



A Case Study - The Elcid Investments –Market Inefficiency and Value Realization

Dr. Anirudh Pandit

Assistant Professor of Management, Chandigarh College of Technology, Mohali, India, E- mail:
anirudh.5511@cgic.edu.in

Ms. Ayushi Arora

Assistant Professor of Management, Chandigarh College of Technology, Mohali, India, E- mail:
ayushi.5035@cgic.edu.in

DOI : <https://doi.org/10.5281/zenodo.19449861>

ARTICLE DETAILS

Research Paper

Accepted: 19-03-2026

Published: 10-04-2026

Keywords:

*Price discovery,
Undervaluation, Illiquidity,
Special call auction, Deep
discount to book value,
Limited float.*

ABSTRACT

ELCID Investments Limited, a Mumbai-based non-banking financial company (NBFC) established in 1981, functions primarily as an investment holding company along with its two wholly owned NBFC subsidiaries, Murahar Investments & Trading Company Ltd and Suptaswar Investments & Trading Company Ltd. Together, they hold a significant 4.2% equity stake in Asian Paints, one of India's leading blue-chip companies, which forms the core of ELCID's asset base. Despite this substantial underlying value—estimated at over Rs 8,500 crore - ELCID's shares traded at approximately Rs 3 for more than a decade, reflecting a severe undervaluation given that the company's book value per share stood at Rs 5,85,225 as of 2024. This disconnect was largely due to ELCID's limited public float of just 25%, minimal trading volumes, and low market visibility. In 2024, SEBI introduced a price discovery framework aimed at addressing such valuation anomalies in illiquid and undervalued stocks. ELCID was included in this initiative, leading to a special call auction that dramatically revalued its shares from Rs 3 to over Rs 2.25 lakh in a single trading session. While this event narrowed the gap between market price and intrinsic value, ELCID's shares continue to trade below book value, hindered by



persistent illiquidity and concentrated ownership. The case highlights both the potential for significant value realization in undervalued holding companies and the challenges investors face related to liquidity and price discovery. It underscores the importance of comprehensive due diligence and consideration of market dynamics before investing in such securities.

INTRODUCTION

In December 2024, India's financial markets were greatly impacted by ELCID Investments Ltd. because its share price went up 6692535% in just one trading session. Instead of speculation, this was caused by a special auction set up by the BSE and NSE to set appropriate prices for investment holding companies.

Its significance pointed out various structural flaws in the Indian capital markets when it came to illiquid and closely held companies. Most of ELCID's shares were controlled by the promoters which led to low trading and a difference in how the market measured the company's value and what it was actually worth. In 2024 the book value per share of ELCID Investments was close to Rs5,85,000, showing that common market mechanisms did not capture this amount of underlying worth.

Concerns from various groups over undervalued and illiquid stocks led the Securities and Exchange Board of India (SEBI) in 2024 to implement a new price discovery procedure that requires special call auctions for these forms of stocks. ELCID became part of the framework at the beginning.

This case nicely highlights the problems that can arise when prices are not clear in illiquid markets, the chance for regulation to correct errors in prices and the dangers and benefits involved in investing in passive holding companies. It asks important questions concerning market efficiency, investor actions, rules of the market and the part liquidity plays in recognizing value.

1 UNDERSTANDING ELCID INVESTMENTS

ELCID Investments Limited is a Mumbai-based non-banking financial company (NBFC) established on December 3, 1981. The company specializes in investing in shares, debentures, mutual funds, and other financial instruments, operating primarily as an investment holding entity. This means its principal business is acquiring and holding securities in other companies for long-term capital appreciation and dividend income, rather than active trading or lending. It functions similarly to a holding company, where



its value is derived primarily from the investments it holds, rather than from any product or service it sells. ELCID Investments has two wholly-owned subsidiaries each also registered as NBFCs under RBI regulations:

Murahar Investments & Trading Company Ltd

Suptaswar Investments & Trading Company Ltd

These subsidiaries allow ELCID to spread its investment exposure while maintaining regulatory compliance under the CIC-ND-SI (Core Investment Company - Non-Deposit taking - Systemically Important) framework, which applies to large NBFCs that hold stakes in group companies. These entities serve as strategic arms of ELCID, established primarily for the purpose of **long-term capital investment** in listed and unlisted equity instruments. Their core function is to **complement and diversify** ELCID's overall investment portfolio, allowing for better structuring and management of financial holdings. While ELCID itself operates as a passive investment holding company, its subsidiaries provide added flexibility and regulatory coverage under the NBFC framework, ensuring a more robust and tax-efficient approach to managing substantial equity positions—most notably the collective stake of approximately 4.2% in Asian Paints.

