Regulation of IPOs by SEBI and IFSCA – A Comparison

California-based Tryfacta, Inc. (**Tryfacta**) has filed a draft offer document for an IPO on the two GIFT City's exchanges, namely India International Exchange (**IFSC**) Limited (**India INX**) and NSE IFSC Limited (**NSEIX**), which would make it the first US-headquartered company to list its equity shares in India on the two GIFT City exchanges.

The proposed IPO comprises a fresh issue of up to 13.3 million equity shares and an offer for sale of 3 million shares, to be listed on NSE IX and India INX in accordance with the IFSCA (Listing) Regulations, 2024 (**IFSCA Listing Regulations**).

Incorporated in Delaware, with its principal place of business and corporate HQ in California, Tryfacta provides AI-enabled workforce and technology solutions to more than 220 Federal and SLED clients across 41 US states. Tryfacta has operations in both the United States and India, but its revenue-generating operating business is in the US, with India functioning as an offshore support and services base. Tryfacta Inc has two wholly owned Indian subsidiaries, namely Tryfacta Global IFSC Private Limited and Tryfacta Global Solutions Private Limited and operates a Global Capability Center (**GCC**) in Mohali, India, providing recruitment, account management, pre-sales, technology, finance, HR and other operational support to US contracts. Tryfacta Global IFSC Private Limited in GIFT City is intended to offer bookkeeping services to GIFT City and foreign clients.

The securities offered under the IPO will not be offered to US persons. The shares are offered only to non-US persons outside the United States in reliance on Regulation S under the U.S. Exchange Act and the issuer is not registering the shares under the U.S. Securities Act."

In light of Tryfacta's IPO, we compared the IFSCA Listing Regulations with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**SEBI ICDR Regulations**).

PARAMETER	IFSCA (LISTING) REGULATIONS, 2024	SEBI ICDR REGULATIONS, 2018
Eligibility to make an IPO	The issuer should fulfil any one of the following criteria[1]: ▪ have operating revenue of at least USD 20 million either in the last financial year or averaged over the last three financial years, or ▪ have pre-tax profit of at least USD 1 million either in the last financial year or averaged over the last three financial years, or ▪ achieve post -issue market capitalisation of at least USD 25 million.	The issuer should fulfil *all* of the following criteria[2]: ▪ Have net tangible assets of at least INR 3 crore on a restated and consolidated basis in each of the preceding three full years of which not more than 50% are held in monetary assets; ▪ Have minimum average operating profit of INR 15 crore on a restated and consolidated basis during the preceding three full years with operating profit in each of these three years; ▪ Have net worth of at least INR 1 crore in each of the preceding three full years. ▪ An issuer not satisfying the above requirements may make an IPO under Regulation 6(2), subject to the enhanced QIB allocation requirement .

[1] Regulation 9 of the IFSCA Listing Regulations, 2024.
[2] Regulation 6 (1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

		An issuer not satisfying the above requirements may make an IPO under Regulation 6(2), subject to the enhanced QIB allocation requirement[3].
Minimum float / minimum public offer	For an issuer incorporated in India, including in an IFSC, compliance is required with minimum offer, allotment to public, and minimum public shareholding norms under the Securities Contracts (Regulation) Rules, 1957. For an issuer incorporated outside India, the minimum offer and allotment to public should be at least 10% of post-issue capital, with continuous minimum public shareholding of 10% of the post issue capital on a continuous basis. [4]	The minimum required public float is as follows.[5] ▪ If the post issue capital of the company calculated at the offer price is less than or equal to Rs. 1,600 crore - public float should be at least 25%; ▪ If the post-issue capital of the company calculated at the offer price is more than ₹1,600 crore but less than or equal to ₹4,000 crore - Minimum public float required is such percentage as is equivalent to ₹400 crore. So, if post-issue capital is ₹2,000 crore, minimum public float should be 20%. If post-issue capital is ₹3,200 crore, minimum public float should be 12.5%. ▪ If the post-issue capital of the company calculated at the offer price is above ₹4,000 crore but less than or equal to ₹50,000 crore - Minimum public float required is 10%. ▪ If the post-issue capital of the company calculated at the offer price is above ₹50,000 crore but less than or equal to ₹1,00,000 crore - minimum public float required is such percentage as is equivalent to ₹1,000 crore, subject to a floor of 8%. ▪ If the post-issue capital of the company calculated at the offer price is above ₹1,00,000 crore but less than or equal to ₹5,00,000 crore - minimum public float required is such percentage as is equivalent to ₹6,250 crore, subject to a floor of 2.75%. ▪ If the post-issue capital of the company calculated at the offer price is above ₹5,00,000 crore - minimum public float required is such percentage as is equivalent to ₹15,000 crore, subject to a floor of 1%. Notwithstanding this sub-clause (vi), minimum public float cannot be below 2.5% of each relevant class or kind of equity shares or convertible debentures offered to the public.

