



Capital Markets: IPO Advisory



Are you considering going public?

Embarking on an initial public offering (IPO) journey and completing it successfully calls for strategic planning, sound advice, and understanding and addressing the potential risks.

A public offering is a significant event in the life cycle of a company. An IPO can improve your company's financial strength and opportunities for growth, however the IPO process can introduce a number of management, financial, and process-related challenges. A public offering provides an opportunity to examine your company's internal operations, reporting processes, and culture.

As you evaluate whether an IPO is the right strategic option, consider the following benefits as well as the key challenges:

Potential benefits of an IPO

- Improve company's ability to finance growth, expansion, and investment
- Provide currency for acquisitions, liquidity for shareholders
- Create a permanent capital source
- Reduce need for debt
- Attract and retain talented employees through equity participation
- Improve the company's credibility with business partners
- Increase the company's profile in the marketplace

Preparing for the offering

The IPO journey is long, complicated and requires intense, long-term planning and execution to avoid the many potential challenges that come with the responsibility of transitioning to a public entity. While market timing is outside a company's control, preparation is not.

Going public is a transformational event requiring many different parts

of the business to work together towards a common goal. You can expect multiple work streams, from drafting the registration statement, to preparing and auditing financial information, creating a new governance structure, running the road show and preparing the organisation for life as a public company.



Steps to a successful listing

Tax

- Are you set up in a tax efficient manner?
- Do you have the right corporate structure and jurisdiction?

Business intelligence

- Adequate visibility on future projections and forecasting
- Effective MIS and BI to support the needs of the business and analysts / investors

Strategy and equity story

- Develop a cohesive equity story capturing relevant key performance indicators
- Coach promoters and others to convey the equity story

HR and people related

- Develop and implement an attractive and tax efficient employee compensation regime keeping in mind relevant regulations.
- Evaluate and augment current skill-sets and bandwidth

IT and process improvement

Evaluate and implement necessary upgrades to current IT and processes to support public company information needs

Corporate governance

Putting in place the appropriate corporate governance processes including developing charters, code of conduct, board framework etc. keeping in mind the requirements of key stock exchanges and also the relaxations available to issuers from other jurisdictions

Accounting and financial reporting

- Choice of GAAP, accounting policies and disclosures considering peer company practices
- Period end book close process – ready to deliver financials in a time bound manner post going public
- Upskilling the team to be able to analyse, interpret and apply current and upcoming accounting standards

Risk management

- Set up internal control processes and systems as required by local and global regulations, such as Companies Act, Sarbanes Oxley Act, etc.
- Set up processes and systems to comply with the requirements of Foreign Corrupt Practices Act, Anti-Bribery Act and other relevant fraud risk management requirements

Your key challenges

This road to an IPO requires intensive planning and sound project management skills that can help identify and address potential risk and challenges through the journey. Some of the key areas that need focus are discussed in the Steps to a successful listing section.

While companies face several challenges in their going public process our experience tells us that the common themes include:

Bandwidth

The IPO process requires intensive efforts over extended periods with tight deadlines. You also need to keep your eyes on running the business. It is extremely important to have enough additional resources to be able to address the Business As Usual requirements and the additional workload imposed by the IPO process.

Relevant skill sets

Given the complexities involved, you will require a range of skilled staff or professionals to support your IPO process including but not limited to financial reporting, taxation, legal, internal controls, investor relations etc. Hiring all these skill sets and building in house team may not be feasible in the short term.

Information

The IPO preparation process involves identifying, reviewing, processing a lot of information which needs to be provided to the relevant deal team and be part of the offering documents, all of which requires a lot of analysis and time. Your current teams may not have the bandwidth of the necessary skill sets to be able to deal with this.

Coordination

Servicing the deal team and ensuring that the numerous work streams work in cadence is essential to ensuring a seamless preparatory process. Sound and diligent project management is a must to ensure successful and timely completion of all required tasks and avoid duplication.

