effectively navigate and interpret prospectus disclosures, they would be better equipped to accept or reject offerings even during periods of subdued market sentiment. Such discernment would reduce herd behaviour, prevent overcrowding during euphoric phases, and even out offerings.

Capacity and capability of investors can be built by improving ability of investors to navigate through prospectus, thus reducing reliance on Grey Market Premiums and unsolicited advisory.

Decoding the Prospectus

A prospectus is meant to tell investors everything they need to know about a company: its business, its risks, and the realities in between. Yet today, this story is many-a-times not clearly understood and gets mixed under nearly 400 pages of dense disclosures, where what truly matters can be hard to spot amid what is extensive. Information overload does not always inform; at times, it distracts.

While the need for a detailed prospectus is both justified and essential, what is equally necessary is a guide that helps investors navigate this vast body of information with clarity and purpose.

Disclosures can sometimes satisfy regulatory requirements while still obscuring the true position, akin to the phrase “Ashwatthama is dead.” Compliance alone is insufficient; disclosures must communicate the substance of the facts clearly and in an easily understandable manner.

This initiative by AIBI, in association with SES, seeks to help investors to navigate through a prospectus. It offers a guided pathway: pointing to critical cues, spotlighting material disclosures, and guiding investors to the right information, for the right decision.

At the outset, the prospectus must function as a compliance checklist, enabling an assessment of the company’s preparedness to meet post-listing regulatory requirements. Each section of the prospectus must clearly set out the applicable post-listing compliance obligations, disclose whether the company is already compliant, and, where it is not, specify the timeline for achieving compliance.

Navigating Parameters

The prospectus, often exceeding 400 pages and presented in fine print, can be daunting even for the most diligent reader, let alone an ordinary retail investor. This document seeks to equip retail investors with a practical framework to navigate a prospectus efficiently and focus on what truly matters.

The contents of a prospectus can be broadly divided in three categories.

- Company-specific
- Legal
- Procedural

Company-specific information lies at the heart of the prospectus from an investor’s perspective. This section contains details relating to the company and the issue itself. It is critical for investors to recognise that by subscribing to equity shares, they assume the position of part-owners of the business, although on a very small scale and should therefore evaluate the company as they would their own enterprise.

Legal information comprises standard disclosures that are largely ensured through regulatory oversight. While legal matters are undoubtedly important, they may not, in most cases, materially influence the investment decision of retail or small investors, unless they have a direct bearing on the company’s business or risk profile.

Procedural information is highly standardised and primarily serves to explain the mechanics of the public issue process. This section helps investors understand the steps involved in an IPO and aids financial literacy. However, it typically varies little across issuers, except for issue-specific details, and offers limited scope for investor discretion. Accordingly, only a small portion of this document is devoted to procedural aspects.

This document begins with an analysis of the summary of a sample prospectus. While all disclosures in a prospectus are legally mandated, an effective navigation framework can help investors focus on information that is most relevant for decision-making. For this purpose, prospectus contents may be classified as follows:

- **C-Company specific:** Most important and relevant for analysis
- **L- Legal:** Generally less relevant for company-specific analysis, unless it directly impacts the business or risks
- **P-Procedural:** Least relevant for analysis, unless linked to company-specific considerations

A natural question arises as to why legal and procedural disclosures are placed in the second and third order of importance. This is not to diminish their significance, but to provide investors with a clear and intuitive navigation guide, thus, enabling them to prioritise what matters most for informed investment decisions.

In the course of due diligence, the parties responsible for the issue ensure that legal and procedural requirements are duly addressed, and these aspects are largely common across issuers. Investment decisions, however, must primarily be driven by an analysis of company-specific information, as the risk and return profile of an investment is determined by the underlying business and its fundamentals.

The table presents a summary of general items contained in the offer document, classified according to their relevance for investment analysis and decision-making. This classification is intended solely as a navigation aid and does not imply that any other information in the prospectus is unimportant or less important.

Classification:

C - Company Specific	L - Legal	P - Procedural
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Importance: ● - High, ● - Medium, ● - Low

