

Unlocking IPOs: SEBI's ICDR Amendments on Encumbered Share Lock-ins and Streamlined Abridged Prospectus

Introduction

In November 2025, the Securities and Exchange Board of India (**SEBI**) issued a consultation paper proposing amendments to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (the **ICDR Regulations** and such consultation paper as **Consultation Paper**). The Consultation Paper attempted to address two key concerns in IPOs - firstly, lock-in requirements for encumbered non-promoter shares, a challenge that many IPO-bound companies with wide public shareholding had been grappling with; and secondly, the rationalisation of disclosure requirements in the abridged prospectus and dispensing the requirements of offer document summaries.

Post the Consultation Paper, SEBI has notified the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2026 (the **Amendment Regulations**) and published in the official gazette on March 18, 2026.

This note examines the impact of the Amendment Regulations on the issuers aiming to make a public offering of their securities. Our earlier note examining the Consultation Paper can be accessed [\[here\]](#).

Lock-in of encumbered shares

Under the ICDR Regulations, upon completion of the IPO, the entire pre-issue capital (subject to certain exceptions) must be locked-in for a period of six months. However, existing depository systems do not permit creation of the lock-in of encumbered shares. Consequently, compliance



with the lock-in requirements becomes challenging unless the encumbrance is removed prior to creation of statutory lock-in. Removing such an encumbrance would require lender consent to be obtained by the shareholder - and often such discussions are neither pursued nor facilitated by uninterested or unidentifiable shareholder-cum-borrowers whose shares are subject to encumbrance.

This created a genuine regulatory challenge for IPO-bound companies, particularly those with diverse or wide public shareholding structures, who found themselves unable to satisfy lock-in requirements without resolving for the encumbrance that were entirely outside their control. Through the Amendment Regulations, SEBI has permitted depositories to earmark securities as “non-transferable” where creation of lock-in on account of encumbrance cannot be undertaken, by providing necessary instructions to the depositories.

However, the Amendment Regulations do not touch upon the additional compliance requirement on an issuer, as was suggested in the Consultation Paper and referred to in the SEBI board agenda dated December 17, 2025, which included (i) amendment to the articles of association of an issuer to treat encumbered shares as locked-in shares; and (ii) issue of notice to existing lenders with whom shares have been encumbered intimating them of the aforesaid amendment. Perhaps, these requirements may be stipulated by SEBI or depositories through a separate circular, pending which the issuers should ideally comply with such requirements. Such compliance would in effect safeguard against any potential challenges from the shareholders' and their lenders' perspective.

It is important to note that the aforesaid steps may not be necessary for closely held issuers who do not perceive removal of encumbrance as a roadblock in their IPO journey.

Refreshing the abridged prospectus approach

SEBI had observed in the Consultation Paper that the offer documents are often voluminous and complex, making them difficult to comprehend - particularly for retail investors. As a result, potential investors often rely on secondary and unregulated sources of information, such as grey market trends and unverified social media posts, for making investment decisions.

The Amendment Regulations attempts to make "abridged prospectus" relevant for potential investors by revamping the disclosures and availability thereof. Further, the Amendment Regulations have additionally introduced the concept of a draft abridged prospectus to ensure availability of summarized information at draft offer document stage as well (which prior to the Amendment Regulations were available post filing of the red herring prospectus). Given the speed of information, often draft offer documents are summarized and put up on various social media platforms which potential investors refer to. By introducing draft abridged prospectus, SEBI has attempted to direct such potential investors to credible information which is made available in a concise and timely manner.

The key changes made pursuant to the Amendment Regulations in this regard are as follows:

(a) Introduction of the draft abridged prospectus

The Amendment Regulations now require that a draft abridged prospectus be submitted along with filing

of the draft offer document with SEBI. In case of confidential filings, the draft abridged prospectus is required to be made available at the time of public filing of updated draft red herring prospectus - 1. Similarly, the abridged prospectus is also required to be filed alongside the offer document with SEBI. Further, the draft abridged prospectus and abridged prospectus are required to be hosted on websites of issuer, book running lead manager, stock exchanges and SEBI simultaneous with the hosting of draft offer document and offer documents on their websites.

(b) Deletion of offer document summary from offer documents

Given the emphasis on making "focused" and "concise" offer document summary available to potential investors at one place, SEBI has dispensed with the requirement of including a section on offer document summary (a separate section which was earlier required to be included) in the draft offer documents and offer documents.