[3] The enhanced QIB allocation requirement under Regulation 6(2) is that at least 75% of the net offer should be allocated to qualified institutional buyers.
[4] Regulation 20 of the IFSCA listing Regulations, 2024.
[5] Rule 19(2)(b), Securities Contracts (Regulation) Rules, 1957.

		The Companies covered by (ii) and (iii) must increase public shareholding to at least 25% within 3 years from the date of listing. The Companies covered by (iv) must increase public shareholding to at least 25% within 5 years from the date of listing. For Companies covered by (v) or (vi), if public shareholding at listing is below 15%, they must increase public shareholding to at least 15% within 5 years, and to at least 25% within 10 years, from the date of listing. If public shareholding at listing is 15% or above, they must increase public shareholding to at least 25% within 5 years from the date of listing.
Minimum issue size and minimum subscription requirement	A minimum IPO size has not been prescribed by IFSCA. However, the offer must receive the minimum subscription disclosed in the offer document. This requirement applies only to the fresh issue component of the IPO and does not apply to an offer for sale (OFS).[6] The IFSCA Listing Regulations does not expressly require a refund of application monies (if the minimum subscription is not received), though it is implied[7] The actual refund mechanics and timelines should be confirmed with IFSCA and the relevant exchanges.	A minimum IPO size has not been prescribed by SEBI. However, at least 90% of the offer should be subscribed, This shall not apply where: ▪ the object of the issue involves financing other than financing of capital expenditure for a project and ▪ the promoters and promoter group undertake to subscribe fully to their portion of the rights entitlement without renouncing it except within the promoter group (in the case of a rights issue), or ▪ the issue comprises an offer for sale of specified securities.[8] If the minimum subscription is not received, all application monies should be refunded within four days of the closure of the issue.
Minimum promoter contribution	No minimum promoter contribution is prescribed.	Minimum promoter contribution should be at least 20% of post-issue capital.[9] However, if the promoters' contribution is less than 20%, the shortfall (up to 10% of the post-issue capital) may be contributed by Alternative Investment Funds, Foreign Venture Capital Investors, scheduled commercial banks, public financial institutions, insurance companies, non-individual public shareholders holding at least 5% of the post-issue capital, or any entity (individual or non-individual) forming part of the promoter group (other than the promoter(s)).[10]
Promoter shares lock-in	The pre-issue shareholding of promoters and controlling shareholders will be subject to a lock-in for 180 days from the date of allotment in the IPO.[11]	The minimum promoter contribution (20% of post-issue capital) will be locked-in for eighteen months from the date of allotment in the IPO. Promoter contribution exceeding the prescribed minimum promoter contribution

[6] Regulation 21 the IFSCA Listing Regulations, 2024.
[7] Regulation 21 of IFSCA Listing Regulations, 2024.
[8] Regulation 86 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.
[9] Regulation 14(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
[10] Proviso to Regulation 14(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.
[11] Regulation 29 the IFSCA Listing Regulations, 2024.

