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Oracle makes open offer for 20% in i-flex

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TNN Sep 14, 2006, 12:40am IST

MUMBAI: The US-based Oracle has made an open offer to acquire a further 20% in Mumbai-based i-flex Solutions for \$531m at Rs 1,475 per share, a 2.5% premium over Wednesday's closing price.

"The offer made is to acquire 16,629,023 fully paid-up equity shares of face value of Rs 5 each forming 20% of the stake in the company. The offer is being made at a price of Rs 1,475, which is higher than the prevailing market price," i-flex informed the Bombay Stock Exchange (BSE) on Wednesday.

DSP Merrill Lynch is the advisor to Oracle for the i-flex deal.

This is Oracle's second attempt to substantially increase its stake in the company and take it private. After buying out the 40% owned by Citicorp Venture Capital (CVC) at Rs 882.62 per share last year, the company made a bid for a

further 20% as per the Securities and Exchange Board of India (Sebi) regulations.

That attempt flopped, leaving the US software giant with a less than 51% stake in the company. Since then, Oracle has been buying shares from the market and has been paying a higher price each time. Shareholders generally don't surrender shares in the open offer if they feel that the share price will continue to rise or if they want to stick with the company.

Looking at past trends, that story is likely to be repeated this time as well, analysts said. If the current offer succeeds, Oracle's stake in i-flex will rise to 75%. i-flex shares ended Wednesday 0.57% higher at Rs 1,439.85 per share.

Last month, Oracle increased its stake from 52.5% to 55% by paying \$123m to i-flex for the acquisition of Mantas. At the time of Mantas acquisition, i-flex had made a preferential allotment to Oracle.

The open offer will commence on November 6 and will continue till November 25.

i-flex provides IT solutions to the financial services industry, while the Redwood, California-based Oracle is the world's biggest maker of database software.