Table 1 Financial Highlights

Financial Highlights (FY 2024–25)	
Metric	Value
Revenue	Rs211 crore
Net Profit	Rs153 crore
Book Value per Share	Rs5,85,225
Market Cap (Post Auction)	Rs2,597 crore
Return on Equity (ROE)	~1.47% (low due to passive model)
Promoter Holding	~75%
Public Float	~25% (very low liquidity)

1.1 Primary Asset: Stake in Asian Paints - **ELCID's** most valuable asset **is its 2.83% equity stake in Asian Paints Ltd, one of India's most valuable and profitable companies. Why is this Significant?**



- Asian Paints is a blue-chip FMCG company and the largest paint manufacturer in India.
- It has a market capitalization exceeding Rs3 lakh crore (as of early 2025).
- Based on that, ELCID's 2.83% stake is worth approximately: Rs8,490 crore to Rs8,500 crore, depending on market fluctuations.
- Dividends from Asian Paints: Asian Paints pays consistent and healthy dividends, which serve as ELCID's primary source of income.
- Since ELCID has minimal operating expenses and doesn't engage in active business, the dividends directly contribute to its net profit and book value growth.

1.2 Historical Undervaluation & Illiquidity - Despite this lucrative holding, ELCID's stock remained grossly undervalued and illiquid for years. For over a decade, ELCID's shares traded at an absurdly low price of around Rs3–Rs5 per share. This implies a market capitalization of just Rs6–Rs10 lakh, vastly disconnected from its real asset value. Reasons for Undervaluation

1.2.1 Extremely Low Public Float:

- Over 75% of shares are held by promoters.
- Only 25% or less is available to the public.
- Most of these shares were tightly held and rarely traded, resulting in very low liquidity.

1.2.2 No Analyst Coverage:

- The company had no investor relations activities, no analyst reports, and minimal media attention.
- Investors had little visibility into its actual intrinsic value.

1.2.3 Non-operational Business Model: Since ELCID doesn't manufacture products, offer services, or lend money, it was often overlooked in favor of active companies.

1.2.4 No Dividend or Bonus History of Its Own:



- While Asian Paints was rewarding shareholders, ELCID did not pass on significant dividends to its own shareholders.
- This further reduced investor interest.

2 THE CATALYST: PRICE DISCOVERY & SPECIAL CALL AUCTION

In June 2024, the Securities and Exchange Board of India (SEBI) released a new framework to resolve valuation problems in liquidity-free and undervalued stocks. It was built to encourage fair pricing for companies that have strong fundamentals but do not have much trading, often driven by their low public float, few investors and old market prices. This program marked a change by launching special call auctions which required stock exchanges like the BSE to use actual company data to set prices, an alternative to setting prices based on past trading results. ELCID Investments which had been trading at Rs3 per share for ten years, even though it held about 2.83% ownership worth Rs8,500 crore in Asian Paints, met the criteria. Because it was in the special auction, it gave well-positioned and value-conscious investors the chance to realize its real worth. Because of this, the company's stock was cut from Rs3 to over Rs2.25 lakh which made its price more in line with its book value and made it one of the largest value jumps in the Indian market ever.

3 VALUATION AND MARKET DYNAMICS

Even after its historic price correction in the 2024 special call auction, ELCID Investments' share price continued to trade below its actual book value, reflecting the complexities of pricing illiquid, asset-heavy stocks in Indian markets. As of FY 2024–25, the company's book value per share stood at a staggering Rs5,85,225, primarily driven by its high-value stake in Asian Paints. However, post-auction, the stock was priced around Rs2.25–Rs2.36 lakh—still trading at a discount of over 50% to its intrinsic value. This continued valuation gap highlights a few critical structural dynamics:

3.1. Deep Discount to Book Value

- The price-to-book ratio (P/B) remained well below 1, even after the auction.
- Before the auction, the gap was near 100% (Rs3 market price vs Rs5.85 lakh book value).
- After the auction, the gap narrowed but persisted, indicating incomplete price convergence.



3.2. Limited Free Float

- ELCID has a total of 2,00,000 shares issued.
- Of this, only 25% (50,000 shares) are available to the public; the remaining 75% (1,50,000 shares) are held by promoters.
- This concentrated ownership structure means:
 - Very few shares are actively traded.
 - Price discovery relies on the actions of a small pool of investors.
 - Liquidity is inherently low, even in post-auction scenarios.

3.3. Illiquidity and Thin Volume

- Before SEBI's intervention, ELCID saw almost no daily trading activity—sometimes zero trades for weeks.
- After the auction, while interest surged, volumes remained low due to:
 - The extremely high share price
 - The scarcity of shares available for trading
- This illiquidity causes price volatility and difficulty in establishing a consistent market price.

3.4. Importance of Price Discovery Mechanisms

- The sharp correction during the auction highlighted the critical role of regulatory tools like SEBI's price discovery framework.
- Without such interventions, ELCID—and similar companies—might remain permanently mispriced despite having massive underlying value.
- The case reinforced the need for transparent valuation models, broader awareness, and regular re-evaluation of illiquid stocks.

**Table 2 Financial metrics**

Metrics	Value
Book Value per Share (FY 2025)	Rs5,85,225
Post-Auction Share Price	Rs2,25,000 – Rs2,36,000
Shares Outstanding	2,00,000
Promoter Holding	75% (1,50,000 shares)
Public Float	25% (50,000 shares)
Pre-Auction Trading Price	Rs3
Nature of Trading	Extremely illiquid

4 IMPLICATIONS FOR INVESTORS: LESSONS FROM ELCID INVESTMENTS

In the ELCID Investments case, there was a chance to obtain significant value by targeting those companies which have a significant interest in other companies. And it shows why being careful about market liquidity matters and why being stuck in a position with little liquidity can lead to trouble. Before investing, investors should check the company's liquidity and what assets it holds very carefully. The ELCID Investments story teaches investors exploring underpriced or little-known stocks, mainly in the investment holding sector, a lot of useful lessons. Even though it pointed out the huge benefits of finding mispriced stocks, the research also emphasized the specific dangers and drawbacks linked to this kind of opportunity.

