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AstraZeneca's delisting offer is lower than market price

. Yegya Narayanan
Coimbatore, July 7

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<http://www.thehindubusinessline.com/2010/07/08/stories/2010070852191000.htm>

Co says shares were deemed to be infrequently traded.

AstraZeneca Pharmaceuticals AB, Sweden – the parent company of AstraZeneca Pharma India Ltd (AZPIL) – has approved a floor price of Rs 576.1 for the delisting offer.

The price is far less than the current market price of the share.

The parent company had proposed to delist the shares from the BSE, the NSE and the Bangalore Stock Exchange

The merchant banker to the delisting offer — ICICI Securities Ltd — has also concurred with the same delisting price of Rs 576.10 as the floor price, the company said.

The Swedish parent has also approved a price not exceeding Rs 1,152 a share for the delisting offer as indicative price, which, however, should not be construed as a ceiling or the maximum price.

Parameters

The company's stance on pricing for delisting, however, raises certain fundamental questions as to whether it would consider such parameters while coming out with any rights or follow-on public issues and how could the share trading be high when the equity base is so low and the floating stock is so less as management holds 90 per cent of the equity.

AstraZeneca Pharmaceuticals AB (AP AB), referring to its decision to voluntarily delist the shares of its Indian subsidiary from the three stock exchanges through an open offer, said that its shares were deemed to be infrequently traded.

This was because the annualised trading turnover of AZPIL shares, during the preceding six calendar months prior to the month in which the recognised stock exchanges were notified about the consideration of delisting proposal, was less than five per cent (by number of equity shares) of the total listed equity shares.

AstraZeneca Pharma India's equity base is a mere Rs 5 crore, of which 89.99 per cent is held by the promoter.

The company claimed that under the provisions of Delisting Regulations, the floor price of “infrequently

traded equity shares” is, inter-alia, required to be determined by the acquirer and the merchant banker based on parameters like return on net worth, book value of the shares of the company, earning a share, price earning multiple vis-a-vis the industry average.

It said Walker, Chandiook & Co, Chartered Accountants, Mumbai, in its Valuation Report dated July 3 had arrived at a fair value of Rs 576.10 a share based on the parameters mentioned in the report.

This has been approved and adopted by AstraZeneca Pharmaceuticals AB.

Indicative price

ICICI Securities Ltd, which is the merchant banker/manager to the delisting offer, has also approved this floor price for delisting.

AZPIL's parent also cleared a price not exceeding Rs 1,152 per share for the delisting offer as Indicative Price. But it hastened to add that the indicative price should in no way be construed as a ceiling or maximum price for the purpose of the reverse book building process and the public shareholders were free to tender their shares at any price higher than the floor price and any restriction on the ability of AP AB to modify the indicative price.

Mr D. Balasundaram, Chairman, Coimbatore Capital Ltd and former President of Coimbatore Stock Exchange, told Business Line that the company's stance on the pricing formula that had been adopted appeared to be fair and tenable.

Pricing formula fair

He said that in view of the wide difference between the floor price arrived at by the valuer and the Indicative Price it would be fair if the company accepted the latter.

On the issue of investors who entered the counter late anticipating to make money from open offer, he said he would not sympathise with speculators or those who want to make a quick profit if the delisting price was less.

But his assessment was that those who had accumulated the shares for making a killing would have already exited the AstraZeneca Pharma counter.

Mr Balasundaram suggested that in case of doubts over delisting price valuations it could be referred to an independent valuer chosen by SEBI to ensure unbiased valuation.

He, however, cautioned retail investors not to build up positions in shares anticipating open offer for delisting because in case of share manipulation they would be trapped if the company withdraws from the open offer or if the price offered was less than the market price.

AstraZeneca Pharma India counter witnessed huge volume of trading on the NSE on Wednesday with nearly 1.26 lakh shares being traded. The share price closed at Rs 1,366 at the stock exchange.