
IMPACT OF NEW SEBI REGULATIONS ON IPO(S)' IN INDIA

Gazal Gupta & Falak Rakhecha, Manipal University, Jaipur

ABSTRACT

In 2021, a large number of Indian companies went public as a result of the dynamic market, with a large percentage of them being new-age technology companies. SEBI has modified the requirements for initial public offerings, affecting both investors and issuing corporations. Investor safety has always been a top priority for EBI. The regulator also revised the rules governing preferential allotment of shares. This article aims to give light on the new SEBI Regulation and the implications of the new SEBI Regulation on Indian IPOs. It also looks at how SEBI has operated in India over the years, assesses the need for new laws, and explores how IPOs function. The new rules have been changed to protect investors' money, save time during the IPO process, and ensure that the IPO is issued and traded fairly. The author also discusses how SEBI has operated throughout time and how an IPO operates. Finally, the paper finishes with a recommendation from the SEBI board of directors and emphasizes upon the need to bring new laws.

Introduction

A stock market is a public market that facilitates the purchase, sale, and issuance of publicly traded firm shares. It's a platform that makes trading in financial products easier by including investors in the process.¹ A stock market is a venue where one may purchase and sell ownership of such assets. Stocks indicate fractional ownership in a registered firm. The stock market serves a dual purpose, which is reflected in the regulatory structure that governs the market. People in India preferred to work in the capital market throughout the fall of the 1970s and the rise of the 1980s since the market was trending. The government saw a pressing need to form a regulatory body to oversee its operations and find answers to all of the market's difficulties, since the public's interest in the market was waning. The Security and Exchange Board of India was formed as a result of this. SEBI aids in the creation of a healthy environment that allows market players and investors to effectively mobilize. To address the market's demands, SEBI sets rules and regulations, a policy framework, and infrastructure.²

A big number of Indian firms went public in 2021, with a substantial percentage of them being new-age technology enterprises. This wave has proven that innovators with ideas can start businesses, that private equity investors from across the world will back them up and help them grow, and that they will eventually list their shares on the stock exchange, generating riches for the founders, workers, and early shareholders.³ Investor safety has always been at the forefront of SEBI's proposed rule modifications as it relates to the growth and development of public markets. SEBI has changed the regulations for initial public offerings, affecting both investors and issuing firms. The regulations governing preferential allotment of shares were also changed by the regulator. The new laws and their impact on IPOs will be thoroughly examined in this study.

Research Methodology

This paper probes into SEBI's role over the years, the new regulations introduced by SEBI for IPOs and the prospective impact of those rules on the IPOs. The primary data have been taken

¹ Jason Fernando, Initial public offering (IPO) Investopedia (2021), <https://www.investopedia.com/terms/i/ipo.asp> (last visited Jan 20, 2022).

² What is SEBI - role, objectives, Structure & functions, Elearnmarkets (2022), <https://www.elearnmarkets.com/blog/sebi-purpose-objective-functions-sebi/> (last visited Jan 20, 2022).

³ Yash J. Ashar, SEBI's new IPO and preferential issue rules: Applying the brakes? mint (2022), <https://www.livemint.com/opinion/online-views/sebis-new-ipo-and-preferential-issue-rules-applying-the-brakes-11641313401947.html> (last visited Jan 20, 2022).

from legitimate government sources. The SEBI rules are analyzed and obtained from SEBI, and the SEBI act is also examined to determine the powers of SEBI and its role in India. The secondary data include viewpoints of various authors and other secondary sources like previous research by Council on Foreign Relations, legal journals and newspapers. The information has been analyzed by reading various newspaper articles from The Economic Times, The Times of India and Business Standard.

Research Objectives

This paper is an attempt to analyze the new SEBI Rules in accordance with IPOs, discuss the operation of SEBI in India over the years, examine the need for the new rules, scrutinize the working of IPOs.