SN	Particulars	C	L	P	Importance
1	Company Contact		✓		● Low
2	Primary Business	✓			● High
3	Industry	✓			● High
4	Promoters	✓			● High
5	Offer	✓			● High
6	Risks in relation to the First Offer	✓	✓	✓	● High
7	General Risk	✓	✓	✓	● Medium
8	Responsibility Statement				● Low
9	Listing Details				● Low
10	Details of Book Running Lead Managers, Registrar & Bid/Offer Period	✓	✓	✓	● High
11	Registrar		✓	✓	● Low
12	Bid/Offer Period	✓	✓	✓	● High
13	Objects of the Offer				● High
14	Shareholding	✓			● High
15	Financial Information				● High
16	Statutory Auditors Report				● High
17	Summary of Outstanding Litigation				● High
18	Risk Factors	✓			● High
19	Summary of Contingent Liabilities				● High
20	Summary of Related Party Transactions				● High
21	Average Cost of Acquisition of the Selling Shareholders	✓			● Low
22	Financing Arrangements				● High
23	Details of Pre-IPO placement	✓			● High
24	SEBI Granted Exemptions				● High
25	Other Regulatory and Statutory Disclosures	✓			● High
26	Offer Procedure	✓		✓	● Low
27	Other Information		-		-
28	Material Contracts and Documents for Inspection			✓	● Low
29	Definitions and Abbreviations			✓	● Low
30	Certain Conventions, Presentation of Financial, Industry, Market Data and Currency of Presentation			✓	● Low
31	Forward-Looking Statements			✓	● Low
32	Risk Factors	✓			● High
33	Basis For Offer Price	✓			● High
34	Statement of Special Tax Benefits			✓	● Low
35	Dividend Policy			✓	● Low
36	Group Companies	✓			● High

COMPANY SPECIFIC INFORMATION AND ITS IMPORTANCE

Key Performance Indicators (KPI)

KPIs reflect how the management and/or promoters evaluate performance of business / Company. Performance may be measured through both financial parameters and physical or operational performance. Disclosure of such KPIs helps align the evaluation framework of management with that of investors. Each KPI should be explained in sufficient detail, using simple language, so that investors can understand it without having to refer to legal books or finance manuals.

Primary Business

This information is critical, as investors must clearly understand the Company's business and performance drivers before making any investment decision.

a. Business Overview (Products / Services offered by the Company)

Capacity Utilization:

Capacity utilization helps investors to assess competition, demand and potential. Low capacity utilization will indicate overcapacity or falling demand, unless capacity has been freshly added and past utilization without increased capacity was high.

Objective - This guides investor to assess core business of the Company, its past performance and assess future potential. Investors would be able to co-relate if objects for issue include item on capacity expansion.

b. Business Location:

- i. Location of Plants
- ii. Land area
- iii. Constructed area

Key manufacturing or other facilities, guides investors to assess location related advantages / disadvantages, concentration of business activities vs dispersion. Area availability indicates potential for growth at same location. In case of service industry, the details could be in the form of work stations or head count or any of the parameter used in KPIs.

c. Key Raw Materials & Key Sources:

- a. Main suppliers / source of raw material (specific names not required)
- b. Supplier concentration (Top 3 supplier contribution)
- c. % of Raw material imported - Geographies from where imported.

Investors can assess potential risks in raw material availability. If sources are concentrated, the risk of disruption is high. For example, the automobile industry faced chip shortages in the past, and currently, magnets and rare earths are critical. Imported materials are also vulnerable to geopolitical issues, which can cause supply delays such as shipping disruptions during the Middle East conflict.

- d. **Competition:** Main competitors, and the company's rank in India and internationally by volume. This helps investors evaluate competitive position, growth potential, and risk. Information on rank trends or improvements adds further insight. Provide granular data wherever possible.

- e. **Competitive edge:** How the company or its products differ from competitors. This helps investors assess competitive advantage, a product or service with better performance or unique features reduces risk. For example, in automobiles, factors like fuel efficiency, emissions, or safety can differentiate a product, though pricing also matters. In services, like mutual funds, although product may remain same, differentiation may come from performance, size, or promoter reputation. The prospectus should provide relevant data such as margins, growth, or notable achievements, to help investors evaluate the company's competitive position.
- f. **Seasonality:** Is the business seasonal? This helps investors understand variation in quarterly performance and also understand seasonal risks.
- g. **End Users / Consumers:** Understand the industries served and whether the company's customers are final consumers or intermediate users. This would help investor assess potential growth. For example, a depository serves the financial industry and its participants, so its business growth depends on the industry and its clients, who are end users. In contrast, a silver mining company may serve both end users and intermediates.

When products are for intermediates, performance of those industries is also key—for instance, a soda ash manufacturer depends on soap and glass industries, which in turn depend on final consumers.

- h. **Demand:** Investors should assess demand-related risks. Key factors include: customer concentration (e.g., top 5 customers or 50% of sales), key geographies served (top 5 regions or 50% of sales), and revenue concentration (top 5 customers or 50% of sales). For end-user products, geographic and seasonal factors matter—for example, a cold drink company may be affected by unusual weather, or an AC manufacturer may see lower sales without a hot summer.
- i. **Segment Reporting:** Show segment-wise revenue for the reporting periods in a table (where applicable). For companies with multiple segments, demand and competition may differ for each segment. However, if production capacity can be easily switched between segments (interchangeable), the company can flexibly meet demand across segments. For example, a pharma company may have Oncology and Diabetes products, but its facilities may allow seamless switching between them.
- j. **Business strengths and strategies. How the company perceives it to be different?**

The above is only indicative, the information can be different for different industry, the idea is to provide information in a holistic manner that would enable investors to understand business of the Company and take an informed decision.

