MMJC

IPO Publicity Can Become a Due Diligence Issue

The SEBI order in Veerkrupa Jewellers Limited is not only about an SME IPO.

MMJC

It is also a reminder for merchant bankers that third-party promotional content viz. IPO-related articles, YouTube videos, GMP references can become part of the regulatory review.

When public communication influences IPO investors, how far does the lead manager’s responsibility go?

What SEBI examined?

MMJC

SEBI examined who was behind the **Zee article** and related IPO publicity, including **YouTube videos.**

The Zee article carried positive IPO-related content, including the company's business, sector outlook and **GMP of ₹7.**

SEBI also noted that some persons involved in such publicity, and their connected entities, had traded in the company's shares.

Emerging focus from the order

- Third-party publicity risk
- GMP-led investor influence
- Response effectiveness
- Market narrative around the IPO

SEBI's review was not limited to who created the content. It also examined whether the content could influence investors and whether the surrounding conduct raised market integrity concerns.

The ICDR boundary: IPO communication must stay within the offer document

MMJC

SEBI referred to Regulation **263 read with Schedule IX of the ICDR Regulations.**

The principle is clear: public communications, advertisements, publicity material and research reports must contain only information available in the draft offer document / offer document.
They must also be truthful, fair, and should not be misleading, manipulative, deceptive or distorted.

For IPOs, marketing cannot create a parallel story outside the prospectus.

Any content published is not just market gossip

MMJC

- YouTube videos gave favourable views and recommended subscribing to the IPO.
- Some videos used the Zee article as the source for the GMP of ₹7.
- SEBI viewed this as problematic because the content was not aligned with the disclosure standard under Schedule IX of ICDR.
- The concern was that such publicity could influence investor decisions without being backed by permitted offer-document disclosures.

The red flag was not merely the existence of GMP, it was its use in promotional content recommending subscription to the IPO.

Merchant banker's position vs SEBI's view: "We did not publish it" may not be enough

MMJC

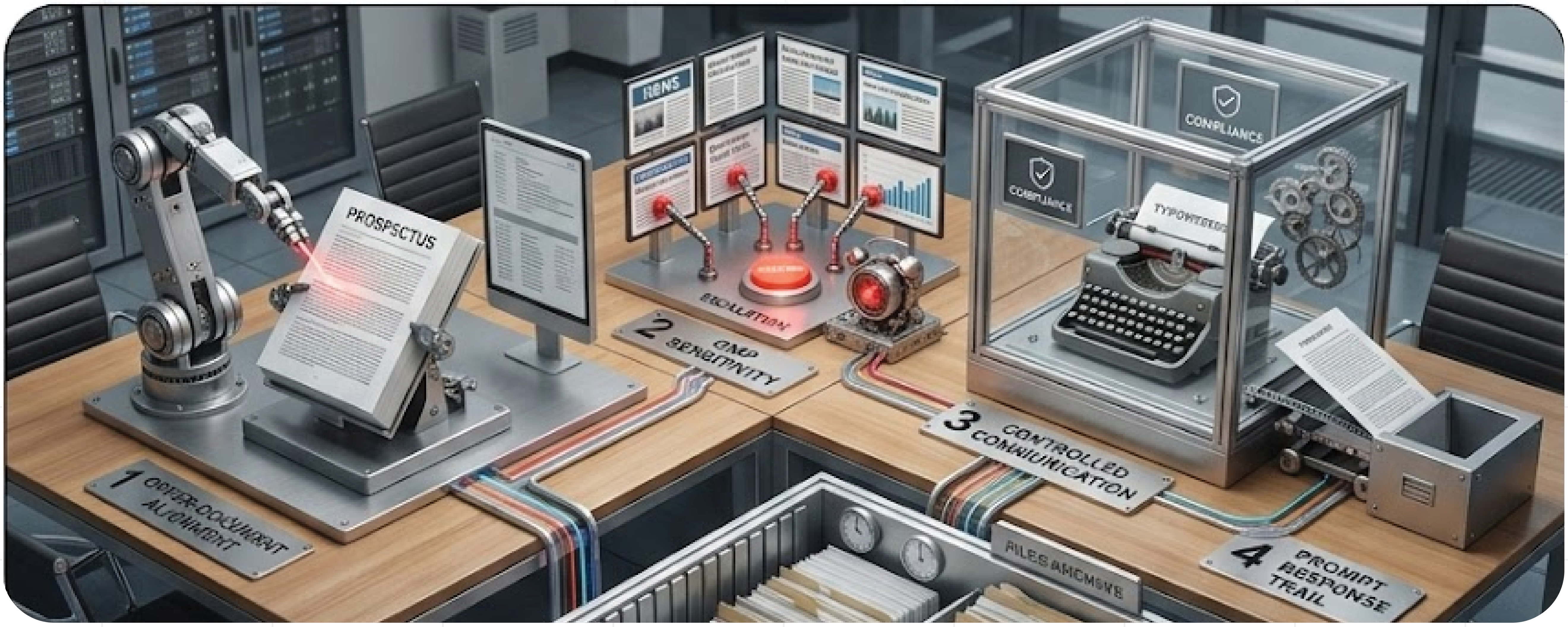
- The merchant banker stated that it did **not draft, approve or authorise** the Zee article or the **GMP figure.**
- It argued that it could not control independent publicity by **shareholders, media houses or third parties.**
- SEBI noted that the article was published on **June 23, 2022,** but corrective steps were taken only after **July 5, 2022.**
- SEBI held that the lead manager should have **promptly clarified or cautioned investors.**

SEBI applied the standard of "reasonable diligence" , everything reasonable, not everything possible.

A lead manager may not control every third-party post, but SEBI may still examine whether the response was prompt, visible and investor-protective.

Takeaway for merchant bankers: Build a Publicity Risk Protocol

MMJC



- **Offer-document alignment:** IPO communication should broadly remain aligned with the DRHP/RHP/Prospectus.
- **GMP sensitivity:** GMP-based articles, videos or posts may need quick internal escalation.
- **Controlled communication:** Issuer, PR and social media communication may require prior compliance review.
- **Prompt response trail:** Any misleading publicity should be reviewed, addressed and documented without delay.

The Veerkrupa order shows that for merchant bankers, investor protection is not limited to drafting disclosures. It also includes managing the public narrative around the IPO before it misleads the market.