

# aibi

Creating robust investment culture

# IPO



aibi Chanakya

# CAPITAL MARKET

INVESTING IS WHERE INFORMED  
RISK MEETS DISCIPLINED PATIENCE TO  
CREATE LONG-TERM WEALTH.

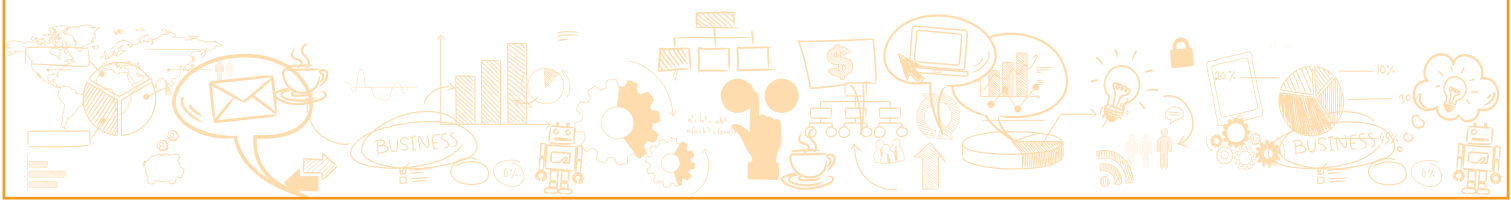




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# 01 CHAPTER 1

## MISSION: THE IPO LAUNCHPAD

Ever wondered how a company suddenly becomes a "Big Player" on the stock market? It's through a process called an Initial Public Offering (IPO). Think of it as a company's "Coming Out Party" to the world of public investors!

### What is an IPO?



An IPO is the official transition where a company goes public by offering its shares to people like you for the very first time. When you buy these shares, you are essentially giving the company fuel (money) to reach its next destination.

### Where Does the Money Go?

The funds raised from the public aren't just for show. Companies use this "Fuel" for:



- **Expanding the Empire:** Building more offices or factories.
- **New Ventures:** Starting exciting new projects, capacity by new technology, machines or R&D.
- **Cleaning the Books:** Repaying existing loans to reduce debt.
- **Daily Power:** Meeting day-to-day operational needs (Working Capital).

### Two Paths to Market

#### Fresh Issue

##### What Happens?

The company creates and issues brand-new shares.

##### Key Outcome

Raises fresh funds for the company to grow

#### Offer for Sale (OFS)

##### What Happens?

Existing shareholders (like founders or early investors) sell their current shares.

##### Key Outcome

Existing Shareholders/Early Investors "cash out" and book their profits.



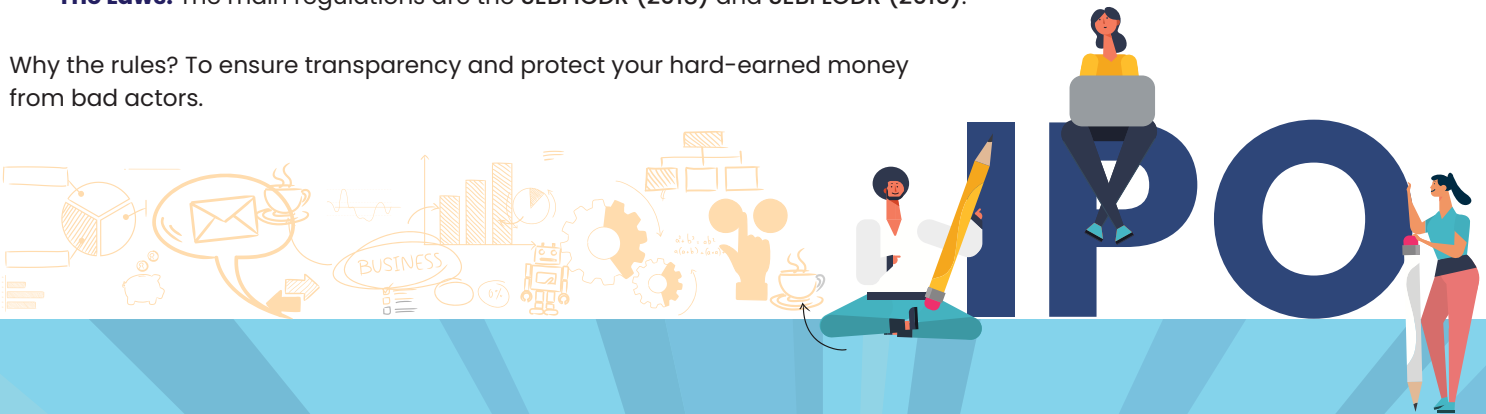


# The Gatekeepers: Who is Allowed In?

Not just any company can walk onto the stock exchange. To protect you, the investor, there are strict "Entry Requirements":

- **Strict Eligibility:** Companies must be financially sound and well-managed before they can list.
- **The Rulebook:** In India, this is governed by the Securities and Exchange Board of India (SEBI).
- **The Laws:** The main regulations are the SEBI ICDR (2018) and SEBI LODR (2015).

Why the rules? To ensure transparency and protect your hard-earned money from bad actors.



## Scene 1:

Company / Issuer – "Let's Grow Big!"

"I want to expand, innovate, and look more trustworthy!"

- Gets money for expansion, R&D, acquisitions & paying off debt
- No need to repay like a loan
- Becomes famous and credible after stock exchange listing
- Follows rules better governance & transparency
- Market decides a fair value of the company
- Shares can be used to buy other companies (M&A)
- Gives early investors and promoters a partial exit
- Improves discipline, professionalism & long-term stability

## Scene 2:

Promoters / Founders – "My Dream Company is Now Public!"

My paper wealth is now real money!

- Converts ownership into tradable shares
- Can still retain control (even after dilution)
- Makes succession and ownership transition smoother
- Gains credibility with global investors and banks
- Encourages professional management

## Scene 3:

Investors – "Let's Invest & Grow Together!"

I get a chance to grow my wealth safely!

- Invest early in fast-growing companies
- Gets audited financials & risk disclosures
- Shares are easy to buy and sell (liquidity)
- Protected by SEBI, stock exchanges & regulations
- Helps in wealth creation & diversification
- Participates in India's growth story

## Scene 4:

Economy / Nation – "Strong Markets, Strong Nation!"

IPO = Growth for Everyone!

- Capital formation using household & global savings
- More financial inclusion and retail participation
- Encourages formalisation of businesses
- Improves transparency & compliance culture
- Strengthens capital markets & entrepreneurship
- In Supports national goals like Viksit Bharat
- Promotes sustainable economic growth & employment

## Benefits of IPO

# MISSION CRITICAL NAVIGATING THE IPO DANGER ZONE

While the "Hype Train" for an IPO is exciting, every smart investor knows that the market has a dark side. Before you hit "Apply," you need to recognize the hidden bosses that can drain your portfolio's HP (Health Points).

## THE VOLATILITY VORTEX

Once a company hits the stock exchange, the price doesn't just go up—it dances!

- **Price Turbulence:** In the first few days, share prices can be highly volatile.

- **Sentiment vs. Reality:** Prices often swing based on market hype and speculation rather than how well the company is actually doing.

- **The "FOMO" Trap:** If you don't get an allotment and buy later at a "peak" price, you risk heavy losses if the bubble bursts.

## THE "GHOST" HISTORY & PERFORMANCE TRAP

Private companies are like mysterious new characters; you don't always know their full backstory.

- **Missing Data:** Many IPO companies lack a long financial history, making it tough to judge their true value.

