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New takeover code: India Inc may have to live with hostile bids now

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Tags : Market regulator, Sebi, Takeover Regulations Advisory Committee, Infosys Technologies

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Mumbai:

India Inc's sitting ducks could see a lot of action for control in the future. With market regulator Sebi changing the rules of the takeover game, corporate predators could find it easier to target hundreds of companies in which promoters have stakes below 25 per cent and gain majority control of 51 per cent.

Out of 4,054 companies, promoter stakes in 584 companies are below 25 per cent, as per the Takeover Regulations Advisory Committee (TRAC) which which studied the takeover scenario and submitted various proposals to the Sebi. Of these, promoter stakes in 340 companies are below 15 per cent, which is considered dangerously low level of promoter holding. Among big companies with market capitalisation of more than Rs 1,000 crore, promoter stakes are below 15 per cent in 15 companies, and in 31 companies, their stakes are below 25 per cent.

Sebi's new takeover code may put corporate groups with promoter holdings below 30 per cent at risk of losing majority. Though Indian corporate sector has not witnessed any major hostile takeover so far, it could happen in the new scenario. "Trading values of many a company may not be high, making them easy targets for a hostile bid," said Shardull Shroff, managing partner of Amarchand Mangaldas.

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In Infosys Technologies, promoters hold just about 16 per cent, but then it can attempt a fight back drawing strength from its phenomenal reserves of over \$3 billion. As per the new takeover code, an acquirer can quietly build up 25 per cent stake in Infy from the market, then make an open offer for 26 per cent to take a majority 51 per cent control. In Infy's case, it won't be cheap since this will require Rs 80,000 crore given the current market price.

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