



June 2026

## **Securities and Exchange Board of India proposes review of price discovery mechanism through pre-open call auction session for Initial Public Offering and re-listed scrips**

On May 21, 2026, the Securities and Exchange Board of India (“SEBI”) issued a consultation paper proposing changes to the existing price discovery framework applicable to Initial Public Offering (“IPO”) and re-listed scrips during the pre-open call auction session on the date of IPO listing or re-listing. The consultation paper seeks public comments on the existing mechanisms relating to base price determination, dummy price bands, and equilibrium price discovery.

The proposal aimed at discussing concerns relating to price discovery in IPO and re-listed securities and proposes changes to the existing framework, addressing concerns around artificially suppressed price discovery and trading inefficiencies observed during the call auction process for IPO and re-listed securities.

### **Current framework for pre-open call auction sessions**

SEBI had originally introduced the call auction session mechanism for IPO and re-listed scrips through a circular dated January 20, 2012. Certain provisions were subsequently modified through a circular dated June 20, 2024, which now forms part of the SEBI Master Circular for Stock Exchanges and Clearing Corporations.

It is noted that the call auction session currently operates for 60 (sixty) minutes between 9:00 a.m. and 10:00 a.m., with separate periods allocated for order entry, matching, trade confirmation, and buffer period for transition to normal trading. Further, there is presently no price band during the call auction session, and only limit orders are permitted.

The stock exchanges currently follow different methodologies for determining the base price of IPOs, re-listed scrips, direct listings, and securities undergoing corporate restructuring. The consultation paper also outlines the existing framework relating to dummy price bands, including their flexing mechanism and operation during the call auction session.

### **SEBI's observations on base price and dummy price bands**

SEBI notes that representations have been received stating that the existing dummy price band framework and the mechanism for determining the base price in re-listed scrips may lead to artificially suppressed price discovery. According to the consultation paper, such suppressed price discovery may subsequently result in persistent buying pressure during normal market trading, continuous upper circuits, and imposition of Additional Surveillance Measures (“ASM”).

The consultation paper further records that, in one instance, 90% of buy orders during the call auction session of a re-listed scrip were rejected for being outside the prescribed price bands.

SEBI has also observed that, in cases where revocation of suspension occurs after more than one year, the current framework often results in the base price beginning at INR 10 (Indian Rupees ten) due to reliance on book value or face value criteria.

Additionally, the consultation paper notes that Small and Medium Enterprise (“SME”) IPOs presently operate with a fixed price band of +90% without any flexing mechanism despite the volatility associated with SME-listed securities.

## Key regulatory proposals affecting IPO and re-listed securities

### Revision of the base price determination mechanism

SEBI has proposed continuation of the existing base price mechanism for IPOs, direct listings, securities admitted under the permitted category, and securities undergoing corporate restructuring.

However, in relation to re-listed scrips, SEBI has proposed a revised methodology depending upon the duration of suspension.

Where revocation occurs within 6 (six) months from suspension, the base price may be determined using:

1. the latest close price on the relevant exchange, not older than 6 (six) months;
2. failing which, the latest close price on another exchange; or
3. failing both, the lower of the book value determined through valuation certificates issued by 2 (two) independent chartered accountants or valuation agencies.

Where revocation occurs after 6 (six) months from suspension, the consultation paper proposes that the base price should be determined using valuation certificates issued by 2 (two) independent chartered accountants or valuation agencies.

### Changes to the dummy price band flexing mechanism

SEBI has proposed continuation of the existing dummy price band mechanism for IPOs, SME IPOs, and re-listed scrips.

The consultation paper proposes automatic flexing of dummy price bands by 10% whenever the indicative equilibrium price approaches the upper or lower threshold. Further, where orders are present only on one side of the dummy price band, flexing may occur after validation of orders from at least 5 (five) Permanent Account Number (“PAN”) based unique investors.

SEBI has also proposed that:

1. flexing should occur automatically and uniformly across exchanges;
2. the mechanism should continue during the random closure period; and
3. the dummy price band framework should not hamper efficient price discovery.

### Price discovery proposals

The consultation paper proposes continuation of the existing methodology for the determination of equilibrium price and common equilibrium price (“CEP”).

However, SEBI has proposed that a call auction session should be treated as successful only if price discovery is based on orders from at least 5 (five) PAN-based unique buyers and sellers.

Further, where the call auction is unsuccessful:

1. IPO scrips would move to the normal market at the issue price as the base price; and
2. in case of re-listing or corporate restructuring, the call auction session would continue on subsequent trading days until price discovery occurs.

### Key changes proposed

Aspect	Current framework	Proposed framework
<b>Base price – IPOs</b>	Issue price is used as the base price for the pre-open call auction session.	No change proposed. Issue price will continue to be the base price.
<b>Base price – re-listed scrips (revocation within specified period)</b>	Latest close price may be used. Where suspension exceeds 1 (one) year, base price may be determined based on book value or face value, whichever is lower.	Latest close price not older than 6 (six) months on the relevant exchange; failing which, latest close price on another exchange; failing which, lower of valuation certificates issued by 2 (two) independent chartered accountants or valuation agencies.
<b>Base price – re-listed scrips (long suspension period)</b>	Lower of book value or face value (subject to existing exchange framework).	Lower of valuation certificates issued by 2 (two) independent chartered accountants or valuation agencies.
<b>Dummy price bands</b>	Existing dummy price band mechanism applies to IPOs and re-listed scrips. SME IPOs operate with a fixed band without flexing.	Existing dummy price band mechanism to continue for IPOs, SME IPOs and re-listed scrips.
<b>Flexing of dummy price bands</b>	Auto-flexing and manual flexing based on existing exchange-level processes. Flexing does not operate during the random closure period.	Automatic flexing by 10% under specified conditions, with uniform implementation across exchanges. Flexing to continue during the random closure period.
<b>One-sided order build-up at band limits</b>	Manual intervention may be required for flexing.	Flexing may occur after validation of orders from at least 5 (five) PAN-based unique investors at the upper or lower band limit.
<b>Successful price discovery</b>	Equilibrium price may be discovered under the existing framework without a minimum participation threshold.	Call auction session to be considered successful only if price discovery is based on orders from at least 5 (five) PAN-based unique buyers and 5 (five) PAN-based unique sellers.
<b>Equilibrium price/CEP methodology</b>	Existing methodology for determination of equilibrium price and CEP.	No change proposed. Existing methodology to continue.
<b>Failure of price discovery – IPOs</b>	IPO scrip moves to normal market at the issue price where price discovery is unsuccessful.	No material changes proposed. IPO scrip would move to the normal market at the issue price.
<b>Failure of price discovery – re-listed scrips</b>	Existing framework governs continuation of the call auction process.	Call auction session to continue on subsequent trading days until equilibrium price is determined.

## Conclusion

SEBI's proposed review of the pre-open call auction mechanism for IPO and re-listed scrips appears directed toward improving the efficiency and credibility of price discovery during IPO listing and re-listing events.

By proposing revisions to the base price determination framework and dummy price band flexing mechanisms, SEBI attempts to strike a balance between risk management and efficient market-driven price discovery.

The consultation paper also reflects SEBI's broader focus on strengthening market infrastructure and ensuring orderly trading behaviour in newly listed and re-listed securities.

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**This Prism has been prepared by:**



**Arka Mookerjee**  
Partner



**Pracheta Bhattacharya**  
Partner



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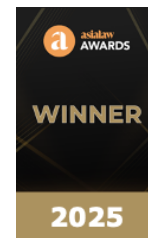
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For more details, please contact [km@jsalaw.com](mailto:km@jsalaw.com)

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