

Getting Nod for IPOs Could Take Longer as Sebi Turns More Vigilant

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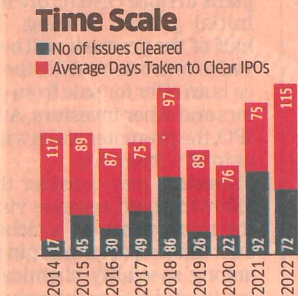
Mumbai: India's capital markets regulator might be turning more vigilant while clearing initial public offerings (IPOs).

Investment bankers and primary market watchers said the Securities and Exchange Board of India (Sebi) has tightened checks on IPO-bound companies after investors lost money in some of last year's public offers, delaying approvals to launch issues.

The average time lag between filing an offer document with Sebi and receiving approval in 2022 has surged to 115 days – the highest in eight years, show data compiled by primedatabase.com.

In 2021, the regulator cleared 92 IPOs in an average of 75 days. In 2020, Sebi cleared 22 IPOs, and the time taken was 76 days on average. In the previous two years, IPOs were cleared in less than 100 days from the time of launching and filing the offer documents. Sebi did not respond to ET's queries.

"The increase in time clearing offer documents this year can be attributed to the deluge of filings, thus increasing the workload and also due to greater due diligence being exercised after investors lost money in a few big bang IPOs that were launched last year," said



Large IPOs Cleared in 2022

Issue	Tentative Size (₹ Cr)	Days Taken for Sebi Approval
LIC	20,557	22
Aadhar Housing Fin	7,300	466
API Holdings	6,250	99
Delhivery	5,235	72
Bharat FIH	5,000	168
Macleods Pharma	5,000	94

Source: primedatabase.com

id Pranav Haldea, managing director, Prime Database Group.

Out of the 66 listings that happened in 2021, 27 are still trading below the issue price. The IPO market record of 2022 has been better, with 18 out of the 23 listings trading above the issue price.

Among some recent issues, the ₹7,300 crore IPO proposal of Blackstone-backed Aadhar Housing Finance took 466 days for Sebi approvals. Tamilnad Mercantile Bank's IPO was approved in 268 days. Hemani Industries, a maker of agrochemicals and speciality chemicals, which was planning to raise ₹2,000 crore through the IPO, took 198 days for the Sebi approval. It took Biba Fashion, planning a ₹1,500 crore

re IPO, about 182 days to get its offer document cleared, while Flipkart co-founder Sachin Bansal-led fintech start-up Navi Technologies, Keynes Technology India and Bharat FIH took about 170 days to get the final nod to launch their share sales.

Sebi's vetting process has grown longer and become stricter with the regulator seeking clarifications on finer details in the filings, said bankers and market participants in the know.

"For the first time, we have seen the regulator even questioning on the valuations part," said a banker. Some bankers said Sebi is taking more time to clear larger IPOs than the smaller ones.

"Issues with size less than ₹750 crore are

not facing much delay as those are cleared by the regional offices," said an investment banker who didn't wish to be identified. "However, issues with size above ₹750 crore are cleared by the executive directors' levels which are taking too much time. While some for genuine reasons while for others, there are no reasons."

Currently, there are IPOs of 40 companies pending with the market regulator as the strength in the stock market and appetite among investors are prompting more firms to tap the primary market. Sebi has sought clarifications from 14 companies, including Joyalukkas India, PayMate India, Balaji Solutions, Go Digit General Insurance, Orient Green Power, and Mankind Pharma.

Oravel Stays, the parent company of travel-tech firm OYO, and e-commerce firm Snapdeal, which filed their offer documents in September and December last year, are yet to get the go-ahead from Sebi. The latest communications from Sebi show that updated financials are awaited.

Sebi has been pushing IPO-bound companies for more transparency in disclosures. Last month, the regulator mandated companies to disclose details related to the pricing of shares based on past fundraising from private equity investors before the IPO.