



e-Auction of Commercial Paper for SAIL



INDUSTRY

Commercial Paper -
Money Market



GEOGRAPHY

PAN India



CHALLENGE

To obtain market
determined yield
discovery for the
Commercial Paper issue



SOLUTION

e-Auction of Commercial
Paper through a multi-
stage bidding process



RESULTS

Better yield discovery,
complete transparency
and full allocation of the
CP Issue

The Client

Steel Authority of India Limited (SAIL) is the largest steel-making company in India and one of the seven Maharatna's of the country's Central Public Sector Enterprises.

Business Requirement

SAIL proposed to raise short term funds through issue of Commercial Paper for 91 days, in the nature of Usance Promissory Note in the unit of INR 5,00,000/- each. The details of the Commercial Paper placed with aggregate Face Value of INR 500 crore.

The Business Challenge

SAIL was facing challenges to obtain market yield rate for the commercial paper being issued by them. As the corporate was selling commercial paper to the tune of INR 5000 crore annually, so it needed to ensure they obtain the best yield from the market. Moreover there was a feedback from the smaller investor and arranger community that there was no access to the commercial paper of the particular corporate.

The Solution and Strategy adopted

- mjunction designed and developed an online platform with the help of its technology team after consultation with SAIL. The primary objective of obtaining the best market determined yield for SAIL was kept in mind while devising the auction strategy.
- e-Auction methodology proposed for SAIL consisted of a four-stage bidding module which would ensure better yield discovery, complete transparency and full allocation of the Issue.

Result and Achievements

- mjunction successfully conducted e-Auction of SAIL's Commercial Paper . The multi-stage auction was carried out for:
 - ₹ 500 crore of 91 days maturity
 - ₹ 200 crore of 91 days maturity (Greenshoe option)
 - The Total Amount of ₹ 700 crore was subscribed at the L1 yield of 6.66%.