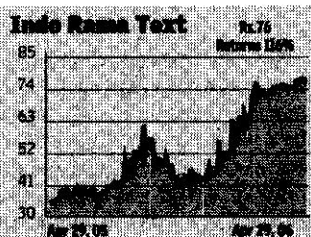


Indo Rama Textiles

Spin it off

Spentex will be well placed to make the investments in IRTL to take the business forward. It might consider merging with IRTL, a risk to shareholders not tendering their stake.



Offer price at a 10 per cent premium to market price
Public shareholding to be maintained at 25 per cent
Merger with Spentex likely

ACCEPT**Shanthy Venkataraman**

Shareholders of Indo Rama Textiles (IRTL) can tender their shares in the ongoing open offer.

The offer price is at a 10 per cent premium to the current market price.

As Spentex Industries, the acquirer making the open offer, plans to eventually merge IRTL with itself, shareholders are better off parting with their stake at this juncture.

BACKGROUND

Indo Rama Textiles was spun off from Indo Rama Synthetics in 2003, when the group decided to separate its spun yarn business from the polyester one. The promoters have decided to sell their 49 per cent stake in the company to Spentex.

The latter, in the business of manufacturing and trading cot-

ton yarn and fabrics, had already acquired close to 15 per cent in IRTL.

Now, to conform with SEBI's takeover regulations, it is making an open offer to the public for an additional 20 per cent.

It, however, intends to maintain public shareholding in the company, post-offer, at 25 per cent.

The series of integrations and acquisitions made by Spentex indicates that it is serious about the textile business.

After integrating group companies, CLC Corporation and CLC Global, with itself, it has proceeded to snap up the promoter's stake in Amit Spinning as well.

The company is flush with funds after making a preferential allotment to Citigroup Capital Ventures.

It might be well placed, therefore, to make the necessary investments in IRTL to take the business forward. IRTL's revenues have grown at a lacklustre pace with the cut in interest costs being the real driver of earnings growth.

The offer document, however, indicates that the acquirer might consider merging IRTL with itself, which poses a risk to shareholders who do not tender their stake.

The swap ratio upon merger is unlikely to be favourable to the shareholders of IRTL, as Spentex would want to limit the expansion in equity base. Shareholders may be better off accepting a cash deal now.

OFFER DETAILS

The offer price is Rs 84.15 for 6.2 lakh shares or 20 per cent of the company. Post offer, Spentex's stake in IRTL will be 75 per cent.

The offer closes on May 6. ICICI Securities is the manager to the offer. Beetal Financial & Computer Services is the Registrar.