

Vedanta delisting throws-up questions regarding disclosing unconfirmed bids

Had Vedanta's delisting gone through it would have been the largest ever in India. Given this, it is no surprise that its failure has attracted undue attention with a large part of this is focused on unconfirmed bids. Are these bids put in to create a momentum? What if there are genuine data errors? Does disclosing these bids serve a purpose and if it does, how best to do so.

VEDANTA LIMITED																
Last updated on 09 Oct 2020 07:00 PM																
BSE Bid Details																
Price	No. of Orders	Confirmed Quantity			Yet to be confirmed			Grand Total(A+B)	Cumulative Confirmed Quantity			Cumulative Yet to be confirmed Quantity			Grand Total(C+D)	
		Demat	Physical	Total(A)	Demat	Physical	Total(B)		Demat	Physical	Total(C)	Demat	Physical	Total(D)		
3,900.00	1	20	-	20	-	-	-	20	1,25,22,47,912	-	1,25,22,47,912	12,31,81,696	-	12,31,81,696	1,37,54,29,608	
4,485.00	1	15	-	15	-	-	-	15	1,25,22,47,927	-	1,25,22,47,927	12,31,81,696	-	12,31,81,696	1,37,54,29,623	
5,000.00	2	250	-	250	-	-	-	250	1,25,22,48,177	-	1,25,22,48,177	12,31,81,696	-	12,31,81,696	1,37,54,29,873	
5,004.90	1	4,093	-	4,093	-	-	-	4,093	1,25,22,52,270	-	1,25,22,52,270	12,31,81,696	-	12,31,81,696	1,37,54,33,966	
5,423.75	1	400	-	400	-	-	-	400	1,25,22,52,670	-	1,25,22,52,670	12,31,81,696	-	12,31,81,696	1,37,54,34,366	
5,490.15	1	24,50,000	-	24,50,000	-	-	-	24,50,000	1,25,47,02,670	-	1,25,47,02,670	12,31,81,696	-	12,31,81,696	1,37,78,84,366	
5,555.00	4	2,141	-	2,141	-	-	-	2,141	1,25,47,04,811	-	1,25,47,04,811	12,31,81,696	-	12,31,81,696	1,37,78,86,507	
5,895.00	1	50	-	50	-	-	-	50	1,25,47,04,861	-	1,25,47,04,861	12,31,81,696	-	12,31,81,696	1,37,78,86,557	
8,725.00	2	412	-	412	-	-	-	412	1,25,47,05,273	-	1,25,47,05,273	12,31,81,696	-	12,31,81,696	1,37,78,86,969	
9,000.00	1	30	-	30	-	-	-	30	1,25,47,05,303	-	1,25,47,05,303	12,31,81,696	-	12,31,81,696	1,37,78,86,999	
10,000.00	2	643	-	643	-	-	-	643	1,25,47,05,946	-	1,25,47,05,946	12,31,81,696	-	12,31,81,696	1,37,78,87,642	
10,001.00	1	1	-	1	-	-	-	1	1,25,47,05,947	-	1,25,47,05,947	12,31,81,696	-	12,31,81,696	1,37,78,87,643	
15,000.00	2	80	-	80	-	-	-	80	1,25,47,06,027	-	1,25,47,06,027	12,31,81,696	-	12,31,81,696	1,37,78,87,723	
17,000.00	1	100	-	100	-	-	-	100	1,25,47,06,127	-	1,25,47,06,127	12,31,81,696	-	12,31,81,696	1,37,78,87,823	
18,323.00	1	210	-	210	-	-	-	210	1,25,47,06,337	-	1,25,47,06,337	12,31,81,696	-	12,31,81,696	1,37,78,88,033	
20,000.00	2	21	-	21	-	-	-	21	1,25,47,06,358	-	1,25,47,06,358	12,31,81,696	-	12,31,81,696	1,37,78,88,054	
25,000.00	1	1	-	1	-	-	-	1	1,25,47,06,359	-	1,25,47,06,359	12,31,81,696	-	12,31,81,696	1,37,78,88,055	
27,500.00	1	55	-	55	-	-	-	55	1,25,47,06,414	-	1,25,47,06,414	12,31,81,696	-	12,31,81,696	1,37,78,88,110	
30,000.00	1	100	-	100	-	-	-	100	1,25,47,06,514	-	1,25,47,06,514	12,31,81,696	-	12,31,81,696	1,37,78,88,210	
50,000.00	2	501	-	501	-	-	-	501	1,25,47,07,015	-	1,25,47,07,015	12,31,81,696	-	12,31,81,696	1,37,78,88,711	
1,00,000.00	7	271	-	271	-	-	-	271	1,25,47,07,286	-	1,25,47,07,286	12,31,81,696	-	12,31,81,696	1,37,78,88,982	
1,00,001.00	1	348	-	348	-	-	-	348	1,25,47,07,634	-	1,25,47,07,634	12,31,81,696	-	12,31,81,696	1,37,78,89,330	

