

SEBI PROBE

HC stays AstraZeneca's proposed delisting

Minority shareholders allege firm tried to squeeze out them by collaborating with some investors in 2013 OFS

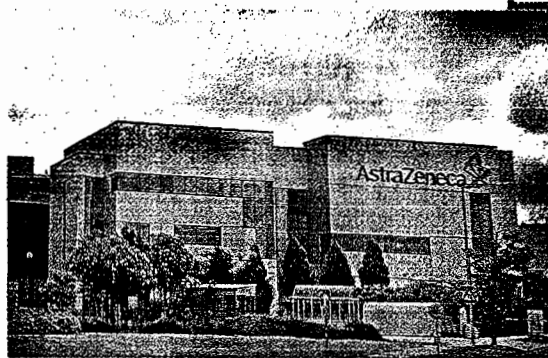
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MUMBAI

The Bombay high court has stayed the proposed delisting of AstraZeneca Pharma India Ltd after two minority shareholders moved the court against the plan following an investigation by the market regulator that found alleged evidence of "collaboration" between the company's Swedish parent AstraZeneca Pharmaceuticals AB and the Elliott group of investors in its offer for sale (OFS) last year.

A division bench of chief justice Mohit Shah and justice M.S. Sonak granted an injunction in the case till the matter is heard.

The two minority shareholders—Satish Bhatt and Pankaj Bhatt—allege that the company tried to squeeze out the minority shareholders by allocating shares to a select set of investors in the OFS in May 2013. Satish Bhatt and Pankaj Bhatt have held 60,000 shares and 18,000 shares, respectively, for the last eight years.



Transparency issues: According to an investigation conducted by Sebi, the Elliott group of investors subscribed to 94.02% of the shares offered by AstraZeneca Pharma India through the OFS.

"At a hearing on Wednesday, 9 October 2014, the court dismissed the petition and determined that the Securities Appellate Tribunal (SAT), hear any appeal by the petitioners, and directed that SAT deal with such appeal expeditiously, and before 15 January 2015. The court directed that meanwhile the delisting should not proceed," said an official spokesperson for AstraZeneca Pharmaceuticals in an email response.

In June, the Securities and Exchange Board of India (Sebi) directed the stock exchanges to monitor the delisting process of AstraZeneca Pharma India and allow final delisting

only after ensuring that the process has been fair and transparent.

According to an investigation conducted by Sebi, the Elliott group of investors subscribed to 94.02% of the shares offered by AstraZeneca Pharma India through the OFS. The Sebi probe revealed that the OFS, which was subscribed 2.84 times, saw 94.02% of the shares being subscribed by six foreign institutional investors or sub-accounts.

After the OFS, the Elliott group purchased 354,000 more shares in AstraZeneca Pharma India through open market transactions, taking its stake to 15.52% on 31 March. After that,

a special resolution on the delisting of AstraZeneca Pharma India was approved by the shareholders with the entire Elliott group voting in favour of the proposal, the probe found.

"The above mentioned facts and circumstances...raise suspicion that Elliott group might be working in collaboration/concert with the promoters of AZP AB, to facilitate the delisting of AstraZeneca Pharma India Ltd," said the Sebi order.

The petition filed by the two minority shareholders was based on the findings of the Sebi order. However, AstraZeneca Pharmaceuticals says these allegations are "without substance".

"The voluntary delisting offer by AstraZeneca Pharmaceuticals AB of the equity shares in AstraZeneca Pharma India Ltd is intended to secure greater flexibility and efficiency in the operations and management of the AstraZeneca and at the same time provides an exit opportunity to the public shareholders of AZPAB. AstraZeneca has received public shareholder approval for the voluntary delisting process," the company spokesperson said in the email.

The ruling was welcomed by J.N. Gupta, a former executive director at the Sebi and the founder and managing director of Mumbai-based activist shareholder advisory firm, Stakeholders' Empowerment Services Pvt. Ltd. "The Bombay high court has done the right thing by staying the proposed delisting of AstraZeneca. This will be a test case, which might expose the complicity of institutional investors with the concerned company," he said.

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