

# Are you ready to transform from private entity to a Listed Company?



## The IPO value journey

Initiating an IPO can have a profound impact on your organization and requires a significant shift in focus. You should treat your IPO as one defining milestone in a complex transformation from a private to a public company, and not as an event. It should have:

- ▶ A holistic and structured approach
- ▶ A managed transformation of people, processes, systems and culture of an organization
- ▶ A process that starts long before the transaction

Thorough preparation is necessary for a smooth process. This is especially true for the finance organization, which requires the experience, depth and agility to address the demands and scrutiny of public markets. Furthermore, the finance organization must be appropriately aligned with other critical functional areas, including internal audit, investor relations, legal, IT and human resources.

Planning to initiate an IPO ? What's changing for you.....

For fast-growing private companies seeking to raise capital, an initial public offering (IPO) can propel their growth. While the market looks promising, companies that are fully prepared will be best able to leverage the window of the current IPO opportunity.

For over two decades, EY has worked with top companies considering their options for funding for growth, including a public listing. We also frequently undertake extensive research to identify critical IPO success factors.



The better the question. The better the answer.  
The better the world works.

# What's changing for you



If you are preparing to go public within the next few years, you have to take into consideration several nuances: the strength and buoyancy of capital markets, current economic indicators and your company's performance.

While an IPO may be your favoured approach to raising capital, it is important to evaluate all possible transactions that could serve as stepping stones or attractive alternatives to a public listing. A multi-track approach will allow you to keep your options open during the preparation process.

On the journey of transformation into a public company, success depends a great deal on a coordinated team effort by the internal management and the advisory team. Following economic uncertainty, it is more important than ever to build a quality advisory team. Begin to assemble your advisory team well in advance of your public launch.

# Key considerations

Here is what companies with highly successful IPOs/capital raising agenda do:



## Prepare early

- ▶ Begin the IPO readiness process early enough so that your pre-listed company acts and operates like a public company at least six months before the IPO
- ▶ Commit substantial resources to the IPO process and build the quality management team, robust financial and business infrastructure, corporate governance and investor relations strategy that will attract the right investors
- ▶ Do not underestimate the amount of time the IPO journey will take, or the level of scrutiny and accountability faced by a public company



## Attract private equity/private equity exits:

- ▶ Compare the different exit options and the viability/advantages of multi-tracking
- ▶ Identify the most profitable structuring options
- ▶ Identify value-enhancement opportunities (and the associated time/value choices)
- ▶ Consider the financial information requirements for the different options and identify where gaps need to be filled
- ▶ Consider the robustness of the value story and support it with current initiatives
- ▶ In a carve out or demerger situation, identify standalone earnings and parent company impact as well as the timing and costs to achieve



## Outperform competitors on key benchmarks

- ▶ Focus on the financial factors that investors pay significant emphasis on, especially debt to equity ratio, earning per share (EPS) growth, sales growth, return on equity (ROE), profitability and earnings before interest, tax depreciation and amortization (EBITDA) growth
- ▶ Other non-financial factors, including quality of management, corporate strategy and execution, brand strength and operational effectiveness, and corporate governance, are also scrutinized by the investors
- ▶ Be able to articulate a compelling equity story backed up by a strong track record of growth that sets you apart from your peers while maximizing value for owners

# Key considerations (cont'd.)



## Evaluate capital raising option

- ▶ Start early with a holistic discussion about the strategic options offered by IPO and M&A markets and consider an array of exit and funding alternatives in an IPO readiness assessment.
- ▶ Pursue pre-IPO transactions to achieve maximum value – especially debt financial and refinancing corporate-organization, private placements or business alliances



## Address investors' current concerns

- ▶ Recognize the need for enhanced corporate governance, especially recruiting qualified non-executive board members, improving internal controls and forming a qualified audit committee
- ▶ Fine-tune your internal business operations, especially working capital management, regulatory risk and rationalizing the business structure
- ▶ Deal with current accounting challenges, especially asset valuation impairment, consolidated subsidiary financial statement issues and revenue recognition
- ▶ An entity should also consider the regulatory requirements of the local stock exchange before filing for an IPO, as discussed subsequently