Source: Exchange Platform

All book-built transactions – be it IPOs or reverse book-building for delisting - happen on the stock-exchange. The broker receives the order and feeds these to the exchange, where they are bucketed as confirmed and unconfirmed. These labels are self-

explanatory. While technology allows for a smooth data transfer and execution, there is still scope for error – which is why this category is under the spotlight.

Broker punches in a wrong bid.

The stock exchange platform currently does not allow the incorrect bid to be expunged from the system. Hence, the broker would input a new bid making the correction, however, the older incorrect bid continues to be reflected without being unconfirmed. The incorrect bid, by definition, would not even show up with the custodian and thus stay unconfirmed all the while.

Every single SEBI registered broker can bid, so an input error can come from any part of the broking network.

As an example, in case of Vedanta, there were the 69.6 million unconfirmed bids at a Rs. 320.00 price. This needs to tie in with the shareholders holding this count of shares.

A benign explanation is that the broker acting on behalf of these shareholder/s inputted this number and had no way to expunge the incorrect bid. Whether it was a genuine error or deliberate, although hard to establish, needs to be looked into.

Custodians take time to confirm

Note that all QIBs place the order with their broker and simultaneously pass on the same order instruction to their custodian: the custodian too is required to confirm the order with the stock exchange.

This confirmation typically takes a few hours. Only after this confirmation, the order will be reflected as a confirmed order on the stock exchange website portal.

The custodian is unable to confirm a bid either because of lack of time or any other procedural issues at their end, i.e., not receiving a full set of instructions from their clients or the client dragging their feet.

This typically is more likely for FPIs where instructions are received through their global custodian counterparts and it's possible that full set of instructions are not received. There is no doubt the need for technology to inform investors whether their bids have been confirmed. But holding unconfirmed bids and relying on brokers or custodians to convey bid success is sub-optimal for investors.

There are other issues as well. Bidding is permitted in 5 paise gaps, testing the systems robustness to the fullest. For Vedanta, the floor price to bid was Rs 87.25 and bids went all the way to Rs 100,001.00. Also, that of disclosing confirmed bids, unconfirmed bids and the grand total and how lay investors interpret this.

In an ideal world, it would be helpful if investors placed their orders a bit earlier in the process and not wait till the last-minute. A lesson reinforced by the glitch in the data displayed by the exchange on the last day of receiving bids – we park aside what this means for timelines. But investors are constantly looking for that little bit of additional information, so it is a tall ask.

The question that remains to be answered is whether disclosing unconfirmed bids serve a purpose - do they provide guidance to the market or do they mislead the market. If they are genuine these can be used to create momentum, but it may happen that an investor stays away from tendering their shares if they believe that the 90% threshold has been reached. And if they are misleading, these should find no place.

How to deal with unconfirmed bids is the issue that Vedanta's failed delisting throws-up and this needs to be addressed.

Related Research

- [Vedanta Limited: Discovering the right price, 6 Oct 2020](#)
- [Vedanta: Delisting Postal Ballot, 8 June 2020](#)
- [Vedanta Delisting: Yet another replay, 15 May 2020](#)

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