KPMG in India—your independent IPO Advisors

Keeping in mind these challenges and complexities, you require a reliable Independent IPO Advisor who can handhold you through the entire process and support you in your IPO journey.

At KPMG, we have put together all the relevant skill sets into a broad solution to provide you all the support and answers you need as you evaluate embarking on the IPO journey. We provide a wide range of advisory services to assist with your public offering. Using our IPO methodology, we work with you through the offering process to implement the necessary requirements to help you build a sustainable approach to meet the needs of a public company.

Our Capital Markets team comprises of some of our senior most professionals who bring together a

diverse and cohesive set of relevant local and global experience and skill-sets from the entire firm to provide you wide ranging support you need in order to:

- Evaluate alternatives to fund raising
- Evaluate your readiness to go public including the right listing destination
- Assisting you in your preparatory process
- Helping you deal with the challenges of being a public company (post IPO).

If you are evaluating a public offering, we would recommend having a conversation with our Capital Markets team.

Why KPMG in India?

We have a dedicated Capital Markets practice with professionals who have worked on IPO engagements, both as advisors and auditors. Our professionals have industry experience in business sectors and experience in accounting advisory, training, audit, due diligence and securities offering assignments. KPMG in India together with other member firms can serve companies across borders and work together to help them prepare to list in both domestic and international exchanges.

- Our Capital Markets practice brings together the relevant functional specialists who have worked on similar engagements in Indian and

overseas markets, in particular on offerings in the United States, United Kingdom, and Singapore

- By engaging with us you have access to the entire firm's capabilities
- We are able to deploy our teams of experienced professionals at short notice as per the requirements of the deal team and to supplement your bandwidth and skill set gaps
- Our teams work seamlessly with your staff in order to service the information requirements for the transaction and also coordinate the different work streams in order to

free up your time for more strategic priorities.

- Our professionals regularly interact with the entire capital markets ecosystem including regulators, stock exchanges, bankers and lawyers which allows us to anticipate their requirements and address and respond to them in a planned and effective manner.
- We are also actively engaged with regulators in assisting and advising them on regulatory matters related to the capital markets.

Are you considering going public?

Our Representative services include:

Pre IPO offering

Listing destination <ul style="list-style-type: none">• Comparison of listing requirements, merits and demerits of alternative capital raising jurisdictions	Risk management <ul style="list-style-type: none">• Evaluate internal control systems and processes and identify gaps	HR and people related <ul style="list-style-type: none">• Assess current bandwidth and skill sets vis-a-vis public company requirements• Evaluate alternative equity compensation structures
Tax <ul style="list-style-type: none">• Advise on corporate restructuring that may be required before the IPO• Advise on restructuring of promoters' shareholdings	Treasury and working capital management <ul style="list-style-type: none">• Assess existing treasury framework and working capital needs• Working capital benchmarking and advise on efficient working capital management	Investor relations <ul style="list-style-type: none">• Assess Investor Relation (IR) needs
Accounting and financial reporting <ul style="list-style-type: none">• Identification of the required financial reporting standards and the impact areas• Assess accounting and financial information gaps and needs• Evaluate existing processes to prepare financial information in a reliable and timely manner	IT and process improvement <ul style="list-style-type: none">• Review efficiency of IT processes	Deal support and Project Management Office (PMO) <ul style="list-style-type: none">• Advise on the appointment of the appropriate legal counsel and merchant banker for distributing the offering• Provide PMO assistance during the planning stage
Corporate governance <ul style="list-style-type: none">• Assess corporate governance and compliance gaps and needs	MIS and business intelligence <ul style="list-style-type: none">• Peer group analysis: high level strategy, operational levers and financial performance• Identification of relevant key performance metrics and developing necessary frameworks to prepare these in a reliable and timely manner	

