

PROMOTER FRAMEWORK

Promoters & Promoter Group

IPO Framework, SEBI Reforms & Practical Implications

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Promoter identity is central to IPO disclosures, governance, and investor confidence

Who Qualifies as a Promoter?

Typically includes:

- Founders or controlling shareholders
- Individuals or entities exercising control
- Persons guiding key strategic decisions

Control may arise from:

- Shareholding percentage
- Board nomination rights
- Veto or affirmative rights
- Shareholder agreements



Minimum Contribution

Promoters must provide mandatory pre-IPO equity contribution per SEBI ICDR norms.



Post-IPO Lock-in

Promoter shares subject to statutory lock-in post-listing, limiting immediate exit.



Control Analysis

Control extends beyond shareholding % to board rights, veto powers, and agreements.



DRHP Disclosure Burden

Extensive due diligence, group mapping, and disclosure obligations in IPO documents.

India's corporate landscape evolved — and so did SEBI's approach to promoter regulation



Rise of Startups & PE/VC

Founders diluted through multiple funding rounds; traditional promoter concept stopped fitting new-age companies.



Professionally Managed Companies

Institutional ownership replaced founder-led models; no identifiable traditional promoter in many cases.



Shift: Promoter Tag → Actual Control

Focus moved from the promoter label to substance of control, governance, and materiality.



Lock-in Rationalised

Contribution: 3 yrs → 18 months. Excess holding: 1 yr → 6 months. Better liquidity, earlier listings.

Key Regulatory Reforms Introduced by SEBI

◆ Rationalized Promoter Group

Materiality-based approach. Earlier wide universe (relatives, group cos, associates) significantly narrowed. Reduces irrelevant DRHP disclosures.

◆ Reduced Lock-in Periods

Improved liquidity for promoters post-IPO. Encourages more companies to list earlier. Aligns with global market practices.

◆ Governance-First Approach

Focus on control and governance rather than broad group definition. Supports startup IPOs and professional management models.

How SEBI's evolving framework shaped landmark Indian IPOs

• ZOMATO

No Identifiable Promoter

Launched IPO without a traditional promoter. Pioneered the professionally managed company listing model under reformed SEBI norms.

• PAYTM

PE/VC-Heavy Ownership

Significant institutional and PE/VC shareholding pre-IPO. Founder holding diluted through multiple funding rounds.

• NYKAA

Balanced Promoter + PE Structure

Founder-led company with strong PE participation. Demonstrated coexistence of promoter and institutional ownership.

★ Policy Impact

SEBI reforms directly enabled listing of startup and professionally managed companies — modernising India's primary market regulations and aligning with global standards.

⚠ Persistent Challenges in Promoter Group Identification

- Complex structures involving LLPs, trusts & overseas entities • Identifying control beyond shareholding %
- Board rights, veto rights & shareholder agreements complicate analysis • Ownership changes before IPO require continuous updates

Result: Promoter group identification has become a major IPO diligence workstream for merchant bankers and legal counsels.

For IPO Companies

- Easier IPOs for startups & VC-backed companies
- Reduced compliance and disclosure burden
- Faster DRHP preparation & lower legal costs
- More flexibility in ownership structuring

Ecosystem Impact

- Encourages new-age companies to list in India
- Aligns India's primary market with global standards
- Strengthens IPO pipeline growth
- Modernises promoter-centric → governance-led model

✓ Key Takeaways

1

Promoter Identification is Now Practical & Flexible

Focus shifted from nomenclature to substance of control — a major positive for new-age companies.

2

Control Analysis Remains Critical

Despite reform, identifying actual control remains a key and complex exercise during IPO diligence.

3

Materiality-Based Group Mapping

Promoter group mapping now materiality-based — not exhaustive. Reduces DRHP burden while retaining substance.

4

Framework is Essential for DRHP Drafting

Reforms strongly support startup IPOs. Understanding promoter norms is indispensable for every IPO professional.