

GSK Pharma's ₹6,400-crore open offer begins today

by Bureau

Mumbai, Feb 6: The ₹6,400-crore voluntary open offer by GlaxoSmithKline Pharma-ceuticals (GSK Pharma) kick-starts on Friday, with parent GSK Plc aiming to raise its stake in the Indian subsidiary to 75% during the 11-day buy-back programme.

Citing India's long-term demand story and increasing exposure to a strategically important market, the UK-based pharmaceuticals company has offered to buy 2.06-crore shares (24.33%) at ₹3,100 apiece — a premium 4.5% from Thursday's closing price of ₹2,989.45. The premium was as high as 26% when the deal was first announced in the second week of December.

The decision to increase the stake in the Indian sub-

sidary follows the company's 2012 annual report, which points out that promoter hold-ing in India and China is the lowest when compared with GSK's holding in other sub-sidiaries around the world.

As per the annual report, GlaxoSmithKline has 105 subsidiaries, of which the company enjoys full owner-ship in 98 companies and owns more than 75% in eight entities. In India and China, however, promoter entities hold 51% and 55%, respec-tively, as in quarter ended De-cember 2013.

Motilal Oswal analyst Alok Datal said that India has always been important for

MNCs WANT MORE OF INDIA



A rising number of buybacks indicate MNCs want to cash in on India's growth story

Company	Date	Price (₹)	Volume (Lacs)	Value (₹ Cr)
Unilever	06/21/13	29,220.29	19,182.14	65.65
GlaxoSmithKline	01/17/13	5,221.87	4,804.64	92.01
McGraw Hill Financial	07/24/13	1,896.12	1,285.39	67.79
Titan Europe	02/12/13	106.89	43.61	40.8
Dashtag	09/14/12	82.19	82.02	99.79

Source: Prime Stock Exchanges

Glaxo and it seems to be focus-ing on long-term prospects. Overall, all foreign compa-nies are looking at emerging markets positively.

Many domestic and for-eign analysts that FE spoke to were of the opinion that the open offer was attractive for shareholders and the compa-ny may see a high level of suc-cess. At about 38-39 times one-year forward price-to-earnings (P/E), the stock has factored in all positive an-nouncements and may see some correction after the open offer concludes.

Analysts also estimate the acceptance ratio to be around 80% and say the number will depend on institutional par-ticipation. Some of the large insurance as well as asset management companies are facing redemption pressure and may tender shares in the offer — either partly or com-pletely — they said.

"Since 13.5% of the share-holders are individuals, based on previous experience, indi-vidual participation in the open offer will be between 50% and 60%. However, the company has almost 34% in-situational holding and it is difficult to predict whether in-situations will participate. Hence, we have designed dif-ferent scenarios and come up with different acceptance ra-tios along with expectation re-tuns," said a report by Anand Rathi Securities.

Aberdeen is the largest mi-nority shareholder in GSK Pharma with 14.27% stake in the quarter ended December. Among other institutional shareholders, LIC holds 5.69%, while GIC has 1.18%.

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