

SEBI fears stress on infra as slew of IPOs hits market

BUNCHING UP. High number of applications, shorter listing timeline are pressure points

Ashley Coutinho
Mumbai

The Securities and Exchange Board of India (SEBI) has expressed concern over the bunching of initial public offerings (IPOs) this week and has asked investment bankers to be wary of the stress it could put on the infrastructure for intermediaries, particularly IPO registrars, said two people familiar with the matter.

The regulator had issued a similar alert over the crowding of public share sales in March 2021 and had asked intermediaries to ensure there were no glitches while processing applications, and to stagger the offerings as much as possible.

FIVE ISSUES

IPOs of five companies — IREDA, Tata Technologies, Gandhar Oil Refinery, Flair Writing Industries and Fedbank Financial Services — hit the market this week. Together, these firms are looking to mop up over ₹7,000 crore.

The share-allotment process is carried out by the registrar of



the IPO. All the five IPOs are being handled by one registrar — Link Intime India.

A high number of applications and the shift to a shorter timeline for listing could put pressure on the system, said experts. Although listing shares on T+3 is not mandatory at present, at least a dozen companies opted for this timeline in the recent past.

“Bunching up could be a concern, particularly when a large number of applications are involved. The five issues this week are expected to receive over 1 crore applications, which is a large number. While the processing is all electronic because of online bidding, things could slip up if there are issues of reconciliation or if wrong credit is

IPOs this week

	Times subscribed*	Issue size range (₹ cr)
Tata Technologies	14.85	2890-3043
IREDA	38.8	2016-2150
Fedbank Fin. Serv.	0.92	1038-1092
Flair Writing Ind.	6.45	562-593
Gandhar Oil	15.62	474-501

Source: Exchanges, PRIME Database

Note: Issue size range is lower and upper end of price band *as on 5 pm Thursday

given,” said a senior investment banker. Tata Technologies and IREDA have seen over 50 lakh and 30 lakh applications, respectively.

THE LONG PROCESS

All applications are uploaded on the exchange software. These are then consolidated, post which the allotment is done. The registrar also has to pick information of the applicant from NSDL and CDSL based on the PAN. “It’s a high volume work but I am sure the registrar has done its soft testing,” the banker said.

Market observers said the regulator is unlikely to get into any micro-managing of IPO timelines in the future.

“It’s not that investment

bankers are working in a vacuum. We do discuss the timelines with banks and registrars before an issue hits the market. But sometimes bunching up of issues is unavoidable as the decision to come to the market is dictated by market conditions, investor appetite, regulatory approvals and their expiry,” said Venkatraghavan S, Managing Director, Equirus Capital.

The transition to T+3, which becomes mandatory from December 1, has been reasonably smooth and the process will only smoothen further as the pain points are identified and addressed, he added.

An email sent to SEBI and the Association of Investment Bankers of India, and a text message to a Link Intime official did not get a response.

STRONG APPETITE

The bunching up does not seem to have dimmed the appetite for the IPOs, with four of the five offerings getting a robust response. Market observers attribute this to domestic liquidity, reasonable valuations and listing gains for the majority of offerings this year.