## Dealing with multiple stakeholders

- ▶ Auditors
- ▶ Regulator
- ▶ Investment banks
- ▶ Advisors for due diligence prior to IPO
- ▶ Lawyers banks/issues
- ▶ Investor relations
- ▶ Management consultants
- ▶ Accounting advisors
- ▶ Issuers IPO consultants
- ▶ Book running lead manager

**Focus on being a well-run company, not just on going public**

# IPO regulatory framework in India



- ▶ Maintenance of records to enter name of depository as security owner
- ▶ Contract with depository as per Depositories Act



- ▶ Compliance with listing agreement of relevant stock exchange
- ▶ Quarterly and annual reporting
- ▶ Corporate governance requirements



- ▶ Compliance with relevant stock exchange requirements
- ▶ Financial and operational compliance requirements



- ▶ Complying with the requirements of the board of directors and the audit committees
- ▶ Risk and control environment
- ▶ Aligning disclosure requirements as per Ind-AS and MCA roadmap



- ▶ Identifying Public v/s Promoters contribution in public issue
- ▶ Eligibility criteria for companies to be listed
- ▶ Capital structure, objects of the issue, risk factors, company management, financial disclosures ,etc.
- ▶ Lock-in and restriction on transferability of shares
- ▶ Management and Discussion Analysis (MD&A)
- ▶ Appointment of intermediaries and compliance officer
- ▶ Restated financial statements- Ind AS compliant



- ▶ Responsibilities of the Board of Directors, CEO/CFO, Compliance officer, Audit committee and other committees
- ▶ Increased requirements in respect of related party transactions
- ▶ Corporate governance requirements in respect of the listed entity and its subsidiary(ies)
- ▶ Disclosure of financial information and results

# How EY can help?

EY has a strong history of assisting companies in delivering successful IPOs. The firm is equipped with knowledge of the essentials of what it takes to succeed as a public company. Our IPO specialists help businesses like yours to evaluate the pros and cons of an IPO. We demystify the process, examine the alternatives and help you prepare for the public pressure. Our market-based insights can help your business achieve its potential.

## 1 Help maximize investor diversity

We can help attract a wider range of investors like Pension Funds, Overseas Asset Managers and large PE investors/Hedge funds by:

- ▶ Helping the company become compliant with FCPA, Anti-Bribery and Anti-Money laundering statutes that are important for some overseas investors
- ▶ Benchmarking the Company's financial and business reporting to global best practices in its sector
- ▶ Leverage the EY brand and credibility to instil confidence in investors

## 2 Make you READY to go public quickly and be prepared for extensive scrutiny post IPO

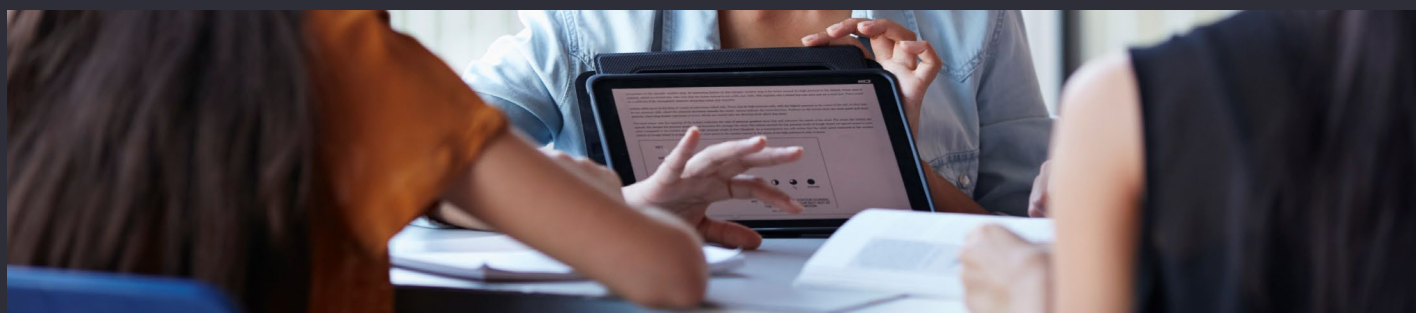
- ▶ Best in class corporate governance framework leading to attract potential investors
- ▶ Investor relations -communications back end for robust interaction with investors and analyst ecosystem
- ▶ Benchmarking against YOUR industry companies' -best practices on financial and business reporting are adopted
- ▶ Required systems and processes upgrade to address quarterly filing and investor communication needs post IPO

