

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:747

ANSWERED ON:25.11.2011

OVERPRICING OF SHARES IN IPOS

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Will the Minister of FINANCE be pleased to state:

- (a) whether incidence of over pricing of shares through Initial Public Offering (IPOs) have come to light;
- (b) if so, the details thereof;
- (c) whether any expert group has been appointed to study and suggest measures to monitor the targeted utilisation of funds raised through IPOs;
- (d) if so, the details thereof;
- (e) the corrective measures taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) IPO price is fixed by the issuer in consultation with the Merchant Banker based on an analysis of the quantitative and qualitative factors of the Issuer Company, market sentiments, demand for the scrip as assessed during road shows etc. In a market environment, the price discovered is the appropriate price at that moment under the circumstances. The perception on the price being correct will vary from time to time, depending on various factors including changing economic scenario, nationally and internationally. Post listing price is influenced by several factors, including demand and supply.

SEBI has informed that during the period April 01, 2010 till October 31, 2011, as many as 47 out of the 82 IPOs (i.e.57 per cent) listed during the period have closed above the issue price on the date of listing. Further 23 IPOs out of the 82 IPOs (i.e.28 per cent) listed during the period were quoting above their issue price as on October 31, 2011.

(b) Not applicable in view of reply to (a) above.

(c) Yes, Sir.

(d) An Expert Group had been constituted by the Ministry of Corporate Affairs (MCA), to inter- alia, review the framework and institutional mechanism for investor protection and monitoring of IPO proceeds. The Expert Group submitted its report on 22.03.2010 containing ten recommendations regarding strengthening of disclosures and examination of end use of funds.

(e) In view of the Expert Group recommendations. MCA has incorporated necessary modifications in the Companies Bill 2011 and has also issued detailed instructions to Registrar of Companies for examination of documents relating to IPO.

Further, the recommendations of the committee are also being utilized by SEBI to strengthen the IPO process.