- **The Post-Listing Slump:** A company might fail to meet high market expectations or face operational challenges after going public.

- **Information Gaps:** Even with the official "Scroll" (Offer Document), investors may still face information gaps.

## RED ALERT: EXTERNAL THREATS

Sometimes, the risks come from outside the company's walls

- **Lock-in Expiry:** When the "Lock-in period" for early investors ends, they might all sell at once, causing sudden selling pressure.

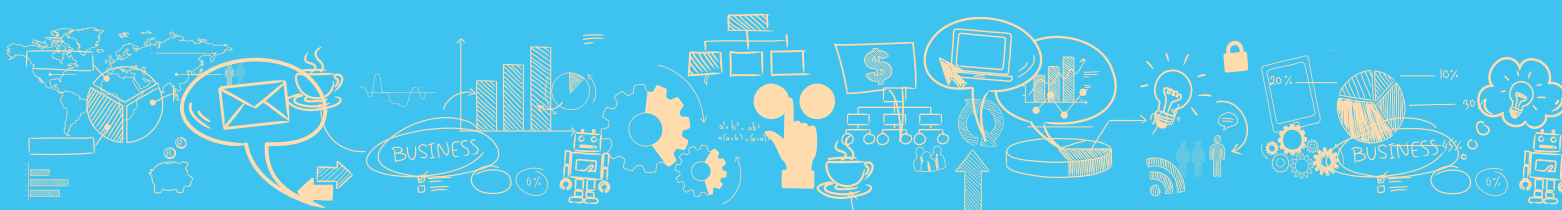
- **The Global Arena:** Changes in government regulations, economic shifts, or even negative news can tank a stock's price instantly.



## YOUR SURVIVAL KIT

To survive the IPO Danger Zone, you must gear up with:

- **Deep Research:** Don't just follow the "Fin-fluencers"; read the actual data.
- **Realistic Expectations:** An IPO is not a "get rich quick" button.
- **Risk Alignment:** Ensure the investment matches your personal financial goals and how much loss you can actually handle



# 02

## CHAPTER 2

### THE GUARDIAN OF THE MARKET: MEET SEBI

Think of SEBI (Securities and Exchange Board of India) as the "Guardian" of the financial world. Their main mission? To make sure the game is fair, transparent, and that you (the investor) don't get cheated.

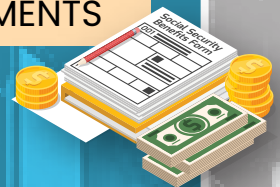
#### THE REGULATORY POWERHOUSE



- **The Filter:** They set strict eligibility conditions. A company must prove its financial health and high governance standards before it can even think about an IPO.
- **The Disclosure Mandate:** SEBI forces companies to reveal their "Secret Sauce" and their "Hidden Scars" through Offer Documents.

#### THE HOLY TRINITY OF DOCUMENTS

SEBI ensures you get all the data through these three stages of "The Scroll"



- **DRHP (Draft Red Herring Prospectus):** The preliminary version for review.
- **RHP (Red Herring Prospectus):** The version with everything except the final price.
- **The Prospectus:** The final, detailed roadmap of the company's business, risks, and financials.

#### THE "T+3" SPEED UP: FASTER THAN EVER

SEBI is constantly upgrading the "Engine" of the market to make it efficient for the digital generation.



Old World (T+6)	New World (T+3)
6 Working Days to list shares	3 Working Days to list shares
Money/Shares tied up for a week	Rapid Allotments & instant refunds
Slower access to capital	Companies get funds in half the time

#### INVESTOR SHIELD: BEYOND THE RULES

SEBI's job doesn't end once the IPO is over. They are your 24/7 security detail:



- **Anti-Cheat Systems:** They prevent Insider Trading (people using secret info to make money)
- **Fair Play:** They promote ethical market practices.
- **Education:** They provide the tools and knowledge so you can invest with Confidence, not just luck.

# 03 THE ARENA: UNDERSTANDING STOCK EXCHANGES

Think of a Stock Exchange as the ultimate marketplace or a "high-tech arena" where buyers and sellers meet to trade shares. In India, the two biggest arenas are **BSE and NSE**.



## THE TWO TITANS OF INDIA

While both serve the same purpose, they are the pillars of the Indian economy:

### NSE

**National Stock Exchange (NSE)**

**National Stock Exchange (NSE):**

A pioneer in technology-driven trading and home to the NIFTY 50.

### BSE

**BSE Limited (BSE)**

**BSE Limited (BSE):** One of the oldest exchanges in Asia, known for its iconic heritage and the SENSEX.



## THE EXCHANGE AS THE "MATCH REFEREE"

The Stock Exchange isn't just a building; it's a high-tech system that protects you:

- **Gatekeeping:** They screen and structure companies before they list.
- **The Delivery Man:** They ensure shares are credited to your Demat Account on time and refunds are processed.
- **Anti-Cheat Sensors:** They monitor trading 24/7 to detect unusual price movements or market manipulation.
- **Transparency Mode:** They force companies to announce every major move (disclosures) so you're never kept in the dark.





# 04 CHAPTER 4

## THE ROADMAP: STAGES OF AN IPO

An IPO isn't just a "launch button"—it's a carefully timed mission. From the first filing to the moment shares hit your screen, every step is designed for transparency.



### THE REGULATORY SCAN

This is where the "Gatekeepers" step in.

- **SEBI & Exchange Review:** Authorities dive deep into the draft. They may demand clarifications or specific changes to ensure everything is 100% accurate.
- **The Green Light:** Once the company addresses all comments, it gets the final approval and files the document with the Registrar of Companies (ROC).



### THE DRAFT (The "Beta" Version)

The journey begins when the company files the **Draft Red Herring Prospectus (DRHP) or Draft Prospectus (DP)**.

- **Public Review:** This document is made public so investors and analysts can scrutinize it.
- **Open for Questions:** Anyone can raise concerns or ask for more details during this period.





### ALLOTMENT & THE T+3 FINISH

The most exciting part happens after the bidding ends!

**The Sorting:** Shares are allotted to investors based on demand.

**Refund & Credit:** If you don't get shares, your money is unblocked (Refund). If you do, shares are credited to your Demat Account.

**The Listing:** Within just three working days (T+3) from the closing date, the shares start trading live on the Stock Exchange!



### THE SUBSCRIPTION WINDOW

Now, the gates finally open for you!

- **The 3-Day Rule:** The IPO can only open at least three working days after the final documents are filed.

**The Bidding Period:** The issue stays open for a minimum of three working days (and up to ten working days in special cases). This is your time to place your "bid" or application.

# Tentative Timelines for an IPO

Below table sets out the tentative timelines and key roles and responsibilities of the intermediaries during the entire process:

## Pre-IPO preparation

### Key Roles & Responsibilities:

The business sets specific goals for capital raising and assesses its preparedness for an IPO. Along with other important professionals like auditors and legal counsel, the company narrows down on a SEBI-registered merchant banker. This stage entails completing the capital and issue structure, carrying out any required company reorganization, and carrying out thorough due diligence. The issuer must relook at all ESG provisions and ensure compliance prior to listing. Usually, the company would appoint independent company secretaries as well as labour law and factory consultants, lawyers, etc., to ensure that the affairs of the company are in order.



**Duration:** 4 to 8 weeks

### Participating Stakeholders:

Company Management, Board, Merchant Banker, Legal Counsel, Auditors.