## 3 Preservation of value and/or mitigating value impairment

- ▶ Better investor relations through defined communication process (including post IPO) aided by system driven response to information requirements
- ▶ Management dashboards

## 4 EY Tools & Enablers

- ▶ Experienced senior professionals with relevant industry and transaction knowledge
- ▶ Focus on understanding shareholders concerns and increasing shareholder value rather than just accounting and compliance
- ▶ Experience in drafting DRHP key sections, GAAP conversion, financial statements restatement and internal control advisory
- ▶ Integrated team, as needed, and bring relevant accounting and industry knowledge to the client
- ▶ Management dashboards for tracking the progress and data room features to bring efficiencies in the process
- ▶ Availability of enablers like ICDR and other checklist to ensure full compliance with listing requirements



# The IPO value journey



## Evaluate

- ▶ Develop a robust business plan including the objectives of going public, as well as a Plan B
- ▶ Establish an internal team that will manage the IPO process
- ▶ Appoint external advisors including financial, accounting and legal advisory teams
- ▶ Adopt leading-practice corporate governance and reporting processes
- ▶ Complete strategic initiatives and pre-IPO transactions (e.g., acquisitions)
- ▶ Begin preparation of historical financial information
- ▶ Establish financial reporting procedures
- ▶ Review management information systems and operational and compliance controls
- ▶ Consider ownership, tax issues and nationality of holding company



## Plan

- ▶ Finalize preparation of historical financial information
- ▶ Commence initial due diligence
- ▶ Make necessary changes to the executive board and begin recruiting additional board members
- ▶ Start building financial model and business plan
- ▶ Meet with stock exchange representatives
- ▶ Consider investor relations strategy and equity story
- ▶ Implement financial reporting procedures
- ▶ Discuss transaction with the relevant stock exchange
- ▶ Agree draft timetable



## Execute

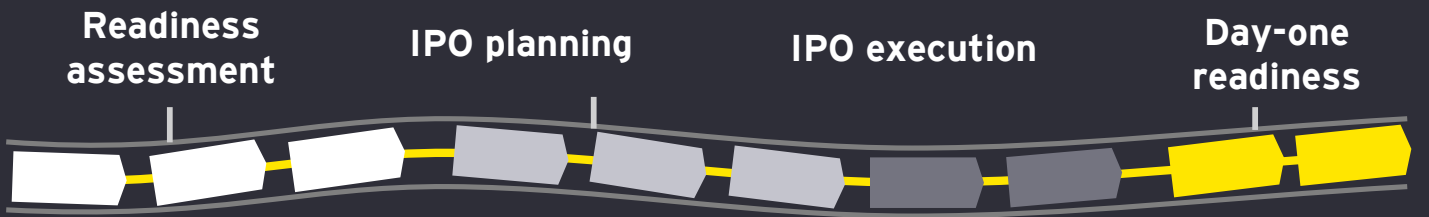
- ▶ Finalize timetable
- ▶ Begin financial and legal due diligence
- ▶ Consider adequacy of working capital and use of proceeds
- ▶ Produce draft prospectus and other documents
- ▶ Do initial review of pricing issues and public relations presentations
- ▶ Begin initial marketing
- ▶ Commission expert reports, if required
- ▶ Appoint non-executive directors
- ▶ Eliminate deal breakers and resolve any potential litigation or due diligence issues
- ▶ Comply with all reporting requirements
- ▶ Prepare road show presentations to targeted potential investors



## Deliver

- ▶ Begin formal marketing
- ▶ Price and allocate the offering
- ▶ Register prospectus
- ▶ Have underwriter perform marketing of securities (“book building”)
- ▶ Admission to stock exchange is granted and trading commences

# Supporting on every phase of your IPO journey



## Internal preparation

- ▶ **Diagnostics and a readiness results report with clear action plan**
- ▶ **Current state-assessment compared to future requirements as a publicly listed company**
- ▶ **Compliance with Companies Act, SEBI LODR and other regulatory requirements**
- ▶ **Putting in place an efficient tax, accounting and regulatory structure**
- ▶ **Develop a clear IPO roadmap, including use of digital tools and enhancing operational and functional readiness with clear milestones**

