

Shares of Equitas, Ujjivan rally more than 50% since listing

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Mumbai, June 27: Shares of Equitas Holdings and Ujjivan Financial Services — the two microfinance companies which have received the Reserve Bank of India (RBI)'s nod for setting up small finance banks (SFB)— have surged more than 50% since their listing. Market participants say the rally has been driven by foreign funds who were unable to participate in the Initial Public Offerings (IPO) as these issues were open only to domestic investors.

With foreign funds buying into the stock, the foreign ownership in Ujjivan hit 49% on June 15 after which RBI issued a circular banning the microfinance company from allotting any further shares to foreign institutional investors.

On Monday, shares of Equitas closed at ₹372.5 apiece — 56.5% higher than the issue price while Ujjivan shares closed at ₹378.75 — 80% higher since the listing.

Equitas and Ujjivan did not offer shares to foreign portfolio investors (FPIs) since the foreign shareholding already exceeded the 49% cap specified by RBI; in fact, some existing foreign investors had sold

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shares. While Ujjivan lowered the foreign shareholding to 41.07% from 77%, Equitas brought down the foreign ownership to 35% from 93% earlier, RHP data showed. As per RBI guidelines for foreign share holding in SFBs, the total FPI ownership cannot exceed 24% of the total paid-up capital. However, the limit can be raised to 49% through a resolution by the company's board of directors fol-

lowed by a special resolution to that effect by its general body.

"Equitas and Ujjivan are the first SFB licensees to tap the primary market and therefore, there is some appetite from foreign investors. While Ujjivan has hit the 49% cap, the FPI holding in Equitas could be around 41%-45%," said an investment banker.

Ujjivan had raised ₹358 crore through the IPO in late April. A total of 2.96 crore shares were offered by the company during the IPO. The offering received positive response from the investors as the issue was subscribed more than 40 times. On the other hand, Equitas had tapped primary markets during April to raise ₹720 crore. The issue was oversubscribed 17.2 times led by high networth individuals (HNIs) whose quota was oversubscribed more than 57 times.

In 2016 so far, 10 companies have tapped primary markets to raise ₹6,743.69 crore, Prime Database showed.