

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:350
ANSWERED ON:16.12.2005
RETAIL INVESTORS IN IPOS
Mishra Dr. Rajesh Kumar

Will the Minister of FINANCE be pleased to state:

- (a) whether Securities and Exchange Board of India (SEBI) has amended the existing guidelines for Initial Public Offers (IPOs);
- (b) if so, the details thereof;
- (c) whether Qualified Institutional Bidders (QIBs) have maximum reservation in IPOs, as compared to retail small investors; and
- (d) if so, the steps Government propose to take to maximise benefits to retail/small investors in the IPOs?

Answer

MINISTER OF FINANCE (SHRI P. CHIDAMBARAM)

(a) to (d): A statement is placed on the Table of the House.

Position No. 9

Statement referred to in the reply to Lok Sabha Starred Question No. 350 regarding 'Retail Investors in IPOs' by Dr. Rajesh Mishra for reply on 16.12.2005.

Reply (a) and (b)

SEBI has recently amended the Disclosure and Investor Protection guidelines (DIP Guidelines) inter alia providing for the following in respect of IPOs through book building mechanism:

? increase in allocation from 25% to 35% for retail investors,

? proportionate allotment to Qualified Institutional Buyers

(QIBs),

? payment of 10% margin by QIBs while submitting the bids,

? allocation of 5% to mutual funds within QIBs category,

? participation of mutual funds along with other QIBs in the residual category of 45% for QIBs.

Reply (c)

In case of IPOs through book building mechanism, at least 50% of the net offer to public is required to be allocated to QIBs and at least 35% is required to be allocated to retail investors.

In case of IPOs through fixed price route, at least 50% of the net offer to public is required to be allocated to retail investors. There is no such specific allocation for QIBs.

In case of under subscription in any category, the under subscribed portion is generally allocated to the bidders in other categories.

Reply (d)

The measures such as allocation of at least 35% to retail investors, allocation of 5% to mutual funds within the QIB category, and participation of mutual funds along with other QIBs in the residual category of 45% for QIBs in case of IPOs made through book building and allocation of at least 50% to retail investors in case of IPOs through fixed price route have effectively increased the allocation of shares offered through public issues to retail investors.