

|  |  |
|--|--|
| <b>Name of the person/entity proposing comments</b>          | Indian Association of Investment Professionals (CFA Society India) |
| <b>Category (Listed Entity / MII / Market Intermediary /</b> | Association of Investment Professionals                            |
| <b>Email id</b>  | advocacy@iaipirc.org   |
| <b>Contact no.</b>   | 91 99021 17087 (Ravi Gautham, CFA)                                 |

| Sr. No. | Proposal   | Confirmity to Proposal | Comments  | Rationale   |
|---------|--|------------------------|---|---|
| a       | Whether any special call -auction mechanism without price band be required for ICs or IHCs whose price to book value is at significant discount,for efficient price discovery? | Strongly Disagree      | We appreciate the initiative taken by SEBI in seeking public feedback on the proposed framework for price discovery of shares of listed Investment Companies (ICs) and Investment Holding Companies (IHCs), particularly those trading at a significant discount to book value. While we agree that enhancing price discovery mechanisms is essential for market efficiency, we believe that implementing a special call-auction mechanism without a price band may not be the most suitable approach. Instead, we propose exploring alternative solutions that maintain stability while ensuring fair and transparent price discovery. | The fluctuation of publicly listed companies' trading prices in relation to their book value is a reflection of market dynamics. Occasionally, shares of listed companies may trade at a notable discount or premium relative to market conditions. It's great to see the attention SEBI is giving to these issues however as SEBI moves forward, it's crucial to maintain neutrality and avoid any perception of favoritism towards shareholders of Investment Holding Companies (IHCs) or Investment Companies (ICs). By enabling a special call auction, SEBI is seemed to implicitly taking a stance on the share price of listed companies, a role that may not align with its regulatory mandate. |
| b       | For identification of such ICs or IHCs what should be the appropriate % of the assets invested in shares of other listed companies?  | No comments            | No comments as we do not conform to the proposal in #a  |   |
| c       | What should be the book value for identifying the list of companies eligible for special call auction?   | No comments            | No comments as we do not conform to the proposal in #a  |   |
| d       | For identification of such ICs or IHCs what should be the appropriate % discount of 6 - month VWAP of the scrip to the book value of such companies                            | No comments            | No comments as we do not conform to the proposal in #a  |   |
| e       | For identification of such companies what should be the appropriate time period for computation of VWAP?   | No comments            | No comments as we do not conform to the proposal in #a  |   |
| f       | What information to be disclosed by stock exchanges along with the last traded price, prior to the special call - auction ?  | No comments            | No comments as we do not conform to the proposal in #a  |   |
| g       | Whether there should be any allowed price range applied to book value/ the base price for the special call-auction?  | No comments            | No comments as we do not conform to the proposal in #a  |   |
| h       | Whether the special call auction session shall be treated successful if at least 5 unique (based on PAN) buyers and sellers have participated in the call - auction session?   | No comments            | No comments as we do not conform to the proposal in #a  |   |
| i       | Whether the participants in the special call-auction mechanism should be mandated to bring the funds and securities of the IC or IHC upfront to avoid price manipulation?      | No comments            | No comments as we do not conform to the proposal in #a  |   |

|   |  |                |   |  |
|---|--|----------------|---|--|
| j | Any other suggestion to improve the price discovery of Ics or IHCs | Strongly Agree | <p>This consultation paper highlights the inherent problem with holding companies, where promoters maintain control beyond their economic shareholding, resulting in minority investors being disadvantaged. Two possible proposals are suggested as below:</p> <p>1) If the shares of ICs and IHCs are indeed, trading at a significant discount, this should show up through the stocks consistently hitting the upper price band. As the focus is on efficient price discovery, SEBI could have rules in place where if a stock's price is consistently hitting the upper circuit, the price band can be raised beyond the existing price bands (say 50%), for a period of week or two, to facilitate faster price discovery. Such a solution can be broad-based and not restricted to only shares of ICs and IHCs. If the stock prices of ICs and IHCs are trading well within the price bands, it implies that markets are efficiently pricing the shares of the ICs and IHCs and there is no need of any special call-auction irrespective of the discount between the book price and market value of assets.</p> <p>However, the above proposal may still not address the fundamental issue of corporate governance. One of the reason for creating a holding companies structure is to enable promoters to exercise control beyond their economic shares, leading to unduly high voting power for promoters. Minority investors are disadvantaged as holding companies trade at massive discounts compared to the underlying asset value. The lack of a mechanism for minority shareholders to realize the underlying value of the assets held by the company is a major concern. Hence, we are proposing another suggestion mainly to address the corporate governance issue:</p> <p>2) SEBI could implement value realization mechanisms through a majority of minority voting system. Under this mechanism, if an Investment Company (IC) or an Investment Holding Company (IHC) is trading at a discount exceeding a specified threshold, for instance, 20%, SEBI could mandate a vote for minority shareholders while excluding promoters or majority shareholders from participation. If the majority of minority shareholders consent to unlocking the full value of their investments, the underlying assets could be proportionately distributed among all shareholders. Such a proposal would create an incentive for majority shareholders to ensure that the IC/IHC does not trade at a discount below the threshold, thereby moving towards price discovery.</p> | Rationale is also provided in the comments |
|---|--|----------------|---|--|