

# SEBI probing mule accounts, dubious IPO applications

**QUICK BUCK.** 68% of high networth individuals and 43% of retail investors exit a stock within a week of its listing

Our Bureau  
Mumbai

The Securities and Exchange Board of India was in the process of gathering data and identifying the *modus operandi* to crack down on mule accounts.

The regulator had found evidence of inflated IPO application numbers in three instances recently and wanted to avoid a repeat of the Roopal Panchal scam, where a large number of IPO applications were filed through fictitious demat accounts.

"The IPO applications are filed in a manner that they get rejected. This is done to make the subscription numbers look good. In the interest of investors, we will review both

policy and enforcement actions in such areas," SEBI chairperson Madhabi Puri Buch said on Friday at an event organised by the Association of Investment Bankers of India (ANMI).

Sixty eight per cent of high networth individuals and 43 per cent of retail investors exit a company within a week of its listing, SEBI data showed. This figure rose to 76 per cent and 52 per cent for a one-month period, respectively, indicating that a bulk of the IPO investors came in to make a quick buck.

SEBI was deliberating on giving greater flexibility to companies that want to set aside a higher portion of the objects of the issue for an unspecified purpose. SEBI had recently conducted stress tests for equity funds, particularly those that held less liquid



**A HANDY GUIDE.** (L to R) Mahavir Lunawat, Chairman, Association of Investment Bankers of India and MD of Pantomath Capital Advisors; Madhabi Puri Buch, Chairperson, SEBI; and Prithvi Haldea, Advisor, AIBI and Founder of Prime Database, launched the Standard Practice Manual for investors on Friday

stocks, to gauge how prepared the funds were to handle sudden redemption requests. Depending on the results, the regulator may prescribe measures if certain thresholds or benchmarks are breached. The regulator is trying to ascertain the

extent of physical shareholding, including the amount of holding in low-cost demat accounts, by working in partnership with companies.

"We are encouraging more and more people to dematerialise their shares. In parallel, we

are conducting thematic inspections which will help us strengthen the mechanism at RTAs," Buch said.

## DELISTING NORMS

She further said the regulator was still in the process of gathering data on delisting as advised by the Board at its last meeting. "Since the number of delisting applications is small and the data set is extremely limited, the board has guided us to do further consultations," Buch had said in November.

The regulator launched the Standard Practice Manual on Friday aimed at enhancing investor awareness, promoting financial literacy, and making capital formation more robust and efficient. This manual is based on SEBI's standard observations on draft offer documents filed in the recent past.