

Khazanah bid a test of Fortis' financial heft A counter-offer for Parkway could cost Fortis over \$3.26 billion

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THE surprise bid by Malaysia's Khazanah Nasional to acquire a controlling stake in Singapore's Parkway Holdings is set to test the financial heft of India's Fortis Healthcare, which ranks as Asia's largest health-care grouping.

That is because the company must make a full-blown general offer for Parkway if it wants to fend off Khazanah's plans to wrest control of the Singapore health grouping.

Singapore's takeover code stipulates that shareholders with investments that were acquired for a time-frame of less than six months cannot make partial offers for shares in the company when it becomes a takeover target.

Fortis purchased its holdings in the company in March and currently ranks as Parkway's single largest shareholder, with a 25.37 per cent stake.

Khazanah, on the other hand, acquired a 16 per cent interest in Parkway in 2008 and currently holds just under 24 per cent of the company.

Khazanah's investment in Parkway, which is above the six-month threshold set by the Singapore authorities, made it possible for the investment agency to announce last week a partial takeover bid to acquire a controlling stake in the health-care concern.

The Khazanah deal values each Parkway share at \$3.78. To raise its holdings to a controlling block of 51.5 per cent, the Malaysian state-owned unit would have to buy a further 313 million Parkway shares, valuing the partial bid at \$1.18 billion.

Should Fortis decide to make a counter bid, a general offer would mean making an offer for 814 million shares that it does not already own. Assuming it makes an offer at a slightly higher price of \$3.88 a share, a full-blown takeover could cost Fortis over \$3.26 billion.

Parkway was unavailable for comment yesterday.

Khazanah officials declined to comment because Singapore's takeover rules prohibit them from discussing the bid.

But what is fast shaping up into Singapore's biggest corporate takeover battle this year has triggered speculation among bankers and analysts over the reason behind the face-off between the Indian and Malaysian groups.

Bankers said that control of Parkway appears to be central to Khazanah's move last week.

'Clearly Khazanah feels that it wants to be an active player in the company where its holdings are almost equal to Fortis', said a chief executive of a Malaysian commercial bank who is closely tracking developments at Parkway.

By making a partial offer, this banker and several investment analysts said that Khazanah is simply forcing Fortis to raise its holdings to a much higher level if it wants to remain in the driver's seat of the company.

Khazanah, which has built regional core businesses in banking and telecommunications, has been acquiring health-care assets around the region and wants to use Parkway as the vehicle to house those holdings.

Those assets include controlling stakes in two Malaysian health-care businesses and a 12 per cent interest in Apollo Hospitals, Fortis' chief rival in India.

Last week, Apollo pledged its support for Khazanah's plans to build a regional health-care business.

The question before Fortis is how crucial Parkway is to the group's plans of building a global health-care delivery network, said bankers.

Fortis' chairman Malvinder Mohan Singh, who is also Parkway's chairman, and his brother Shivinder Mohan Singh scored a major financial windfall when they sold their stakes in Ranbaxy Laboratories Ltd, India's largest pharmaceutical company, to Japan's Daiichi Sankyo Co., which paid US\$4 billion (S\$5.6 billion) for a majority stake.



Through Fortis and another family-controlled financial services group called Religare Enterprises Ltd., the brothers have been flexing their muscles by acquiring hospitals in India and the United States over the last six months.