Bright Futures, MCX Show Raise BSE Stock

Price of BSE shares has risen nearly 40% in about two months in off-market transactions

VIJAY GURAV
MUMBAI

In December, stocks of Bombay Stock Exchange (BSE) had touched a new low as there were few takers for unlisted shares of a bourse facing stiff competition. But in the past few weeks there is some action on the illiquid counter following a surge in futures and options (F&O) transactions on the exchange.

Positive response to the maiden stock offer of Multi Commodity Exchange (MCX) has also helped improve investor sentiment in BSE shares, said brokers. According to two brokers keeping track of off-market transactions in BSE shares, the last trade was done for a few thousand shares at ₹180 a share, about 40% higher than the recent low.

The shares are understood to have changed hands between domestic non-institutional investors.

At the current price, BSE shares are available at a substantial discount to the book value and at a price much cheaper than the one at which the last known large-sized deal was transacted on the counter.

At ₹180, BSE is valued at ₹1,900 crore, less than half its worth in August last year when global investor George Soros bought a 4% stake at ₹375-380 a share. The current book value of the shares stands at ₹205, based on the equity capital and reserves as on March 31, 2011. BSE declined to comment on the current value of its shares.

"We have turned bullish on BSE's listing prospects after MCX completed its offer successfully and is about to get listed," said stock broker Alok Churiwala, who holds a few thousand shares of BSE. But most feel it may be a long wait for the shareholders looking for a quick exit because regulations for listing of equity exchanges are yet to be finalised.

BSE's market-making scheme for the derivatives segment has yielded positive results, which also helped boost the share price, according to brokers. Since last October, the F&O turnover jumped significantly, from a few hundred crores to a record ₹54,000 crore on February 21, 2012. But the turnover declined sharply in the past two days, touching ₹6,100 crore on Tuesday, raising doubts about the sustainability of high volume activity in the segment.

The cash market turnover has also risen substantially to a daily average of ₹3,496 crore in February, compared with ₹2,390 crore in January and ₹1,881 crore in December 2011.

Under BSE's demutualisation scheme implemented in 2007, 700-odd brokers were allotted 10,000 shares of ₹1 each. The brokers diluted their combined holdings to 49% from 100% through an offer for sale of shares.

Many prominent investors picked up stakes at ₹5,200 per share. They included global stock exchanges such as Deutsche Boerse and Singapore Exchange, both of which acquired 5% each in BSE. Subsequently, BSE announced a 12:1 bonus, following which the share price was adjusted to ₹400.

Talking Numbers

BSE Financials

	'10-11*	'09-10**
Total Income	538	485
Net Profit	232	213
Equity	10.34	10.34
Reserves	2,114	-
EPS(Rs)	19	18.3

*Consolidated **Standalone (₹Crore)