History of Indian Securities Market

The Indian stock market dates back to the late 18th century, when the trading floor was located next to the Town Hall in Mumbai, beneath the shade of a large banyan tree. A small group of individuals would gather under this tree to conduct informal cotton commerce. This was mostly owing to Mumbai's status as a major commercial port where important commodities were frequently exchanged. In 1850, the Companies Act was passed, and investors began to take an interest in company securities.⁴ By 1875, a group known as the "Native Share and Stock Brokers Association" was formed. This was the forerunner to the BSE. The Ahmedabad Stock Exchange was founded in 1894 with the primary goal of facilitating the trading of shares in the city's textile mills. 22 more exchanges were eventually established in other places. The BSE was the first stock exchange to be registered by the Indian government under the Securities Contracts Regulation Act, which was passed in 1957.⁵

The SENSEX was first introduced in 1986, while the BSE National Index was introduced in 1989. Then, in 1992, NSE became a legal entity. In April 1993, SEBI designated it as a stock

⁴ History of indian stock market - tradehint, , <https://tradehint.co.in/2020/08/19/history-of-indian-stock-market/> (last visited Jan 20, 2022).

⁵ The myth of self-regulation or the dangers of securities <https://scholarship.law.upenn.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=1032&context=jil> (last visited Jan 20, 2022).

exchange, and it began operations in 1994 with the opening of the wholesale debt market, followed by the establishment of the cash market section shortly after.⁶

The Securities and Exchange Board of India (SEBI) was established in 1989, originally as an informal entity and then as a statutory independent regulator in 1992, with the dual aim of safeguarding investors' interests and growing and regulating the securities market over time. SEBI has the authority to investigate, examine, and visit corporate premises, as well as summon records and individuals, and enquire and impose fines commensurate with the level of misbehavior. The primary duties of the Securities and Exchange Board of India are described in the Preamble as "...to protect the interests of investors in securities, to promote the development of, and to regulate the securities market, and for matters connected with or incidental thereto." SEBI must respond to the demands of three segments that make up the market: investors market intermediaries issuers of securities issuers of securities issuers of securities issuers of securities issue SEBI combines quasi-legislative, quasi-judicial, and quasi-executive authorities into one body. It develops regulations in its legislative position, conducts investigations and enforcement actions in its executive role, and delivers findings and orders in its judicial role. Despite the fact that it has a lot of power, there is an appeals process in place to maintain accountability. SEBI has the authority to approve Securities exchange bylaws, require Securities exchanges to amend their bylaws, inspect the books of accounts of recognised Securities exchanges and demand periodic returns, inspect the books of accounts of financial intermediaries, compel certain companies to list their shares on one or more Securities exchanges, and register brokers and sub-brokers.⁷

Need to Introduce New laws on IPO

- **Overview Listing Requirements**

Any issuer considering an IPO must fulfil the stock exchange's independent standards as well as the SEBI eligibility requirements contained in the ICDR Regulations and Listing Regulations. In addition, the issuer must comply with the Companies Act 2013, as amended (the Companies Act 2013), as well as India's foreign investment legislation, as well as the Securities Contract (Regulation) Act 1956 and the Securities Contract (Regulation) Rules 1957,

⁶ NSE India, History & milestones NSE India, <https://www.nseindia.com/national-stock-exchange/history-milestones> (last visited Jan 20, 2022).

⁷ Securities and Exchange Board of India Act, 1992

as amended from time to time.

The following is the minimum percentage of equity shares that the issuer must offer to the public in an IPO:

- a. If the issuer's post-IPO equity share capital is less than or equivalent to 16 billion rupees, the public must be provided at least 25% of each class of equity shares.;
- b. If the issuer's post-IPO equity share capital is greater than 16 billion rupees but less than or equal to 40 billion rupees, the public must be issued a proportion of equity shares equal to 4 billion rupees;
- c. At least 10% of each class of equity shares must be offered to the public if the issuer's post-IPO equity share capital reaches 40 billion rupees.

