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Delist hopeful Fresenius Kabi Oncology plunges 20% after company's share sale offer

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The delisting mania that drove up many MNC stocks in a weak market seems to have claimed its first victim. Shares of Fresenius Kabi Oncology, a pharmaceutical MNC, crashed 20% after its foreign parent's proposed offer for sale through stock exchanges to increase the public holding in the company. The move was contrary to market expectations of a delisting offer from the parent.

Investment bankers think that more MNCs may have to raise public holdings if they are not able to delist shares from Indian bourses by June 3, 2013 - the deadline set by the government for complying with its minimum public holding rules. All the listed private sector companies are mandated to bring down and maintain public shareholding at 25% under the new guidelines.

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Share prices of many MNCs have moved up sharply in anticipation of open offers and so there could be a major downward correction in valuations if delisting does not happen, cautions Chakravarty. Fresenius Kabi (Singapore), which at present holds a 90% stake in its Indian subsidiary, is planning to offer 23.7 million shares to raise the public shareholding from 10% to 25%. The proposal, which is subject to FIPB approval, triggered sharp reactions on Thursday. Trading was frozen at the lower side of the circuit filter of 20% applicable to the stock which closed at 108 on the BSE. The share price, in fact, has fallen nearly 40% from its 52-week high of 176 recorded on April 17, 2012. The stock had more than doubled from the low level touched in December last year.

"Unlike in the past, the market will now see selective action in the MNC space, especially where promoters hold stake close to the delisting limit prescribed by Sebi," said Sharad Rathi, a Mumbai-based independent investment banker. "The concern remains that the rally in MNC shares was mostly driven by major speculative interest over delisting hopes and is not justifiable," he said.

The delisting concerns triggered by the proposed offer for sale from Fresenius Kabi also impacted sentiment for other MNC shares. AstraZeneca Pharma, BOC India, Honeywell Auto, Blue Dart Express and Elantas Beck are among those that lost substantially on

Thursday. The share prices of these companies fell between 2.5% to 9.4% (BOC India) as, according to investment bankers, there is uncertainty over what their promoters, who own as high as 81% to 90%, would do with just a year left for complying with the minimum public shareholding norms.