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The markets regulator has sought comments from various stakeholders by May 10, 2024.

By: **ENS Economic Bureau**

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SEBI Chairperson Madhabi Puri Buch. (Express File Photo)

Markets regulator Securities and Exchange Board of India (SEBI) on Friday proposed to lay a framework for price discovery of shares of listed investment companies (ICs) and listed investment holding companies (IHCs) whose market price is at significant discount to their book value.

ICs are companies that earn major revenue from interest, capital appreciation from investments made, and do not include rental income which is classified under diversified commercial services. IHCs are holding companies with holding of 51 per cent or more in other company.

In the draft norms, SEBI said a special call-auction mechanism without price band may be enabled for listed ICs and IHCs, whose shares are trading beyond a certain discount to their book value.

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For this, stock exchanges will co-ordinate amongst themselves and provide the special call-auction mechanism for such companies, it recommended.

The concept of price bands had been put in place as a risk management and surveillance measure for ensuring orderly trading, appropriate price discovery and promote market integrity.



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Currently, shares of a few listed ICs or IHCs are getting traded infrequently but at a price which is significantly lower than the book value disclosed by the listed entities in their last audited financial statements.

SEBI also suggested certain criteria for identification of ICs and IHCs eligible for special call auction. “The scrip should have been listed and available for trading at least for a period of 1 year and the company should have been compliant with all the LODR (Listing Obligation and Disclosure Requirement) Regulations including submission of audited financial results,” the draft norms said. Total assets of the company invested in shares of other listed companies may at least be 50 per cent. The 6-month VWAP (volume weighted average price) of the security may be less than 50 per cent of the book value of such companies.

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The norms proposed that once the companies are identified, the stock exchanges shall initiate the process for special call-auction without price band for shares of such companies with a 7-day prior notice.

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