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THE ECONOMIC TIMES**Stocks of multinationals sizzle on delisting hopes**

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stocks of multinationals

MUMBAI: The proposal of Goodyear India to delist on the Indian stock exchanges, if implemented, could encourage more multinational companies, or MNCs, to make open offers for delisting or for raising the foreign parent's stake.

The market has, periodically, factored in the possibility of open offers into share price of listed multinational firms which is also evident in the current volatile market conditions with stocks of many MNCs outperforming benchmark indices during the past few weeks.

An analysis of the stock market performance of listed MNCs shows that many of them, including Hitachi Home, Kennametal India, Honda Siel Power, BOC, Esab India, Gillette India, Cummins, Atlas Copco, Honeywell Automation and Alfa Laval, have gained between 2% and 26%, compared to a 6% fall in Sensex since January 1.

"Delisting is likely to pick up among MNCs as part of their strategy to freeze global spending. However, they are expected to further strengthen their presence in India even after delisting, given strong growth prospects of the economy and cost-effective environment," said Mehul Savla, CEO, RippleWave Equity, a Mumbai-based private equity firm. MNCs offer stable returns even in volatile market conditions amid hopes of open or delisting offer and good dividend income, he said.

After running their operations profitably for the past several years, most MNCs are now sitting on a huge pile of cash — a part of which is being repatriated to their parents every year in the form of a huge dividend payout. Some of them plan to eventually delist the Indian subsidiaries so that they do not have to comply with rules and regulations for continuous listing on the Indian bourses, according to investment bankers.

Delisting of shares may have its own advantages but, according to Kotak Mahindra Capital executive director, Sourav Mallik, that does not mean all MNCs will go for it.

There is no significant benefit which the companies derive from delisting except that it does away with the administrative process of complying with regulatory requirements for listed companies.

"Delisting is likely to ease the conflict of interest," said Mr Mallik.

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"Most MNCs are cash-rich and so may not require to raise money from the market. They are expected to go for delisting as and when opportunity exists," said Prithvi Haldea, MD, Prime Database, a Delhi-based research firm tracking trends in the capital market.

Recently, the board of Goodyear India approved the proposal of its foreign parent Goodyear Tire & Rubber to delist the 74% subsidiary from the stock exchanges. The proposal triggered a major movement in the stock which rallied 47% to Rs 271 between February 5 and 17. Leading the pack of the MNC outperformers, consumer electronics MNC Hitachi Home recorded a 26% jump in the share price to Rs 175 during January 1 to February 17, 2010.

Hitachi Home & Life Solutions, the foreign parent, holds a 68% stake in the company. Kennametal India, Honda Siel and BOC are a few other notable examples, recording gains between 19% and 25.6% since January 1.

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