## Offer Document Preparation and Filing

### Key Roles & Responsibilities:

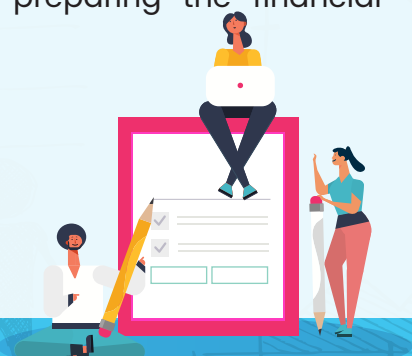
In order to ensure complete compliance with SEBI and Stock Exchange regulations, the merchant banker oversees the creation of the Offer Document during the Offer Document preparation phase. This is done by arranging the Offer Document's general structure and coordinating inputs from the company's management, auditors, and other intermediaries.

In order to ensure accuracy and completeness, the legal advisor develops the Offer Document's legal sections, which include disclosures about contracts, litigation, governance, and regulatory matters. A peer review auditor is engaged to verify financial disclosures during this phase, and the company makes sure that Key Managerial Personnel ("KMP") are appointed in order to comply with governance regulations. The Merchant Banker in charge of preparing the financial disclosures in the Offer Document based on the RFS's preparation.

**Duration:** 6 to 10 weeks

### Participating Stakeholders:

Company Management, Merchant Banker, Legal Counsel, Auditors, Stock Exchange



## Public Issue

### Key Roles & Responsibilities:

Investors can submit applications and monies through processes like Applications Supported by Blocked Amount ("ASBA") process when the IPO opens for public subscription. Investors, registrars, banks, and brokers are all involved in this subscription period, which lasts for 3 (Three) to 10 (Ten) working days.

**Duration:** 3 to 10 working days

### Participating Stakeholders:

Investors, Registrar, Banks, Brokers



## Post-Issue and Listing

### Key Roles & Responsibilities:

After the issue is closed, the allocation basis is decided, the successful applicants' ASBA accounts are unblocked, the blocked amounts are transferred to the public issue account, corporate action is initiated for credit of shares to the successful applicants' demat account, and unblocking is done for the unsuccessful or partially distributed applicants. Investors' demat accounts are thereafter credited with shares. The stock exchange approves the company's listing, and share trading starts within 3 (Three) working days from issue opening date. Activities managed by the stock exchange, depositories, registrar, and merchant banker are included in this 2 (Two) to 3 (Three) week period.



**Duration:** 2 to 3 weeks

### Participating Stakeholders:

Merchant Banker, Registrar, Stock Exchange, Depositories.

## Post-Listing Compliance

### Key Roles & Responsibilities:

After listing, the Market Maker actively ensures liquidity in the shares. Meanwhile, the company complies with SEBI regulations by submitting periodic financial and corporate governance reports and maintaining investor relations. This is an ongoing activity involving company management, company secretary, auditors, and the Market Maker.

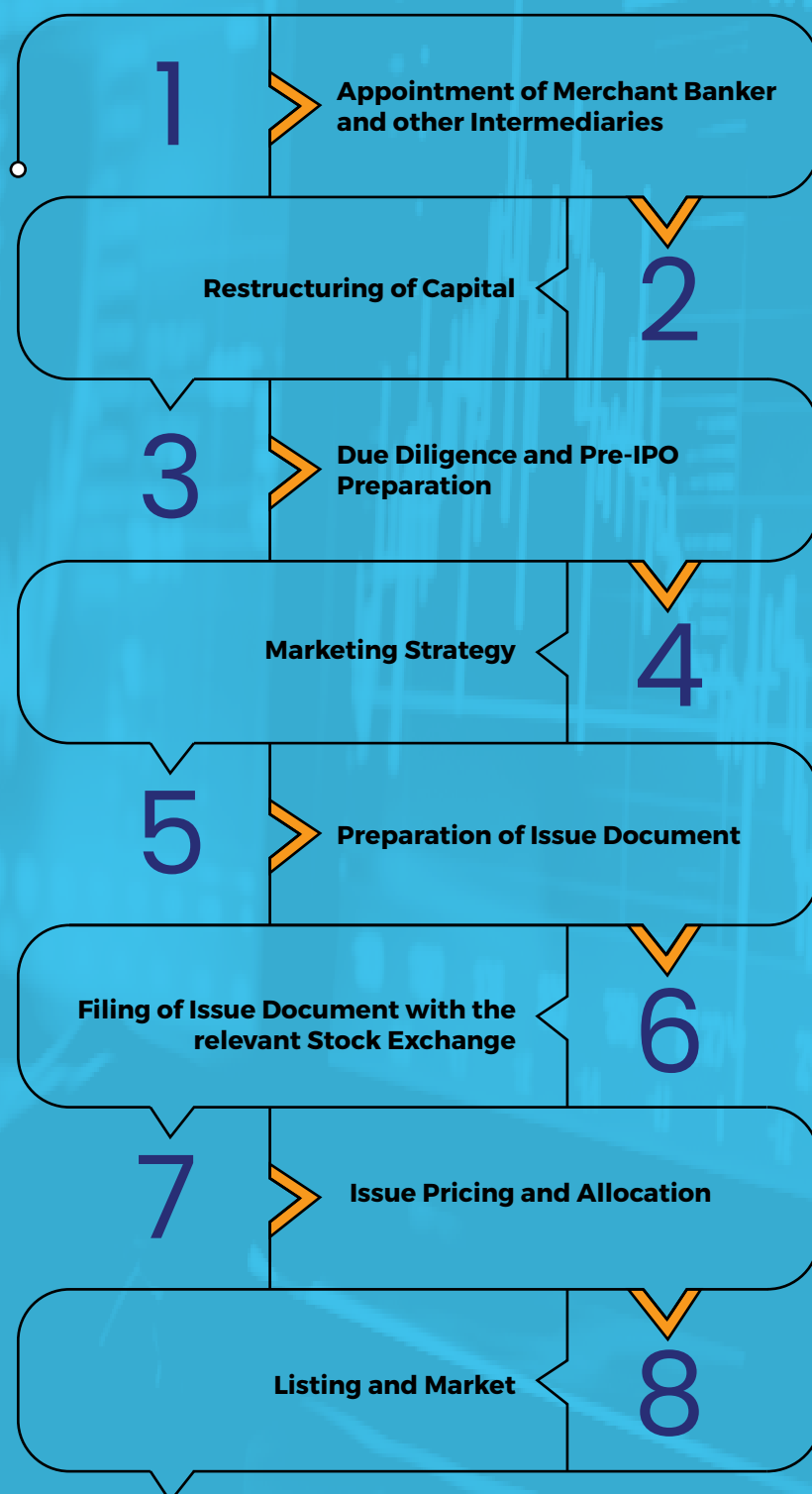
**Duration:** Ongoing

### Participating Stakeholders:

Company Management, Company Secretary, Market Maker, Auditors



# IPO PROCESS



## PRO-TIP FOR YOUTH INVESTORS

The T+3 timeline is a game-changer! It means your money isn't stuck in limbo for weeks. You know your allotment status and can start trading almost immediately after the issue closes.

# 05 CHAPTER 5

## UNLOCKING THE SCROLL: THE OFFER DOCUMENT (DRHP)

Before a company goes public, it must reveal its "Master Plan." This is done through the Draft Red Herring Prospectus (DRHP) or Draft Prospectus (DP). Think of it as a massive "deep dive" report that tells you everything—the good, the bad, and the risky.

