MCX GETS SEBI NOD FOR PUBLIC OFFER

Will be the first commodity exchange to be listed in India

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The initial public offer (IPO) of Multi Commodity Exchange (MCX) got a go-ahead from the Securities and Exchange Board of India today.

MCX-SX, promoted by MCX and Financial Technologies, is engaged in a court battle with the regulator over the grant of a licence to it to start equity trading. This had created speculation that Sebi was also raising doubts over the MCX IPO.

The share sale by MCX is expected to raise an estimated ₹800 crore, according to market sources. The commodity exchange had filed its draft red herring prospectus on March 31. MCX will see its existing shareholders dilute a 12.6 per cent stake. It will include an offer for sale from Financial Technologies. The National Stock Exchange, one of the stakeholders in MCX, will not dilute its stake.

According to Sebi officials, unlike MCX-SX, which is being regulated by Sebi, MCX was regulated by the Forward Markets Commission (FMC) and the IPO was being brought to fulfil the norms set by the sectoral regulator.

THE EXCHANGE WILL SEE EXISTING shareholders dilute 12.6 per cent stake, with the share sale expected to raise an estimated ₹800 crore

FMC had set a deadline of March 31 for the three commodity exchanges — MCX, the National Commodity and Derivatives Exchange and National Multi-Commodity Exchange -- to restructure capital and bring down the promoter stake to 26 per cent. The deadline was extended, as promoters of the commodity exchanges required more time to scale down. This makes the IPO important for MCX promoters.

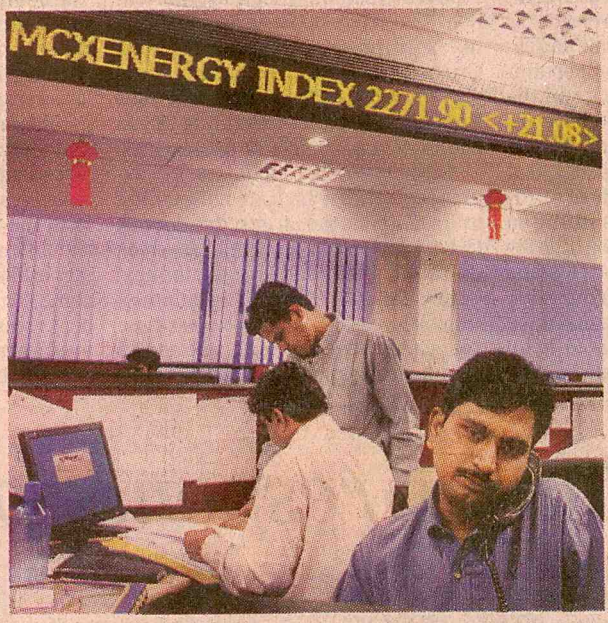
On an average, about ₹50,000 crore worth of commodities are traded daily on the exchanges, in which 80 per cent market share is with MCX. Rating agency Crisil had said MCX had strong fundamentals for the IPO, especially due to its leadership position in the commodity futures market. The IPO was given the highest grade on the scale of one to five.

While most of the leading stock and commodity exchanges are listed globally, MCX will become the first commodity exchange to be listed in India. The IPO plans of equity bourse BSE are on hold, as the Bimal Jalan committee had shown reservations about the listing of equity exchanges. The Jalan committee was set up to suggest a road map for stock exchanges.

The MCX issue is set to see SBI, Corporation Bank, GLG Financials Fund, Bank of Baroda, Alexandra Mauritius and ICICI Lombard General Insurance bringing down their stakes to 1.04 per cent, three per cent, 0.38 per cent, 0.82 per cent, 0.19 per cent and 0.07 per cent, respectively.

Sebi is also reviewing an extension of permission to MCX-SX to operate a currency exchange. The existing permission expires on September 15, just a day before the court conducts a final hearing in the bourse's case with Sebi.

Last year, while granting an extension to MCX-SX to trade in currency, Sebi had said they would wait for the court case outcome to take a further step. Sebi had declared that MCX-SX was not a "it and proper person' to operate an equity exchange, which was challenged by the latter in court.



File photo of traders working on the trading floor of the Multi Commodity Exchange (MCX) in Mumbai. PHOTO: BLOOMBERG