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## Careful merchant bankers, Sebi's got its eye on you

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IPOs have been quite a nuisance in recent times.

Look at SRS Ltd for example. The stock had a [dubious parentage](#) with its name being changed four times in nine years when it came out with the issue! The price band of the stock was at Rs 58-65. It listed on 16 September and hit a high of Rs 61.40.

By 19 September, the price was down to Rs 28.75. And now it is trading at Rs 33.95. So who do you blame when the hard earned retail money goes into the initial offerings resulting into huge losses? Though it's always desirable to keep the [checklist](#) ready, one cannot be an expert every time. A lay man naturally relies on the due diligence done by merchant bankers. This is why the leading manager for the IPO is very important. But how do you judge who to rely on?



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This is where the Sebi circular on 27 September becomes handy. It says, “*Price Information of Past Issues handled by Merchant Bankers (who are responsible for pricing this issue) should be enclosed along-with Due Diligence certificate submitted to the Board.*”

Sebi is now making life easier for the retail investors. Every merchant banker now has to disclose the performance of the IPOs they have brought out in the past three financial years, for any prospectus filed from November onwards. If there are multiple bankers for the issue, all of them need to disclose this data.

*Firstpost* has put together all IPOs in the last three years (till Brooks Laboratories IPO this year), and got a list of merchant bankers who have handled more than one IPO. The average return for each of the bankers has been calculated.

*Only four merchant bankers have given positive return over the past three years through their IPOs. They are Kotak Mahindra, Keynote, India Infoline and Anandrathi.*

The worst performer is Karvy Investors Limited. It is worth mentioning that the SRS Ltd IPO was also brought by Karvy. The other two IPOs it has handled are Raj Oil Mills and Think Soft Global Services.

<b>Merchant bankers</b>	<b>Issues done</b>	<b>average return</b>
Karvy	2	-79.99
Chartered Capital	4	-76.91
Comfort Securities	2	-72.5
D&A Financial	2	-65.14
SPA Merchant Banker	2	-62.44
Collins Stewart Inga	2	-59.79
Morgan Stanley	3	-54.44
SBI Cap	6	-44.35
Arihant	3	-42.79
Enam	11	-31.34
Ashika Capital	2	-30.96
ICICI	4	-30.83
Saffron	4	-28.46
Almondz Global Securities	4	-28
JM Financial	8	-12.3
IDFC Capital	3	-12.22
Edelweiss	4	-12.14
Axis Bank	2	-7.67
Corporate Strategic Alliance	2	-4.29
Anandrathi Securities	5	4.77
India Infoline	2	6.7
Keynote	7	7.25
Kotak Mahindra	7	8.92

Chartered Capital follows closely with IPOs like Gyscol Alloys, Sea TV Network, Excel Infoways and Syncom Healthcare. Comfort Securities holds the third spot from the bottom with names like Tarapur Transformers and Ravikumar Distilleris in their kitty.

But one must not take even bigger players for granted. Enam has not been too impressive with a negative return of 31 percent with names like DB Realty dragging down returns. Even Kotak has names like SKS, Prestige Estates and Vascon Engineers. In cases like DB Realty and SKS Microfinance the merchant bankers cannot particularly boast about due diligence because the dragging down of stock prices were not due to market trends but more a fault of individual companies with regard to corporate governance.

It is true that merchant bankers are not completely responsible for prices of securities after getting listed. But they must be held responsible for companies with questionable parentage and corporate history to be brought in the market. In most of these cases there is more to the issue's subscription than meets the eye and retail investors do not get enough liquidity in the stock to get out of it without making huge losses.

On the contrary, Sebi should also share the responsibility of failure as many a times they allow companies to raise funds when the prospectus screams aloud they should not be. For a company like Onelife Capital which is only a couple of years old and has handled just five clients till date, gets a yes for raising funds. That too when even the objects of the issue are not clear. So can one blame only Atherstone Capital for bringing this issue?

Sebi should take a more stringent view by not allowing fund raisings it thinks are not justified. The risk factors are telling enough in a company's prospectus. The extra disclosure by merchant bankers will mean nothing if Sebi does not own up that the buck stops with them.

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