

Has the open offer for ABB Power bypassed Sebi rule?

BYRajesh MascarenhasET Bureau 4 mins read, Last Updated: Aug 02, 2020, 08:09 PM IST : 3-4 minutes

MUMBAI: The investors in ABB Power Products & Systems India have requested market regulator [Sebi](#) to examine the [open offer price](#) offered by promoter ABB and [Hitachi](#) as it is less than the price dictated by guidelines. ABB and Hitachi have offered Rs 865.92 per share after a global agreement was reached to sell ABB's power grids business for about \$11 billion. Investors say this price is Rs 124.27 less than the price calculated according to Sebi guidelines.

Investors argue that interest should be calculated from the day of share purchase agreement as per [Sebi SAST](#) regulation 8 (12) which is from December 17, 2018 and not from the day of listing of the stock. According to investors, the interest should be Rs 124.27 per share and not Rs 14.92 per share as being offered by the acquirers.

Hitachi and ABB on December 17, 2018 announced that Hitachi will acquire 80.1 per cent of ABB's Power Grids unit in a \$11 billion deal. [ABB India](#) demerged its power grids business to [ABB Power Products and Systems India](#) and it was separately listed on NSE and BSE on March 30, 2020.

The mandatory open offer was announced in June jointly by ABB and Hitachi for acquiring 25% of public shareholding of ABB Power at Rs 865.92 per share, comprising of an offer price of Rs 850 per share and interest of Rs. 14.92 per share for the period March 30, 2020 to June 2, 2020.

An ABB spokesperson in an email reply said the open offer price was determined in full compliance with SEBI (SAST) Regulations.

"At the time of entering into the SPA on December 17, 2018, the intrinsic valuation of ABB's power grids business in India was not determined. At that point in time, APPSIL was not in existence as it was one of the business segments of ABB India. As a result, it only became subject to stock exchange regulations on March 30, 2020, when APPSIL was listed following a demerger process in full compliance with NCLT requirements," the spokesperson said.

"In the case of any indirect acquisition, the offer price shall stand enhanced by an amount equal to a sum determined at the rate of 10 per cent per annum for the period between the earlier of the date on which the primary acquisition is contracted or the date on which the intention or the decision to make the primary acquisition is announced in the public domain, and the date of the detailed public statement," said Sumit Agrawal, the founder of Regstreet, a securities law firm.

The merchant bankers to the open offer ICICI Securities declined to comment while an email query sent to Sebi did not elicit any response till the time of going to press.

Some investors also say that in case of newly demerged companies, the better way to determine the correct open offer price is to take the 60 day's volume weighted average market (CWAM) price instead of a valuation determined by a valuer - which can be subjective or biased. In the case of ABB Power the 60 days VWAM price preceding the demerger was Rs 1485. The price following 60 days after the demerger announcement is Rs 1226.

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