FINANCIAL TIMES

May 10th 2002

Otis investors go on attack

**By Khozem Merchant
in Bombay**

Minority foreign shareholders in Otis Elevators are to revolt against an expected delisting of the Indian affiliate by its US parent, United Technologies.

Although Otis denies knowledge of any such plans, minority investors point to United Technologies steady accumulation of shares: it now owns 80 per cent, approaching the 92 per cent required to have Otis delisted from the Bombay Stock Exchange. This has triggered concern among shareholders who are campaigning to win board representation and prevent United Technologies increasing its stake any further.

This campaign comes as a number of foreign companies have exploited low share prices to seize full control of their Indian companies.

In the past year, foreign companies including Wartsila, the Finnish engineering group, Cadbury Schweppes, the UK confectionery company and Phillips, the Dutch electronics group, have launched or announced buybacks to take affiliates private.

This has prompted a backlash, with the foreign companies coming under attack for robbing India of some of its best listed companies and undermining the appeal of its capital markets.

However, the Otis campaign, led by Hong Kong based **India Capital Fund** and supported by HDFC, one of India's leading financial groups, is a rare example of foreign investors taking a stand to stop multinationals buying back the stock of local affiliates.

India Capital Fund and its allies, which include Aberdeen Asset Management, control about 5.6 per cent of the shares. They plan to form a dissidents' association to rally wider support.

Jon Thorn, managing director of **India Capital Fund**, which manages $15m of assets in India, said United Technologies was swooping just as four years of restructuring at Otis began to bear fruit, robbing minority shareholders of the longer-term benefit.

"Just as Otis is showing progress, United Technologies wants to take it private and extract the benefits of the restructuring," he added.