## ANALYSIS

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**MNCs may use market slide to buy out minority holders**

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MUMBAI: For scores of booming multinational companies (MNCs), the sliding fortunes of the stock market may be a blessing in disguise as it becomes an opportune time to buy out minority shareholders and escape diluting their holdings to remain listed, experts say.

Most of the foreign companies may follow gas producer BOC and Swedish equipment maker Alfa Laval to buy out minority holders to avoid sharing profits with them.

“With the government mandating minimum 25% public holding, many MNCs are likely to hasten the process of delisting as and when they get an opportunity, especially when the market is weak,” said Mehul Savla, director at boutique investment bank, Ripplewave Private Equity. “It makes sense to buy shares in a falling market as there will be pricing advantage to the promoters.’’

A falling stock market helps global companies looking to delist their stocks as investors expectations fall. In the past many companies such as drug maker AstraZeneca and DHL-owned courier company Blue Dart have failed to buy out minority holders since they were seeking higher value.

Even now, BOC shares are trading higher than the floor price set by the Linde group, the owners of BOC. Retail investors and global corporations’ objectives always differed with some litigation when Cadbury delisted. Global companies trade at a premium to local ones, because of their product profile and marketing abilities, but the companies choose to own 100% of the local unit.

“Indian subsidiaries of the MNCs are more likely to first try a delisting offer before complying with the 75% limit for promoter holding,” said Sourav Mallik, executive director-M&A , Kotak Investment Banking. “They may comply with the new norm, if delisting is not possible,” he said.

The looming higher float requirements in the next two years can also trigger a series of buyouts. The government has mandated that all companies should have at least 25% float to remain listed.

Elantas Beck, INEOS ABS, Honeywell Auto have outperformed the broader market last month, expecting buyout offers. If a company is able to get itself delisted at cheaper valuations, it not only gives cost advantage , but also overcomes regulatory compliance for continuous listing, according to them.

BOC Group, BOC India’s parent has offered to buy out 10.5% minority holders at least at Rs 225.29 a share compared with the market price of Rs 320.4.

Atlas Copco and Kennametal India are other two MNCs whose parent companies have proposed to buy out, but yet to announce details. Their shares rose 8% and 6%, respectively, compared with a 2% fall in the Sensex in past one month.

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