## IPO design, concept and placement with external team

- ▶ **IPO team introductions and selection support**
- ▶ **Provide insights in relation to the governance framework and enabling systems and processes (including financial reporting, tax considerations and optimization at company and shareholder level)**
- ▶ **Set timetable, start due diligence preparation and prepare offering concept and prospectus**
- ▶ **Assist in preparation or providing observations on the 3 years and relevant stub period of Ind AS financial information**
- ▶ **Assist in due diligence activities including coordinating with all parties, advisors, industry research, data room collation of materials in a rigorous time sensitive environment**
- ▶ **Support you on overall project support and preparation of relevant documents/materials**
- ▶ **Co-ordination and execution support, status updates, key action areas, observations on documents**
- ▶ **Offering prospectus, and approval by regulators and securities admission to the stock exchange**

## Pre/Post-IPO

- ▶ **Active investor relations and ongoing road shows based on the IR calendar**
- ▶ **Management of investor expectations by way of efficient forecasting and use of issue proceeds according to the plan**
- ▶ **Ongoing external reporting**



# EY – Our contribution to your success

**EY has a dedicated team of cross functional specialists to help you throughout your IPO journey**

## IPO readiness assessment

- ▶ Understand current state and the IPO plan
- ▶ Perform diagnostics and gap analysis
- ▶ Develop plans to address gaps
- ▶ Recommendations
- ▶ Assist in selecting the right advisors and team for you

## Benchmarking

- ▶ Benchmarking accounting policies disclosures, processes and KPI in relation industry peers
- ▶ Recommendations to improve processes based on market and peer comparison

## Investor relations support

- ▶ Sell-side coverage
- ▶ Investor targeting
- ▶ Better management presentations
- ▶ Flexible support options

## Governance, risk and controls

- ▶ Board governance guidelines, committee charters, code of conduct, etc.
- ▶ Enterprise Risk Management
- ▶ Policies and processes (e.g. Insider Trading, etc.)

## Financial reporting procedures

- ▶ Assist in preparation Restated Financial Information
- ▶ Collation of other financial information, key performance indicators in relevant formats
- ▶ Technical guidance, observations and leading practices related to public company reporting
- ▶ Assistance on Accounting close and reporting for quick reporting

## Project Management

**Data room management**

**Staff augmentation**

**Milestone monitoring / dashboards**

**Coordination amongst all internal and external stakeholders**

# Our tailor-made IPO readiness assessment approach

## Leveraging our skills across all functional areas



### Tailor-made scope within an integrated approach

- ▶ The strategy and goals associated with a IPO process marks a turning point in the life of a company - you need to be ready. The rewards can be monumental. The keys are proper preparation, experienced guidance and effective execution.
- ▶ Our IPO readiness approach navigates you through main areas of transformation from private to public company.
- ▶ We will conduct interviews in the IPO readiness assessment workshop with your team and review documentation across the following areas of your organization.

# The benefits of having EY as your advisor



## Save time

- ▶ Greater insight into your capital-raising strategy and building your equity story
- ▶ Experienced EY team working with your management to provide guidance at every step



## Reduce cost and pressure

- ▶ By reducing involvement of your finance team allowing them to focus on their regular tasks
- ▶ Allowing EY team to respond to SEBI and Auditors' queries quickly and effectively



## Increase transaction certainty

- ▶ Effective combination of team, story, timing and the pricing
- ▶ Experienced team with multiple listing experience
- ▶ Full compliance check required for listing purposes
- ▶ Increasing your potential investor base



## Share knowledge

- ▶ Access to our Assurance, Private Equity ("P/E"), Tax and FIDS leaders to support you throughout the IPO journey
- ▶ Learn global leading practices and gain market insights`
- ▶ Training your finance team to comply with post listing requirements