### THE PRE-GAME: HOW THE DRHP IS BUILT

Launching an IPO isn't an overnight task. It involves a strategic sequence of moves:

**Team Assembly:** Appointment of Merchant Bankers & other Intermediaries.

**Structural Audit:** Restructuring of Capital.

**Background Check:** Intense Due Diligence and Pre-IPO preparation.

**Strategy Session:** Finalizing the Marketing Strategy.

**The Writing:** Preparation of the Issue Document (DRHP).

**The Filing:** Submitting the document to SEBI or the Stock Exchange.

**The Numbers:** Finalizing Issue Pricing and Allocation.

**The Grand Entry:** Listing and Market Making.



### WHAT'S INSIDE THE "SCROLL"?

The DRHP is the ultimate transparency tool. It answers the big questions:



**The Business:** What do they actually do and how do they make money?



**The Captains:** Who is managing the company? (Promoters & Directors)



**The Financials:** Are they profitable? How much debt do they have?



**The Spending Plan:** Exactly how will they use the IPO money? (The "Objects of the Issue")



## WHY IS IT CALLED A "DRAFT"?

It's called a Draft because it's a living document.

- **Public Scrutiny:** It is hosted on the websites of SEBI, the Stock Exchanges, the Company and the merchant banker for everyone to see.
- **The Feedback Loop:** Investors and analysts can review it and raise concerns.
- **The Final Polish:** Based on feedback or SEBI's observations, the company may revise its disclosures or even change parts of the IPO plan before the final version (RHP) is released.

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***The DRHP is your protection. If a company is hiding a weakness, this is where it's most likely to be spotted by experts and the regulator. Never invest based on a "tip" until you've at least glanced at the key summaries in the DRHP!***

## THE ULTIMATE CHEAT SHEET: DECODING THE OFFER DOCUMENT

The Offer Document is a massive book, but you don't need to read every single page to be a pro. Think of it as a Company's DNA Report. Here are the "Power Sections" you must check before investing your hard-earned money.







## 1. THE BUSINESS CORE (Who are they?)

**About the Company:** The big picture—what they sell, how they make money, and their future "World Domination" plans.

**Industry Overview:** Is the sector growing like a rocket or shrinking? This covers market trends, opportunities, and the "rules of the game" (regulations).

**Peer Comparison:** A "Versus Mode" where the company is measured against its rivals in terms of profits, efficiency, and market standing.



## 2. THE CAPTAINS (Who's driving?)

**Management & Governance:** Profiles of the Promoters, Directors, and the leadership team.

**The Trust Factor:** Do they have the experience? Are there any past legal issues? Remember: A great ship with a bad captain is a risky bet!



## 3. OBJECTS OF THE ISSUE (Where's my money being spent?)

This is the most critical section. The company must list exactly how they will use the IPO funds:

**Capital Expenditure (CapEx):** Building new factories, buying high-tech machinery, or upgrading tech.

**Repayment of Loans:** Paying off old debts to save on interest and strengthen the balance sheet.

**Working Capital:** Buying raw materials and keeping the daily "engine" running.

**General Corporate Purposes (GCP):** Branding, marketing, and strategic initiatives.



## 4. THE RISK RADAR (What could go wrong?)

Every business has "weak spots." This section breaks them into two categories:

**Internal Risks:** "In-house" problems like losing a key CEO, production glitches, or pending lawsuits.

**External Risks:** Things the company can't control, like government policy changes, global recessions, or intense competition.



## 5. THE FINANCIAL SCOREBOARD

The cold, hard numbers. Look for:

**The Big Three:** Balance Sheet (Assets/Liabilities), Profit & Loss (Income/Expenses), and Cash Flow (Actual money moving).

**Indebtedness:** How much debt are they carrying? Too much can be a red flag.

**Capital Structure:** Who owns what percentage of the company right now?



## 6. LEGAL & PRACTICAL DETAILS

**Legal Info:** Any lawsuits or regulatory hurdles that could affect the business.

**Issue-Related Info:** The "How-To" guide. It lists the Price Band, Minimum Lot Size, and how shares are split between Retail and Institutional investors.

**Articles of Association (AoA):** The internal rulebook. It tells you about your voting rights and how the company is managed.

# 06

## CHAPTER 6

# MEET THE SQUAD: KEY STAKEHOLDERS IN THE IPO PROCESS

An IPO isn't a solo mission; it's a high-stakes operation involving a team of specialized "Players." Each one has a specific role to ensure that the process is transparent, compliant, and—most importantly—that you are protected.

### THE INTERNAL GUARDIANS

Before the company meets the public, these experts make sure everything is in order:

**Compliance Officer:** The internal referee who ensures the company follows all legal rules and handles any complaints you might have.

**Auditors:** The "Truth-Seekers" who verify financial statements to ensure they show a true and fair picture of the company's money.

**Legal Counsel:** The architects who draft the "Holy Scrolls" (legal documents) and check every contract for potential landmines.

### THE MISSION CONTROL

These players run the actual launch of the IPO:







**Lead Manager / Merchant Banker:** The "General" of the IPO. They manage the entire process, from doing background checks, due diligence, provide advice to issuer company on other issue related matter.

**Registrar to the Issue:** The "Logic Engine" that processes your application, decides who gets shares (allotment), and handles your refunds if you don't get them.



# THE INFRASTRUCTURE TEAM

These entities provide the tech and tools for you to participate:

Player	Role in Your Journey	
Brokers / Syndicate Members	Your "Interface"—they help you submit your bids and record them in the system.	
Banks / SCSBs	The "Vault"—they use the ASBA system to block your money safely in your account until allotment.	
Depositories (NSDL & CDSL)	The "Digital Lockers"—they ensure your shares are credited electronically to your Demat account.	
Registrar to the Issue	To manage and process investor related activities.	
Stock Exchanges (BSE & NSE)	The "Arena"—they approve the listing and monitor everything to ensure trading is fair.	

## THE SUPREME OVERSEER

SEBI (Securities and Exchange Board of India): The "Guardian". They review the offer documents, enforce strict disclosure standards, and take action against anyone who breaks the rules.

# 07 CHAPTER 7

## LEVEL UP: FINDING THE SOURCE & CHECKING THE PROS

To be a successful investor, you need to know where the "Real Data" is hidden and who is managing the mission. Don't rely on screenshots or rumors—go straight to the official sources!

### THE TREASURE MAP: WHERE TO FIND THE "OFFER DOCUMENT"

The Offer Document (DRHP/RHP) is the only "official truth" about an IPO. You can find it in these high-security digital vaults:

**The Regulator's Vault:** SEBI website

**The Arenas:** BSE and NSE official websites

**The Mission Leaders:** Merchant Banker's website

**The Source:** The Company's own official website

**The Logic Center:** The Registrar's website

Why these? These are the most reliable and verified sources of information for any IPO.

### THE SCOUTER: EVALUATING YOUR MERCHANT BANKER

The Merchant Banker is the brain behind the IPO. Before you trust the company, you need to scout the banker's track record. Here is what to look for:

What to Check	Why it Matters
Battle History	Review past IPOs they have managed
Deal Scale	Look at the number and total size of deals they have handled
Post-Listing	How did those IPOs perform after they hit the market?
Integrity Score	Check the quality of their disclosures & their compliance record



### WHERE TO FIND THE "SCOUTER" DATA?

You can find these performance details in:

- The Offer Document itself.
- AIBI's website.



## THE SMART INVESTOR'S MOVE

A high-quality Merchant Banker usually means the company has been through a much tougher "vetted" process. If the banker has a history of poor post-listing performance, proceed with caution!



