

Sebi tightens IPO norms; companies under investigation could face delays

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The Securities and Exchange Board of India (Sebi) on Wednesday set rules under which it could hold back approvals for proposed share sales by companies that are under investigation for possible violations.

The capital markets regulator has said that for current investigations, "observations" on the draft offer may be kept in abeyance for 30 days from filing of the draft offer. If Sebi is unable to conclude its investigation, the document may be kept in abeyance for a further 30 days. If the delay is on account of conduct of the entities under investigation, the document may be kept in abeyance till such time the enquiry is concluded.

Issuance of observations regarding the offer documents by Sebi is akin to getting the green light to conduct the share sale. The rules apply to issuers or promoters, directors, and group companies against whom an investigation, enquiry, adjudication, prosecution, disgorgement, recovery or other regulatory action is pending, the Sebi chairman said in a general order.

For show cause notices pertaining to fraudulent and unfair trading, the period of abeyance could be extended up to 90 days. If the regulator is unable to conclude its proceedings because of reasons beyond its control or due to conduct of parties other than the entities, this period could be stretched by another 45 days.

If the show cause notice has been issued to the entities in an adjudication proceeding, the regulator may process the draft offer document and issue observations after advising the entities to make necessary disclosures and statements in the offer document. Under the erstwhile regulations, the period was 90 days.

Where the regulator has initiated proceedings for recovery against the entities, or when an order for disgorgement or monetary penalty passed against the entities has not been complied with, observations can be kept in abeyance till the conclusion of such proceedings. In cases where the issuer has been restrained by a court or tribunal from making an issue of securities, the observation will be subject to the orders of such court or tribunal.

The issuance of observations on the draft offer document, when an investigation or enquiry is pending, does not indicate that the party has been exonerated in such proceedings, the regulator clarified.

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There have been instances when a share sale has been kept in abeyance owing to past violations. Share sales of HDFC Asset Management and RBL Bank were kept in abeyance because of this reason.

Experts said the new set of guidelines will provide clarity to the issuers and investment bankers, and help time their listings accordingly.

Under Scanner

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