

Shame on John Keels

Within the past few days, John Keells Holdings, the parent company of the John Keells group that owns 92% or thereabouts of John Keells Hotels, another quoted company, dumped a substantial proportion of the rights to which it was entitled to in the market. (Once the rights are subscribed their holding will accordingly drop as a percentage)

For the uninitiated rights means that in this particular case John Keells Hotels had approved a rights issue for existing shareholders to purchase new shares that in future will rank parri passu with the older shares, at a price of Rs 10. At that time the shares were trading around Rs30. The rights issue was to raise a substantial sum to build, buy or redevelop their hotels to take advantage of the expected boom in tourism all of which are noble goals.

As the owner of most of the shares, JKH group had to subscribe for the major portion of those shares. Last week when the shares were trading at 27, the rights were worth 17 rupees because it is a chance to buy a new share that will rank with existing shares after the rights are exercised.

They dumped these rights at Rs5, which is an indicator that they don't value those rights at any more than that. That is the first mistake. That is a clear indication to the market that the parent only values the shares at 15 when it was trading at 27.

Just before the dump, John Keells stockbrokers were begging their clients to buy John Keells hotels at the existing price of say 27 saying there was long term growth potential and a good buy.

The day after the dump, the John Keells hotels shares fell to Rs17 (a Rs10 drop + - a a few)wiping out the hard earned savings of a few thousand investors who had confidence in JKH and its hotels.

Those who bought JK Hotels shares on the convincing recommendation of JK Stockbrokers were also left shirtless as overnight the parent company of the brokers screwed the clients of the brokerage.

Why is there no outcry? SEC are you complicit as you have not even made a humm about this dastardly act, and your responsibilities include protecting the general public from being duped, both by the companies on the Exchange and also by the Brokers who make recommendations to clients. Such a significant change in the share price needs some explanation!!!

CSE (Colombo Stock Exchange) as usual you are also napping and abrogating your responsibility in protecting the nature of the exchange in preventing minority and the small shareholder from manipulation by the big boys. In this case you have not uttered a word in edgewise.

So here is a case of the largest company on the Colombo Stock Exchange engaging in activity that in any other country would contravene a zillion rules and result in a heavy reprimand together with a huge fine, and the payment to minority shares holders for the loss they suffered, getting away scott free due to the fear of the regulators, and governmental departments and the independant media from messing with you.

It is time we set up a financial ombudsman with some teeth to keep all these interested parties in check and prevent such abuse in the future. I for one will volunteer as an ombudsman as clearly no one in Sri Lanka has balls to face these giants of industry steam rolling innocent investors.

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