## Management Dashboard and Timelines

	July 2017	September 2017	November 2017	January 2018
Start 7/1	2. Choose the desti... 7/1 - 7/31	4. Readines... 8/1 - 8/21	5. Appoint external advis... 8/22 - 9/29	6. ... 9/
			9. App... 13. Due ... 15. Cird... 10/16 - 1 10/30 - 11 11/15 - 1	16. Co... 11/30 - 1
	10. Consider FSCP 7/1 - 12/31			
	1. Eval... 3. Readin... 7/1 - 7/1 7/15 - 8/1		7. For... 10/1 - 10	12. Preparin... 14. Obt... 17. Res... 10/25 - 11/15 11/15 - 1 11/30 - 1
	11. Restatement or Financial Statements 7/1 - 11/5			18. Roll... 11/30 - 1
	20. Conduct road show, marketing, share allocations and pricing 7/15 - 12/31			
	19. Filing of DRHP 7/15 - 12/31			
			8. Tax r... 10/1 - 10	

## Data Room

Data room is an online repository of information where all stakeholders can access and provide necessary information relevant to the preparation of Draft Red Herring Prospectus (DRHP) and Red Herring Prospectus (RHP). Please click on the relevant section below and upload/download/edit the files based on the tasks assigned to you. If there is anything additional you think will be useful, please drop it in the dedicated folder for your company.

Client Management

Merchant Banker

Lawyers

Advisors

# IPO readiness assessment tool

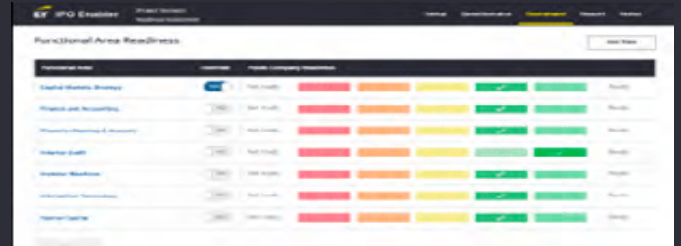
## IPO questionnaire library

We will ask tailored IPO readiness questions by function, leveraging our proprietary IPO readiness questionnaire library.



## Algorithm-based dashboard

EY professionals will generate a dashboard depicting an initial assessment of the company's state of readiness by function.



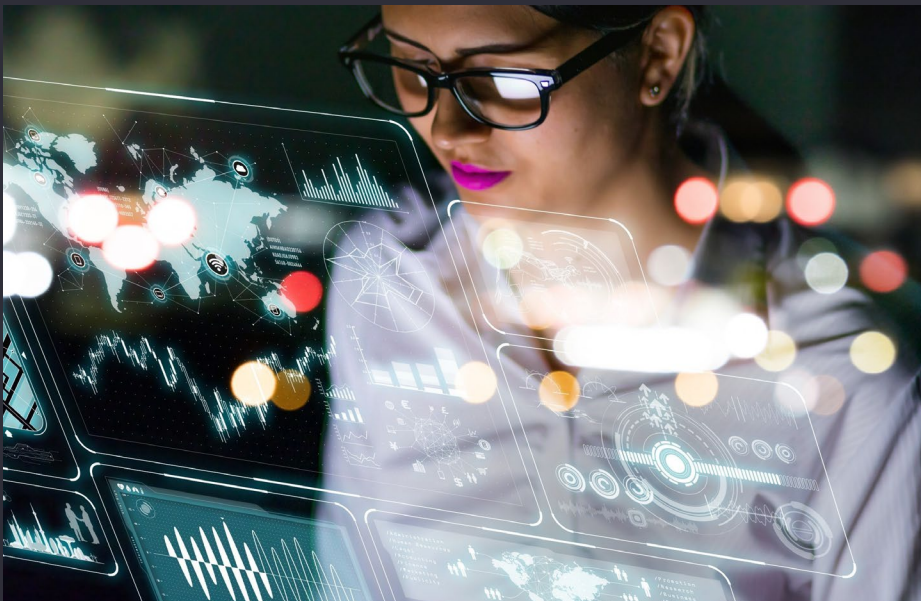
## Digital, interactive process

Through interactive discussions with EY subject-matter specialists, we will capture key IPO readiness gaps and recommendations, along with timelines, to close those gaps.



## IPO readiness assessment report

You will receive a board-ready report, inclusive of an executive summary, functional dashboard, and detailed findings and recommendations.



### Benefits:

- ▶ Digital, interactive process tailored for you
- ▶ Access to global leading practices and insights
- ▶ EY subject-matter resource integration
- ▶ Board-ready assessment report

# Our offices

## Ahmedabad

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Langford Gardens  
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Aerocity, New Delhi - 110 037  
Tel: + 91 11 4731 8000

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