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Companies with delisting plans offering 'indicative prices', look to force investors out

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MUMBAI: Companies that plan to delist from [bourses](#) are trying out innovative ways to lure shareholders to tender their [shares](#) in [delisting](#) offers.

At least three companies - Alfa Laval, UTV Software and [Carol Info Services](#) which recently started their delisting process - have used terms 'indicative price' or 'attractive price' in public announcements.

Lawyers and investors feel such terms, which are not specified under the Delisting Regulations, may be misleading for shareholders, especially when acquirers of shares in delisting offer are under no obligation to buy shares at the 'indicative price' mentioned in the document.

"Indicative price may influence public shareholders in capping their bid up to that level. Delisting regulations don't specify any such price - indicative or otherwise - where the acquirer has no obligation or intention to accept.," said Pavan Kumar Vijay, MD of Delhi-based corporate consultancy group Corporate Professionals.

"This is done to guide public shareholders to their desired motive of delisting at a price which they may be willing to pay. This may not be in accordance with the spirit of law as it is not obligatory to accept such indicated price," said Vijay.

[Sebi](#) regulations provide scope for only three kinds of price. One, the floor price, which acquirers at the minimum price are committed to accept under the reverse [book-building](#) process.

The amount deposited in the escrow account is also based on this. Discovered price - the price at which the maximum number of bids are received-, exit price and final price, which the acquirer is willing to pay to shareholders for delisting a company. There's no reference to indicative price and any such price.

In these three instances, the [floor price](#) has been much below the indicative price. The floor price for Alfa Laval is at 2,045 apiece while the 'indicative price' was recently increased to 2,850. The floor price for Carol is at 106 per share while its 'indicative price' is 160. The floor price for UTV is at 835 apiece while the acquirer said in its public announcement, the delisting offer may be made a price up to 1,000, which is an 'attractive price'.

"Such terms can be used to influence the decision of public shareholders. Without committing, the acquirer can retain the flexibility to delist at the higher or lower price than the indicated price in terms of accepting the final exit price," said Pankaj Jain, associate director, BMR Advisors.

A top official of a shareholder association said that such terms leave scope for manipulation. "What is indicative price? If this is not binding, why should it be given? If the acquirer feels that this is fair value then why does he not convert the indicative price into floor price?" asks Ashok Bakliwal, president, Bombay Shareholders' Association. "The acquirer wants to have the cake and eat it too. The regulator should take immediate action as this misleads investors," Bakliwal adds.

Sebi did not respond to an ET query. Morgan Stanley, the manager to the offer for UTV, too declined comment. JM Financial's executive director-investment banking, Prakash Chellam, who is handling the Alfa Laval delisting, said, "One of the top queries of shareholders is at what price acquirers will buy shares. So, acquirers have given an indicative price of 2,850 per share as a price at which they are willing to accept shares."



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Sebi's delisting regulations don't specify any such price

Recently, Alfa Laval, UTV Software and Carol Info Services have used the term 'indicative price' or 'attractive price' in delisting document.

Normally, indicative price is higher than the floor price.

When the price is indicative, acquirers have no commitment to buy shares at that price.

Experts say there is no such provision in Sebi delisting regulations and it's against the spirit of law.

Indicative price may influence public shareholders in capping their bid up to that level.

Recently, the acquirers of Atlas Copco, which gave an indicative price of 2,250 paid 2,750 to the shareholders for delisting the company. [JM Financial](#) was the manager to the [Atlas Copco](#) delisting offer.

In the case of Carol Info, another JM Financial official said, "Given the time elapsed from the announcement of floor price and to appropriately reflect the market

movement, the promoter has decided to offer a reasonable exit. Adequate and transparent disclosures are made in the public announcement regarding indicative offer price. This is given with a view to reward shareholders and offers a reasonable exit to shareholders."

UTV Software shares, which started the delisting offer on Monday, are trading at 1,048, above its 'indicative price' of 1,000. Habil Khorakiwala-promoted Carol Info is trading at 168 against its 'indicative price' of 160.

Alfa Laval closed at 2,756 on the BSE. Anil Jindal, director, Jindal Securities and the shareholder of UTV, feels the book-building mechanism is devised for price discovery. "Anything which influences investor decision is against regulations. Since the market has reacted to such indicative prices, it is clear such prices are being taken seriously. In case, the delisting offer doesn't succeed, shareholders could suffer huge losses."

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