

IPO INSIGHT

DRHP Basics & Why It Matters

Draft Red Herring Prospectus (DRHP) — Foundation of the IPO Journey

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Understanding the foundation document of every IPO

Draft Red Herring Prospectus (DRHP)

- Preliminary offer document filed with SEBI for observations
- Must contain true, correct and adequate disclosures
- Enables informed investor decisions

Regulatory Foundation

- Must contain true, correct and adequate disclosures
- Enables informed investor decisions
- Must not omit material information or present misleading statements

Why DRHP is Critical

01

First Interaction

With SEBI & investors — sets the tone for the entire IPO

02

Basis of SEBI Observations

Quality of disclosures directly drives regulatory feedback

03

Approval Timeline

Determines IPO approval timeline & path to market

A well-prepared DRHP is critical across regulatory, investor, governance, and operational dimensions



Regulatory Approval Gateway

- SEBI reviews disclosures before issuing observations
- Inadequate disclosures → IPO delays / return of DRHP



Investor Protection & Transparency

- Ensures fair and informed participation of retail & institutional investors
- Reduces risk of post-listing disputes and litigation



Governance & Compliance Test

- Strengthen internal controls
- Clean historical governance issues
- Align internal data across departments



IPO Readiness Check

- Compliance gaps
- Documentation deficiencies
- Weak risk management frameworks

Five pillars of disclosure that SEBI and investors scrutinise most.



Business & Industry Overview

- Business model and revenue drivers
- Industry landscape & competitive positioning
- Strategy and future growth roadmap



Financial Information

- Restated financial statements (3 years)
- KPIs and operational metrics
- Capital structure and debt profile



Risk Factors (Most Scrutinised)

- Litigation & regulatory exposure
- Customer concentration
- Dependence on promoters or key personnel



Management & Promoters

- Promoter background & experience
- Management team credentials
- Compensation, ESOPs and leadership structure



Use of Proceeds

- Expansion / capex /
- debt repayment / acquisitions
- Must be specific, measurable and verifiable

DRHP as a Key Marketing Tool

Beyond compliance — the DRHP is the company's equity story told to the world



Builds the Equity Story

Communicates the company's growth vision, scalability and long-term strategic direction to all stakeholders.



Creates Investor Confidence

Transparency builds trust. Clear disclosures attract institutional investors and reduce information asymmetry.



Foundation for Roadshows

Serves as the base document for all investor presentations, analyst reports and pre-IPO marketing activities.

Key Takeaways

Seven essential lessons every IPO-bound company must internalise

1 DRHP is not a formality — it is the IPO backbone

A well-prepared DRHP significantly improves approval timelines and reduces regulatory queries.

2 Transparency is the biggest investor attractor

Clear and honest disclosures build trust, which directly impacts IPO demand and valuation.

3 Governance disclosures are under sharp SEBI focus

Promoter classification, related party transactions and ESOPs are heavily scrutinised.

4 Risk factors must be real and company-specific

Generic boilerplate risks reduce credibility and invite regulatory questions.

5 DRHP preparation is an IPO readiness exercise

The process strengthens compliance, documentation and internal coordination.

6 Strong DRHP supports marketing and roadshows

It becomes the base document for investor presentations and analyst coverage.

7 Weak disclosures can delay or derail IPO plans

Incomplete or misleading disclosures can lead to regulatory action and reputational damage.