

NSE OUTAGE: SEBI FRETS OVER FLURRY OF IPOs IN MARCH

The harrowing experience of the recent technical glitch suffered by the NSE still fresh in mind, the Sebi has sounded an alarm about the bunching up of initial public offerings (IPOs) this month.

The market regulator has asked intermediaries to ensure there are no



system glitches while processing IPO applications, and to stagger the offerings as much as possible, said people in the know.

The NSE glitch last month led to a trading halt that lasted several hours and resulted in huge losses for traders as brokers squared off open positions on the BSE.

Flurry of IPOs: Sebi sounds alert on threat of glitches

IN THE OFFING THIS MONTH

	Estimated issue size (₹ cr)	Industry
Kalyan Jewellers India	1,750	Diamond cutting & jewellery
Suryoday Small Finance	1,000	Banking/term-lending
Craftsman Automation	800	Auto components/ancillaries
Laxmi Organic Industries	800	Chemicals
Anupam Rasayan India	760	Chemicals

Source: PRIME Database

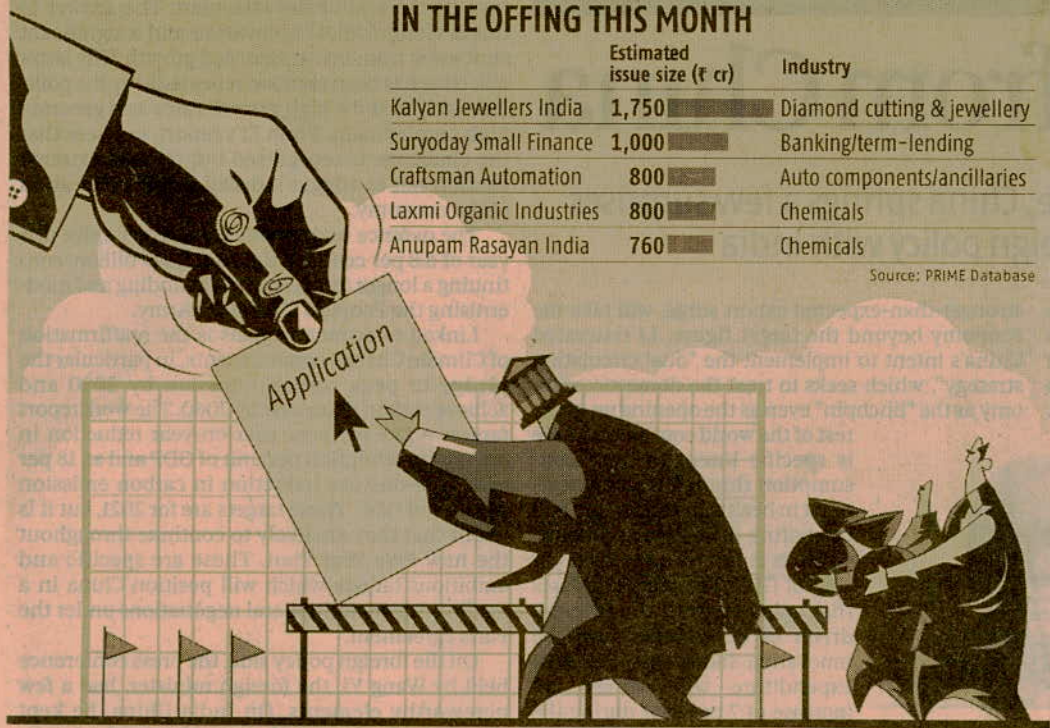


ILLUSTRATION: BINAY SINHA

Asks intermediaries to stagger the offerings as much as possible

ASHLEY COUTINHO
Mumbai, 8 March

The harrowing experience of the recent technical glitch suffered by the National Stock Exchange (NSE) still fresh in mind, the Securities and Exchange Board of India (Sebi) has sounded an alarm about the bunching up of initial public offerings (IPOs) this month.

The market regulator has asked intermediaries to ensure there are no system glitches while processing IPO applications, and to stagger the offerings as much as possible, said people in the know.

The NSE glitch last month led to a trading halt that lasted several hours and resulted in huge losses for traders as brokers squared off open positions on the BSE. The finance ministry also took cognisance of the issue, asking Sebi to avoid a repeat of the incident.

Sebi wants syndicate members and self-certified syndicate banks (SCSBs) to assess the technical, infrastructural and manpower requirements across all intermediaries, including sponsor banks and stock exchanges, while scheduling IPOs and ensure adequate capacity building to handle the large volumes within the stipulated cut-off time. It said sponsor banks should be chosen carefully to ensure the UPI applications are processed smoothly, and that SCSBs are informed upfront so that applications are processed before the issue closing time on the last day and extensions are avoided.

At least seven IPOs are set to hit the market this month to raise ₹10,000-12,000 crore. Some of these IPOs are expected to attract significant investor interest and a large number of applications from institutional as well as retail investors.

On Friday, engineering firm MTAR Technologies' IPO was subscribed over 200 times, attracting bids of about ₹84,000 crore. The same day agro chemical company Heranba Industries made a strong debut on the bourses

with its shares rising over 50 per cent from the issue price. The IPO of online travel agency Easy Trip Planners, which opened on Monday, was subscribed over 2.3 times.

Kalyan Jewellers, Laxmi Organics, Craftsman Automation, Anupam Rasayan, Suryoday Small Finance Bank and Aadhar Housing Finance are some of the other companies looking to tap the market this month.

"While the system seems to be prepared, a technical glitch cannot be ruled out altogether," said a senior investment banker on condition of anonymity. "The UPI process is supposed to be automated but we do not know whether it has been tested adequately and what its peak utilisation capacity could be. Investors should try and put in their bids early to avoid any last-minute glitches that may affect their application process."

The exchanges and banks do have the option to increase the bandwidth for processing applications based on the expected bids for an IPO, said experts. The number of bids at a time, or the load, however, could surge at certain time intervals during the IPO, putting pressure on the system, especially when two or three offerings are bunched together. The first hour on the first day of the IPO and the last hour on the last day typically see an increase in load.

"The infrastructure for IPOs is robust and well equipped to handle multiple issues. September 2020 saw eight issuances, all of which were completed without a hitch," said Pranav Haldea, managing director at PRIME Database.

The appetite for the IPOs does not seem to be an issue despite the bunching up, considering the liquidity available, especially with global investors.

"There is enough liquidity and interest. We have seen a number of issues getting oversubscribed in the past few months. As long as valuations are attractive, there will be enough takers for the offerings. Retail participation also remains robust, lured by listing gains seen in the recent past," Haldea said.

PDB ✓