

# Six i-banks under Sebi lens over small IPOs

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**WORRIED ABOUT MALPRACTICE** in a frothy IPO market, the Securities and Exchange Board of India (Sebi) is investigating six domestic investment banks that have worked on offerings by small businesses, two sources with direct knowledge of the matter said.

It has found that at least half a dozen small investment banks have charged companies fees equivalent to 15% of funds raised via their IPO.

That's much higher than the standard practice of 1-3%.

The probes began earlier this year and are focused on the

fees that the banks have charged, according to the sources.

Reuters was not able to learn the names of the banks under investigation. Sebi did not respond to requests for comment.

The investigations follow efforts by Sebi to warn investors about the dangers of investing in some small businesses as well as plans for tighter rules for such IPOs.

Smaller businesses with annual turnover of ₹5 crore to ₹250 crore list on separate sections of the BSE and NSE. There are fewer disclosure requirements and the IPOs are vetted by the exchanges as opposed to large IPOs which have to be cleared by Sebi.

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SEBI'S PRELIMINARY FINDINGS suggest that the high fees are being charged to ensure the offerings are oversubscribed, according to one of the sources.

The regulator is looking to curb coordinated activity between banks and some investors who break rules to place huge bids both as high net-worth individuals and as ordinary retail

investors, the second source said.

"These bids are not genuine and are cancelled at the time of allotment but the high subscriptions end up attracting more bids and investments from other investors," the source added.

India has more than 60 investment banks that actively work on IPOs for small businesses – a seg-

ment that like the rest of the IPO market has been booming.

In FY24, 205 small firms raised ₹6,000 crore, a sharp jump from the 125 companies that raised ₹2,200 crore a year earlier, according to PRIME Database, a capital markets data provider.

For the April-August period this year, 105 small firms have

raised ₹3,500 crore with more than two-thirds of the offerings oversubscribed.

Ashwani Bhatia, a senior Sebi official, said this month that IPOs for small and medium-sized enterprises have lacked checks and balances. The regulator will soon issue a proposal for tighter rules, he added.

**REUTERS**