FINANCIAL Chronicle
LIVE RICH mydigitalfc.com
India's first global business networking platform

Published on *mydigitalfc.com* (http://www.mydigitalfc.com)

10% cap in IPP window may spoil it for 63 firms

By :Rajesh Abraham
Jan 11 2012

The new share sale window called ‘Institutional Placement Programme’, which is aimed at helping promoters reduce stake to 75 per cent, may not assist all companies to bring down stakes to the required level at one go. The deadline for promoters to bring down stakes to 75 per cent in listed companies is June, 2013.

According to the new Securities and Exchange Board of India (Sebi) rules, companies can sell not more than 10 per cent of the paidup capital via IPP. This means companies where promoters hold more than 85 per cent will have to use alternate avenues to further reduce promoter holding, said experts. There are a total of 209 listed companies, where promoters own more than 75 per cent stake, according to Capitaline, a data provider. Out of this, 63 companies including FACT (promoter holding at 98.56 per cent), HMT (98.88 per cent), MMTC (99.33 per cent), Scooters India (95.38 per cent) and National Fertiliser (97.64 per cent) have promoter holding in excess of 85 per cent and, hence, they are not in a position to bring down stakes to 75 per cent through IPP alone.

“It is difficult to rationalise the threshold of 10 per cent since a company which now has a promoter holding of 85 per cent or more would not be able to comply with the minimum public shareholding requirement solely by using the IPP route and may have to use alternate avenues to further reduce promoter holding in order to meet the June, 2013 deadline,” said Harshita Srivastava of Nishith Desai Associates, a corporate law firm. Some of the other companies where promoters own more than 85 per cent include Andrew Yule (93.3 per cent), Zenotech Lab (91.75 per cent), Hindustan Copper (99.59 per cent), NMDC (90 per cent), Coal India (90 per cent) ITI (92.98 per cent), RCF (92.5 per cent), STC (91.02 per cent) and NHPC (86.36 per cent). Jagannadham Thunuguntla, strategist & head of research at SMC Global Securities, said Sebi’s thinking on maximum 10 per cent sale through IPP may be to ensure that there was no liquidity gushing out through this route, which may impact the broader market.

“Also, Sebi is not saying companies cannot divest stakes through IPP more than once. Other windows such as the offer for sale route is also open for these companies,” he explained.

As per Sebi rules, the IPP issue should remain open for minimum of one day or maximum of two days. Further, the bids once made cannot be revised downwards or withdrawn.

While government-owned companies are sure-shot candidates for stake sales, the same cannot be said about the private sector peers, where promoters own more than 86 per cent. In fact, many of the private sector companies with more than 75 per cent promoter ownership are delisting candidates and hence they will not avail the new windows for stake sale allowed by Sebi.

© 2011 Financial Chronicle, All rights reserved

Source URL: http://www.mydigitalfc.com/stock-market/10-cap-ipp-window-may-spoil-it-63-firms-902