

Industry Standards Forum guidance on KPI Disclosures in Offer Documents



FOREWORD

Foreword

Overview

Proposed Amendments

Uniquis Point of View

The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“**SEBI ICDR Regulations**”) issued by SEBI mandates the disclosure of Key Performance Indicators (“**KPIs**”) in the offer document by the Issuer Company under heading ‘Basis of Issue Price’.

In order to facilitate uniform approach in identification and disclosure practices of KPIs, the Industry Standards Forum (“**ISF**”) comprising of representatives from three industry associations, viz. ASSOCHAM, CII and FICCI, under the aegis of the Stock Exchanges, has formulated industry standards, in consultation with SEBI, for effective implementation of the requirement to disclose KPIs in the draft offer document and offer document as per the provisions of SEBI ICDR Regulations.

In this publication we have analysed the new guidance provided by ISF and provided our perspective. This publication should be read along with our earlier publications issued on the subject matter in April 2023, a reference to which is as below:

[Shaping the regulatory and governance agenda](#)

[Use of non-GAAP measures](#)

We sincerely hope you find this publication informative, offering insights into the new guidance provided by ISF. We will be happy to engage in discussions and provide clarifications on our views enclosed in the attached publication. We look forward to hearing from you.



Sandip Khetan
Global Head of Accounting & Reporting Consulting



Sagar Lakhani
Partner, Accounting & Reporting Consulting



OVERVIEW

Foreword

Overview

Proposed
Amendments

Uniquis Point of
View

The SEBI ICDR Regulations requires the Issuer Company to disclose KPIs in the IPO offer document that are relevant to determining the basis for the issue price. The disclosure of KPIs is essential for providing potential investors with the information needed to evaluate the Issuer Company's financial and business performance, growth prospects, and associated risks. It enhances transparency, builds investor confidence, helps set realistic expectations for the Issuer Company's future performance, and ensures information symmetry among various classes of investors. Additionally, KPIs serve as benchmarks for comparing the Issuer Company's performance with its industry peers, as applicable.

The objective of the KPI Standards is to standardize the identification and disclosure practices of KPIs, which are essential for facilitating informed decision-making among investors considering a proposed public offering of equity shares.

In order to facilitate uniform approach in identification and disclosure practices of KPIs, the ISF comprising of representatives from three industry associations, viz. ASSOCHAM, CII and FICCI, under the aegis of the Stock Exchanges, has formulated industry standards, in consultation with SEBI, for effective implementation of the requirement to disclose KPIs in the draft offer document and offer document as per the provisions of SEBI ICDR Regulations.

The KPI Standards aim to:

- ensure consistent disclosure of KPIs in offer documents for standardization and to aid in comparability;
- promote comparability across different offerings within the same industry, enabling investors to make better-informed decisions;
- remove inconsistency and ambiguity in disclosure practices to enhance transparency;
- present measurable metric to help investors make an informed decision with respect to valuation; and
- provide potential investors with the necessary financial and business performance at the time of the IPO and in the future.

The KPI Standards address key aspects including the definition and classification of KPIs, the process for their identification, approval, and certification, the indicative format and presentation of KPIs across offer documents. These Standards apply to both the disclosures in the offer document as well as ongoing disclosures following the listing.

Timeline

This circular shall be applicable for all draft offer documents / offer documents filed with SEBI / Stock Exchanges on or after April 1, 2025.

PROPOSED AMENDMENTS

Foreword

Overview

**Proposed
Amendments**

Uniquis Point of
View

The proposed amendments are expected to standardize the identification and disclosure practices of KPIs referred in Clause (3) of Paragraph 9(k) of Part A of Schedule VI of SEBI ICDR Regulations, which are essential for facilitating informed decision-making among investors considering a proposed public offering of equity shares.

A comparison of the extract of SEBI ICDR Regulations along with the proposed amendments of standardization formulated by ISF are listed below:

Extract of SEBI ICDR Regulations

a. KPIs disclosed in the offer document and the terms used in KPIs shall be defined consistently and precisely in the “Definitions and Abbreviations” section of the offer document using simple English terms/phrases so as to enable easy understanding of the contents. Technical terms, if any, used in explaining the KPIs shall be further clarified in simple terms.

