

# Merger with Wyeth biased towards Pfizer shareholders: SES

■ Says valuers  
knew dividend  
amount even  
before board met

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**Mumbai, April 14:** Proxy advisory firm SES has suggested investors to vote against the resolution on amalgamation of Wyeth with Pfizer saying the valuation is skewed in favour of the latter's shareholders.

The boards of the two companies approved the merger with a 7:10 equity swap ratio, or 7 shares of Pfizer for every 10 shares of Wyeth. The boards also announced an interim dividend of ₹360 and ₹145 per equity share, respectively.

According to SES, the pre-dividend swap ratio (0.70:1) conforms to the valuers' recommendations based on the volume-weighted prices of Pfizer and Wyeth, but it changes drastically to 0.83:1 on ex-dividend volume-weighted prices.

"SES believes the boards of these companies need to explain the rationale of the swap ratio, which remained unchanged despite interim dividends, to its shareholders."

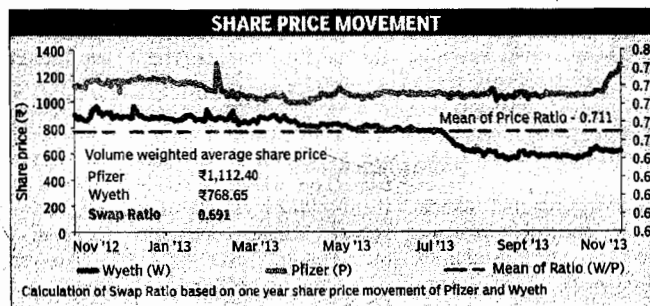
The advisory firm has questioned if the valuers knew the exact amount of dividend that the board was supposed to declare. "If yes,

then how can they come to the conclusion that the exchange ratio, which based on unadjusted price was 0.7, would remain unchanged even after an interim dividend? If no, and they valued the swap ratio based on indicative dividend amount, then the swap ratio should have been changed if the actual dividend was different."

SES notes, "Since the swap ratios remained unchanged, SES concludes that the valuers were aware of the exact amount of dividend to be paid, even before the board met to consider the same. This shows that the valuers had access to the unpublished price sensitive information, i.e., the interim dividend".

SES also feels the valuation report was of little use for investors: "The report fails to give any clue to investors about the valuation arrived at by them. Investors are absolutely in the dark whether the swap ratio recommended to them is fair or not and have no means to check it. It is only relative valuation of one company in terms of other."

SES observes that the two reports of the audit committees are identical. "The two companies are two separate entities and are managed by different boards, have different audit committees. The submission of exactly the same report indicates that either the audit committees had no intention to examine the matter or they had to hurry the proposal through," said SES.



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