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Offer for sale: brokers with BSE shares in a fix over price

By [Sanam Mirchandani](#), ET Bureau | Jul 18, 2016, 01.43 AM IST

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MUMBAI: Stock brokers owning shares of BSE are in a fix. They are not sure whether to tender their shares for the offer for sale in BSE's proposed initial public offering (IPO) because there is a lack of clarity on whether the bourse will value the issue at the price at which the last deal was done.

BSE is gearing up for an IPO in which brokers of the exchange, who are also shareholders, will be putting up their shares for sale. Off-market deals of BSE shares done early last week were at Rs 350-360 per share. But, these shareholders are expecting the offer price to be at least Rs 400 a piece. Now, they are worried that the exchange might fix the price below the expected one.

"We have to commit without knowing at what price they will be offering it to the public. If we don't participate now post listing it will be locked in for a year. Basically, we are taking a blind call," said a broker.

With this concern, brokers have approached the BSE and the BSE Brokers' Forum as failing to tender their shares would imply that they would get locked in for a year after the IPO.

The deadline for submission of shares is August 22. The exchange has set up an escrow account wherein shareholders can tender shares for the offer for sale in the proposed IPO. According to a scheme of participation notice on the BSE's website, shareholders have to give a consent form, a notarised power of attorney and deposit their dematerialised equity shares in the escrow account.

The shares not sold by shareholders in the offer for sale will be locked in for one year from the date of allotment/transfer of equity shares in the IPO. Venture capital funds, category I alternative investment funds or foreign venture capital investors registered with the Securities and Exchange Board of India will be exempt from this rule.

"Brokers have approached us and BSE has also been approached with this concern and it has been amply clarified that there is no compulsion to offer. The process is in accordance with the law and the aim is to maximise shareholder value," said Alok Churiwala, vice-chairman, BSE Broker's Forum. The BSE declined to comment on the matter.

BSE, which earlier this year received inprinciple approval from [Sebi](#) to list on the capital markets, plans to sell up to 30 per cent stake in the IPO that would comprise an offer for sale and possibly a fresh issue of shares. A fresh issue of shares will happen if there is a shortfall in the number of shares tendered in the offer for sale, brokers said. As of June, BSE had 9,283 shareholders, including institutions and brokers.

Brokers and trading members hold almost 57 per cent of the exchange's equity. Foreign exchanges such as [Deutsche Boerse](#) and [Singapore Exchange](#) hold 5 per cent each.

The exchange has appointed [Edelweiss Financial Services](#) as the lead merchant banker and [AZB & Partners](#) and [Nishith Desai Associates](#) as legal advisors to the issue.

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