- **Requirements for launching an initial public offering (IPO)**

To conduct an IPO, the issuer must meet specific SEBI conditions, which include the following:

- a. It must have net tangible assets of at least 30 million rupees computed on a restated and consolidated basis in each of the three previous full years (each of 12 months), with no more than 50 percent held in monetary assets;
- b. It had to have made an average operating profit of at least 150 million rupees during the preceding three years (each of which lasted 12 months), computed on a restated and consolidated basis, with operational profit in each of these three years.;
- c. In each of the previous three full years, it must have a restated and consolidated net worth of at least 10 million rupees (of 12 months each).
- d. If it changed its name within the prior year, it must have earned at least half of its revenue for the preceding full year from the activity indicated by the new name, calculated on a restated and consolidated basis.
- e. The issuer, its promoters, promoter group, directors, or selling shareholders shall not be barred from accessing the capital markets by SEBI; however, the limitation does not apply if the debarment term has already elapsed at the time the draught

offer document is filed.

- f. The promoters or directors were not or are not also promoters or directors of any other business excluded from accessing the capital market under any SEBI decision or direction; however, the limitation does not apply if the term of debarment has already elapsed when the draught offer document is filed.
- g. The issuer, its promoters, and directors shall not be categorised as willful defaulters by any bank, financial institution, or consortia thereof, according to RBI rules on wilful defaulters.
- h. All of the issuer's partially paid equity shares have been fully paid up or forfeited; and
- i. No promoters or directors of the issuer should be classed as fugitive economic offenders under the Fugitive Economic Offenders Act of 2018.
- j. If the issuer fails to meet the conditions in points (a) to (d), it may proceed with an IPO via the book-building process, in which at least 75 percent of the net offer to the public must be distributed to qualified institutional buyers, or the subscription money must be reimbursed, and the IPO will fail.
- k. According to the ICDR Regulations, an issuer cannot execute an IPO if there are any outstanding convertible instruments or other rights that would give anybody listing any opportunity to receive equity shares.

- **Statutory lock-in**

A minimum of 20% of the promoters' post-issue paid-up capital must be locked up for a three-year term. The promoters' and all other shareholders' remaining shareholdings are subject to a one-year lock-in period beginning on the date of allotment in the IPO. This does not apply to equity shares that were (1) allotted to current and former employees under any stock option scheme prior to the IPO; (2) held by or transferred to an employee stock option trust as a result of current and former employees exercising their options; or (3) held by a venture capital fund, alternative investment fund, or foreign venture capital investor.

If the post-issue shareholding is less than 20%, alternate investment funds, foreign venture

capital investors, scheduled commercial banks, public financial institutions, or Insurance Regulatory and Development Authority of India-registered insurance companies may contribute to meet the shortfall in the minimum contribution as specified for the promoters, up to a maximum of 10% of the issuer's post-issue capital without being identified. The 20 percent lock-in requirement does not apply if the issuer has no known promoters.

- **Rejection criteria**

In accordance with the ICDR Regulations and the Securities and Exchange Board of India (Framework for Rejection of Draft Offer Documents) Order 2012, SEBI may reject the draught offer document on a variety of grounds, including:

- a. The ultimate promoters are a mystery;
- b. The monies are being raised for an ambiguous purpose;
- c. Investors may be unable to analyse risks linked with the issuer's business model because it is overstated, convoluted, or misleading;
- d. There is an unexpected surge in business prior to the submission of the draught offer document, and the responses to the clarification requests are inadequate; or
- e. outstanding litigation that is so important to the issuer's survival that the outcome of the pending litigation is critical to the issuer's survival.

How does an IPO work?

