

# Quietly, IDFC offloads a chunk of NSE stake

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Infrastructure Development Finance Company Ltd (IDFC), the third largest shareholder in National Stock Exchange, sold 6 lakh shares last quarter for Rs246 crore.

Foreign institutional investor Wellington Management Company is said to have absorbed the majority of IDFC's shares through nine sub-accounts, according to one source.

The stake was sold at Rs4,100 per share, and about 1.33% equity in India's largest bourse changed hands.

Post the deal, the IDFC's shareholding has reduced to 29,47,990 shares from 35,47,990 shares.

The deal represents a rise of 17% in the NSE's share price from the lows reached following the release of the Jalan Committee report, according to data from an IDFC Securities authored by Nikhil Vora and Swati Nangalia.

The Bimal Jalan Committee report stated that stock exchanges should neither list nor make super normal profits. The report was made public on the website of the Securities and Exchange Board of India in November 2010. The report is yet to be implemented.

The IDFC report suggests that key issues could be decided in favour of those who had invested in exchanges.

“The committee reports are being reviewed by the Finance Ministry and our sense is that the issues related to the profit cap and listing could potentially get addressed. Against this backdrop, the secondary traded price of NSE has recovered from earlier levels of ~Rs3800 to Rs4100 currently,” said the report dated March 21, 2012.

The top shareholders in NSE as of December 21, 2011 include the Life Insurance Corporation of India, which holds 10.5% stake; State Bank of India which holds 10.2% shares and Infrastructure Development and Finance Company with 6.6% stake.

The domestic financial institutions like IFCI (5.6%), Stock Holding Corporation of India (5%), IDBI Bank (5%) and SBI Capital Markets (4.3%) are the other major shareholders. The foreign institutional players like General Atlantic Global Investments, Goldman Sachs Strategic Investments, SAIF Partners and Aranda Investments hold 5% each.

Going ahead, experts believe that the institutional investors are likely to increase their shareholding in Indian exchanges, given the strong growth potential.

“Indian exchanges are still nascent in terms of trading penetration, so they warrant higher growth and should fetch higher valuations,” said the IDFC report.