

## Wabco India shares will remain under pressure. Here's why

BYRajesh MascarenhasET Bureau 4 mins readOct 27, 2020, 01:54 PM IST : 3-4 minutes

MUMBAI: [Wabco India share price](#) to see rub off effect of Federal-Mogul Goetze in the coming days as the promoters whose holding went up from 75% to 93.11% in [August post mandatory open offer](#) will have to bring it down to 75% within a year to comply Sebi's minimum public shareholding (MPS) norms, a rule which according to some experts a bane for some of these companies where the mandatory open offer triggers.

[Promoters of Federal-Mogul Goetze](#) last week failed to reduce their stake through an offer for sale despite a floor price of Rs 342, which was 25% discount to the prevailing market price. The same shares were bought by the promoters early this year at Rs 608.46 through mandatory open offer.

Wabco India promoters stake went up to 93.11% following an open offer at the end of August which was triggered after German company ZF Friedrichshafen AG acquired US-based Wabco Holdings. ZF Friedrichshafen AG acquired nearly 18.11% stake through open offer at Rs 7,067.51 per share. The stock has declined 31% since then to close at Rs. 4,973 on Friday.

All listed companies except public sector companies have to have minimum 25% public shareholding. This law set in listing agreement and [Securities Contract Regulation Rules](#) envisages the concept of widely held companies. The idea is that the shareholding of listed companies is not blocked by promoters and a certain percentage of free float is available for trading by the public, said lawyers.

"If any company due to direct or indirect open offer crosses the threshold of 75% holding by non-public category then within 12 months of such acquisition, such holding is to be brought down by various methods such as [OFS](#) or block deal or seek exemption from SEBI with justified reasons," said Sumit Agrawal, founder, Regstreet Law Advisors.

"The rule is for the benefit of shareholders so that they can exit through open offer in case there is change in control at parent level. Shareholders have been provided the opportunity to decide if they want to tender the shares or stay with the company," he added.

Shares of Federal-Mogul Goetze (FMG) have been locked in lower circuit for the nine consecutive days since its announcement of offer for sale (OFS) on 10 October at a floor price of Rs 342 to meet the regulatory requirement of 25% minimum public shareholding in a public company.

The Rs 415 crore OFS was subscribed to less than 10% of the shares on offer. Promoters holding of Federal-Mogul Goetze jumped from 75% to 97% earlier this year following the mandatory open offer at Rs 608.46 per share which was triggered after US based Tenneco acquired Federal-Mogul globally in a \$5.4-billion deal. After the open offer, Tenneco's stake in FMG, which manufactures pistons, rings, valve seats went up to 97%.

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