During IPO offering

Tax <ul style="list-style-type: none">• Develop appropriate tax structure and strategy	<ul style="list-style-type: none">• Develop appropriate vigil/whistle blowing mechanisms• Conduct Foreign Corrupt Practices Act (FCPA) / Anti Bribery reviews.	<ul style="list-style-type: none">• Support recruiting and reorganisation efforts of work streams throughout the organisation
Accounting and financial reporting <ul style="list-style-type: none">• Develop and execute a proper financial reporting strategy for the chosen market• Assist in preparation of financial information in accordance with the identified reporting standards• Design accounting policy manual• Prepare accounting position papers analysing technical accounting literature• Assist with addressing regulatory comment letters relating to financial statements• Augment financial reporting processes to ensure smooth delivery of timely and reliable financial information	Risk management <ul style="list-style-type: none">• Provide solutions for processes gaps• Establish appropriate internal audit frameworks	Investor relations <ul style="list-style-type: none">• Equity story: advise on strategic communication in line with company objectives• Assist with drafting of the equity story, industry section, risk factors and Management Discussion and Analysis (MD&A)• Coach promoters and other stakeholders on communication requirements• Establish the investor relations function and protocols
Corporate governance <ul style="list-style-type: none">• Advice on Board/Committee requirements and composition• Develop necessary charters, Code of Conduct, and a framework for board evaluation and training	Treasury and working capital management <ul style="list-style-type: none">• Advise on risk management and policy finalisation for interest rate risk, commodity risk and forex risk• Develop hedging strategies	Deal support and Project Management Office (PMO) <ul style="list-style-type: none">• Perform independent business valuation, valuation of ESOPs, vendor due diligence• Liaise with underwriters and attorneys; participate in meetings with auditors• Set up/ manage data rooms
	IT and process improvement <ul style="list-style-type: none">• Automate systems and processes• Develop scalable business processes and implement enabling technologies	
	MIS and business intelligence <ul style="list-style-type: none">• Develop MIS framework/dashboards	
	HR and people related <ul style="list-style-type: none">• Create appropriate compensation, benefit plans and agreements for the public company	

Post IPO offering

Tax

- Continual support on tax planning basis changing business needs
- Execute tax strategic plan and enhancements

Accounting and financial reporting

- Assist in preparation of quarterly and annual financial statements within reporting timelines
- Continue to enhance policies and procedures, budgeting and forecasting
- Evaluate impact of emerging accounting standards

Corporate governance

- Perform incremental compliance and transparency enhancements

Risk management

- Enhance risk framework with changing business complexities

Treasury and working capital management

- Continuous review of capital structure and debt financing alternatives
- Advise on surplus cash management avenues

IT and process improvement

- Implement advanced IT tools to support the business needs

MIS and business intelligence

- Assist in streamlining the financial reporting process to produce quality financial information in a time bound manner

HR and people related

- Ensure adequate resources and administer new plans

Investor relations

- Advise management to deal with stakeholders including investors
- Perception study
- Post listing support, advise on preparation and presentation of quarterly financial results



Case Study

A large renewable energy company, U.S. listing

What we did?

We assisted the company in its preparation to go public in the United States. The engagement began with KPMG's IPO readiness scan which identified a number of action items. As a part of our engagement we advised the company on:

- Choice of reporting GAAP
- Pre IPO diagnostic covering financial reporting, corporate governance, internal controls, FCPA compliance
- Establishing an appropriate corporate structure
- Preparation of US GAAP financial statements
- Content and quality of the MD&A
- Set up / Management of data room
- Overall project management
- Development of appropriate whistle blowing framework, code of ethics and anti bribery framework
- FCPA compliance
- SAP implementation and stabilization
- Setting up an ESOP plan and related tax implications
- Development and implementation of a business intelligence framework

Benefits to the client

- Bridging the skills and bandwidth gaps
- Smooth IPO preparation process
- Addressing queries from auditors and other members of the deal team
- Single point of contact for meeting all the relevant advisory needs
- Freeing up management time and bandwidth to focus on more strategic matters



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