

Saint-Gobain sees big sell-off post plans to merge Grindwell Norton

Rajesh Mascarenhas, ET Bureau Apr 23, 2013, 05:53AM IST

MUMBAI: French glass maker Saint-Gobain's sudden plan to merge with group firm [Grindwell Norton](#) (GNO) sparked a big sell-off in its shares on Monday, dealing a double blow to investors who had spurned the company's delisting offer last year.



[Saint-Gobain](#) (SGSL) shares hit the 5% lower circuit at Rs 24.75. There were more than 3 lakh shares without any buyers after the company announced that it was going to merge with Grindwell Norton at a value 42% lower than its current price.

The 338-year-old \$23-billion French multinational holds majority stakes in both companies. Shareholders of SGSL will receive one share of GNO for every 17 shares of Saint-Gobain held by them, the proposed scheme of amalgamation said.

Monday's closing price of Rs 24.75 values the 17 shares of SGSL at Rs 420.75 versus GNO's share price of Rs 245.80. The [swap ratio](#) values SGSL's share price at Rs 14.

The proposed merger is a blow to shareholders of SGSL who had a chance to exit the company through a delisting offer at a floor price Rs 31 in June last year. Aggressive bidding increased the price of the offer to Rs 90 forcing the company to abandon the process.

"This is one way of forcing the delisting offer at much lower valuations," said JN Gupta, the founder and managing director of [Stakeholders Empowerment Services](#) (SES). "Had the minority shareholders offered their shares at Rs 31 last year, the current situation would not have arisen."

The merger, if successful, will also help SGSL comply with [Sebi](#) norms. The French parent owns 86% in SGSL and 51% in GNO. [Market regulator the Securities and Exchange Board of India](#) (Sebi) has asked all Indian and foreign companies to reduce the promoter holding to 75% by June 30 this year by selling more shares to the public.

Double Whammy

Swap Ratio
SGSL shareholders will get 1 Grindwell Norton share for every 17 shares of Saint-Gobain held by them

Share Valuation Under Merger Plan
17 SGSL shares are valued at ₹ 14 against Monday's closing price of ₹ 24.75

There were more than 3 lakh Saint Gobain shares without any buyers on Monday after the company announced its plan to merge with Grindwell Norton

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Brokers and fund managers say that the SGSL shares could trend lower due to the swap ratio. "Ratios looks fair on fundamental grounds of both companies (SGSL and GNO), however the market has over-priced the SGSL shares which needs to be corrected," said Mehul Savla, founder, [Ripplewave Equity](#).

Saint-Gobain was one of the victims of the delisting mania that boosted the shares of several multinational companies last year. But prices crashed after some multinationals decided against a delisting offer and focused instead on complying with Sebi norms by reducing their shareholding.

Investors in Saint-Gobain could not be completely faulted for not selling their shares in June last year as the firm's market price was Rs 70 versus the delisting price of Rs 31. However, the decision has proved costly as the swap ratio with GNO values the company at Rs 14 per share.

"A group of investors wanted a huge premium, which was unaffordable," said a banker to one of the MNC deals which failed recently. Some experts are questioning the timing of the deal.

"It seems many loopholes have been left and there are good chances that many methods would be used to ultimately delist the company without paying any premium to minority shareholders," says [Anil Jindal](#) of New Delhi-based [Jindal Securities](#). "It seems, ultimately neither will the minority shareholders get fair premium on delisting nor would Sebi's objective of keeping them listed be fulfilled."