

Complaints threaten to stretch timelines for marquee issues

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A slew of complaints and litigation threatens to stretch the IPO timelines for marquee issues, such as OYO and Paytm.

The markets regulator, Securities and Exchange Board of India (Sebi), takes on average a little over two months to clear a draft red herring prospectus (DRHP), an analysis of the data provided by PRIME Database shows. But there have been instances where complaints, litigation, or regulatory challenges have delayed the clearance process by a few months. For instance, the CAMS IPO took 190 days to obtain Sebi approval because of the controversy around the NSE shareholding. In the case of UTI Mutual Fund, the approval took 180 days amid disagreement between its major shareholders.

Earlier this week, hospitality start-up OYO Rooms (Oravel Stays) was at the receiving end after it filed papers for its ₹8,430-crore IPO. Rival Zostel threatened to move Sebi seeking a stay on the IPO or any change in the shareholding structure. The company also faced allegations of inadequate disclosures in its DRHP. In August, after Paytm filed the DRHP for India's largest-ever IPO, a former director of the company urged Sebi to halt its offering, claiming his stake was not being acknowledged.

On one hand, it is in the interest of investors that all critical matters are highlighted in the public domain at the time of the IPO to help them with their investment decisions. But on the other hand, industry players claim most complaints are timed around the IPO to derail the process.

"The process of listing and especially the requirements of disclosures often act as an impetus for miscreants to undertake actions, which, at times, may be contrived with the intent to extort, arm-twist, or in some cases to try and

TIMING IT RIGHT

Sebi on an average takes a little over two months to clear an IPO
IPOs with lengthy approval timelines

	No. of days*
CAMS	190
Likhitha Infra	186
UTI MF	181
Barbeque Nation	141
Mazagon Dock	129
Shyam Steel	108

Issues that got quick approval

	No. of days*
IRTC	26
Mrs Bector	30
RailTel	32
Lodha	35
IRFC	39

Large offerings awaiting approvals

	Date of filing	Issue size (₹ cr)
Paytm	Jul 15, '21	16,600
Oyo	Sep 30, '21	8,430
Star Health	Jul 22, '21	7,000
PolicyBazaar	Aug 2, '21	6,018
Adani Wilmar	Aug 3, '21	4,500

Note: For IPOs since 2017; *Between date of filing and Sebi approval
Source: Prime Database

jeopardise the listing by stirring up attention through claims that are engineered at the cusp of listing," said Gaurav Mistry, associate partner, DSK Legal.

Experts say such instances complicate and delay the IPO clearance process as Sebi has to ensure public shareholders are protected.

"Companies looking to access the markets by way of IPOs are sometimes hit with lawsuits and complaints from former employees, vendors, and even competitors, typically alleging breach of past contracts and non-payment of dues, creating uncertainties for the timelines of IPOs and casting doubts over their post-listing share performance. While there are several instances of mala fide intent in such lawsuits and complaints, Sebi inspects and analyses each situation on a case-to-case basis, in order to protect the interests of investors in the public markets. During this year itself, we have seen Sebi placing several high profile companies' draft offer documents in abeyance until complaints are resolved,"

Sebi nod for MobiKwik IPO

MobiKwik has received regulator Sebi's approval to launch an initial public offering, through which it plans to raise up to ₹1,900 crore. The company had filed the Draft Red Herring Prospectus (DRHP) for the IPO with Sebi in July. Out of the total, ₹1,500 crore will be mopped up through fresh issue of shares, while ₹400 crore-worth stocks will be offloaded through the OFS route by existing shareholders.

PTI

said Murtaza Zoomkawala, partner, Saraf & Partners.

Currently, close to 60 DRHPs are awaiting Sebi clearance. Most firms are looking to expedite their IPO launch process to tap into the ongoing bullish sentiment. Any delay in the approval process may potentially thwart the listing plans if market sentiment turns sour.