

Firms taking longer to go public after Sebi nod

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Companies are taking longer to go public after getting regulatory approval, since the Russia-Ukraine border became militarily active, impacting the global financial world. Initial share sales happened in as few as 40 days when the markets were booming before the Ukraine crisis but this average duration has now increased to 96 days amid market volatility, shows an analysis of data from primedatabase.com.

The S&P BSE Sensex hit an all-time high of 62,245.43 in October 2021 (the index movements are seen to be broadly representative of how the market is doing). It is down 8 per cent since then and closed at 57,145.22 on Monday. The markets have fallen amid rising geopolitical tensions, as well as a tightening of liquidity by global central banks.

The analysis looked at all the IPOs in order of the day their issues opened for subscription from November 2021. This was when Russia's military build-up over Ukraine had begun to raise global tensions. The Securities and Exchange Board of India's approval date is counted as Day Zero. The analysis took a rolling average of 10 IPOs at a time to understand the broader trend.

There was a 40-day gap after regulatory approval on a rolling average basis as of November 1. This continued to fall until it reached 22 days as of mid-November. The trend has largely been upwards since then. It touched a high of 96 days as of August-end.

The stock market regulator usually attempts to respond to IPO documents in 30 days. However, this is subject to certain conditions.

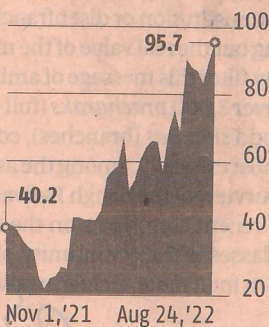
"Sebi may issue observations on a draft offer document filed with it within 30 days from the later of the following



WAITING IN THE WINGS

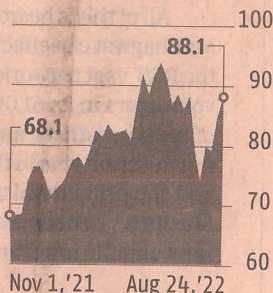
Firms indecisive...

Rolling average of days for IPO opening after approval



...Sebi nod taking more time

Rolling average of days for IPO to get approval



Note: Average calculated for 10 IPOs on a rolling basis.

Source: Primedatabase.com, Business Standard calculations

dates...the date of receipt of the draft offer document; or the date of receipt of satisfactory reply from the lead merchant bankers, where the board has sought any clarification or additional information from them; or the date of receipt of clarification or information from any regulator or agency; or the date of receipt of a copy of in-principle approval letter issued by the recognised stock exchanges," according to a note on Sebi's website.

The analysis also looked at the gap between the filing of documents and the final approval. A similar rolling average was considered. It showed

there was an increase in the time taken to process an offer document but that was not as significant as the jump in companies waiting after approval.

Sebi took 88 days (as of end-August) to give approval or 29 per cent longer than in 68 days seen before the escalation of tensions in Ukraine. IPOs have been on the decline in recent times. They were zero in June and July; August saw two offerings. Companies have come out with 12 IPOs worth ₹33,893.59 crore as of end-August, a YoY decline of more than 25 per cent. There were 20 IPOs worth ₹45,293.52 crore as of August 2021.