Amendment/ Guidance as per ISF

The guidance provides a definition for KPIs which will support the identification of KPIs by the Issuer Company.

Further the guidance provides a methodology for defining a term used in the KPIs. As per the guidance, the Issuer Company must first consider definition under existing guidance viz. Indian Accounting Standards, Accounting Standards, SEBI, Companies Act etc. and where no such guidance is available, then provide the definition in an unambiguous and simple-to-comprehend English definition of the term, along with its key components of financial and/ or operational data and relevant formula. The formula must clearly outline its components, including both the numerator and denominator (where applicable). Such definition should align with common industry practices and widely accepted international standards, to the extent feasible.

This can be explained with the following example:

Example: Defining “Net Profit Margin” in KPIs

Step 1: Check Existing Guidance

The Issuer Company first reviews established definitions in:

- Indian Accounting Standards (Ind AS)
- Accounting Standards (AS)
- SEBI Regulations
- Companies Act, 2013

If “Net Profit Margin” is already defined in any of these, that definition must be followed.

Step 2: Provide a Definition (if no existing guidance is found)

If no existing definition applies, the Issuer Company must define the term clearly.

Definition: “Net Profit Margin” measures the percentage of net profit earned from total revenue. It indicates the company’s profitability after accounting for all expenses, including taxes and interest.

Formula: Net Profit Margin = (Net Profit After Tax (PAT) / (Total Revenue) × 100

Components:

- Numerator: Net Profit After Tax (PAT) – profit after deducting all expenses, taxes, and interest.
- Denominator: Total Revenue – includes all operating and non-operating income of the company.

Step 3: Ensure Alignment with Industry Standards

The definition should align with:

- Common industry practices (e.g., financial reporting standards used by peers)
- International standards (e.g., IFRS, GAAP)

This ensures consistency and comparability across financial reports.

b. KPIs disclosed in the offer document shall be approved by the Audit Committee of the Issuer Company.

Amendment/ Guidance as per ISF

In order to seek approval of the Audit Committee, management of the Issuer Company should present all relevant data to the Audit Committee for identification and disclosure of KPIs viz. draft disclosure, underlying data, rationale for inclusion, rationale for excluding certain data that is not selected as KPIs, Industry Peer KPIs, etc.

Detailed minutes of the deliberations of the Audit Committee shall be maintained.

c. KPIs disclosed in the offer document shall be certified by the statutory auditor(s) or Chartered Accountants or firm of Chartered Accountants, holding a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India or by Cost Accountants, holding a valid certificate issued by the Peer Review Board of the Institute of Cost Accountants of India.

Amendment/ Guidance as per ISF

The Certifying Professional is entrusted with validating the accuracy of the KPIs calculated by the management of the Issuer Company while the responsibility for preparation and determining their relevance and adequacy remains with the management of the Issuer Company.

The Certificate to be issued by the Certifying Professional shall be issued in terms of the "Technical Guide on Disclosure and Reporting of Key Performance Indicators (KPIs) in Offer Documents" issued by The Institute of Chartered Accountants of India (ICAI).

d. Certificate issued with respect to KPIs shall be included in the list of material documents for inspection.

Amendment/ Guidance as per ISF

No additional guidance

e. For each KPI being disclosed in the offer document, the details thereof shall be provided for period which will be co-terminus with the period for which the restated financial information is disclosed in the offer document.

Amendment/ Guidance as per ISF

No additional guidance

f. KPIs disclosed in the offer document should be comprehensive and explanation shall be provided on how these KPIs have been used by the management historically to analyse, track or monitor the operational and/ or financial performance of the Issuer Company.