TAn initial public offering (IPO) is when a company distributes shares to the general public for the first time (IPO). A 'public offering' is what happens when a private company wishes to become public. An IPO, in essence, is the transition of a company's ownership from private to public. As a result, "going public" has become a frequent term for the process of becoming public.⁸ An initial public offering (IPO), often known as a stock launch, is a public sale in which a company's shares are offered to institutional and, in most cases, individual investors.⁹ A company that sells its shares to the general public is not bound to repay the monies invested

⁸ What is an IPO?, Fidelity, <https://www.fidelity.com/learning-center/trading-investing/trading/investing-in-ipos> (last visited Jan 20, 2022).

⁹ Hirst, Scott; Kastiel, Kobi (1 May 2019). "Corporate Governance by Index Exclusion". *Boston University Law Review*. 99 (3): 1229.

by the general public. The 'issuer,' or company selling the stock, does it with the help of investment banks. Following the IPO, the company's shares are traded on the open market. Investors might earn by selling their shares on the secondary market.¹⁰ The steps of an IPO process are as follows:

Step 1: The first step is to hire an underwriter or an investment bank.

To commence the initial public offering procedure, the firm will recruit the help of financial specialists such as investment banks. The underwriters give the firm confidence about the cash raised and act as a conduit between the company and its investors. In addition, the experts will review the company's important financial data and sign an underwriting agreement.

Step 2: IPO Registration

Drafting a registration statement as well as a draught prospectus, often known as the Red Herring Prospectus, is part of the IPO process (RHP). The Companies Act stipulates that a RHP be submitted. All obligatory disclosures required by the SEBI and the Companies Act are included in this document. This document must be filed with the registrar of businesses three days before the offer is made public for bidding. Furthermore, while submitting a registration statement, the SEC rules must be followed. Following that, the business can apply for an IPO with SEBI.

Step 3: SEBI verification

The company's disclosure of information is then verified by the market regulator SEBI. The company will be allowed to announce an IPO date if the application is approved.

Step 4: Making An Application To The Stock Exchange

The company must now apply to the stock exchange to have its initial offering floated.

Step 5: Pricing of IPO

The firm may now start pricing its first public offering (IPO), which can be either a Fixed Price or a Book Binding IPO. In the event of a Fixed Price Offering, the price of the company's stock

¹⁰ What is IPO? definition of IPO, IPO meaning, The Economic Times, <https://economictimes.indiatimes.com/definition/IPO> (last visited Jan 20, 2022).

is announced in advance. A 20% price range is revealed in the case of a Book Binding Offering, following which investors can place bids within that price range. During the bidding procedure, investors must bid according to the company's specified Lot price, which is the minimum number of shares to be acquired. Aside from that, the firm has an IPO Floor Price and an IPO Cap Price, which are the lowest and maximum bid prices, respectively. The booking period usually lasts three to five working days, and investors can make changes to their bids throughout that time. After the bidding procedure is finished, the company will determine the Cut-Off price, which is the ultimate price at which the issue will be sold.

Step 6: Allotment of Shares

The business and the underwriters will select how many shares each investor will receive once the IPO price has been fixed. Partial allotments will be made if there is an oversupply. The IPO stocks are generally issued to bidders within 10 working days after the completion of the bidding period.

Impact of the New SEBI Rules

Where does the IPO money go and regulations with regard to disclosure of fundraising purpose and target

When a firm lists its securities on the open market, the money paid by investors for newly issued shares (primary offering) and any early private investors who opt to sell all or part of their holdings (secondary offers) as part of the broader IPO goes directly to the company. When shares are traded in the market following an IPO, money is exchanged between public investors. Early private investors who choose to sell shares as part of the IPO process will be able to cash out. Following the IPO, investors with large blocks of shares might sell them piecemeal on the open market or sell a huge block of shares to the public at a fixed price via a secondary market offering. Because no additional shares are generated, this form of issuance is not dilutive. During a company's early days on the public market, stock prices can swing substantially.¹¹ While this is going on, businesses might make purchases or make regular investments. It's also got its own money stream built up for it. Companies planning an IPO in India were previously exempt from disclosing how much of the money obtained will be used for acquisitions and/or ordinary investments.

