

TaMo DVR scrip spikes minutes before move to convert made public

LOSING CHARM. DVR holders to get 7 ordinary shares for every 10 held

Our Bureau
Mumbai

Shares of Tata Motors DVR spiked sharply minutes before the company announced its decision to kill shares with Differential Voting Rights (DVR), raising suspicion of some market sections being in the know of the development.

Tata Motors' DVRs were trading around the ₹370 mark through the day but suddenly shot up 3 per cent a few minutes ahead of the market close with a jump in volumes. About fifteen minutes later, Tata Motors made the disclosure to the stock exchanges that it was going to offer normal shares to investors holding DVRs.

'SEBI MUST PROBE'

"SEBI will have to investigate to find out if there was any insider trading or not," said a Mumbai-based stock broker. The DVRs currently trade at a significant discount to ordinary shares. Tata Motors' ordinary



shares closed at ₹639.45 on Tuesday at the BSE, while the DVRs closed at ₹373.10. The company said it will issue seven ordinary shares for every 10 DVRs held.

Tata Motors has two types of listed equity securities — Ordinary Shares and 'A' Ordinary Shares (DVRs). The DVRs carry 1/10th of the voting rights of the ordinary shares and are entitled to a higher dividend of five percentage points.

Tata Motors first issued DVR shares in 2008, and subsequently in a further QIP in 2010 and a rights is-

sue in 2015. Regulatory changes have since restricted the issuance of such instruments with DVRs, and Tata Motors remains the only large listed corporate with such an instrument.

AT A PREMIUM

"The Capital Reduction Consideration implies a 23 per cent premium on the previous day's closing share price of 'A' Ordinary shares, translating to a 30 per cent discount over the ordinary share price and significantly below its historical averages. The scheme will lead to a reduc-

tion in the outstanding equity shares by 4.2 per cent, making it value accretive for all shareholders," Tata Motors said in a statement.

The scheme also envisages the creation of a trust with an independent third party acting as a trustee to operationalise the plan to extinguish DVR shares.

ACCEPTABLE SOLUTION

PL Balaji, Group Chief Financial Officer, said: "We are keen to simplify our capital structure. The challenge of DVR shares is that the instrument lost its charm in 2010, when the regulator had concerns about their use. We tried infusing liquidity while the discount started averaging 48 per cent. The issue was raised by DVR holders at the meeting. Therefore, the solution to the problem was to cancel all 'A' ordinary shares and give them ordinary shares. This is fair for both 'A' ordinary shareholders and ordinary shareholders."

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