While each industry and company has its own set of KPIs, individual numbers or ratios viewed in isolation do not adequately convey a company's relative strength or weakness vis-à-vis its peers or its standing within the industry. Although excessive data can be overwhelming, a focused comparison of the top 5–10 key KPIs against peers and industry benchmarks provides meaningful context and enables more informed analysis.

Investment bankers while drafting prospectus must ensure that they link the above information with risk factors and give data on past occurrence of such risks if any. At present, risk factors given are isolated and there is no link or past data to assess the risk.

Industry

No company operates in isolation; both internal and external factors affect business. The state of the industry is a key external factor, directly impacting the company. Although this section can be long, it is essential for investors to understand the industry and the company's position relative to it.

Data should help investors assess whether the industry is growing and if the company is keeping pace. They should also check for market replacements that may reduce business. A company may improve efficiency, yet overall performance could lag if competitors are more efficient or due to factors like global trade and dumping. Investors should rely on the information provided but critically evaluate it, since risk factors often indicate issues without historical context.

Promoters

It is probably most important part of prospectus as well as business. Promoters are leaders, who give direction. They appoint management, together they constitute thinking capital of the Company and manage business. Their leadership and capability skills are essential to put resources to most optimal utilisation. All businesses operates with assets, while all other assets are passive assets (Machine/ infrastructure/capital/technical know-how), only human capital constitutes active assets, which uses passive assets to perform. Two business with similar passive assets may perform differently because quality of their human resources differ. It is often said that "a weak business has possibility of becoming strong with capable leadership and good governance, but a strong business will certainly become bad with weak leadership and bad governance".

Background of promoters is extremely important. Investors must study in detail and carefully about promoters. Are promoters first generation promoters or their families have been in business for long. What is their past experience as a promoter or as a professional or both. Whether they are associated with any other business or were associated with any past venture, either as promoter or as a professional. What was their performance in other ventures. In case, promoters belong to a promoter family or a business group, it is essential to know as to how many generations in business and what is performance of other businesses. Have they defaulted in any of their business? In case, there was a default a deeper analysis is warranted. Are there any serious criminal cases against promoters?

Promoters and Governance

It would be incorrect to opine that only promoter(s) or founder(s) can sow the seeds of good governance. This is especially true in case of family-owned or promoter-driven companies, where family plays a critical role in management and thus, also in governance.

Information in the prospectus must be well understood by investors to assess dependence and influence of promoter/ their family in management. Indicative parameters are:

- Is the Board heavily reliant on promoter family?
- Is the management heavily overloaded with family members?
- Are the promoter family members involved in board/ management experienced and qualified?
- Would they make to board seat or management position without belonging to promoter family?

- Are promoters and relatives appointed in other positions below board level either as key managerial positions or other senior positions?
- Are roles and responsibilities of family members involved in management or the Board are clearly defined and are commensurate with their qualification, expertise and experience.
- Are their remuneration payments fair and shareholders' approval, if required, are sought?
- Is there clear demarcation between ownership and executive management?
- Are there any family arrangements, agreements, or understandings? If yes are they disclosed? What is the tenure of such agreements?
- Is there a safeguard to manage potential disputes and ensure stability?

Transparent family governance reduces uncertainty and protects minority shareholders.

Business Continuity and Succession Planning

While human beings have a limited life span, companies are perpetual. Hence, it is material that there must be continuity of leadership without any vacuum.

Many a times, in a family-controlled business, because of its sensitivity promoters and founders do not plan succession properly. Either there is no plan or a vague succession plan. In such a case, upon demise of existing leader, there are multiple problems in succession and smooth operation/ seamless transfer to new leadership.

The Investors must analyse dependence of the Company on promoter family and whether there is full preparedness for leadership transitions.

It is not a case that succession planning is an issue in only family-controlled business, it is equally true in case of professionally managed business.

Key points for assessment:

- Dependence on single active promoter
- Dependence on a single key individual for business operations
- Is there a second line of identified and groomed leadership?
- Succession planning at the Board and Senior Management level
- Institutionalisation of decision-making processes rather than promoter-centric control
- Any special rights that influence or control board or management decisions

Robust succession planning ensures continuity and resilience of the business.