4.1. Hidden Value in Holding Companies

ELCID's story emphasizes that some of the most undervalued assets on the market can be found in quiet, illiquid investment companies that hold blue-chip stocks.

In ELCID's case, its 2.83% stake in Asian Paints was the entire investment thesis.

Investors who understood the math behind its book value vs. market cap could see a classic deep-value opportunity.



4.2. Risks of Illiquidity

- Despite the incredible intrinsic value, ELCID's shares were nearly impossible to trade for years due to:
 - Extremely low public float
 - Lack of buyer/seller interest
 - Negligible daily trading volumes
- For investors, this meant that entering or exiting a position was difficult and often required accepting sharp price deviations from fair value.
- Post-auction, prices surged, but liquidity issues remain—exiting a large position could still move the market significantly.

4.3. Mispricing Can Persist for Years

- ELCID traded at Rs3 per share for over a decade, despite holding assets worth thousands of crores.
- This demonstrates that market inefficiencies can last far longer than anticipated, especially in the micro-cap, illiquid space.
- Investors must have patience and conviction if they choose to invest in such situations.

4.4. Importance of Regulatory Intervention

- The revaluation of ELCID was only possible due to SEBI's 2024 price discovery framework.
- This shows that sometimes, external regulatory triggers are needed to unlock hidden value.
- Without SEBI's intervention, the mispricing could have continued indefinitely.

4.5. Due Diligence Is Critical

- Investors need to analyze the company's shareholding structure, NAV, financial filings, and asset composition before investing in holding companies.



- It's not enough to see a low price; one must confirm the realizable value of the underlying assets and understand whether that value can ever be captured or monetized.

4.6. Consideration of Exit Strategy

- Value is only meaningful if it can be unlocked and liquidated.
- Investors must ask:
 - “Can I exit my position if needed?”
 - “Will there be buyers when I want to sell?”
- In ELCID's case, exiting large positions is still difficult, even after price discovery, because of the tiny float and high price per share.

CONCLUSION

The ELCID Investments case exemplifies how extreme market inefficiencies can persist in illiquid, closely held companies, even those with strong underlying fundamentals. Despite owning a valuable stake in Asian Paints, ELCID traded for over a decade at a fraction of its book value due to poor liquidity, limited public float, and lack of visibility. The landmark intervention by SEBI in 2024 through its price discovery framework allowed the market to finally recognize ELCID's intrinsic value, resulting in a historic revaluation of its share price. However, the case also underscores that such valuation corrections require external triggers and that, even post-correction, liquidity constraints continue to pose challenges for investors. Ultimately, this case serves as a potent lesson in market inefficiency, the power of regulatory action, and the nuanced risk-reward balance in deep-value investing.

REFERENCES

- <http://ELCIDinvestments.com/>
- <https://www.bseindia.com/stock-share-price/ELCID-investments-ltd/ ELCIDin/503681/>
- <https://www.goodreturns.in/ company/ELCID-investments/history.html>
- <https://www.moneycontrol.com/ news /business/markets/mrf-reclaims-title-as-india-s-most-expensive-stock-ELCID-investments-shares-step-aside-13091474.html>



- <https://www.businesstoday.in/markets/company-stock/story/from-rs-3-to-rs-236000-this-smallcap-topped-mrf-to-become-indias-costliest-stock-451915-2024-10-29>
- <https://www.hindustantimes.com/business/indias-costliest-stock-went-from-rs-3-to-rs-2-36-250-heres-how-101730256793806.html>
- <https://www.livemint.com/market/stock-market-news/from-rs-3-to-rs-2-36-lakh-how-ELCID-investments-created-history-to-become-d-streets-most-expensive-stock-11730261366262.html> [8]
National Stock Exchange of India, “NSE Circular: Special Pre-Open Session for Illiquid Stocks,” NSE/CMTR/54843, Jun. 2024. [Online]. Available: <https://www.nseindia.com>.
- <https://www.fortuneindia.com/investing/from-3-to-236-lakh-this-penny-stock-became-the-most-expensive-stock-overnight-heres-how/118970>.
- <https://www.thehindubusinessline.com/markets/explainer-ELCID-investment-shares-zoom/article68815605.ece>.
- <https://www.livemint.com/market/stock-market-news/ELCID-investments-dalal-streets-most-expensive-stock-turns-precier-crosses-rs-3-lakh-mark-11730962165722.html>
- https://www.sebi.gov.in/legal/circulars/jun-2024/introduction-of-a-special-call-auction-mechanism-for-price-discovery-of-scrips-of-listed-investment-companies-ics-and-listed-investment-holding-companies-ihcs-_84319.html