

Consultation Paper on “Review of price discovery mechanism through Pre-open Call Auction Session for IPO and Re-listed scrips”

Objective:

1. The objective of this consultation paper is to seek public comments on the proposals to review the price discovery mechanism through Pre-open Call Auction Session (hereinafter referred as “Call Auction Session”) for IPO and re-listed scrips on the date of their listing or re-listing.

Background:

2. A Call Auction Session for IPO and re-listed scrips was introduced by SEBI vide its circular No. CIR/MRD/DP/01/2012 dated January 20, 2012. Subsequently, certain provisions of the said circular were modified vide SEBI Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/85 dated June 20, 2024, which is now para 17 of Chapter 1 of SEBI Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024¹.
3. The relevant provisions of the Call Auction Session for IPO and re-listed scrips are as under:
 - 3.1. Duration of Session:
 - (1) The session is for a duration of 60 minutes i.e. from 9:00 a.m. to 10:00 a.m., out of which 45 minutes is allowed for order entry, order modification and order cancellation, 10 minutes for order matching and trade confirmation and the remaining 5 minutes is the buffer period to facilitate the transition from pre-open session to the normal trading session.
 - (2) The session closes randomly during last ten minutes of order entry i.e. anytime between 35th and 45th minute of the order entry. Such random closure is system driven.

¹ https://www.sebi.gov.in/legal/master-circulars/dec-2024/master-circular-for-stock-exchanges-and-clearing-corporations_90353.html

- 3.2. ***There is no price band in the Call Auction Session.***
- 3.3. Market Orders are not allowed during the Call Auction Session. Eligible limit orders are matched with eligible limit orders.
- 3.4. Unmatched Orders:
- (1) In case of IPO scrips, all outstanding orders are moved to the normal trading session at their limit price.
- (2) For re-listed scrips, in case equilibrium price is discovered, all outstanding orders are moved to the normal trading session at their limit price. In case equilibrium price is not discovered, all orders are cancelled and the scrip continues to trade in call auction mechanism until price is determined.
- 3.5. The date of commencement of pre-open session is uniform across stock exchanges.

Existing Practices Followed by Stock Exchanges:

4. **Base Price:** Stock Exchanges have been using the following methodology for determination of base price for the scrips under the Call Auction Session:

Sr. No	For	Base Price
1	IPOs (including SME)	Issue Price
2	Re-listed scrips	(a) First day of recommencement of trading
		(1) If revocation was within 1 year from suspension, then base price is the latest close price on the same exchange; or latest close price of scrip on other exchange if not traded on the same exchange.
		(2) If revocation was more than 1 year from suspension, then base price is the book value as received from statutory auditor of the company which is not older than 6 months or face value whichever is lower, subject to minimum INR 1/- per share.



		b) Direct listing / MOU / securities admitted for trading under permitted category.	Last available price of the security on the respective Exchange.
3	Corporate Restructuring	Stocks having derivatives contracts on the Ex-date of trading after undergoing corporate restructuring.	Closing Price of the Last cum date of the scrip.

5. **Dummy Price Bands:** In order to avoid fat finger errors or order at non-genuine prices or as a risk mitigation measure, stock exchanges have set dummy price bands i.e. operating range in respect of the Call Auction Session. The dummy price bands are flexed subject to certain conditions. The details are given as under:

5.1. The initial dummy price bands are as under:

For IPO scrips	Set in the range of -50% to 100% of base price
For re-listed scrips	Set in the range of -85% to 50% of base price
For SME IPO scrips	Set in the range of -90% to 90% of the base price

5.2. The Exchange flexes the dummy price bands in multiples of 10%, based on pre-defined logic and/or in consultation with other Exchanges.

5.3. Currently, the existing dummy price bands are auto-flexed by 10% on the respective side as and when the indicative equilibrium price reached 10% below the upper range or 10% above the lower range and the same is being communicated to other exchanges vide email.

5.4. In case, orders are present only on the buy side at upper range of the dummy price band or sell side orders are present at the lower range of the dummy price band, the dummy price band is manually flexed by 10% on the respective side and the same is communicated to other exchanges vide email.

5.5. No flexing is being done from 1 minute prior to the random closure period (i.e., 09:35 AM to 09:45 AM).

5.6. No flexing of dummy price band is being carried out in case of SME IPOs.

5.7. The orders placed outside the dummy price band results in price freeze and they are later cancelled by the Exchange. An illustration is provided below for clarity in case of Call Auction Session of an IPO scrip:

Time	Base Price (Rs)	Operating Range (Rs)	Order Entered at price (Rs)	Result
09:00 am	100	50-200	75	Accepted
			165	Accepted
			45	Will result in price freeze and cancelled
			205	Will result in price freeze and cancelled
09:10 am	100	50-210	65	Accepted
			200	Accepted
			45	Will result in price freeze and cancelled
			215	Will result in price freeze and cancelled
09:20 am	100	50-220	80	Accepted
			215	Accepted
			45	Will result in price freeze and cancelled
			225	Will result in price freeze and cancelled

