SEBI approves MCX initial public offer

To be listed first on BSE; pricing seen at Rs 1,200 a share

Our Bureau
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Multi Commodity Exchange of India (MCX) has received the SEBI approval for its proposed initial public offer of 64.27 lakh shares. The approval issued on Friday will be valid for one year.

Confirming the development a MCX spokesperson said the exchange has been asked to file offer document with the Bombay Stock Exchange and Registrars of Companies (RoC).

MCX received the SEBI nod for the third time as the exchange could not launch its IPO in 2006 and 2008 due to unfavourable market condition.

The issue will initially be listed on the BSE and later on the NSE, which holds 2.45 per cent stake in MCX. Financial Technologies, the promoter of MCX, along with six other institutions will cumulatively offload 12.60 per cent stake to raise about Rs 750 crore through issue.

"The IPO may be priced at about Rs 1,200 a share as the last private placement of MCX shares with a face value of Rs 5 was done at Rs 620 a share. Now, the exchange is offering shares with a face value of Rs 10 through the IPO," said an analyst.

MCX, which is the sixth largest commodity exchange in the world with number one ranking in silver and number two in gold, will be the first exchange in India to go public.

"Besides public scrutiny and transparent trade practices, the listing of MCX will also help other commodity exchanges to arrive at a valuation for offloading their stake to meet the regulatory guidelines," he said.

Financial Technologies, which was suppose to bring down its holding in MCX to 26 per cent from 31 per cent by September-end, recently received an extension of six months from FMC.

Rating agency Crisil recently assigned five-on-five rating to the IPO. This grade indicates that the fundamentals of the IPO are strong relative to other listed equity securities. However, this grade is neither an opinion on whether the issue price is appropriate in relation to the issue fundamentals, it said.

MCX filed its draft red herring prospectus (DRHP) with SEBI in March. The exchange was executing the listing process not for raising funds but to bring in the highest level of corporate governance besides shareholder and public scrutiny, Mr Lambertus Rutten, Managing Director and CEO, MCX, had said.

"Since exchanges have a cap on shareholding percentage and are widely held, listing is of paramount importance for enhanced shareholder scrutiny, accountability of management and corporate governance at part with best exchanges in the world", he had said. MCX has a diverse shareholding pattern with international participation from NYSE Euronext, Fidelity, and Merrill besides leading government institutions such SBI, Nabard, Corporation Bank. The book running lead managers for the issue includes Edelweiss Capital, Citigroup Global Markets and Morgan Stanley India. For the financial year 2009-10, MCX has reported 40 per cent jump in net profit at Rs 221 crore (Rs 158 crore). Total income was Rs 494 crore (Rs 366 crore), a rise of 35 per cent. It has paid dividend of over 3.15 times that of equity since its inception.

Shares of Financial Technologies were up 1.41 per cent at Rs 789 on Monday when the benchmark Sensex plunged 365 points.