IPO Nod Gives MCX Investors Exit Route

Sebi clears bourse's IPO plans, paves way for 5% stake cut by promoter FT

OUR BUREAU
MUMBAI

Market regulator Sebi has approved an IPO from commodity exchange MCX, brightening existing shareholders' prospects of exiting the company.

If MCX gets listed, it will become the first Indian bourse to do so. Unlike two earlier attempts in 2006 and 2008, the exchange, this time, is making an offer for sale to provide an exit route to existing shareholders, like SBI, Corporation Bank and Bank of Baroda, which will offload their combined equity of 4.8%. The company does not propose to issue fresh shares this time around.

The IPO will also enable promoter Financial Technologies to cut its stake by 5% to meet FMC norms capping a promoter's stake in a commex at 26%. The FMC is the regulator of commodity futures trading and MCX has requested that it be given six months more to comply with the norms which were supposed to come into force by this month.

Ramesh Abhishek, chairman, FMC, said, "The exchange has asked for six months more and this is under consideration of the consumer affairs department, our parent ministry." The exchange expects a valuation of ₹900-1,000 crore based on which the pricing will be decided later, according to people familiar with the development.

FT currently holds 31% in MCX. Foreign investors hold 25% and FIs and banks hold under 33% while corporates and individuals hold smaller stakes.

Shares of MCX's parent company FT have seen vigorous action ahead of Sebi's approval, gaining 20% over its monthly low of ₹656.5 recorded intra-day on August 22. The stock was up 1.4% to ₹789.2 on Monday, valuing FT at ₹3,600 crore.

The price of the past deal transacted in MCX was at ₹613 for a ₹5 face value share in March last year, valuing the bourse at around $1 billion. Subsequently, the exchange issued bonus shares, increasing its paid-up capital to ₹50 crore from ₹40 crore. It also changed the face value to ₹10 per share as required under listing norms.

An MCX official declined to comment on whether an ongoing litigation between Sebi and MCX-SX — MCX-SX is jointly promoted by MCX and FT — could impact the commex's valuation. However, market sources said since the outcome was uncertain, it was difficult to ascertain the impact on MCX's valuation. The hearing of the case has been completed in the Bombay HC, which is likely to pass or reserve its order this Friday.

(Disclaimer: BCCL & Brand Equity Treaties have a 2.2% & 0.8% stake each in MCX)

Getting Entry to D-Street

MCX's Shareholding Pattern (%)



- **MCX has** over 80% market share in commodity futures
- **It specialises** in metals and energy trading
- **It is** world's No 1 in silver contracts and No 2 in gold
- **Promoter FT** has to bring down stake to 26% to meet norms