

Tata Motors DVR conversion: MFs, retail investors feel short-changed at 30% discount

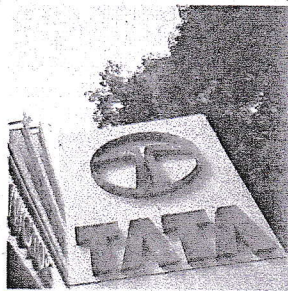
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Retail investors and mutual funds fear getting a raw deal in the proposed conversion of Tata Motors DVR (differential voting rights) to ordinary shares.

The public DVR holders and mutual funds will lose about ₹15,568 crore and ₹3,000 crore, respectively, of economic value, while the promoters will gain 1.4 per cent economic share valued at about ₹5,000 crore, per the April 18 closing price.

Post conversion, the promoters holding in Tata Motors will increase to 42.62 per cent from 41.23 per cent, while that of public will slip to 57.38 per cent from 58.77 per cent.

Per the conversion proposal, the company will issue



7 ordinary shares for every 10 DVRs. This translates to a 30 per cent discount.

AT A DISCOUNT

With the promoters holding just 7 per cent in Tata Motors DVR, the proposal has to get the majority backing of minority investors. The e-voting will be open from April 26 to 29.

In response to a *business-line* query, a Tata Motors

spokesperson said the DVR shares traded at 40-50 per cent discount over the ordinary shares for several years but has now been valued at only 30 per cent discount. In fact, post announcement of the scheme, DVRs moved up sharply showing that the DVR holders had benefited the most, he said.

The DVRs more than doubled to ₹660 a piece on Tuesday from an average price ₹399 in August. Both type of shares have equal economic right and after accepting that DVRs have traded at a sharp discount in the absence of a proper market for them, Tata Motors has taken the market approach to ascertain a higher weightage for ordinary shares, said Sivakumar R, a retail investor.

Nirav Karkera, Head of Research at Fisdom, said the DVR share has been a distinct

instrument with differential voting rights with entitlement to higher dividend yields.

SWAP RATIO, VALUATION

The Tata Motors spokesperson said the swap ratio was determined by independent valuer PWC after considering various internationally accepted methods for valuation and SEBI pricing guidelines. Further, independent merchant bankers Citi and Axis Capital have given their fairness opinion while three proxy advisory firms have recommended voting in its favour, said the spokesperson.

The transaction will be a win-win for all as it will streamline and reduce the share capital of the company by 4.2 per cent making it EPS accretive for all shareholders, he added.