

Bharati's new bid to gain control of Great Offshore

Current 48.89% stake is not sufficient for it to garner management control, shareholder nod now crucial

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BANGALORE

Mumbai-based offshore oilfield services firm **Great Offshore Ltd** is seeking approval from shareholders to appoint two nominees of **Bharati Shipyard Ltd** as executive directors to allow Bharati to control Great Offshore's day-to-day management.

Bharati, India's second largest shipbuilder outside state control, has a 48.89% stake in Great Offshore, which is not sufficient to grant Bharati management control over the firm.

That's because it made its open offer to acquire shares saying it was doing so as a strategic investor and not as an entity wishing to take control of the firm. Stock market regulator Securities and Exchange Board of India (Sebi) said Bharati would have to make a second open offer for a 51% stake under the takeover law to gain management control.

But if Great Offshore's shareholders approve the appointment of two executive directors selected by Bharati by a special resolution through postal ballot, the firm will gain management control without making a second open offer, said Archana Rajaram, senior



Taking charge: Bharati Shipyard's Ratnagiri unit. Failing shareholder nod from Great Offshore, Bharati will have to make an open offer.

associate at law firm **Nishith Desai Associates**.

"However, the likelihood of the shareholders approving such a resolution would depend on their desire to exit," she said, implying that if shareholders want to sell off their equity, they would prefer Bharati making a second open offer rather than gaining management control through executive directors.

In its filing to the Bombay Stock Exchange, Great Offshore said: "In view of the fact that there is no identifiable person or entity in control of the business and management of the company and in consideration of the fact that the ac-

quirers (Bharati Shipyard) have experience and skill in the shipbuilding business, it is in the best interest of the company that nominees of the acquirers be appointed as executive directors of the company, so as to enable them to be actively involved in and/or control the day-to-day affairs, management and policy decisions of the company."

Currently, Soli C. Engineer is the only executive director of the company. If two Bharati nominees are appointed as executive directors, they would form a majority on the board and put Bharati in a position to control management and policy decisions, the filing said.