

Centre's stake sale in Axis via Suuti could trigger 'divestment by stealth'

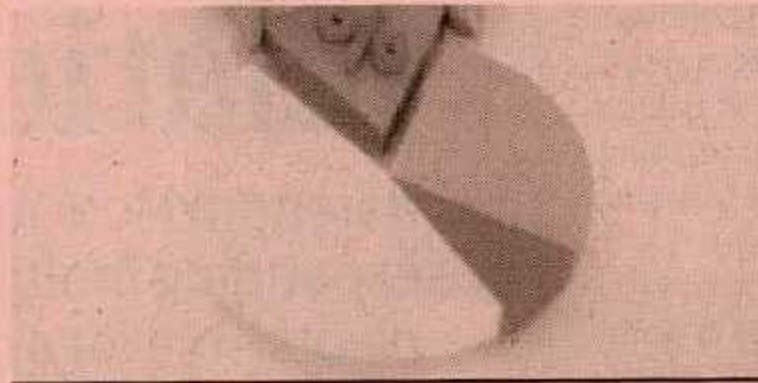
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The Centre's move to pare its holding in Axis Bank — held under Specified Undertaking of The Unit Trust of India's (Suuti) — has fuelled hope of disinvestment by stealth.

Last week, the government sold shares worth ₹220 crore in Axis Bank in the open market. The transaction, carried out without any formal announcement, came to light this week.

Market players said the government should pursue the same strategy for selling shares in listed public sector undertakings (PSUs). A prior announcement often leads to bear hammering of the stock, causing harm to the government and other shareholders,



they added.

The government usually offloads stake in listed firms using the offer for sale (OFS) route. Under this, the seller has to announce details of the transaction at least a day in advance. Often, the secondary market price tends to converge with the floor price set by the seller in case of a PSU. This impacts demand for the share sale.

Experts said that instead of

an OFS, the government could use the open market route wherever possible.

"This is the fastest way to sell a stock, especially when there is enough liquidity. The government may continue this strategy with other Suuti holdings. OFS is a lengthy process, and then you have to build the book. Under an OFS, you'd have to reserve a portion of the share sale for retail investors.

SUUTI HOLDING

Stake as of September; value based on current market price

	Stake (%)	Value
Axis Bank	4.42	8,152
ITC	7.92	19,126

Compiled by BS Research Bureau

Source: Capitaline

The flip side of this strategy is that you cannot sell in bulk. If you give a large order, prices will start falling. If the government is patient enough to do it over a few months, then this method has better price discovery," said Pranjal Srivastava, an independent equity markets professional.

The government sold over 3.6 million shares of Axis Bank between November 26 and

November 27. The supply was easily absorbed by the market without much turbulence in the share price. In the preceding four weeks, shares of the lender had rallied over 20 per cent.

"OFS in India is not the best way of discovering price, given the way it is structured. At present, markets are buoyant and if they keep selling daily, they will end up selling a huge quantity by the end of the month," said Prithvi Haldea, Founder, PRIME Database.

The government holds shares in several listed companies through Suuti and plans to liquidate the same. Bulk of the value of Suuti holdings is just in two stocks — ITC and Axis Bank. At the current market rate, the stake in these two is worth ₹27,000 crore.