

## Open offers pour in as promoters take advantage of lower valuations

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MUMBAI: An increasing number of open offers are flooding the market as promoters, corporates and individual investors rush to take advantage of lower valuations to consolidate their holdings or to make acquisitions.

As many as 10 such offers, including a few to the shareholders of fundamentally sound mid-cap companies like Fulford India, are being launched in the next few weeks. The list mostly includes small-sized, low-cap companies which, according to investment bankers, are increasingly being acquired by wealthy investors as part of investment strategy or with a specific intention to reverse-merge their unlisted entities.

"Sometimes promoters are unable to raise their stake significantly through creeping acquisitions due to poor liquidity in shares. In such circumstances, it makes sense to make voluntary offers through which they can acquire a large chunk of the public shareholding, thereby strengthening their holdings in the companies," said Mehul Savla, managing director, Ripplewave Private Equity, a Mumbai-based boutique investment banking firm. Among the most recently closed offers, Tinsplate Co is an example of a voluntary offer through which Tata Steel intended to buy 14 per cent equity of the group company at a price of 60 a share.

	OFFER PRICE (₹)	CMP (₹)	SALES	FY12 (₹ CR) NP
Fulford (India)	830.0	826.3	214.0	1.8
Welspun Global	42.0	40.0	2,483.0	-78.0
Subway Fin & Invest	32.0	1.0	Nil	-0.2
Rajlaxmi Inds	30.0	19.3	Nil	-0.1
Unno Inds	23.0	58.3	0.67	0.1
Lloyds Steel Inds	11.7	10.9	3,703.0	-73.5
Indo-Asian Proj	10.0	9.7	Nil	-0.2
Magnum	6.0	8.1	Nil	-0.0
Blue Blends (I)	2.0	*	169.2	-1.7

\*Trading Suspended Source: CAPITALINE/BSE

Apart from a few voluntary offers, a host of mandatory offers are being made, especially to shareholders of relatively smaller, fundamentally weak companies available at extremely low valuations. Investments in such companies, say investment bankers, are generally driven by a strategy to maximise returns. The focus is often on companies whose short-term prospects may have taken a hit due to the general economic slowdown. In such cases, investments are driven by hopes of a turnaround, according to bankers.

"The increased flow of open offers to the shareholders of small-sized, fundamentally weak companies is driven by their low valuations in the current market. Besides, the objective behind the acquisitions could also be to get a ready listing platform for the acquirer's unlisted venture, which is possible through the reverse merger route," said Ajay Parmar, co-head (investment banking), Emkay Global Financial Services.

The open offer list also includes Welspun Global, Lloyds Steel, Subway Fin, Magnum, Indo-Asian Projects, Blue Blends, Unno Industries and Rajlaxmi Industries. The past performance of most of these companies, except Shanthi Gears and Fulford India, does not inspire much confidence.