Amendment/ Guidance as per ISF

A table should be provided to give such explanation of each KPI used by the Issuer Company. The Company shall apply the below selection criteria while shortlisting the KPIs to be disclosed in the offer document:

The management of the Issuer Company shall shortlist the KPIs considering the following factors:

- (i) Projections shall be excluded;
- (ii) KPI that cannot be verified, certified or audited shall be excluded.
- (iii) Only the KPI tracked by the management of the Issuer Company to monitor performance, shall be included in the KPIs. KPI that are no longer relevant or do not reflect the current business situation due to changes in the business model, acquisitions, divestitures, etc. shall be excluded.
- (iv) KPI that is subsumed within the KPIs proposed for disclosure or data that represents a further breakdown of the KPI to be disclosed may be excluded. However, if such type of data is routinely disclosed by Industry Peers, it shall not be excluded. Further, any subsumed KPI that the Issuer Company considers as a KPI shall be disclosed separately.
- (v) KPI that is confidential or business sensitive and could impact the Issuer Company's competitiveness, if disclosed publicly, shall be excluded. However, if such confidential or business sensitive KPI is routinely disclosed by Industry Peers, it shall not be excluded.

This is an area of judgment which should be carefully evaluated and thereafter judgment exercised by the Issuer Company for which the management should provide a rationale for exclusion in the audit committee note.

g. Comparison of KPIs over time shall be explained based on additions or dispositions to the business, if any. For e.g. in case the Issuer Company has undertaken a material acquisition or disposition of assets / business for the periods that are covered by the KPIs, the KPIs shall reflect and explain the same.

Amendment/ Guidance as per ISF

No additional guidance

h. For 'Basis of Issue Price' chapter, the following disclosures shall be made:**i) Disclosure of all the KPIs pertaining to the Issuer Company that have been disclosed to its investors at any point of time during the three years preceding to the date of filing of the DRHP / RHP.****Amendment/ Guidance as per ISF**

Key financial or operational information shall include information shared with any Investor:

- (a) to whom Relevant Securities (as defined hereinunder) were allotted in any primary issuance (excluding ESOPs), during the three years prior to the date of filing of the offer document.
- (b) for any secondary sale of the Issuer Company's Relevant Securities, if the Issuer Company was involved in facilitating such sale and had shared data with the Transferees at the time of such secondary sale during the three years prior to the date of filing of the offer document.
- (c) pursuant to information rights they may have or through any manner of a similar nature, during the three years prior to the date of filing of the offer document.
- (d) Key financial or operational information included in any private placement offer cum application letter or any rights issue offer letter for issuance of Relevant Securities, during the three years prior to the date of filing of the offer document.
- (e) KPIs that are regularly presented/ discussed at Board meetings of the Issuer Company to monitor and track the Issuer Company's performance during the three years prior to the date of filing of the offer document.

In case, the Issuer Company has not made disclosure of any information to any Investor in the three years prior to the date of filing of the offer document, the Issuer Company shall identify the KPIs based on the key measures used by the management of the Issuer Company to track and monitor the performance of the Issuer Company.

Relevant Securities as mentioned above shall include equity shares or securities convertible into equity shares including warrants.

ii) Confirmation by the Audit Committee of the Issuer Company that verified and audited details for all the KPIs pertaining to the Issuer Company that have been disclosed to the earlier investors at any point of time during the three years period prior to the date of filing of the DRHP/ RHP are disclosed under 'Basis for Issue Price' chapter of the offer document.**Amendment/ Guidance as per ISF**

Covered as a part of guidance mentioned in above

iii) Issuer Company in consultation with the lead merchant banker may make disclosure of any other relevant and material KPIs of the business of the Issuer Company as it deems appropriate that have a bearing for arriving at the basis for issue price.**Amendment/ Guidance as per ISF**

No additional guidance

iv) Cross reference of KPIs disclosed in other sections of the offer document to be provided in the 'Basis for Issue Price' chapter of the offer document.

Amendment/ Guidance as per ISF

No additional guidance

v) For the KPIs disclosed under the 'Basis for Issue Price' chapter, disclosure of the comparison with Indian listed peer companies and/ or global listed peer companies, as the case may be (wherever available). The set of peer companies shall include companies of comparable size, from the same industry and with similar business model (if one to one comparison is not possible, appropriate notes to explain the differences may be included).