## LEVEL UP: THE INVESTOR GRIEVANCE REDRESSAL MECHANISM

In the world of investing, even the best-planned missions can hit a glitch. Whether it's a "missing refund" or a "frozen bank balance," you have the power to fight back and get your issue resolved. Here is your guide to troubleshooting and winning.



## COMMON "GLITCHES" (GRIEVANCES)

Sometimes things don't go according to plan. Watch out for these common issues:

- The Missing Ticket: Non-receipt of share allotment or your refund.
- The Frozen Vault: A delay in unblocking your funds in your bank account.
- Payment Errors: Technical issues with your ASBA or UPI payment.
- Digital Delay: A delay in your shares appearing in your Demat account.



## YOUR FIRST LINE OF DEFENSE

If you hit a problem, don't panic! You have direct contacts to help you fix it:

- **The Compliance Officer:** The company's internal referee.
- **The Registrar to the Issue:** The logic center that manages all applications and refunds.
- **Merchant Banker:** Lead manager and Principle adviser



## YOUR SECOND LINE OF DEFENSE

- SEBI's SCORES and smart ODR

**Pro-Tip: Your Info-Pack To resolve your complaint at lightning speed, always have these details ready:**

- Application Number
- PAN Card
- Demat Details
- Bank or UPI ID
- Proof of Application

## THE LEGAL RULEBOOK: 21-DAY CHALLENGE

**SEBI has strict laws to ensure you aren't kept waiting forever.**

- **The Deadline:** All registered intermediaries must resolve your complaint within 21 days.
- **The Payback:** If they delay your refund or fund unblocking, you are entitled to compensation!
  - ₹100 per day of delay OR
  - 15% per annum interest (whichever is higher)

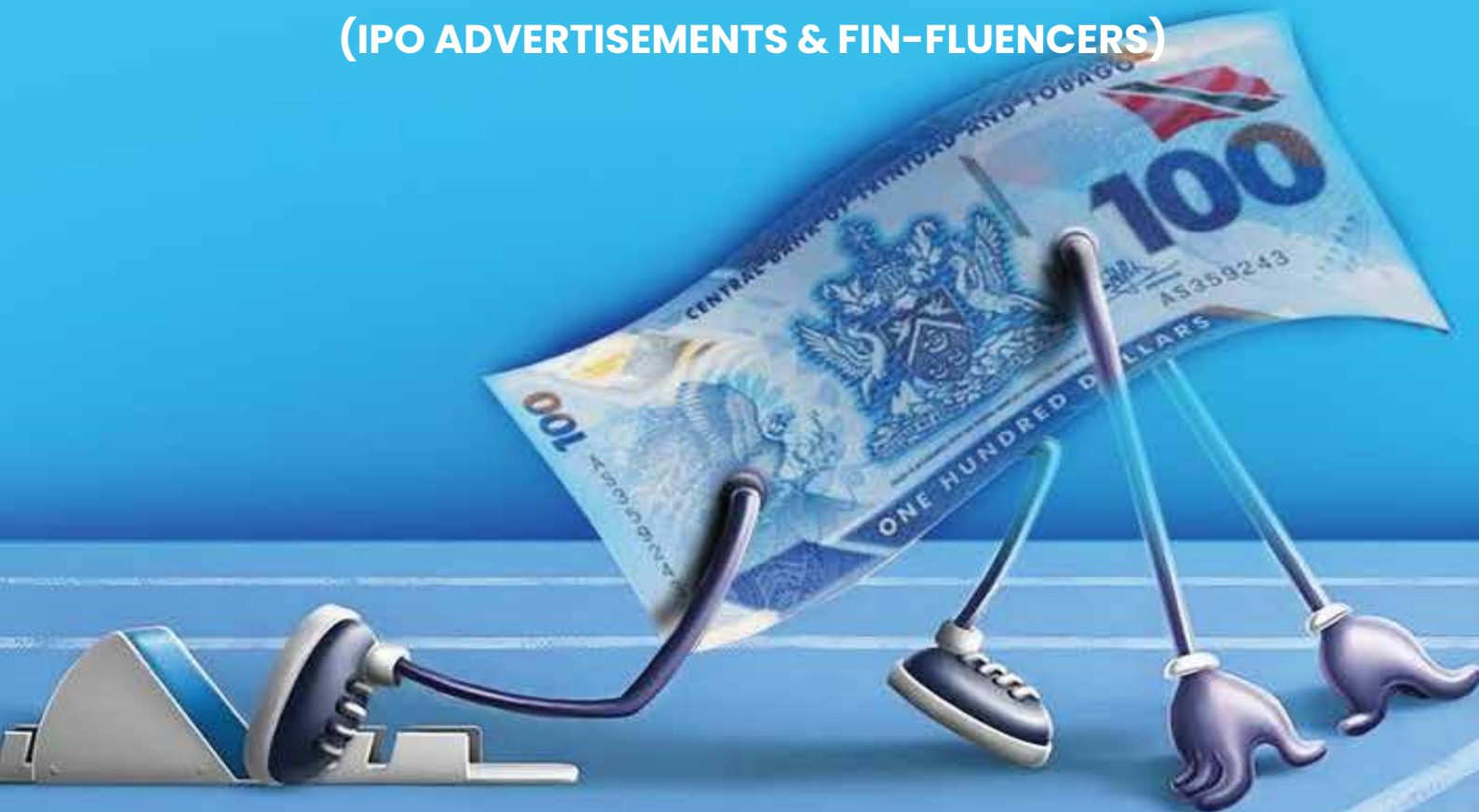
## THE YOUTH TAKEAWAY

**This system isn't just about rules; it's about accountability. SEBI ensures that if the system fails you, you are compensated for your time and trouble.**



# “MISSION: SMASHING THE HYPE

(IPO ADVERTISEMENTS & FIN-FLUENCERS)



**In the digital world, hype is everywhere. But when it comes to IPOs, SEBI ensures that only the truth reaches you. Think of this as your "Misinformation Firewall."**



## THE OFFICIAL BROADCASTS



**A company can't just launch an IPO in secret. They must alert the public at two critical stages through the Statutory Advertisement rule:**

### **The First Alert (DRHP Stage):**

- **Timeline:** Within two working days of filing the Draft Offer Document with the stock exchange.
- **The Reach:** Must be published in one English national daily, one Hindi national daily, and one Regional newspaper where the company's office is situated.
- **The Mission:** To invite YOU to review the document and send comments or feedback

### **The Final Countdown (Post-ROC Filing):**

- **Timeline:** At least two working days BEFORE the IPO opens.
- **The Details:** Discloses the final IPO price, issue dates, and any major updates since the draft stage.

## THE MULTIMEDIA UPGRADE (AV FORMAT)

**Since May 2024, SEBI has made understanding IPOs even easier for the video generation:**



- **The Requirement:** Main board IPOs must release salient disclosures in an Audio-Visual (AV) format.
- **Languages:** Mandatory in English and Hindi (with Devanagari script), with the option for other languages.
- **Where to Watch:** Available on the Issuer's website and the AIBI website.

# BEWARE THE FIN-FLUENCER FIN-FLUENCER FIN-FLUENCER SHADOW



*Not everyone with a large following is a pro. SEBI has issued a "Red Alert" against unregistered advise. Investment in capital market is always subject to market risk.*

## The Trap

Guaranteed Returns: "Earn 100% in 2 days!"

