

Process to clear IPOs on fast track

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The Securities and Exchange Board of India (Sebi) has accelerated the process for approving public offer documents filed with the regulator, as a number of companies line up for share sales this year.

The average number of days between the date of filing an initial public offering (IPO) document with Sebi and the date of approval has been reduced to 65 days this year compared with an average of 87 days in 2016, data from primary market tracker PRIME Database show.

Offer documents of AU Small Finance Bank, Apex Frozen Foods, Capacite Infraprojects, Shalby and CDSL, among others, were cleared in less than two months this year. Cochin Shipyard's documents were cleared in a record 27 days.

According to market observers, Sebi had beefed up its team clearing IPO documents at the beginning of the year. It

OFFER ROUTE

Year	No. of issues	Amount (₹ crore)
2011	37	5,966
2012	11	6,835
2013	3	1,284
2014	5	1,201
2015	21	13,614
2016	26	26,494
2017*	13	11,774

*(till June 2017);

Source: PRIME Database
Compiled by BS Research Bureau

has also given its pedantic approach to clearing documents a rest, resulting in a significant reduction in the number of observations given by the regulator. A few offer documents in the past couple of months have been cleared without any comments or observations on the regulator's part.

"The regulator has taken feedback from various intermediaries and has

made a concerted effort to reduce the time taken to clear offer documents," said Pranav Haldea, managing director of PRIME Database.

A shorter time frame acts as a hedge against market volatility. In the past, several companies have had to call off or postpone their IPOs as market conditions changed considerably by the time they got the approval for their offers.

"The promoters and merchant bankers have certain valuations in mind when they file an offer document with the regulator. These numbers can go completely out of the window if there is a significant time lag between the time of filing and receiving approval, and/or if market conditions turn adverse," said Haldea.

Sebi's process of vetting documents has changed. The focus now is on materiality and substance rather than delving into minor details. "The regulator's comments and observations have become a lot precise and well-directed.

Also, the quality of issuances and disclosure standards have improved considerably in the past couple of years," said Girish Nadkarni, managing director of Motilal Oswal Investment Advisors.

Six of the 13 companies that hit the market in 2017 have raised nearly ₹1,000 crore each. Overall, they have mopped up ₹11,800 crore. The year 2016 saw 26 companies coming to the market, and collectively garnering ₹27,000 crore, the best year for IPOs in six years.

The pipeline for the second half of 2017 remains strong, with issues from several financial services players, including several insurance players, expected to hit the market. The government aims to launch at least six IPOs, including that of GIC Re, New India Assurance and IRCTC, in the coming months.

With domestic asset management companies flush with funds from record inflows through systematic investment plans, the capacity to absorb new paper remains strong.