

## News for the hour

### M&As to become more expensive

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Strategic investors like FIIs and hedge funds may get more play.

While India Inc has welcomed the recommendation for increasing the threshold for making open offers from 15 per cent to 25 per cent, it is worried about the proposal that will require the open offer to be made for the entire 100 per cent stake.

"That's quite harsh. One will have to mobilise a huge amount of money for an acquisition now,&" said Isaac George, chief financial officer, GVK Power & Infrastructure. "Mergers and acquisitions will now be restricted to those with deep pockets and those who want to acquire lock, stock and barrel,&" he said.

Under the existing code, which is set to change, an acquirer has to make an open offer for an additional 20 per cent stake when it crosses the 15 per cent threshold.

"The M & A activity may slow down in the short run as non-serious acquirers or those with a short-term vision may think twice before making a bid,&" said Siddharth Shah, principal, Nishith Desai Associates, a Mumbai-based law firm. "But it should not be a hindrance to M & As in the long run,&" he said.

However, the proposed increase in the acquisition threshold is set to give strategic investors such as foreign institutional investors (FIIs), private equity and even Indian investors enough room to increase their shareholding.

"This should usher in more FII and PE flows into the equity market. It is also expected to push up price and market levels,&" said Prabal Banerji, group CFO, Hinduja Group.

According to New Delhi-based brokerage SMC Capital, there are 98 companies in the BSE 500 index in which a single public shareholder is holding between 10 per cent to 14.99 per cent.

For instance, in East India Hotels (EIH), ITC holds 14.98 per cent, a little short of the present open offer threshold of 15 per cent. As soon as the revised guidelines become applicable, it can increase its share to a tad below 25 per cent through open market purchases, which can result in a rise in EIH's share price.

"The rules have been set in a way that they will permit buyouts and hostile takeovers,&" said Jagannadham Thunuguntla, equity head, SMC Capitals. "The muscle of Indian acquirers is limited to do the 100 per cent open offer. However, global hedge funds and private equity firms can play a significant role now,&" he said.

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Sensex	17,878.14	▼ 50.28	-0.28
Nifty	5,368.00	▼ 18	-0.33

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