

Sebi Allows Promoters to Auction Stake on Bourses

Sebi go-ahead will be shot in the arm for the govt's divestment programme

OUR BUREAU MUMBAI

In a move that could kick-start the government's divestment programme as well as help promoters of companies to sell a part of their holdings, the capital market regulator Sebi on Tuesday allowed auctioning of securities through stock exchanges and introduced a new method for institutional placement of stocks.

As per the auctioning route, a special window can be used by promoter stakeholders to sell at least 1% of the paid-up capital of a company.

This will be similar to the blockdeal mechanism for secondary stock market transactions, but with lesser restrictions.

Under the institutional placement programme (IPP), shares can be sold only to qualified institutional buyers. ET had reported on December 30 that the proposals would be considered at the Sebi board meeting on January 3.

Exchanges will provide a separate window for the offer for sale of shares which will co-exist with the normal trading hours. But, promoter or promoter group of companies will not be allowed to bid for the shares. "Every bid order would be required to be backed by 100% upfront cash margin.

Allotment will be done either on price priority or clearing price basis proportionately and would be overseen by the exchanges," the regulator said in a release issued after the board meeting. Sebi also said the auction method can be only used by promoters of top 100 companies based on average market capitalisation for sale of their stakes.

"This is a very progressive step towards creating an organised and effective mechanism that will not only facilitate fund raising but also assist companies to comply with the listing norms in a nondisruptive manner," said Mehul SaMa, director, Ripple-Wave Equity Advisors. For the purpose of compliance with public holding norms, Sebi had earlier directed all such promoter shareholders to dilute their equity stake to 75% or below by June 2013 through public offering of shares.

Besides, these companies were also barred from using the qualified institutional placement (QIP) route for diluting promoters' shares. However, the new institutional placement route can be used for either fresh issue of shares or dilution by the promoters through an offer for sale. The regulator said the IPP method can be used to increase public holding by 10% and could be offered to only qualified institutional buyers with 25% being reserved for mutual funds and insurance companies. Issuers will have to announce an indicative floor price or price band at least one day before the opening of the offer.

"Issuers shall endeavour to maximise the number of allottees in order to ensure wider distribution of shares. There shall be at least 10 allottees in every IPP issuance," Sebi said. "No single investor shall receive allotment for more than 25% of the offer size." Due to weak market conditions the government had to defer the share sale of state-owned companies like ONGC, IOC and SAIL.

The government has so far been able to raise only . 1,145 crore through the sale of its shares in Power Finance Corporation against a divestment target of . 40,000 crore by March. Investments bankers said the new route will help the government offload about 5% of its holding in ONGC. From now on, companies will have to announce the ratio of buyback, as is done in the case of rights issues and fix a record date for determination of entitlements as per shareholding on record date. Besides improving efficiency, the revised buy-back process is expected to give a fair deal to all shareholders.

"While the shareholders are free to tender over and above their entitlement, acceptance of shares shall first be based on entitlement of each shareholder and if any shares are still left to be bought back, acceptance of additional shares tendered over and above the entitlement shall be in proportion to the excess shares tendered by the shareholder," Sebi said.

Some Eligibles	
CO	PROMOTER STAKE (%)
ONGC	78.14
Coal India	90.00
NTPC	84.90
Wipro	79.17
NMDC	90.00
IOCL	78.92
MMTC	89.53
Adani Enterprises	78.21
SAIL	85.91
DLF	78.80
Oil India	78.43
Mundra Port	77.90
NEPC	86.36
Reliance Power	80.42
Cracle Fin Services	80.40
Hind Copper	89.99
Nati Aluminium	87.15
Neyveli Lignite	82.98
Sun TV Network	77.60