No Guarantees: SEBI strictly prohibits promising fixed or guaranteed returns

## The Trap

Unverified Tips: Buy/Sell recommendations from non-pros

Registered Only: Only SEBI-registered Investment Advisers (IA) or Research Analysts (RA) can give advice

## The Trap

Real-Time Hype: Using live data to create FOMO

3-Month Rule: Unregistered influencers can only use data that is more than 3 months old

The Reality Check

## THE SEBI "ADVERTISEMENT CODE"

For the registered pros (IAs & RAs), SEBI's April 2023 code sets the standard:

- **Identification:** Must display the advisor's Name, Registration Number, and Contact Details.
- **Risk Warning:** A standard Risk Disclaimer is mandatory.
- **Association Ban:** Registered entities (like brokers) are not allowed to have any direct or indirect relationship with unregistered fin-fluencers.



- Financial Education = Allowed! (Learning how markets work) .
- Investment Advice = Regulated! (Telling you specifically what to buy) .
- **The Golden Rule:** Don't rely on a 60-second reel. Always refer to Official Offer Documents, Stock Exchange filings, or the SEBI website before you invest.

# 09

## CHAPTER 9 MASTERING THE ASBA SYSTEM

Think of ASBA (Application Supported by Blocked Amount) as the "Escrow Account" for your IPO journey<sup>1</sup>. It's the mandatory, high-tech way to apply for shares while keeping your money safely in your own hands until the very last second.



### THE "VAULT" MECHANISM: HOW IT WORKS



**Stay in Control:** The money stays in your account and even continues to earn interest (if applicable)



**Safety Lock:** While blocked, you cannot use that specific amount for other things



**Pay Only for Wins:** Funds are only debited (taken out) if you actually get a share allotment.



**No "Refund" Ghosting:** Since the money never left, there's no waiting for a refund check<sup>8</sup>. If you don't get shares, the lock is simply released.

### THE ALLOTMENT SCENARIOS

What happens to your money after the "Book Building Process" ends?

**If you get... Partial Allotment**

**What happens to the cash?**

Only the cost of the shares you got is debited; the rest is unblocked

**If you get... Full Allotment**

**What happens to the cash?**

The total application amount is debited from your account



**If you get... Zero Allotment**

**What happens to the cash?**

The entire amount is unblocked and becomes available to investor's disposable.

# YOUR IPO STARTER PACK

To use the ASBA system, you need these two essential "Items" in your inventory:



**PAN Card:** Your unique investor ID.



**Demat Account:** The digital locker where your shares will be stored.

## THE "TARDY" PENALTY

SEBI doesn't like it when banks are slow. If there is a delay in unblocking your money after the IPO process:

- **The Compensation:** You are entitled to ₹100 per day of delay OR 15% per annum interest (whichever is higher).



### THE YOUTH TAKEAWAY

ASBA is a non-financial transaction. You won't see a "Debit" or "Credit" entry in your bank statement for the blocking/unblocking—only the final amount taken out if you win shares. It is the cleanest, safest, and most efficient way to participate in the market!



# FREQUENTLY ASKED QUESTIONS (FAQs)

## A. Understanding IPOs



### 01

#### **What is an Initial Public Offering (IPO)?**

An Initial Public Offering, or IPO, is when a company offers its shares to the public for the first time and gets listed on a stock exchange. This allows the company to raise money from investors to grow its business, repay loans, or expand into new areas. Once listed, the company must follow stricter rules, share regular updates, and maintain transparency. For investors, an IPO gives a chance to own a part of the company and benefit if it grows in the future.



### 02

#### **Can any company launch an IPO?**

No. Only companies that meet SEBI rules and stock exchange requirements can launch an IPO. These rules are designed to protect investors and ensure the company is financially sound and transparent.



### 03

#### **What is the difference between an IPO and an FPO?**

An IPO is when a company comes to the stock market for the first time. A Follow-on Public Offer, or FPO, is when an already listed company issues more shares to raise additional funds.



### 04

#### **Why do companies go public?**

By going public, companies can raise large amounts of money without depending only on banks or private investors. Listing also improves brand image, builds trust, attracts better talent, and makes it easier to raise funds in the future or pursue mergers and acquisitions.



### 05

#### **What does investing in an IPO mean for individual investors?**

When you invest in an IPO, you become a shareholder of the company at an early stage of its public journey. If the company performs well after listing, investors may benefit through price appreciation and dividends.

# FREQUENTLY ASKED QUESTIONS (FAQs)

## 06

### Who can invest in an IPO?



Different types of investors can apply in an IPO. They are:

- Retail investors applying upto ₹2 lakhs for mainboard IPOs
- Individual investors applying above ₹2 lakhs for SME IPOs
- High Net Worth Individuals applying above ₹2 lakhs
- Institutional investors like mutual funds, banks, and insurance companies
- Anchor investors who invest before the IPO opens

## 07

### What benefits do investors get from IPOs?



IPOs give investors early access to companies with growth potential. Shares are listed on exchanges, so investors can buy or sell them easily. SEBI ensures detailed disclosures, helping investors make informed decisions. Investors may earn through capital appreciation, dividends, and shareholder rights.

## 08

### What are the risks of investing in IPOs?



IPO prices can be volatile after listing. Some companies may not perform as expected. Demand can be high, so not everyone gets allotment. Market conditions, economic changes, or company specific risks can affect share prices.

## B. IPO Process and Documents

## 09

### What is a Draft Red Herring Prospectus or DRHP?



A DRHP is a detailed document filed with SEBI before an IPO. It contains information about the company's business, financials, risks, and how the money raised will be used.

## 10

### Where can investors see the DRHP?



The DRHP is available on SEBI's website, the merchant banker's website, and the company's website. Anyone can access and read it.



# FREQUENTLY ASKED QUESTIONS (FAQs)



## 11

### **How can investors trust the information in the DRHP?**

The company, its directors, and the merchant banker are responsible for ensuring accuracy. SEBI and stock exchanges review the document thoroughly. Multiple checks are done before it is approved, making it a reliable source of information.



## 12

### **Which parts of the DRHP should investors read carefully?**

Investors should focus on:

- Risk Factors
- Objects of the Issue
- Financial Information
- Capital Structure
- Management Discussion and Analysis



## 13

### **Where can I check the company's financial performance?**

The Financial Information section shows audited balance sheets, profit and loss statements, cash flows, and details of debt.



## 14

### **Where do I find details on price band, lot size and investor category limits?**

The Issue Related Information section explains the price band, lot size, application process, and investor category limits.



## 15

### **Why is the Risk Factors section important?**

This section explains possible problems the company may face. These include internal risks related to business or finances and external risks like economic slowdown or industry challenges.

# FREQUENTLY ASKED QUESTIONS (FAQs)

## C. Application and Allotment



**16**

### **What is ASBA?**

ASBA means Application Supported by Blocked Amount. Your money stays blocked in your bank account and is deducted only if shares are allotted to you.



**17**

### **Is ASBA mandatory?**

Yes. SEBI has made ASBA compulsory for all IPO applications.



**18**

### **What is an SCSB?**

A Self-Certified Syndicate Bank is a SEBI approved bank that blocks funds, submits your application, and releases or debits money after allotment.



**19**

### **How does UPI work for IPOs**

You can apply using your UPI ID. After submitting the application, you receive a UPI request. Once you approve it using your UPI PIN, the amount gets blocked.



**20**

### **Is there a UPI limit?**

Yes. You can apply up to ₹5 lakhs through the UPI route.

# FREQUENTLY ASKED QUESTIONS (FAQs)



**21**

## **Why is a demat account required?**

Shares are issued only in demat form. Without a demat account, you cannot apply for an IPO.



