Adani's Proposal to acquire NDTV

What is the issue?

A battle to control the management of NDTV which operates one of the leading television news outlets in the country is brewing between the Adani Group and the founders of NDTV.

What is it all about?

- NDTV's holding entity Radhika Roy Prannoy Roy Holding (RRPR) had taken an interest-free loan of more than Rs. 400 crore from Vishvapradhan Commercial Pvt. Ltd. (VCPL) in 2009 and 2010.
- VCPL is a firm indirectly controlled by billionaire Mukesh Ambani's Reliance Industries.
- According to the loan agreement, the Roys transferred a portion of their shares to RRPR such that RRPR in effect owned 29.18% of NDTV.
- Warrants were issued to VCPL allowing the entity to acquire 99.9% of equity in RRPR in case the loan was unpaid.
- Recently, a wholly owned subsidiary of Adani Groups bought VCPL and immediately exercised the warrants to acquire a 29.18% stake in NDTV and announced an open offer to buy an additional 26% stake.

> *Convertible warrants carry the option of conversion into common stock at a specified price during a particular period.*

Why Adani's open offer price is steeply discounted?

> *An open offer is a secondary market offering where a shareholder is allowed to purchase stock at a price that is lower than the current market price. The purpose is to raise cash for the company efficiently.*

- The Adani seeks to purchase 26% of NDTV from public shareholders at Rs.294 per share which is much lower than the market price of NDTV's shares.
- NDTV's shares have risen rapidly recently probably in the expectation that a higher price could soon be offered to public shareholders.
- **Steep discount**- The reason for such a steep discount to the market price is that perhaps it doesn't want to gain control.
- Tycoons typically buy media companies because
    - It gets them influence
    - It is some sort of philanthropic effort
- With a 29% stake, Adani Group can block a certain category of shareholder resolutions

called special resolutions which need 75% of shareholder votes to pass.

What is NDTV's argument?

- **Consent from promoters**- The company said that VCPL could only exercise the warrant after obtaining explicit consent from the promoters which never happened in this case.
- **Ban-** There is a ban imposed by SEBI preventing NDTV's founders from dealing in financial securities till November 2022.
- So NDTV believes that VCPL can only acquire the shares by overriding the ban.

What are the possible implications of the proposed takeover?

- **Legal implications**- It seems to be legally valid as the terms of the loan agreement suggest that VCPL is well within its rights to exercise the warrants to convert the debt it issued into equity.
- However, Roys have contended that they would not be able to transfer RRPR's stake in NDTV to VCPL as they are barred by a SEBI order from dealing in the securities market till November.
- They have also contended that they were not consulted by the lender before the exercise of the warrant.
- The Securities Appellate Tribunal's order cites that VCPL and its affiliates cannot purchase NDTV shares which will increase their holding to more than 26% without the consent of promoters.
- **Other implications**- The potential hostile takeover of NDTV by the Adani Group has its implications over media independence.
- Corporate ownership of news media organisations could lead to increased bias and censorship.

References

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