
TATA Motors floats unique twin rights issue

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TATA Motors announced details of its plan to increase INR 4,147 crore through 2 simultaneous and unlinked rights issues. The ordinary rights issue is priced at INR 340 a share while the issue offering shares with lower voting rights is pegged at INR 305 apiece. The shareholders will get one share of both the issues for every 6 they hold. The equity shares with lower voting rights, 1 to 10 of the ordinary shares will be entitled to get 5% extra dividend.

Mr NA Soonavala director of TATA Motors said that the shares with differential voting rights are in line with international practices and are being offered to increase liquidity in the company's shares. Mr Soonavala said that "The TATA Group will subscribe to the rights issue to the extent of its holding in the company which is 33%. A shareholder can opt for either of the options or both."

As per report, the issue would open by the end of this month and is being launched to re finance the USD 2.3 billion bridge loans taken by TATA Motors to fund its acquisition of Jaguar and Land Rover from Ford Motor Company this March. On Tuesday, TATA Motors' shares closed at INR 429, down by 1.82% in an otherwise bullish BSE. The company's shares have fallen 30% since the company announced its rights issue on May 28.

Mr Nimesh Kampani chairman of JM Financial and the lead manager to the issue said that this is for the first time in India differential voting rights are being offered to the shareholders. Post rights issue, the company's equity will be diluted by 33%. Mr Kampani said that "This issue will raise equity capital by INR 130 crore and we are raising funds to invest in a company which is already earning good money for TATA Motors." Apart from JM, I-Sec will also manage the issue.

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