¹¹ Jessica, Matthews. "How regular investors can access IPOs". Forbes.(last visited Jan 20, 2022).

"If the firm has not specified any acquisition or investment aim, the amount for this plus the amount for a general corporate purpose (GCP) cannot exceed 35 percent of the total cash collected via the IPO,¹²" In accordance with the new legislation In addition, if no acquisition target is chosen, the proceeds from the IPO cannot exceed 25% of the total amount raised." As a result of this law, companies may continue to be evasive about how they intend to use IPO proceeds, and/or they may seek funds without a clear need, simply because the market is hot and IPO demand is high. Businesses may be more cautious about how much money they want to raise and why they want to raise it as a result of the new law, which demands additional research. In addition, disclosing any acquisition or investment goals will assist corporations in determining the transaction's clear objectives.

Price Band of IPOs

A price band is a way of determining value in which the vendor provides an upper and lower cost range for purchasers to bid on. The bottom and top of the pricing band serve as a reference point for buyers. In initial public offerings (IPOs), this type of auction pricing approach is commonly utilized (IPOs). In India, the promoters or selling shareholders of a firm, in conjunction with the book running lead managers, choose the price band and minimum bid lot of an initial public offering (IPO) (BRLMs). It is announced in widely circulated English and Vernacular national periodicals at least two working days before the offer commences, with the required financial ratios computed at the floor and cap prices and made publicly available to stock exchanges for posting on their websites. Working days are any days other than Saturdays, Sundays, and public holidays when commercial banks in Mumbai are open for business in order to publish the price band and the bid offer period.

The price band can move up or down by 20% of the floor price, with the cap price being changed accordingly. If the price range is altered, the offer time is extended for at least three more working days. Any modification in the price band, as well as, if applicable, the updated offer period, is conveyed to the stock exchanges via a press release and announcement on the websites and terminals of the BRLMs and syndicate members. The bid lot remains unchanged in the case of a price band alteration.

If the price band is lowered downward, retail individual investors (RIIs) and workers (under the reserve component) who bid at the cut-off price can either amend their bids or have the

¹² Decision I(1)(a), SEBI Board Meeting, PR No. 38/2021

excess amount paid at the time of bidding unblocked. Previously, companies planning an IPO could choose their own price range. The higher price band, however, must be at least 105 percent of the lower price band, according to SEBI's new guideline.¹³

Price bands exist to ensure proper pO in a more realistic and appropriate manner. Ajay Tyagi, chairman of the Securities and Exchange Board of India, reminded merchant bankers on Wednesday that they play a vital role in maintaining market integrity. He stated that if any of them fail to adhere to the duty of striking a suitable balance between issuers' objectives and investors' interests, the regulator would not hesitate to take necessary action. Tyagi underlined the importance of proper pricing for public concerns.¹⁴ Therefore, the necessity of the rule can be seen.

Rating agencies monitoring IPOs

A rating agency assesses a company's or government entity's financial strength, notably its ability to repay loans principal and interest. An agency may rate the creditworthiness of issuers of debt obligations, debt instruments, and, in some cases, servicers of the underlying debt, but not individual consumers. CRAs grade debt instruments such as government bonds, corporate bonds, CDs, municipal bonds, preferred stock, and collateralized securities such as mortgage-backed securities and collateralized debt obligations.¹⁵ The rating agencies can now supervise the use of IPO funds until all of them have been used, according to a new SEBI rule¹⁶. Previously, firms planning an IPO were not required to disclose how percent of the cash received will be used for acquisitions and/or ordinary investments. This action is likely to deter corporations from abusing IPO proceeds. Because SEBI is concerned about the abuse of IPO cash. To prevent the misappropriation of IPO proceeds, the capital markets regulator Securities and Exchange Board of India (Sebi) will establish a separate specialized department on December 11, 2020, which will detect possible irregularities in the use of net proceeds and

¹³ Decision I (2), SEBI Board Meeting, PR No. 38/2021

¹⁴ Appropriate pricing vital for ipos: Sebi - Times of India The Times of India, <https://timesofindia.indiatimes.com/business/india-business/appropriate-pricing-vital-for-ipos-sebi/articleshow/88440865.cms> (last visited Jan 20, 2022).