**22**

## **Why is PAN required?**

PAN is mandatory for investor identification. Applications without a valid PAN are rejected.



**23**

## **What happens if the IPO is withdrawn?**

If the IPO is cancelled or withdrawn, the blocked amount is released back into the investor's bank account.



**24**

## **What is SEBI's role in IPOs?**

SEBI regulates the IPO process to ensure fairness, transparency, and investor protection. It sets rules, reviews documents, and takes action against wrongdoing.



**25**

## **Which stock exchanges list IPOs in India?**

IPOs are listed on BSE and NSE. SME companies can list on BSE SME or NSE Emerge platforms.

# FREQUENTLY ASKED QUESTIONS (FAQs)



**26**

## **Does SEBI suggest which IPOs to invest in?**

No. SEBI does not give investment advice. Investors must decide based on disclosures and their own research.



**27**

## **How are investors protected?**

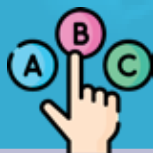
SEBI enforces strict rules, monitors intermediaries, ensures fair allotment, and provides grievance redressal mechanisms for investor protection.



**28**

## **What can investors do for their grievance redressal?**

Investors can file complaints with merchant banker, registrar to issue, issuer company or with SEBI on the SCORES platform. Investors may also take suitable actions if there is fraud or misleading information.



**29**

## **What other remedies are available?**

Investors can approach the registrar for allotment issues, seek remedies under the Companies Act, or approach civil courts for damages.



**30**

## **What is an investor grievance?**

Any complaint related to allotment, refunds, demat credit, or fund unblocking is called an investor grievance.



# FREQUENTLY ASKED QUESTIONS (FAQs)



## 31

### **What details are needed to file a grievance?**

Basic details like name, PAN, application number, demat details, bank or UPI details, and proof of application are required.



## 32

### **What ASBA or UPI complaints can be raised?**

Issues related to refunds, delays in unblocking funds, or payment problems can be raised.



## 33

### **What KYC details are needed for SCORES?**

Name, PAN, date of birth, contact details, and address are required.

REPORT



## 34

### **What complaints are not accepted on SCORES?**

Anonymous complaints, incomplete details, private disputes, or cases outside SEBI's scope are not accepted.



## 35

### **Is Investor protection available if the share price drops post - listing?**

No. Share prices depend on market conditions and company performance. No one guarantee returns.

# FREQUENTLY ASKED QUESTIONS (FAQs)

## D. Investor Awareness and Education



**36**

### **Who are finfluencers?**

Finfluencers are people who share investment tips on social media. Many are not registered with SEBI.



**37**

### **Why is SEBI taking action against finfluencers?**

SEBI wants to protect investors from misleading advice, hidden promotions, and market manipulation.



**38**

### **What concerns does SEBI have?**

Unregistered advice, false information, pump and dump schemes, and undisclosed sponsorships are major concerns.



**39**

### **Are financial educators allowed?**

Yes. Educators can teach basics but cannot give stock specific advice or recommendations unless registered with SEBI.

## ANNEXURE

Resources for Investors: India's SME capital market has grown steadily and now offers investors an opportunity to invest in smaller companies with strong growth potential. As more investors show interest in SME IPOs, it is important to understand how this market works and what support systems are available to help investors take informed decisions. This section explains the key tools and resources available to investors, starting from how to read offer documents and apply for shares, to how to track company updates after listing. Investors can access regular disclosures, stock exchange announcements, and corporate governance information to stay informed about the companies they invest in. SEBI regulations, stock exchange rules, and industry guidelines together create a strong framework that promotes transparency, accountability, and investor protection. These systems are designed to ensure fair practices and timely information flow. This section acts as a simple and practical reference guide for both first time investors and experienced market participants who wish to participate confidently in India's expanding equity markets.



# LEGAL FRAMEWORK

- **Securities Contracts (Regulation) Act, 1956**

**Reference:** <https://www.sebi.gov.in/acts/contractact.pdf>

- **Securities Contracts (Regulation) Rules, 1957**

**Reference:** [https://www.sebi.gov.in/legal/rules/jan-2023/securities-cotracts-regulation-rules-1957-last-amended-on-january-2-2023-\\_67101.html](https://www.sebi.gov.in/legal/rules/jan-2023/securities-cotracts-regulation-rules-1957-last-amended-on-january-2-2023-_67101.html)

- **Companies Act, 2013**

**Reference:** <https://www.mca.gov.in/content/dam/mca/pdf/CompaniesAct2013.pdf>

- **Companies (Share Capital and Debenture) Rules, 2014**

**Reference:** [https://www.sebi.gov.in/sebi\\_data/attachments/apr-2017/1492085373402.pdf](https://www.sebi.gov.in/sebi_data/attachments/apr-2017/1492085373402.pdf)

- **SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018**

**Reference:** [https://www.sebi.gov.in/legal/regulations/sep-2025/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-regulations-2018-last-amended-on-september-09-2025-\\_96753.html](https://www.sebi.gov.in/legal/regulations/sep-2025/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-regulations-2018-last-amended-on-september-09-2025-_96753.html)

- **SEBI FAQs on SEBI ICDR Regulations**

**Reference:** [https://www.sebi.gov.in/sebi\\_data/faqs/may-2025/174729051386.pdf](https://www.sebi.gov.in/sebi_data/faqs/may-2025/174729051386.pdf)

- **SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

**Reference:** [https://www.sebi.gov.in/legal/regulations/sep-2025/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-regulations-2015-last-amended-on-september-08-2025-\\_96749.html](https://www.sebi.gov.in/legal/regulations/sep-2025/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-regulations-2015-last-amended-on-september-08-2025-_96749.html)

- **SEBI FAQs on SEBI LODR**

**Reference:** [https://www.sebi.gov.in/sebi\\_data/faqs/apr-2025/174539010186.pdf](https://www.sebi.gov.in/sebi_data/faqs/apr-2025/174539010186.pdf)

- **SEBI (Merchant Bankers) Regulations, 1992**

**Reference:** [https://www.sebi.gov.in/legal/regulations/feb-2025/securities-and-exchange-board-of-india-merchant-bankers-regulations-1992-last-amended-on-february-10-2025-\\_92447.html](https://www.sebi.gov.in/legal/regulations/feb-2025/securities-and-exchange-board-of-india-merchant-bankers-regulations-1992-last-amended-on-february-10-2025-_92447.html)





# LEGAL FRAMEWORK

- **SEBI Master Circular for Issue of Capital and Disclosure Requirements dated November 11, 2024 (Ref. no.: SEBI/HO/CFD/PoD-1/P/CIR/2024/054)**

**Reference:** [https://www.sebi.gov.in/legal/master-circulars/nov-2024/master-circular-for-issue-of-capital-and-disclosure-requirements\\_88398.html](https://www.sebi.gov.in/legal/master-circulars/nov-2024/master-circular-for-issue-of-capital-and-disclosure-requirements_88398.html)

- **SEBI Circular on Industry Standards on Key Performance Indicators (KPIs) Disclosures in the draft Offer Document and Offer Document dated February 28, 2025 (Ref. no.: SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/28)**

**Reference:** [https://www.sebi.gov.in/legal/circulars/feb-2025/industry-standards-on-key-performance-indicators-kpis-disclosures-in-the-draft-offer-document-and-of-fer-document\\_92380.html](https://www.sebi.gov.in/legal/circulars/feb-2025/industry-standards-on-key-performance-indicators-kpis-disclosures-in-the-draft-offer-document-and-of-fer-document_92380.html)

