

Sebi tweaks prompt cos to advance listing plans

Sebi postponed implementation of changes to listing application process

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MUMBAI

India's initial public offering (IPO) market, which stalled in May after the debut of tough new guidelines for merchant bankers and other intermediaries, is likely to gather steam again with the Securities and Exchange Board of India (Sebi) delaying the implementation of some of the provisions.

In March, the markets regulator introduced changes to the IPO application process after receiving complaints that the application amount of many small investors using the Unified Payments Interface (UPI) remained blocked for several days, though they were not allocated any shares. The 16 March circular also ordered intermediaries to compensate investors for such delays beyond stipulated timelines.

This circular, which took effect on 1 May, brought a halt to IPO activity, which was already impacted by the second wave of covid-19, as merchant bankers felt the new procedures could not be implemented immediately. After representations made by merchant bankers, Sebi has deferred the implementation of some procedures.

"Various representations were made by bankers to the regulator to give more time for the implementation of these processes.

A lot of these processes are not under the direct control of merchant banks. You have the UPI system, the exchanges and other intermediaries involved and thus it was found to be difficult to implement these procedures upfront and more time was sought from the regulator," an investment banker said on condition of anonymity.

The last IPO to hit the markets was the ₹2,500 crore share sale of real estate company Macrotech Developers Ltd, earlier known as Lodha Developers, which closed on 9 April. Earlier, in the first three months of 2020, there were 16 IPOs that raised



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₹14,994 crore, according to data from primary market tracker Prime Database.

In a new circular on 2 June, Sebi agreed to delay the timeline for implementation of some of the revised procedures.

"Para 9 of the circular prescribed the details to be sent by SCSB's (self-certified syndicate banks) in SMS alerts. While SCSB's shall continue to send SMS alerts

hosted by sponsor banks for closed user group (CUG) entities. In view of the representations from stakeholders, it has been decided that the automated web portal shall be live and operational after testing and mock trials with CUG entities for issues opening on or after 1 October 2021," it said.

After these relaxations, at least a dozen firms have begun advancing IPO plans and

a few IPOs should be launched in second half of June, a second banker said. Kolkata-based Shyam Metalics & Energy Ltd, which makes long steel products, announced its plans for an IPO next week.

"Sebi, through its circular, has offered respite to intermediaries requiring major overhaul in internal processes. However, deferment of the March circular is not generic and covers areas where there is a demonstrated challenge in its implementation. The circular does not defer timelines for implementing investor compensation mechanisms," said Ravi Dubey, partner at law firm IndusLaw.

IPO COMEBACK

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during the actual block/debit/unblock of UPI mandate in the prescribed format, the details of total number of shares applied/allotted/not-allotted shall be included in SMS for public issues opening on/after 1 January 2022," the Sebi circular said.

"For ease of doing business, Para 10 of the circular prescribed a web portal to be