6. Price Discovery of Scrips:

- 6.1. The equilibrium price is determined with at least a single matching order. The equilibrium price shall be the price at which maximum volume is executable during the Call Auction Session and if more than one price meets the criteria, the price at which there is minimum imbalance quantity (unmatched order quantity) is being considered as equilibrium price. In case of same minimum order imbalance quantity, the price which is closest to the base price is being considered. In case, the base price is the mid-value of pair of prices, then the base price is taken as equilibrium price.
- 6.2. Further, in case of a difference in equilibrium prices between Exchanges in percentage terms is more than the applicable price band for the scrip, a Common Equilibrium Price (CEP) based on the VWAP of the equilibrium prices of individual stock exchanges is being determined and the Exchanges set the CEP

in their trading systems and apply uniform price bands on CEP. This is not applicable for securities/ scrips for which derivatives contracts are available.

6.3. If the equilibrium price is not discovered:

6.3.1. In case of an IPO scrip, the security moves to normal market at the issue price as the base price, if no price is discovered at other Exchanges or no CEP is discovered across Exchanges.

6.3.2. In case of a re-listed scrip, the security moves to normal market at the discovered price at other Exchanges or at the CEP across Exchanges, if applicable. If the equilibrium price is not determined at any of the exchanges, all orders are cancelled by the system and the scrip is not available for trading in the normal market. The Call Auction Session on the said scrip continues on the subsequent trading days, till determination of the equilibrium price. If the equilibrium price is determined at other exchanges, all orders are cancelled by the system and the price discovered at the other exchange is updated as the open price of the scrip and the scrip moves to the normal market for trading.

Need for Review:

7. Representations have been received by SEBI stating that the dummy price band and the mechanism for base price in case of a re-listed scrips are leading to situations of artificially suppressed price discovery. Subsequently, there is persistent buying pressure in the scrips in the normal market leading to continuous hit of the upper circuits and Additional Surveillance Measures (ASM) as applicable in the respective exchanges.
8. In one of the instance, it was observed that during the Call Auction Session of the re-listed scrip, 90% of the buy orders were rejected due to being outside the price bands.
9. Further, the base price for the Call Auction Session of a re-listed scrip (where the revocation was done more than 1 years back) is either the book value of within 6 months old or the face value, whichever is lower. Thus, in most of the cases the base price start with Rs.10.

10. Furthermore, for SME IPOs, even though there is no price band for the Call Auction Session, considering the volatility in SME listed prices the stock exchanges have put a price band of $\pm 90\%$ without any flexing criteria.

11. In view of the above, it is felt that there is a need to review the base price and the flexing mechanism in respect of the dummy price bands.

Consultation in Secondary Market Advisory Committee of SEBI (SMAC)

12. The matter was discussed in detail in the SMAC meeting held on November 11, 2025. After detailed deliberations the Committee recommended the following:

12.1. Base Price

12.1.1. The base price for Call Auction Sessions of re-listed scrips should reflect the present value of the scrip and that the exchanges should introduce a more appropriate and realistic methodology based on the 'Book Value' of the scrip to determine the base price.

12.1.2. No recommendation for change in the base price for IPO scrips i.e. the issue price.

12.2. Dummy Price Band:

12.2.1. The existing mechanism of dummy price band as a risk mitigation measure during the Call Auction Session of both IPO and re-listed scrips may be continued.

12.2.2. The mechanism for flexing the dummy price bands should be uniform across exchanges and whenever required, the flexing of price band shall be done immediately.

12.2.3. Further the Committee recommended that the existing mechanism followed in case of the special call auction for price discovery of scrips of listed Investment Companies (ICs) and Investment Holding Companies (IHCs) i.e., (a) the price discovery is based on orders from at least 5 PAN based unique buyers and sellers; and (b) If call auction is not a success on day 1, it shall continue on the next day and till such time the price is discovered.

Proposals:

13. Based on the recommendations of SMAC, subsequent discussions with the Stock Exchanges and internal deliberations, the following proposals are placed forward for public comments:

13.1. **Base Price:** The base price for the Call Auction Session of re-listed scrips shall be as follows:

13.1.1. For Call Auction Session in case of IPO; Direct Listing/MOU/scrips admitted for trading under permitted category; and scrips undergoing corporate restructuring, the existing practice of base price as referred at Sl.No.1, 2(b) and 3 of paragraph 4 above shall continue to be applicable.

13.1.2. For Call Auction Session in case of recommencement of trading on the first day of re-listed scrips, the base price may be as per the following:

13.1.2.1. In case the revocation is within a period of 6 months from the date of suspension:

- (i) The latest close price, not later than 6 months, on the respective exchange where it is proposed to be re-listed must be considered as base price.
- (ii) In case of non-availability of the above price, the latest close price of security, not later than 6 months, on other exchange must be considered as base price.
- (iii) In case of non-availability of both the above prices, the lower of the book value of the shares of the company as provided by valuation certificates (not older than 3 months) of 2 Independent Chartered Accountants/ Valuation Agencies should be considered as base price.
- (iv) The stock exchanges may empanel a list of Chartered Accountants or Valuation Agencies for this purpose.
- (v) The stock exchanges may prescribe the valuation methodology to be considered in the valuation report.