- **SEBI Master Circular for Merchant Bankers dated September 26, 2023 (Ref. no.: SEBI/HO/CFD/PoD-1/P/CIR/2023/157)**

**Reference:** [https://www.sebi.gov.in/legal/master-circulars/sep-2023/master-circular-for-merchant-bankers\\_77368.html](https://www.sebi.gov.in/legal/master-circulars/sep-2023/master-circular-for-merchant-bankers_77368.html)

- **SEBI Circular on Repository of documents relied upon by Merchant Bankers during due diligence process in Public issues dated December 05, 2024 (Ref. no.: SEBI/HO/CFD/CFD-TPD-1/P/CIR/2024/170)**

**Reference:** [https://www.sebi.gov.in/legal/circulars/dec-2024/repository-of-documents-relied-upon-by-merchant-bankers-during-due-diligence-process-in-public-issues\\_89231.html](https://www.sebi.gov.in/legal/circulars/dec-2024/repository-of-documents-relied-upon-by-merchant-bankers-during-due-diligence-process-in-public-issues_89231.html)

- **SEBI Master Circular for Registrars to an Issue and Share Transfer Agents dated June 23, 2025 (Ref. no.: SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/91)**

**Reference:** [https://www.sebi.gov.in/legal/master-circulars/jun-2025/master-circular-for-registrars-to-an-issue-and-share-transfer-agents\\_94735.html](https://www.sebi.gov.in/legal/master-circulars/jun-2025/master-circular-for-registrars-to-an-issue-and-share-transfer-agents_94735.html)

- **SEBI Master Circular for Depositories dated December 03, 2024 (Ref. no.: SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/168)**

**Reference:** [https://www.sebi.gov.in/legal/master-circulars/dec-2024/master-circular-for-depositories\\_89243.html](https://www.sebi.gov.in/legal/master-circulars/dec-2024/master-circular-for-depositories_89243.html)







# LEGAL FRAMEWORK

- **SEBI Master Circular for Banker to an Issue dated June 03, 2024 (Ref. no.: SEBI/HO/CFD/PoD-1/P/CIR/2024/072)**

**Reference:** [https://www.sebi.gov.in/legal/master-circulars/jun-2024/master-circular-for-bankers-to-an-issue\\_88399.html](https://www.sebi.gov.in/legal/master-circulars/jun-2024/master-circular-for-bankers-to-an-issue_88399.html)

- **SEBI Guidelines for returning of draft offer document and its resubmission dated February 06, 2024 (Ref. no.: SEBI/HO/CFD/PoD-1/P/CIR/2024/009)**

**Reference:** [https://www.sebi.gov.in/legal/circulars/feb-2024/guidelines-for-returning-of-draft-offer-document-and-its-resubmission\\_81146.html](https://www.sebi.gov.in/legal/circulars/feb-2024/guidelines-for-returning-of-draft-offer-document-and-its-resubmission_81146.html)

- **SEBI – Apply in IPO through ASBA**

**Reference:** [https://investor.sebi.gov.in/ipo\\_through\\_asba\\_hyperlink.html](https://investor.sebi.gov.in/ipo_through_asba_hyperlink.html)

- **SEBI Circular on Repository of documents relied upon by Merchant Bankers during due diligence process in Public issues dated December 05, 2024 (Ref. no.: SEBI/HO/CFD/CFD-TPD-1/P/CIR/2024/170)**

**Reference:** [https://www.sebi.gov.in/legal/circulars/dec-2024/repository-of-documents-relied-upon-by-merchant-bankers-during-due-diligence-process-in-public-issues\\_89231.html](https://www.sebi.gov.in/legal/circulars/dec-2024/repository-of-documents-relied-upon-by-merchant-bankers-during-due-diligence-process-in-public-issues_89231.html)

- **FAQs on Use of Unified Payments Interface (UPIs) with ASBA in Public Issue Process**

**Reference:** [https://www.sebi.gov.in/sebi\\_data/commons/mar-2019/useofunifiedpaymentinterfacefaq.pdf](https://www.sebi.gov.in/sebi_data/commons/mar-2019/useofunifiedpaymentinterfacefaq.pdf)

- **SEBI Investor Awareness Test**

**Reference:** <https://sice.nism.ac.in/>

- **SCORES (SEBI Complaints Redress System)**

**Reference:** <https://scores.sebi.gov.in/>



# EXCHANGE & DEPOSITORY FRAMEWORK

- **NSE Consolidated / Master Circulars**

**Reference:** <https://www.nseindia.com/static/resources/consolidated-master-circulars>

- **Application Supported by Blocked Amount (ASBA) Procedure**

**Reference:** <https://www.nseindia.com/products-services/initial-public-offerings-asba-procedures>

- **NSE – Circular on changes in the bidding process (New Process) for SME IPOs pursuant to the amendments to SEBI (ICDR) (Amendment) Regulations, 2025 dated June 18, 2025 (Ref. no.: 07/2025)**

**Reference:** <https://nsearchives.nseindia.com/content/circulars/I-PO68604.pdf>

- **BSE – Notices & Circulars**

**Reference:** <https://www.bseindia.com/markets/MarketInfo/NoticesCirculars.aspx?id=0&strid=&pagecenter=&subject=>

- **NSDL – Investor Charter**

**Reference:** [https://nsdl.co.in/publications/investor\\_charter.php](https://nsdl.co.in/publications/investor_charter.php)

- **CDSL – Investor Charter**

**Reference:** <https://www.cdslindia.com/Investors/Investorcharter.html>

- **AIBI – IPO Videos**

**Reference:** [https://www.aibi.org.in/ipo\\_videos.asp](https://www.aibi.org.in/ipo_videos.asp)

- **AIBI – IPO Guide**

**Reference:** [https://www.aibi.org.in/ipo\\_guide.asp](https://www.aibi.org.in/ipo_guide.asp)

## GLOSSARY

- ASBA** – Application Supported by Blocked Amount
- BSE** – BSE Limited (formerly known as Bombay Stock Exchange Limited)
- BSE SME** – Designated SME platform of BSE Limited
- CFO** – Chief Financial Officer
- CS** – Company Secretary
- DIS** – Department of Investor Services
- DP** – Draft Prospectus
- DRHP** – Draft Red Herring Prospectus
- EBITDA** – Earnings Before Interest, Tax, Depreciation, Amortisation
- FDI** – Foreign Direct Investment
- FPO** – Follow-on Public Offer
- GCP** – General Corporate Purpose
- IBC** – Insolvency and Bankruptcy Code, 2016
- ICAI** – The Institute of Chartered Accountants of India
- ICD** – Inter Corporate Deposits
- ICDR** – SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2017 and the amendments thereto
- IP** – Intellectual Property
- IPO** – Initial Public Offering
- LLP** – Limited Liability Partnership
- LM** – Lead Manager
- LODR** – SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the amendments thereto
- NSE** – National Stock Exchange
- NSE Emerge** – Designated SME platform of National Stock Exchange
- ODR** – Online Dispute Resolution Portal
- PFUTP** – SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 and the amendments thereto
- RHP** – Red Herring Prospectus
- ROC** – Registrar of Companies
- RTA** – Registrar and Transfer Agent
- SCORES** – SEBI Complaints Redressal System
- SCSB** – Self-Certified Syndicate Bank
- SEBI** – Securities and Exchange Board of India
- SME** – Small and Medium Sized Enterprises
- Stock Exchange** – The designated stock exchange, being NSE or BSE Limited



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