Corporate Structure and Absence of Conflicting Business Entities

A simple and transparent corporate structure is easier to understand and carries lower risk of related-party transactions or diversion of funds. However, complete simplicity may not always be possible, as subsidiaries and joint ventures are sometimes necessary for growth.

Investors must clearly analyse the corporate structure and rationale, including:

- Group structure, subsidiaries, associates, and joint ventures (preferably shown pictorially), along with shareholding details and major shareholders
- Ideally, promoters should not operate multiple entities engaged in similar or competing businesses. However, in certain cases, there may be valid reasons for operating multiple businesses that appear similar but are not competitive. For example, where franchise rights are restricted to specific geographies, and separate entities operate in different regions. In such cases, the businesses may be similar in nature but do not compete with each other. Any promoter-owned business should not be structured in a manner that restricts, diverts, or limits the growth of the company.
- Presence of non-compete arrangements arising out of historical reasons, including demerger/merger, hive-off, family settlement or even technology transfer.
- Conflict in business operations must be disclosed and its impact on growth of business. Further, it must be disclosed as to how conflict arose, what is duration and how conflict mitigation is planned.
- Clarity on inter-company transactions and shared resources.

Complex or overlapping structures may create governance risks and obscure accountability.

Related Party Transactions (RPTs)

Related Party Transactions are a critical area of governance scrutiny for investors. While for a listed entity, SEBI has prescribed detailed disclosure formats and procedure for approval, unlisted companies are governed by provisions of Companies Act 2013. There is a considerable gap between requirements under the two.

Investors must look for disclosures such as :

- Past and current RPTs including nature, frequency, amount, counter parties, their relationship and materiality of RPTs.
- Trend in RPTs, as a % of revenue of the company and growth over the years.
- Confirmation that all RPTs were conducted at arm's length basis.
- Disclosure of outstanding balances, guarantees, loans, or advances to promoters and group entities. Any default by related parties in the recent past.
- Existence of clear policies for approval and monitoring of RPTs by the Audit Committee/Board.
- Existence of office of profit positions in the Company and remuneration payments made to them.

RPTs are major concern in evaluation of governance, excessive or non-transparent RPTs may indicate potential conflicts of interest and reflects high governance risks.

Board and Management - Composition and Quality

A listed company has three layers of management: Shareholders including promoters or founders, Board and managerial personnel. Investors must examine who are board members, what are their qualifications and experiences. Ideal board must have mix of youth and experience, a good mix of expertise spanning across industry, legal, finance and human resources.

Board - Must be a good mix of **qualified, diversified, and independent members**. Investors must have eye for details including the following:

- Board Composition with legal requirements pertaining to Overall Strength, Independent Directors, Women Director, Non-Executive Directors, Retiring Directors and Others, as applicable.
- Promoter or Founder control quotient indicating Control on the Board as against the Shareholding percentage. (Board Representation in % / Unencumbered Ownership %) The same is essential to understand whether promoter control is fair and reasonable as against ownership in the Company.
- Diversity in terms of skills, experience, gender, expertise and professional background.
- Age profile of the Board Members- minimum age, maximum age, average age
- Tenure Profile- Independent directors should not have tenure > 10 years.
- Nominee directors- whose nominee and whether nomination rights flow from shareholding and Articles.
- Regulatory or Court orders against any of the Directors.
- Number of board meetings held and attendance of each director therein. Leave of absence, if any and reasons, if multiple absences.

Time commitment of Board members is an important factor. The prospectus discloses the number of board positions held by each director, along with their committee memberships and chairperson roles. Holding too many board positions may indicate a very busy director, while holding only one board position may suggest limited demand or, alternatively, high focus on the company. Either extreme may not be ideal; a balanced mix of experienced, well-engaged, and focused directors is preferable. Full-time positions held elsewhere should also be reviewed.

Investors should also review the reputation and performance of other companies where directors serve. Association with multiple non-performing companies may raise concerns about the director's capability or the quality of governance. All directors should have a clean track record, with no serious regulatory actions or convictions. Isolated procedural penalties or minor fines may not be viewed as material.

Management

Prospectus discloses details of Key Managerial Persons (KMPs) and the management in the same manner as for the Board. Investors must examine management in the same way as board members, except that all managerial persons should be working solely for the Company with the exception that some of the top management or KMPs may have dual responsibility in subsidiaries or JVs. Investors must pay attention if any one individual is having multiple responsibilities, indicating concentration of power or responsibility.

Other factor to be examined is the longevity with the Company; all new faces at management level may not be a good sign, unless the Company itself has transformed in recent past, such as entry into a new dominant business,. Investors must find facts before forming any positive or negative opinion.

