



Accessing Markets

GDRs



VINAY PANDYA

Director Finance
Micro Inks Ltd

Micro Inks Limited (formerly Hindustan Inks & Resins Limited), which began operations in 1986, is part of \$260 million Bilakhia group. The company has emerged as the leading ink manufacturer in India with a 33 per cent market share and is well positioned to expand its presence in the \$14.3 billion global ink supply market. Micro Inks commenced its international business in 1999-2000 and in just four years international sales crossed \$100 million. As per its Q3 2005 results 60 per cent of the company's turnover comes from international sales.

The company came out with its maiden GDR offering of little over three million GDS, at an issue price of \$13.27 per GDS (i.e. Rs 600 per GDS) aggregating to about \$40 million on November 10, 2004. The GDR's are listed at Luxembourg Stock Exchange and at PORTAL market of NASDAQ.

The GDR offering was oversubscribed on the opening day and it received excellent response from high quality institutional investors like CVC, Chryscapital, EMIC, Oppenheimer and other investors spread across Far East, UK and USA.

After this GDR offering, the institutional shareholding stood around 18 per cent, the public holding around 19 per cent and the promoters holding around 63 per cent.

Speaking on this momentous occasion, Mr Anjum Bilakhia, Managing Director, Micro Inks, said: "We are happy to have in our midst high quality shareholders and we are deeply committed to build one of the fastest growing world class global inks company with focus on

R&D, technology and product development."

Kotak Investment Banking was the global coordinator and sole book runner for this offering. The company circulated an exhaustive offer document after detailed due diligence by domestic and international legal counsels and its statutory auditor Delloitte Haskins and Sells highlighting its business, industry, management discussion and analysis, risk factors and significant differences between Indian GAAP, IAS/IFRS and US GAAP.

Micro Inks had come up with a rights issue in September 2003 offering 5:3 shares.

Prior to the GDS offering a number of international investors visited the company's plant in India and US to get first hand information of the company. They were presented with information on the ink industry, the company's financial, a walkthrough of world's only fully integrated ink plant.

The Offering Memorandum was filed with the Registrar of Companies in Gujarat, SEBI and the RBI for the purposes of record only. All necessary approvals as per Indian Regulatory were complied with. The company has received in-principle approvals for the listing of the shares underlying the GDSs from BSE and NSE stock exchanges. This offering was made entirely outside India and not being offered or sold (directly or indirectly) to any resident of India.

This offering was under the above automatic route and

did not require the formal approval of the Government of India or the RBI.

However, Micro Inks was required to furnish the capital structure of the company before and after the issue within thirty days from the closure of the issue to the RBI.

The proceeds for GDR issue were primarily intended to strengthen capital base through repayment of a portion of debt and other general corporate purposes including financing growth of international operations.

Micro Inks is deeply committed to build one of the fastest growing world-class global inks company with focus on R&D, Technology and product development. It's vision is to 'Reach Top five in the world within next five years'.

From the date of capital issue meeting held on September 8, 2004 to closing of issue on November 10, 2004, it is believed to be one of the fastest completions of GDR.

The broad steps leading to the GDR issue are as follows:

- In principal Approval by the Board of the Company.
- Appointment of Various Agencies
 - Book Runners, Global coordinators and Under writer
 - International Lawyers
 - Local / Company's Lawyers
 - Auditors
 - International Depository
- Kick off meetings, management presentation
- Commence Financial, Business & legal Due Diligence
- Finalise Offer Memorandum (OM)
- Initial confidential filing with stock exchanges(LSE)
- Quarterly results - Board Meeting
- Analyst Meet at Mumbai
- Finalise Offer Memorandum (OM)
- Obtain, preliminary listing approval
- Print and file Red Herring OM. Submit Red Herring OM to Indian stock exchanges (BSE,NSE) SEBI and Registrar of Companies for record purpose.
- Road shows for book building
- Complete road show, signing/pricing meeting and finalisation of allocation to investors
- Allotment of underlying shares and GDRs
- Closing of all the activities
- File the final offering document with SEBI and Indian Stock Exchanges
- Listing of Shares at the local SEs

The company came out with its maiden GDR offering of little over three million GDS, at an issue price of \$13.27 per GDS aggregating to about \$40 million on November 10, 2004. The GDR's are listed at Luxembourg Stock Exchange and at PORTAL market of NASDAQ.

RoM