Amendment/ Guidance as per ISF

The Issuer Company will strive to compare its KPIs with a minimum of three Industry Peers, where feasible. The selection shall follow the following hierarchy:

- (a) Preference will be given to Indian listed Industry Peers.
- (b) If Indian listed Industry Peers are not available, a comparison may be made with listed global Industry Peers, provided that all financial data of global peers shall also be presented in Indian Rupees (INR) and the basis for conversion is disclosed.
- (c) In addition to Indian listed Industry Peers, the Issuer Company may disclose KPIs of Global Industry Peers, if relevant.
- (d) In cases where fewer than three Industry Peers are available, the Issuer Company will disclose, that only one or two peers are available for KPIs comparison.
- (e) If no suitable Industry Peers are available, the Issuer Company will clearly explain the uniqueness of its business model or line of business. Further, the Issuer Company will clearly state, that no Industry Peers are available for KPIs comparison.

i) The Issuer Company shall continue to disclose the KPIs which were disclosed in the 'Basis for Issue Price' chapter of the offer document, on a periodic basis, at least once in a year (or for any lesser period as determined by the Issuer Company), for a duration that is at least the later of (i) one year after the listing date or period specified by the Board; or (ii) till the utilization of the issue proceeds as per the disclosure made in the objects of the issue section of the prospectus. Any change in these KPIs, during the aforementioned period, shall be explained by the Issuer Company. The ongoing KPIs shall be continued to be certified by a member of an expert body as per clause 3(c)

Amendment/ Guidance as per ISF

All continuing disclosures of KPIs in terms of SEBI ICDR/ LODR Regulations shall be approved by the Audit Committee and the Board of Directors of the Issuer Company.

The ongoing KPIs shall be certified by a Certifying Professional which can be the statutory auditor(s) or Chartered Accountants or a firm of Chartered Accountants holding a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India, or by Cost Accountants holding a valid certificate issued by the Peer Review Board of the Institute of Cost Accountants of India.

UNIQUUS POINT OF VIEW

In summary, a breakdown of the core aspects of the amendment is as below:

Foreword

Overview

Proposed
Amendments

**Uniquus Point of
View**

Comprehensive Disclosure Requirements

Companies will be required to disclose a wider range of KPIs that are directly relevant to their operations including KPIs regularly presented or discussed in board meetings of the company during the three-year period prior to the filing of offer document too shall have to be included in disclosures. This is expected to provide a more accurate picture of a company's performance.

Consistency and Comparability

SEBI's focus is on ensuring that KPIs disclosed by different companies are consistent and comparable, making it easier for investors to make informed decisions. This is particularly important as companies from various sectors may previously have used different metrics.

Improved Investor Confidence

By improving the quality of information available to investors since all the KPI disclosures need approval from both company's Audit Committee and a certifying professional, SEBI aims to boost investor confidence, particularly in the IPO market, which can sometimes be risky for retail investors due to inadequate disclosures.

Overall, we believe that this amendment is a positive development for the Indian financial markets. Transparent, standardized disclosures are crucial for maintaining market integrity and fostering investor trust. For investors, especially retail investors, better access to clear and comparable information will likely reduce some of the risks associated with IPOs. It can also encourage more informed participation in the stock market, potentially leading to healthier and more sustainable growth of the Indian equity market.

For companies, while the changes might seem burdensome initially, the long-term benefits include better investor relations and possibly even more interest from institutional investors who value clear and reliable data.

A TEAM THAT YOU CAN TRUST TO DELIVER



Sandip Khetan

Co-Founder, Global Head of ARC

sandip.khetan@uniquis.com



Ashish Gupta

Partner, ARC

ashishgupta@uniquis.com



Raghuram K

Partner, ARC

kraghuram@uniquis.com



Sagar Lakhani

Partner, ARC

sagarlakhani@uniquis.com



Sharad Chaudhry

Partner, ARC

schaudhry@uniquis.com



Shashikant Shenoy

Partner, ARC

sshenoy@uniquis.com



Bhaumik Vora

Director, ARC

bhaumikvora@uniquis.com



Siddhant Chaudhari

Associate Director, ARC

siddhantchaudhari@uniquis.com



Vishwa Deep Mishra

Associate Director, ARC

vishwamishra@uniquis.com

To know more about us, please visit www.uniquis.com