Remuneration

The prospectus discloses remuneration details of the Board, KMPs and Senior Management. When a company transitions from unlisted to listed status, changes in remuneration are common due to enlarged board in order to comply with SEBI and Companies Act, 2013 provisions, unless the board was already compliant. Similarly, due to enhanced compliance, remuneration of those involved in compliance function will also change.

Investors must see if there is any unfairness in remuneration structure or practices. Remuneration should be commensurate with roles, responsibilities and performance.

Fairness in remuneration does not mean that age, experience, and qualifications should be the sole criteria, as these factors at times may not reflect contribution, role, responsibility, or performance. Therefore, two directors with similar profiles, including age and nature of duties, may still receive different remuneration due to differences in the quality of experience. For example, an executive director aged 45 with 20 years' experience may draw higher remuneration than another director with more experience, as one may have risen from a lower level while the other may have joined at a middle or senior level with more relevant experience. There is no fixed formula for remuneration.

Investors should also carefully examine any disparity in remuneration between promoters and non-promoters.

Committees of the Board

Committees assist the Board in discharging its responsibilities effectively and efficiently. The proper constitution and functioning of Board committees reflect the depth and quality of the governance practices. Investors should examine the following:

- Whether each committee has a clearly defined charter?
- What all committees, both statutory and non-statutory have been constituted?
- The composition of all the committees and the independence of its members, viz, Audit Committee (AC) Nomination and Remuneration Committee (NRC), Stakeholders' Relationship Committee (SRC), Risk Management Company (RMC) and others.
- For each committee, the names of members, the chairperson, their independence status, relevant expertise, and tenure on the committee and the Board.
- The frequency of committee meetings and detailed attendance records, including individual member participation.

Properly constituted committees enhance accountability and internal controls.

Risk Management and Internal Controls

Good governance requires robust and effective systems to identify, assess, and mitigate risks. The mere existence of policies, systems, or committees is not enough. Investors must look for disclosures in Prospectus with regards to :

- Internal control systems and the risk management frameworks
- Key business, regulatory, and operational risks identified by the Company
- Role of internal auditors and material audit observations, if any

Transparent risk disclosures indicate management's preparedness and governance maturity.

Offer - Offer Structure - Terms - Bid

A prospectus is essentially an offer document through which a company and/or existing shareholders offer securities (such as equity shares or debentures) for sale. The analysis below assumes the offer is for equity shares.

The offer may consist of newly issued shares by the Company (primary issuance) and/or sale of shares by existing shareholders (secondary sale).

In a secondary offering, investors should analyse who the selling shareholders are, how long they have held the shares, and whether they are exiting fully or partially. This includes assessing whether the sellers are promoters, founders, private equity investors, institutions, or others. In a secondary sale, the Company does not receive any proceeds; the consideration goes to the selling shareholders. In contrast, proceeds from a primary issuance are received by the Company, which must disclose the proposed utilisation under "Objects of the Issue".

In a purely secondary offer, the object is to provide an exit to existing investors and/or to list the Company. Where promoters are selling shareholders, investors should examine their post-issue shareholding and reasons for sale. A lower promoter stake may indicate reduced skin in the game.

The prospectus also specifies allocation across investor categories, including the number of shares reserved for retail investors.

Risk Factors

Risk factors highlight various risks and uncertainties that the Company may face. If any of these risks, individually or in combination, materialise, the Company's business could be adversely affected. This may lead to lower performance and potential losses for investors.

Investors must therefore understand that investment in equity shares involves a high degree of risk.

The offer document sets out actual and perceived material risks; however, such disclosure can never be exhaustive. Given the inherent uncertainty of the future, risks that are currently considered immaterial may become material over time. To obtain a more comprehensive understanding of potential risks, investors should also refer to sections such as "Our Business", "Industry Overview", and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Most risks cannot be quantified with precision, as many are uncertain, evolving, or contingent on future events. Broadly, risks arise from both internal and external factors.

Internal Risks:

Internal risks arise from the Company's operations, strategic decisions, competitive environment, and market conditions. These risks underscore that future performance cannot be assured based on past or present results. Internal risks do not affect all companies within an industry equally, as their impact depends largely on the Company's management capability, financial strength, quality of systems and controls, risk-management framework, business resilience, and competitive positioning. A weaker company is generally more vulnerable to adverse outcomes than a well-managed one.

Another category of internal risks relates to existing or potential disputes, claims, complaints, regulatory actions, whether pending, decided, or under appeal and contingent liabilities. The outcomes and financial impact of such matters are inherently uncertain. Investors must independently assess the significance of the principal risks disclosed.

External Risks:

External risks are typically broader in nature and include factors such as political developments, global economic conditions, regulatory or policy changes, and other macro-economic uncertainties. While such risks may affect most businesses, their impact may vary across companies depending on their business model, geography, and preparedness.

