

It's raining delisting offers on Dalal Street!

January 19, 2012 08:15 AM



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With SEBI mandating that all listed companies have to increase public shareholding to a minimum 25% by June 2013, companies have to take a call sooner or later whether to reduce promoter holding or go for delisting mechanism, SMC Global head of research Jagannadham Thunuguntla said

New Delhi: The stock market is witnessing a slew of delisting offers, including those of UTV Software and Patni Computer—a trend being attributed by experts to an opportunity for the promoters to buy out the minority public shareholders at low valuations prevailing currently, reports PTI.

Media and entertainment firm UTV Software Communications and Carol Info Service, which provides contract manufacturing service for nutraceutical and milk-based products, have already begun the process of their voluntary delisting plans.

In addition, Japanese auto component maker Exedy Corp would float delisting offer for its BSE-listed unit Exedy India between 24th January and 31st January.

Sweden-based Alfa Laval Corporate AB has also announced plans to delist its unit, Alfa Laval India, from domestic bourses by offering Rs2,850 a share to public shareholders.

US-listed software firm iGate in November said it would delist shares of its unit, Patni Computer Systems, at floor price of Rs356.74 a piece to public shareholders.

Several other multinational companies (MNCs) may also come out with delisting offers for their Indian units in the next few months.

According to brokerage firm ICICI Direct, Oracle Financial Services, Novartis, Honeywell Auto, Thomas Cook, Singer, Gillette, AstraZeneca Pharma, Blue Dart, 3M India among others, as probable candidates.

"Many companies are coming out with delisting offers in order to comply with the Securities and Exchange Board of India's (SEBI) guidelines," SMC Global head of research Jagannadham Thunuguntla said.

With SEBI mandating that all listed companies have to increase public shareholding to a minimum 25% by June 2013, these companies have to take a call sooner or later whether to reduce promoter holding or go for delisting mechanism, he added.

The corporates, particularly fundamentally strong MNCs, may not have the inclination to increase their public holding and therefore could resort to delisting to have better flexibility in taking business decisions.

“The case for delisting becomes stronger in the current weak trend prevailing in the equity markets, which has led to a substantial fall in stock prices providing an opportunity for such corporates to buy out the remaining stake with the public at lower valuations,” Pankaj Pandey, head of research at ICICI Direct said.

“The chances of a delisting offer succeeding also appears higher due to a moderation in return expected by the public shareholders and the enhanced willingness to exit the stock even at a marginal premium to current stock prices,” he added.

Walt Disney's delisting offer of Rs835.03-Rs1,000 a share for UTV Software shares opened on 16th January and close on 20th January. The Khorakiwala Group would also launch a delisting offer for shares of group firm Carol Info Services during the same period.