(c) Key amendments to the abridged prospectus format (Part E and Annexure I)

The contents of the abridged prospectus (and now also covers the draft abridged prospectus) have been comprehensively substituted with a new concise and focused template. The new template for draft abridged prospectus and abridged prospectus prescribes twelve categories of disclosure. Some of the key disclosures include:

⌋ *General instructions:* The general instructions under Part E of the ICDR Regulations have also been revised by way of the Amendment Regulations, *inter alia*, to: (i) require the front outside cover page of the draft offer document and offer document to serve as the first page of the draft abridged prospectus and the abridged prospectus; (ii) require cross-references from each section of Annexure I to the relevant section of the draft offer document and offer document; and (iii) require QR codes and links for accessing the draft offer document and offer document;

⌋ *Summary of the primary business of the issuer:* Under the Amendment Regulations the summary has been expanded from 100 words (in the 'summary of offer document' section) to 500 words,



specifically covering business overview, products/ services offered, industries served, segment reporting, key geographies, revenue concentration among top five customers, key manufacturing or other facilities, and business strengths and strategies. Departing from the approach taken in ‘summary of offer document’ section, the revised thought-out approach provides a balanced snapshot about the issuer’s business. Further, compared to erstwhile abridged prospectus requirement, the Amendment Regulations have done away with making disclosures in tabular format and have dispensed with the requirements to disclose IPR, employee data and market share information;

- ▮ *Summary of the industry of the issuer:* Under the Amendment Regulations, the summary has been increased from 100 words (in the ‘summary of offer document’ section) to 250 words. However, unlike summary of primary business, no line items have been suggested by SEBI for inclusion and therefore would largely include overview of the industry. However, this is an additional disclosure requirement compared to erstwhile abridged prospectus requirement;
- ▮ *Promoters:* While the ‘summary of offer document’ section disclosed mere names of the Promoters, the Amendment Regulations have expanded it to include brief details including name, nature of entity, corporate information, experience, and educational qualifications for each promoter, in not more than 100 words each. The disclosure

remains unchanged while compared to erstwhile abridged prospectus requirement;

- ▮ *Objects of the issue:* Under the Amendment Regulations, summary for each object is required to be disclosed in not more than 100 words per object (in tabular format) compared to the ‘summary of offer document’ section which merely required disclosure of line items. However, disclosure requirements like deployment schedule, details regarding past delays or non-deployment of public and rights issues, details of monitoring agency mandated under erstwhile abridged prospectus requirement have been removed through the Amendment Regulations;
- ▮ *Summary of Restated Consolidated Financial Information:* Additional disclosure requirements pursuant to the Amendment Regulations compared to the ‘summary of offer document’ section now include details of EBITDA, basic and diluted earnings per share, return on equity/net worth and cash flow details. Compared to erstwhile abridged prospectus, the additional requirements include EBITDA, total borrowings and cash flow details;
- ▮ *Weighted average cost of acquisition of shares for promoters and selling shareholders:* The various costs of acquisition of shares for different time periods were disclosed in the ‘summary of offer document’ section and erstwhile abridged prospectus. It has now been simplified in the Amendment Regulations to include for weighted average cost for one year and three-year period to provide focused information to potential investors;

- ▮ *Board of Directors and Key Managerial Personnel (KMPs):* The Amendment Regulations have simplified the disclosure of board of directors to merely include their name and designations and dispensed with other requirements like experience, education and other directorships. However, the Amendment Regulations have added the list of KMPs to such disclosure requirement; and
 - ▮ *Auditor qualifications:* Unlike erstwhile abridged prospectus requirement, the Amendment Regulations require a cross-referencing to the relevant section of the draft offer document and offer document containing auditor qualifications.
- (d) *The Amendment Regulations make similar amendments across the ICDR Regulations to ensure that the draft abridged prospectus and abridged prospectus requirements apply consistently to further public offerings and initial public offerings by small and medium enterprises (SMEs). However, no amendments are made to the format of abridged prospectus for initial public offerings by SMEs.*

Financial Information

The draft offer documents and offer documents contain disclosure on “*Summary of restated financial information*” to include summary details of balance sheet, profit and loss and cash flow statements. Pursuant to the Amendment Regulations, the disclosure requirement has now been modified to also include: (a) summary of contingent liabilities and (b) summary of related party transactions. While these summaries were part of ‘*summary of offer document*’ section, they are not made part of the abridged prospectus under the Amendment Regulations. Perhaps, SEBI views these disclosures as important and worthy of separately including in the “*Summary of restated financial information*” section, whilst such information also being available as part of the restated financial information.

Conclusion

The Amendment Regulations represent a progressive step towards enhancing the ease of doing business for issuers in the Indian capital markets. The Amendment Regulations address certain practical challenges that have hindered the efficient conduct of public offerings, particularly for companies with diverse shareholding structures.

The Amendment Regulations also addresses the long-standing criticism that offer documents are excessively lengthy and complex for potential investors to navigate effectively. Rather than mandating a reduction in the comprehensive offer documents required for regulatory compliance, SEBI has identified a balanced approach through the “draft abridged prospectus” and “abridged prospectus”. This approach maintains detailed draft offer documents for SEBI scrutiny while simultaneously providing potential investors with streamlined summaries for easier comprehension. Importantly, potential investors who prefer to access complete information can still obtain the draft offer document and offer document, thereby preserving investor choice while enhancing accessibility of ‘focused’ and ‘concise’ issuer information for other investors.

Overall, the Amendment Regulations strike an appropriate balance between regulatory oversight and market efficiency. They address genuine market needs while maintaining investor protection standards. The Amendment Regulations should contribute to a more vibrant and accessible capital market ecosystem, benefiting both issuers seeking capital and potential investors seeking investment opportunities.

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