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IPO issuers can have different closing dates for QIBs, retail

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MUMBAI: Companies can now close their public issues on different days for qualified institutional buyers (QIBs) and retail investors, with capital market regulator SEBI having amended the guidelines relating to share issues.

“We have given a facility to issuers; they can, if they so choose, close the issue for institutional investors on day X and for the other investors, on day X+ 1,” SEBI chairman, CB Bhave said at the launch of Indian Bank’s Application Supported by Blocked Amount, phase 2.

For public issues from now on, institutional investors will have to pay the entire application money upfront. Till last week, they were only paying 10% of the application money at the time of bidding.

Because of the new rule, institutional investors will bid only on the last day of the issue as they will not want to lock up their funds by applying on the very first day of the subscription period.

“In case of differential closing dates, it’s crucial to have, at the most, a day extra for non-QIBs to participate,” says Mehul Savla of RippleWave Equity.

“This will minimise market risk to QIBs and at the same time will allow retail investors to gauge the demand and participate in the public issue. Most non-QIB investors anyway participate on the last day and hence will not need more than a day, post the closing for QIBs,” he said.

Retail investors usually apply for shares in a public issue on the last day of subscription, after ascertaining the QIB appetite. With the institutional buyers now bidding on the last day of the issue, there are hardly any applications in the initial days of the offer period.

Mr Savla feels another way to address the “last day” bidding issue is to allow discretionary allocation to QIBs, as was the practice earlier.

“This will ensure that QIBs who come in early get rewarded by a higher than average allocation for demonstrating early commitment to the IPO,” he said.

By the end of this calendar, companies making initial public offerings may be able to list their shares within seven days from the close of subscription. Currently, companies have 12 days to list the shares after the issue closes.

A shorter timeline between issue closure and listing of shares will reduce market risk for investors, and also free up their funds faster.

On the ongoing tussle between SEBI and the insurance regulator over the supervision of unit linked insurance plans (Ulips), Mr Bhave said the capital market regulator was open to discussions with its insurance counterpart.

The Supreme Court on Friday issued notices to the Centre, Insurance Regulatory and Development Authority (IRDA), 14 life insurance companies and litigants who filed the PILs seeking their response to SEBI’s petition. The matter is slated for hearing on July 8, after the summer break.

On a related note, Mr Bhave said SEBI planned to issue guidelines for regulating mutual fund distributors.
“Mutual fund distributors are very large in number and different in size... more thinking is required on our part in regulating them,” he said.