¹⁵ Iessi, Christopher. "The Credit Rating Controversy. Campaign 2012". Council on Foreign Relations. (last visited Jan 20, 2022).

¹⁶ Decision I (1)(c), SEBI Board Meeting, PR No. 38/2021

even conduct forensic accounting of such firms.¹⁷ Therefore, the impact of this rule would be for the necessary purpose of keeping a check on how the IPO's funds are being used.

Offer for sale

An offer for sale (OFS) is a streamlined method of selling shares through the exchange platform for publicly traded companies. The mechanism was first established in 2012 by SEBI, India's securities market regulator, to make it easier for promoters of publicly traded companies to cut their ownership and fulfill the minimum public shareholding requirements by June 2013. This method was mostly employed by listed enterprises, both state-run and private, to comply with the SEBI rule. Later, the government began to sell its ownership in public-sector enterprises using this manner. Under the new rule, existing shareholders who control more than 20% of the pre-issue cannot sell more than 50% of their shares in an IPO. Those who own less than 20% of the pre-issue stock cannot sell more than 10% of their stock¹⁸. Previously, existing shareholders of a firm going public had no restrictions on selling shares. The reason for the new law is that many companies were issuing initial public offerings (IPOs) not because they required funding, but rather to provide an exit to current owners, particularly private equity groups. Due to the enthusiasm surrounding the IPO market, the shares would likewise be offered at a premium. Early investors often benefited at the expense of those who bought after the IPO.

As a result of the new law, early investors will be required to have some "skin in the game." It's possible that this is the case.

Anchor Investors

Anchor investors are people who are given shares right before an initial public offering (IPO) opens for subscription. All anchor investors are constrained by a lock-in term since they get a specific allotment of a company's shares. The anchor investors are required to buy the shares at a fixed price in order to boost demand and create confidence in other investors. This approach also helps the organization improve its investment prospects for regular customers. At least Rs. 10 crore must be invested by each anchor investor in the issuance. Previously, anchor investors

¹⁷ Shrimi Choudhary, SEBI to have dept to check price manipulation, misuse of IPO funds Business Standard (2020), https://wap.business-standard.com/article-amp/markets/sebi-to-have-dept-to-check-price-manipulation-misuse-of-ipo-funds-120121100023_1.html (last visited Jan 20, 2022).

¹⁸ Decision I (1)(b), SEBI Board Meeting, PR No. 38/2021

had a 30-day lock-in period from the date of allotment in an initial public offering (IPO). Anchor investors can now sell half of their shares after a 30-day lock-in period, while the remaining shares can only be sold after 90 days from the date of allotment, according to the new rule.¹⁹ The reason for this is that many firms gave shares to well-known anchor investors in order to ensure that their initial public offerings (IPOs) were warmly welcomed by other institutional and retail investors. Many anchor investors would go along since they could get out of their investment in 30 days. Non-institutional investors who had bought shares in the initial public offering (IPO) but were still holding them suffered a loss as a result of this.

The result is Many companies used to allot shares to well-known anchor investors in order to project a positive image and ensure that their initial public offerings (IPOs) received a positive response from retail and other institutional investors. This resulted in anchor investors (who simply played along) exiting their investment after 30 days of lock-in. This harmed non-institutional investors who had purchased shares in the initial public offering (IPO) and were still holding them. As a result of SEBI's rule, non-genuine anchor investors will be hesitant to invest just for the purpose of endorsing the issue and playing along until the lock-in period expires.

