

Launching of IPOs

Ministry of Finance

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Periodic reviews of the extant regulatory framework and various issue related processes are undertaken by the securities market regulator, Securities and Exchange Board of India (SEBI), with an aim to improve the quality of public offerings (IPOs) and expanding their reach amongst investors. Several reforms have been undertaken by SEBI during the past few years to facilitate and expedite the complete process of launching IPOs like, enabling Registrar and Transfer Agents (RTAs) and Depository Participants (DPs) to accept application forms and make bids on the stock exchange platform, facilitation of more issuers to raise capital through the 'Fast Track' Route in respect of further public offers, inclusion of RBI registered systemically important NBFCs in the category of qualified institutional buyers etc. The process of issuance of observations on draft offer documents filed by merchant bankers for raising funds by the companies has been streamlined and the total time taken in the entire process has been reduced considerably. Average time taken by SEBI in processing draft offer documents (IPOs and Rights Issues) has reduced from 78 days in 2016-17 to 61 days in 2017-18 (April to December 2017).

These measures have the potential, over a period of time, to lead to fair, transparent and orderly functioning of the securities market which would also ensure protection of the interest of the investors. These measures could also increase the efficiency of fund raising and reduce the cost of investment for investors.

With effect from January 01, 2016, Application Supported by Block Amount (ASBA) mechanism was made mandatory payment mechanism in public issue for retail investors and the post issue timeline for listing was reduced from 12 days post closure of issue to 6 days. At present, SEBI is undertaking discussions with National Payments Corporation of India (NPCI) and other intermediaries associated with IPO process, to assess the feasibility of developing an alternate payment mechanism, which building upon the ASBA mechanism, could enhance the process efficiency in payment system and may curtail the post issue timeline for listing from existing six days.

An efficient payment mechanism has the potential to reduce the time and cost associated with public issue process and reduce the market risk for shareholders by allowing faster unblocking of capital.

This was stated by Shri Pon. Radhakrishnan, Minister of State for Finance in written reply to a question in Lok Sabha today.

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