		will be locked-in for six months from the date of allotment in the IPO. [12]
Lock-in of SR [13]shares	SR equity shares will be locked-in until the conversion into ordinary shares or one year from allotment, whichever is later. [14]	The SR equity shares shall be under a lock-in until they are converted into equity shares having voting rights that are on par with ordinary shares or until a period of eighteen months from the date of allotment in the IPO, whichever is later.[15]
OFS securities - holding period	OFS securities to have been held for at least one year before the draft offer document is filed. For computing the one-year holding period, the holding period of equity shares arising from the conversion of fully paid-up compulsorily convertible securities or depository receipts may be included. The holding period is also deemed to include shares received pursuant to a scheme of merger or amalgamation, and the requirement is deemed satisfied in respect of eligible bonus shares issued against equity shares held for at least one year.[16]	Only fully paid-up equity shares may be offered for sale to the public, which have been held by the sellers for a period of at least one year prior to the filing of the draft offer document. The Regulations also permit the inclusion of the holding period of specified securities acquired pursuant to corporate actions, such as conversions, mergers or amalgamations, and qualifying bonus issues, in accordance with the prescribed conditions.[17]
Draft offer document review process	The draft offer document is filed with IFSCA along with the applicable fee and a due diligence certificate and is hosted on the websites of IFSCA, the recognised stock exchange(s) where the specified securities are proposed to be listed, the issuer and the lead manager(s) of the issue.[18] If the proposed issue size exceeds USD 50 million, the document is hosted for seven working days and public comments are invited. IFSCA may issue observations within 21 working days from the prescribed later date.[19] If the proposed issue size is USD 50 million or below, public comments are not invited. Since the Tryfacta IPO is for USD 16.3 million, public comments are not invited, though the draft offer document is hosted on the websites of IFSCA, India INX, NSEIX, Tryfacta and Yoki Financial Services Private Limited (the lead manager to the issue).	Prior to an IPO, the issuer is required to file a draft offer document with SEBI through the lead manager(s) and the stock exchange(s). SEBI may issue observations within 30 days from the later of: ▪ the date of receipt of the draft offer document; ▪ the date of receipt of a satisfactory reply from the lead manager(s), where SEBI has sought any clarification or additional information; ▪ the date of receipt of clarification or information from any regulator or agency, where SEBI has sought such clarification or information; or ▪ the date of receipt of the copy of the in-principle approval letter issued by the stock exchange(s). The draft offer document is required to be made public for comments for at least 21 days by hosting it on the websites of the issuer, SEBI, the stock exchange(s) and the lead manager(s).[20]
Offer period	IPO must remain open for at least one working day and not more than ten working	An IPO is generally required to remain open for atleast three and not more than ten working

[12] Regulation 16 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.
[13] Superior rights shares
[14] Regulation 29 the IFSCA Listing Regulations, 2024.
[15] Regulation 16 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.
[16] Regulation 11 the IFSCA Listing Regulations, 2024.
[17] Regulation 8 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.
[18] Regulation 14 of the IFSCA Listing Regulations, 2024.
[19] Regulation 14 of the IFSCA Listing Regulations, 2024.
[20] Regulation 25(1), 25(3), 25(4) Regulation 26(1), 26(2) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

	days. Where the issuer makes a simultaneous offer in another jurisdiction, the offer period may be aligned with the offer period applicable in that jurisdiction.[21]	days. The issue period may be extended by at least three working days in the event of a price band revision and may be extended by at least one working day in unforeseen circumstances such as force majeure or banking strikes, subject to the prescribed limits.[22]
Pricing	IFSCA allows pricing through fixed price or book-building, determined by issuer in consultation with lead manager. The pricing methodology has to be disclosed in the offer document. Indian public companies listing equity in IFSC must also comply with Schedule XI of the FEMA Non-Debt Instruments Rules, 2019.[23]	SEBI permits the issuer to determine the price of the equity shares through either the fixed price process in consultation with lead manager(s) or the book-building process.[24]

ELP Comments

- *IFSCA's regulations are substantially liberal and relatively easier for a growth company because it does not require three full years of operating history as a hard eligibility condition.*
- *IFSCA's minimum public float threshold for foreign-incorporated issuers is 10%. However, Indian issuers in IFSC remain tethered to the Securities Contracts (Regulation) Rules, 1957, which has a much higher minimum.*
- *IFSCA's regulations for lock-in of promoters' shares is materially lighter than SEBI. Unlike the SEBI ICDR Regulations, the IFSCA Listing Regulations do not prescribe a minimum promoter contribution. Further, while the pre-issue shareholding of promoters and controlling shareholders is subject to a lock-up of 180 days under the IFSCA Listing Regulations, the SEBI ICDR Regulations require the minimum promoter contribution (20% of the post-issue capital) to remain locked in for 18 months, while promoter holdings in excess of the minimum promoter contribution are locked in for six months.*
- *With respect to the holding period for OFS securities, IFSCA's regulations are broadly comparable in concept with SEBI's, though the exact exceptions and eligibility mechanics differ.*
- *IFSCA's regulations offer extreme flexibility with respect to the offer period of the IPO. Even though IFSCA Regulations state that the IPO must remain open for at least one working day and not more than ten working days, if the issuer is making a simultaneous offer in another jurisdiction, the offer period may be aligned with the offer period applicable in that jurisdiction.*

We hope you have found this information useful. For any queries/clarifications please write to us at insights@elp-in.com or write to our authors:

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[21] Regulation 19 of the IFSCA Listing Regulations, 2024.
[22] Regulation 46 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.
[23] Regulation 18 of the IFSCA Listing Regulations, 2024.
[24] Regulation 126 and 127 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.