Objects of the Offer

Examine the total funds proposed to be raised in relation to the Company's current asset base and equity size. The objective is to understand whether the fund raising aligns with the Company's present business situation.

If the funds are proposed to be used for creating additional assets in the existing business, first examine the current level of capacity utilisation. If capacity utilisation is low, investors should assess whether there is a reasonable explanation or whether the underutilisation is only temporary. Expanding capacity without adequately utilising existing assets may increase risk.

Where the funds are proposed to be used for assets relating to a new business, product, or location, investors should evaluate the strategic rationale and assess whether such diversification or expansion is justified.

If the object of the issue includes repayment of loans, investors should examine whether the Company's debt-equity ratio is high compared to peers or industry benchmarks (which the Company should ideally disclose). It is also important to assess whether interest rates on borrowings are high or whether the repayment relates to promoter-level borrowings backed by pledged shares, in which case the reasons for such repayment should be carefully understood.

If the funds are proposed to be used for working capital, investors should analyse current working capital levels in terms of days. Check whether working capital and debtor days are normal or increasing. Rising working capital days may indicate financial stress or changing business dynamics.

Investors should also note whether the objects include investment in a new business or future acquisitions and assess the scale and rationale of such proposals.

In a wholly or partly primary issue, the funds raised are received by the Company. The "Objects of the Issue" section clearly sets out how much money will be raised, how it will be used, and the timeline for utilisation. Funds may be deployed for various purposes, including expansion of the existing business, entry into new businesses, acquisitions, repayment of borrowings, working capital, or general corporate purposes.

While the quantum of funds and their proposed utilisation are thoroughly vetted by the merchant bankers, SEBI, and stock exchanges, investors need not focus on numerical verification. The analysis should be largely qualitative: whether current capacity is optimally utilised, whether the business is growing, the rationale for new initiatives, and whether the proposed investment is commensurate with the Company's current scale. If the proposed investment is multiple times the existing operations, the associated risk is higher. Where loan repayment benefits promoters, the reasons and disclosures should be examined closely.

Details of Book Running Lead Managers

Although these details are procedural and legal in nature, investors often consider them an important factor while evaluating an IPO. There is a general perception that an experienced Lead Manager would have conducted more robust due diligence compared to a less experienced one. While this may not hold true in all cases, investors tend to place significant reliance on the reputation of the Lead Manager.

Investors also frequently look at the past performance of IPOs managed by the Lead Manager as a reference point while assessing a new issue. However, it is important to recognise that, no two companies and no two IPOs are the same. Issues may appear similar on the surface, but their underlying business fundamentals, risks, and prospects can differ materially.

That said, the quality of drafting and disclosures does depend, to a large extent, on the experience and scale of the Lead Manager(s). Ultimately, investors should base their investment decisions on the actual disclosures, their quality, and an independent assessment of parameters that the investor considers important.

Bid/Offer Period

This has no bearing on the quality of the issue or the investment decision. It merely indicates the time window during which investors can apply for the IPO. Investors must plan their liquidity and related decisions having time sensitivity.

Listing Details

This section specifies the stock exchange(s) on which the shares will be listed. It is uncommon for a mainboard IPO to be listed on only one exchange; typically, mainboard issues are listed on both NSE and BSE. In contrast, SME IPOs are listed on only one stock exchange.

The IPO timetable also provides the tentative listing date, which helps investors understand when trading in the shares is expected to commence.

Shareholding Structure

While this section primarily fulfils procedural and legal requirements, it is extremely important from an evaluation perspective. A large volume of information is presented under this heading, which can make analysis difficult for investors. The history and build-up of capital typically include details such as dates of issue, number of shares, issue price, allottees, and mode of issuance. While this provides comprehensive disclosure, much of this information may not be directly relevant for making an investment decision. Investors can selectively ignore granular details and focus on key data points.

Information is also provided on the average cost of acquisition for promoters and other shareholders, which in most cases is a small fraction of the IPO price or price band. From an investment standpoint, this may not carry undue weight. Investment decisions are based on current valuation and future outlook, not historical acquisition costs. Similar to purchasing a property, what matters is the value today, not the cost at which the seller acquired it.

The most critical information for investors is the pre-IPO shareholding pattern and the post-IPO shareholding structure. There is no need to analyse this section from a legal compliance perspective, as it has already been vetted at multiple levels. The focus should instead be on understanding ownership, dilution, and control after the IPO.

Four data points are most relevant for investors:

- Promoter Holding
- Institutions Holding
- Others, including Retail
- Strategic investor, if any and the rationale for such investment

A key consideration is the extent of promoter dilution. In a pure primary issuance, where promoters are not selling their shares, dilution is generally less concerning, provided the objects of the issue are credible and other investment evaluation parameters are satisfactorily met.

