

OPEN OFFERS

Season of abundance

With the new takeover code coming into effect, there is a rush from acquirers to file offer documents

The jitters in the stock market have triggered the virtual drying up of initial public offers (IPOs), follow on public offers (FPOs), qualified institutional placements (QIPs), etc; but there is one area of activity in the domestic capital market that seems to be buzzing with action – open offers, the number of which is on the rise. A recent statistics show that there are 22 open offers filed at the Securities & Exchange Board of India (SEBI) in the last fortnight alone.

One of the major reasons for the abundance of open offers is the new takeover code, which has come into effect on 22 October 2011. Under the new takeover code, the minimum size of the open offer is to the tune

of about 26 per cent whereas, under the old takeover code, the minimum size of the open offer was about 20 per cent. "Hence, several companies have rushed in the past few weeks to file their 'open offer' documents, under the old 'takeover code' norms, so that they can restrict their open offer size to 20 per cent," points out Jagannadham Thunuguntla, strategist & head, research, SMC Global Securities, Delhi. Prominent open offers that have been filed until now include Ineos ABS India, Marg and KSK Energy, to name a few.

However, the deluge of open offers before 22 October 2011 has nothing to do with the new takeover code, says Lalit Dangi, CMD, Libord Finance.

An acquirer has to give 26 per cent open offer in the new takeover code, instead of 20 per cent as per the old takeover code, irrespective of whether he comes out with the open offer before or after 22 October 2011.

"Also, barring three or four offers, all others are of negligible amount, ranging from ₹18 lakh to ₹10 crore, which are now in the market. In fact, there has been a continuous creeping acquisition in those companies, where the promoter holding was less than 25 per cent, since they would have not been entitled for any creeping acquisition under Regulation 3(2), since the holding should have to be more than 25 per cent. And, if holding of any promoter is less than 25 per cent, then they have to resort to open offer for 26 per cent, as soon it reaches 25 per cent," says Dangi, pointing to the recent case where Mahindra & Mahindra had increased promoters holding to above 25 per cent, with many others following the suit.

♦ LANCELOT JOSEPH

		BUZZING WITH ACTION				
Target	Acquirer	Offer (%)	Shares of open offer	Open offer price (₹)	Current price (₹)	Total open Offer (₹ crore)
Jai Hind Projects	DCOM Systems	20	19,51,489	140	185	27.32
Savani Financials	Manish Chaudhari & Deepa Tracy	20	8,00,000	7	6	0.52
Ineos ABS (I)	Styrolution Group	17	29,31,920	607	617	177.91
VMS Ind	Bholebaba Suppliers	26	42,83,082	23	24	9.85
Rhodia Specialty Chem	Solvay Group	20	6,75,120	387	366	26.11
MARG	Akshya Infrastructure	20	76,51,572	91	84	69.63
MPS	ADI BPO Services	20	33,64,534	37	35	12.45
Aksh Optifiber	Kailash Choudhari & Popatlal Sudesha	20	3,13,25,227	7	6	21.93
Media Matrix	Digivision Holdings	26	2,10,24,900	2	3	3.99
Midland Polymers	Rupesh Soni & Rudh Equities	20	7,86,500	29	29	2.28
Everonn Edu	Varkey Group	20	44,83,535	528	377	236.73
Dr Wellmans Homeo Labs	Devinder Kumar Jain, Madhulika Jain	30	15,20,070	3	16	0.42
KSK Energy Ventures	KSK Group	20	7,45,26,091	125	106	931.58
Pharma Com	Anil Babulal Agrawal	20	6,00,000	1	1	0.08
Safari Ind	Sudhir Jatia & Neeti Jatia	20	5,98,000	170	157	10.17
Beeyu Overseas	Classic Nirman & Quantum Wealth	20	28,28,291	3	3	0.85
Gupta Carpets Int'l	Ajaz Farooqi	20	8,78,180	2	9	0.18
Pitti Laminations	Pitti Electricals	20	26,98,340	41	48	11.06
Rabha Plastics	Kamlesh Bhanushali, Anand Gurnani & Sankool Shah	20	10,90,760	4	7	0.44
Bloom Dekor	Sunil Gupta & Rupal Gupta	20	12,00,000	16	17	1.89
Midland Polymers	Rupesh Soni & Rudh Equities	20	7,86,500	29	29	2.28
ACI Infocom	Prog Dye Chem	20	22,09,818	52	48	11.49

Current share price as on 24th Oct, 2011