

# Sebi's softer touch cuts IPO rejections to just 2 in FY26

## Consultative review and engagement-first stance ease approval bottlenecks

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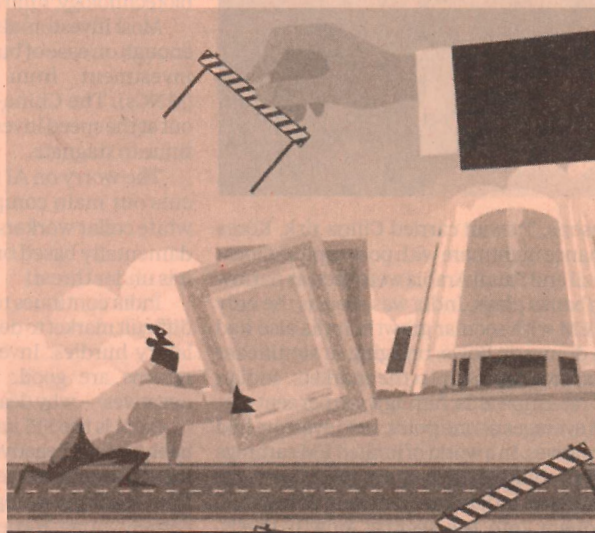
The number of draft offer documents returned or rejected by the Securities and Exchange Board of India (Sebi) fell sharply to just two in 2025–26 (FY26), from 17 in the previous financial year, cueing to a more facilitative regulatory approach, according to market participants.

Industry players credit the decline to improved engagement between issuers and the regulator. Sebi now allows more time for companies to respond to queries raised during scrutiny — a shift from the earlier emphasis on clearing initial public offerings (IPOs) within a three-month window, when documents were often returned in cases of major discrepancies.

Some investment bankers (i-bankers) also chalk up the fall in rejections to a better understanding among issuers of potential red flags, including the use of funds for marketing, prior allotments, debt issuances, and the classification of promoters.

“What we are seeing is the emergence of a far more

ILLUSTRATION: BINAY SINHA



seamless and mature IPO ecosystem. Sebi's approach of engaging early with lead managers, while allowing room for timely course correction, has created a more predictable and efficient process. The sharp reduction in returns is a clear indicator of this transformation,” said Mahavir Lunawat, chairman and managing director, Pantomath Capital Advisors.

The number of IPOs withdrawn also declined to 16 in

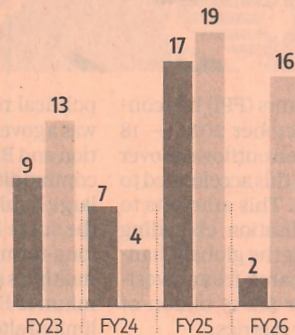
FY26, from 19 in the previous year. The drop in both rejections and withdrawals comes at a time when the primary market has scaled record highs.

As many as 112 companies raised ₹1.8 trillion through mainboard IPOs in FY26, exceeding the ₹1.62 trillion mobilised via 78 IPOs in 2024–25. This marks the first time Indian markets have seen record fundraising in two consecutive years, bucking the

### Smoother pathway

Fewer DRHPs returned as Sebi increases engagement

No. of issues ■ Returned ■ Withdrawn



DRHP: Draft red herring prospectus  
Source: primedatabase.com

typical pattern of a slowdown following a strong year.

“The focus now is on efficient scrutiny rather than faster clearances. Firms and i-bankers are being given a more reasonable time frame to address regulatory queries, compared with the earlier seven- to 10-day window. Longer pendency, which was earlier frowned upon, has seen some regulatory accommodation over the past year,” said a legal expert involved in

capital markets issuances.

Investment bankers noted that despite deeper engagement, approval timelines have not been materially affected. The market saw as many as 13 approvals within a single week, underscoring Sebi's continued clearance pace.

“Companies are now more careful in drafting IPO documents — identifying and resolving issues that had led to rejections earlier, such as fund utilisation, capital structure concerns, or deemed public offers. Where ambiguity persists, issuers are increasingly opting for the confidential filing route to assess gaps and engage with the regulator,” said Kaushik Mukherjee, partner at CMS IndusLaw.

Sebi's move to allow pre-filing of draft documents — aimed at enhancing flexibility and confidentiality — has gained traction, particularly among new-age technology companies. The pre-filing route, also referred to as confidential filing, allows issuers to withhold sensitive information at an early stage, mitigating the risk of strategic disclosures to the public.