Non-institutional bidders

Non-institutional bidders include individuals, NRIs, corporations, trusts, and other entities that bid for more than Rs 2 lakh. They are not required to register with SEBI in the same way that RIIs are. In Book Build IPOs, non-institutional bidders are allocated 15% of the overall offering size. The prior regulation for non-institutional bidders was that they would get 35 percent of the proceeds from the IPO. However, under the new regulation, applicants with applications worth more than Rs 2 lakh and up to Rs 10 lakh rupees would receive one-third of the part allocated to NIIs.²⁰ The goal is to develop a sub-category for individual investors who aren't quite High Net-worth Individuals, but aren't quite little investors either. High Net-worth Individuals who bid with their own money were historically at a disadvantage to HN High Net-worth Individuals who borrowed significantly and placed high bids. When an issue was heavily subscribed, individuals who placed the most bids had a higher chance of receiving it.

¹⁹ Decision I (3), SEBI Board Meeting, PR No. 38/2021

²⁰ Decision I (4), SEBI Board Meeting, PR No. 38/2021

As a result, the advantage that the huge High Net-worth Individuals now have due to their capacity to borrow substantially and bid will be reduced.

Settlement proceedings

A settlement application can now be submitted within 60 days after receiving the show-cause notice. However, if the applicants pay an extra 25% over the settlement charges, they will be given an additional 120 days. According to a notice, the regulator has eliminated the 120-day additional time provision.²¹ The measure is intended to harmonize settlement procedure rules. In addition, after the internal committee (IC), the time limit for submitting updated settlement conditions form has been reduced to 15 days. From the date of the IC meeting onwards, this will be the case. After years of litigation, many entities, particularly major corporations and affluent people, would seek a settlement. This was a sly technique of wearing down the regulator, who would be dealing with a slew of similar situations. This might save SEBI time and money in the long run by avoiding costly legal fights.

Preferential Allotment Pricing Formula

In a preferential allotment, The VWAP of the last two weeks or the last 26 weeks, whichever is higher, is now the price mechanism. A valuation assessment from a registered valuer is required for each preferential issuance resulting in a change in control or allotment of more than a 5% interest, according to Sebi. The new guideline states that the floor price must be higher than the VWAP for the previous 90 days or 10 days.²² The reason for this is that many companies were giving shares at a discount to investors of their choosing, and there were reasons to believe that such agreements involved some type of pay-for-play arrangement between corporations and investors that was not disclosed to ordinary shareholders. As a result, firms will be forced to price their goods.

Companies will have to price their preferred issues closer to market values in the future.

Previously, no valuation report from a registered independent valuer was required. A valuation report from a registered independent valuer is now required under the new rule.²³ To guarantee that minority stockholders are not shortchanged, this rule is changing. PNB Housing Finance

²¹ Decision IX, SEBI Board Meeting, PR No. 38/2021

²² Decision I (5)(a)(i), SEBI Board Meeting, PR No. 38/2021

²³ Decision I (5)(a)(ii), SEBI Board Meeting, PR No. 38/2021

recently attempted to sell a majority position to Carlyle, a private equity firm, at a price that was considered as unfair to PNB Housing Finance's minority stockholders. Companies will be required to price preferential allotments fairly as a result of the impact.

Conclusion

Several firms launched initial public offerings in 2021, and more are planning to do so in 2022. In their Board Meeting, SEBI issued new restrictions; this paper examines how the new laws will affect IPOs. the need for new rules, which will examine how IPOs operate. The new rules have been changed to protect investors' money, save time during the IPO process, and ensure that the IPO is issued and traded fairly. A total pullout by significant owners may cause a crisis of trust among regular investors in new-age enterprises that lack a profit track record or a recognised promoter. The existence of institutional and anchor investors, according to the regulator, gives the larger market trust. However, when anchor investors leave before the 30-day mandatory lock-in period expires, the stock price becomes erratic. To summarize, these new laws would tighten the IPO process. The SEBI board recommended the tightening of standards amid a record IPO frenzy in 2021, with 63 businesses raising a total of 1.19 lakh crore.

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