The presence of other large or well-known investors can provide comfort, as it indicates institutional validation of the company. However, investors should remain mindful that such investors have dedicated research teams and superior access to information, enabling them to enter and exit positions quickly.

Their participation should therefore be seen as a supportive factor, not a substitute for independent evaluation.

Lock-In

Certain investor and promoter shareholdings are subject to lock-in, which reduces the number of shares available for trading in the market. Investors should pay close attention to the lock-in expiry period, as the release of locked-in shares can increase supply and create selling pressure. This risk could be higher unless the stock is on a strong upward trend or the existing free float is already large.

Generally, promoter lock-in expiries do not pose significant selling pressure, as promoters are less likely to exit immediately.

Promoter vs Founders

In many IPOs, particularly of new-age companies such as e-commerce and technology firms, the key business drivers are referred to as founders rather than promoters. Investors should closely examine transactions among founders, including whether any founder is exiting by transferring their stake to another founder. It is important to understand which founder is assuming the role of promoter and who continues as a founder.

The role played by founders in building and nurturing the company is critical. If a founder who has played a dominant or key role is exiting, or if their equity stake is being reduced to a minimal level, investors should exercise caution. Similarly, where a promoter has exited or has been diluted to an insignificant shareholding, the relevance of their role must be carefully assessed.

If the individual was a key driver of the business, future performance may be impacted unless a sufficient period, generally more than three years, has passed and the company has demonstrated sustained improvement in both revenue growth and profitability.

Promoter Pledge

Pledge of promoter shareholding is generally viewed as negative by investors, as it reduces the promoter's effective economic stake while voting rights remain unchanged. However, not all promoter pledges are negative. When promoter shares are pledged to secure borrowings of the company, it can indicate the promoter's commitment to support the business. This is different from pledges created for the promoter's personal borrowings or for unrelated businesses, which require closer examination.

Therefore, clear disclosure of the purpose and nature of promoter pledges is important for investors to assess their impact.

Corporate Governance Policies and Codes

Corporate governance policies serve as ethical frameworks for managing business conduct. While laws mandate listed companies to adopt and disclose specific policies under the SEBI LODR Regulations, the Companies Act, and applicable sectoral laws, merely having policies in place is the baseline requirement.

Formulating policies is relatively straightforward; ensuring their consistent and effective implementation is far more challenging. Non-compliance often becomes visible only after an adverse event, which is a reactive and destructive form of assessment. Ideally, governance effectiveness should be evaluated through continuous, non-destructive monitoring mechanisms.

Well-defined and actively monitored policies reflect the company's commitment to ethical and responsible governance.

Financial Information

After the Board and Management, the Financial Information section is the most critical part of the Prospectus. Financial analysis requires expert understanding; therefore, information must be understood in a holistic, and intuitive manner.

Financial information should be well interpreted through **tables, and supportive graphs and charts presented in the Prospectus.**

Where the company operates through multiple entities and both standalone and consolidated accounts are presented, **a pictorial depiction of the group structure (where given)**, holding percentages and revenue/EBITDA contribution should be referred to by the investors. It should also be understood that consolidated figures are **not a simple aggregation** due to inter-company transactions, supported by a brief illustrative example. This must be well analysed by investors.

Key analytical disclosures that investors must analyse include:

- **Revenue trends** (segment-wise, where applicable) with YoY growth for the last three years, preferably in chart form.
- **Fixed asset trends**, especially for manufacturing companies, should be analysed alongside revenue and profit growth to evaluate whether asset additions have translated into commensurate performance. Any material divergence, particularly where asset growth exceeds revenue or profit growth, must be appropriately understood.
- **Debt profile** covering growth or reduction over the last three years, average cost of debt, short-term vs long-term borrowings, and total outside liabilities.
- **Debt-equity ratio movement**, with explanations for any sharp changes.
- **Working capital analysis**, including composition of current assets and liabilities, receivables ageing, split between liabilities not due and overdue, inventory, creditors, and working capital days.
- **Increasing creditor days** can have a dual interpretation; it may reflect improved credit terms and greater trust from suppliers, or, alternatively, indicate delays in payments due to liquidity constraints or financial stress. Hence, the reason must be well understood.
- **Liquidity indicators**, including current ratio trends, with clear commentary on whether any decline signals stress or is operationally justified.
- **Profitability metrics**, including EBITDA and PAT (absolute and percentage growth), linked to revenue through margin analysis.
- **Free cash availability**, excluding investments in subsidiaries, JVs, or associates.
- **Default risk assessment**, comparing debt repayment obligations with historical cash flows, and commentary on whether any cash strain is anticipated.