13.1.2.2. In case the revocation of a scrip is more than 6 months after the date of suspension:

- (i) The lower of the book value of the shares of the company as provided by valuation certificates (not older than 3 months) of 2 Independent

Chartered Accountants/ Valuation Agencies should be considered as base price.

- (ii) The stock exchanges may empanel a list of Chartered Accountants or Valuation Agencies for this purpose.
- (iii) The stock exchanges may prescribe the valuation methodology to be considered in the valuation report.

13.2. Dummy Price Band:

13.2.1. The existing mechanism of dummy price band as a risk mitigation measure during the Call Auction Session of both IPO (including SME IPOs) and re-listed scrips shall be continued by the stock exchanges.

13.2.2. The flexing of dummy price bands for both IPO and re-listed scrips shall be as follows:

13.2.2.1. As and when the indicative equilibrium price reaches 10% below the upper range or 10% above the lower range, the dummy price band shall be auto-flexed by 10% on the respective side and the same shall be immediately communicated to other stock exchanges for simultaneous flexing at their end.

13.2.2.2. In case of orders are present only on the buy side at upper range of the dummy price band or only on the sell side at the lower range of the dummy price band, the dummy price band shall be auto flexed by 10% after validation of orders from at least 5 Permanent Account Number (PAN) based unique investors at the upper range or lower range of the dummy price band respectively and the same shall be immediately communicated to other stock exchanges for simultaneous flexing at their end.

13.2.2.3. The Exchanges shall flex the dummy price bands in multiples of 10%, automatically based on pre-defined logic and/or in consultation with other Exchanges.

13.2.2.4. The flexing mechanism should also operate during the random closure period (i.e., 09:35 AM to 09:45 AM).

13.2.3. The stock Exchange shall ensure that the mechanism of dummy price band shall not hamper the process of efficient price discovery during the Call Auction Sessions.



13.3. Price Discovery:

- 13.3.1. The existing methodology for the determination of equilibrium price and common equilibrium price (as applicable) may be continued.
- 13.3.2. Call Auction Session shall be treated as successful, if price discovery is based on orders from at least 5 PAN based unique buyers and sellers. In case the scrip is listed on multiple stock exchanges and call auction is successful on any one stock exchange, the equilibrium price at that stock exchange or the CEP (as applicable) will form the opening price for trading at stock exchanges where the price discovery is not successful.
- 13.3.3. If call auction is not a success on day 1 at any of the exchanges:
- 13.3.3.1. In case of IPO, the scrip will move to the normal market at the issue price as the base price.
- 13.3.4. In case of re-listing or corporate restructuring, the Call Auction Session shall continue on the next trading day and till such time the price is discovered.

14. Questions for Public Comments:

- 14.1. With reference to the proposal at paragraph 13.1 above,
- 14.1.1. Do you agree with the proposals for continuation of the existing practice of base price for the cases referred to in paragraph 13.1.1?
- 14.1.2. Do you agree with the proposals regarding mechanism for determination of base price, in case the revocation is within a period of 6 months?
- 14.1.3. Do you agree with the proposals regarding mechanism for determination of base price, in case the revocation is after a period of more than 6 months?
- 14.1.4. Any other suggestion on determination of base price of the re-listed scrips for the Call Auction Session.
- 14.2. With reference to the proposal at paragraph 13.2 above,
- 14.2.1. Do you agree with the proposal to continue the dummy price band for the Call Auction Session?
- 14.2.2. Do you agree with the proposal at para 13.2.2.1?
- 14.2.3. Do you agree with the proposal at para 13.2.2.2?
- 14.2.4. Do you agree with the proposal at para 13.2.2.3?

- 14.2.5. Do you agree with the proposal at para 13.2.2.4?
- 14.2.6. Whether the proposed mechanism of flexing of the dummy price band be made applicable for SME IPOs?
- 14.3. With reference to the proposal at paragraph 13.3 above,
- 14.3.1. Do you agree with the proposals to continue with existing methodology for determination of equilibrium price and CEP as proposed at paragraph 13.3.1?
- 14.3.2. Do you agree with the proposal at paragraph 13.3.2?
- 14.3.3. Do you agree with the proposals at paragraph 13.3.3?
- 14.4. Any other comments on the Consultation Paper.

Public Comments on this Consultation Paper:

Public comments are invited on the proposal for review of price discovery mechanism through Pre-open Call Auction Session for IPO and Re-listed scrips. The comments/suggestions should be submitted latest by **June 11, 2026** through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

In case of any technical issue in submitting your comment through web based public comments form, you may send your comments through e-mail to verasiv@sebi.gov.in & mrd_pod3@sebi.gov.in with the subject: **“Review of price discovery mechanism through Pre-open Call Auction Session for IPO and Re-listed scrips”** on the proposals at paragraph 13 above.

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