Investors must analyse all major ratios and growth trends benchmarked against industry averages and closest peers. Where local comparables are unavailable, international benchmarks may be used, with appropriate explanations. Any inability to provide comparisons must be clearly understood.

Where the objects of the issue are expected to improve financial metrics (e.g., if proceeds of issue are utilized for debt repayment, then the same may improve leverage ratios), the expected impact should be well understood.

Lengthy and generic risk factor disclosures can appear daunting in isolation, often resulting in investors overlooking them as remote or unlikely.

Hence, risk factors should be linked to historical performance wherever possible. Instead of listing risks in isolation, the Prospectus should indicate whether such risks have materialised in the past and their impact. For example, against default risk, it may be stated that the company has met all financial obligations over the last X years. Similarly, for operational disruption risks, past instances, if any, and their effect should be briefly disclosed.

Company Contact

This disclosure is procedural and made to meet legal requirements and has no bearing on the merits of the investment. Investors may refer to it only if needed, for purposes such as contacting the Company.

Acquisition Cost of shares - Promoters and Others

This information is historical and disclosed to meet statutory requirements. While it may be informative, it has limited relevance for determining the offer price or assessing the Company's future performance or share price. Investment decisions should be based on the Company's future prospects, rather than the historical acquisition prices paid by selling shareholders. Such disclosure is largely academic unless the share acquisition is recent and the proposed valuation differs materially, in which case the reasons for such variance should be explained.

Statutory Auditors & Audit Report

Auditor Appointment & Regulatory Compliance: The appointment, eligibility, qualification, and tenure of statutory auditors are governed by the Companies Act, SEBI regulations, and applicable sectoral regulators. The law requires disclosure of any change in auditors during the past three years, along with reasons. Where a change has occurred pursuant to regulatory action or concerns raised by regulators, such reasons are disclosed in adequate detail.

Investors must read these details and understand.

Audit Opinion & Qualifications: Investors must assess whether the audit report is qualified or unqualified. Where qualifications exist, their nature and potential impact on the company's operations should be explained, along with management's response. Qualifications may be broadly categorised as procedural, minor, or serious.

Notes to Accounts & Risk Linkage: Audit reports contain extensive notes, some of which relate directly to key risks (e.g., provisions for legal disputes). Investors must assess such material notes and link them to relevant risk factors to improve understanding.

Notes generally contain information on procedure, breakdown of items in Financial Statements and explanation of certain one-off items in financial statements. One-off items and material liabilities disclosed in the notes must be understood, particularly where they have a significant bearing on risk assessment.

Tax, Legal & Arbitration Matters: Tax disputes, legal claims, and arbitration proceedings merit specific attention. While outcomes cannot be predicted with certainty, disclosure of past history and current status, along with appropriate cautionary language, can help investors assess potential exposure.

Contingent Liabilities

Contingent liabilities are potential risks that may remain dormant or materialise unexpectedly. If large contingent liabilities crystallise, they can severely impact a company's finances. Hence, investors must understand clearly all contingent liabilities, classified into appropriate categories to assess the associated risks.

Contingent liabilities may be disclosed under the following categories:

Type	For Company / 100% Subsidiary	For others, including other subsidiary	Amount (₹ Cr)	Provision Made (₹ Cr)	Duration (In Years)
Bank Guarantees					
Corporate Guarantees					
Performance Guarantees					
Letters of Credit					
Commercial Disputes					
Tax Disputes					
Arbitration Awards					
Ownership disputes					

Contingent liabilities should be assessed not only in absolute terms but also relative to the Company's net worth, as a high contingent liability-to-net worth ratio may signal elevated risk. Crystallisation of a significant portion of such liabilities could materially impact the Company's net worth and result in financial stress. However, this ratio must be interpreted in the context of the business model, as in certain industries contingent liabilities arise as an integral and revenue-generating part of operations. In such cases, a high ratio may not necessarily be alarming. For example, in the banking sector, issuance of Letters of Credit is a core income-generating activity that simultaneously creates contingent liabilities. Accordingly, investors should evaluate contingent liabilities based on their nature, origin, and linkage to revenue, rather than relying solely on quantitative ratios.

Conclusion:

This handbook seeks to help investors understand the terms, disclosures, and concepts in a prospectus in a simple and practical manner, enabling a more informed evaluation of companies under consideration for investment. While the handbook covers a wide range of important aspects, it cannot replace independent judgment and careful analysis. Investors must base decisions on fundamentals, disclosures, and long-term business prospects rather than rumours or market noise. Informed, responsible, and disciplined investing is essential not only for individual success but also for the healthy and sustainable development of the capital markets in the country.



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