

News monitored for: Emami Group

**AFTER RELEASE OF SHARES**, promoters' total pledge has come down to 40.75% from 47.58%, stock may see a re-rating

## Emami Promoters Use Stake Sale Proceeds to Pare Share Pledges

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**Mumbai:** Promoters of Emami, who sold 10% in the company to raise ₹1,600 crore last week, have used majority of the proceeds to repay loans from mutual funds and release the pledged shares. The move could result in the re-rating of the stock, according to analysts.

Promoters had borrowed from mutual funds keeping shares as collateral. After the 11% plunge in the Emami's share price on February 11 amid worries about companies with higher promoter share pledges, mutual funds had asked the consumer goods maker's promoters to reduce the extent of pledge.

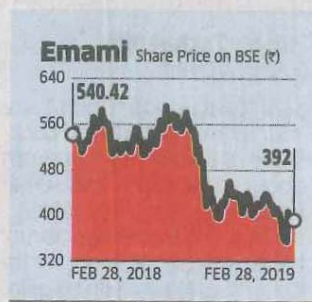
Last week, promoters of Emami Group sold 10% stake worth ₹1,600 crore to funds like SBI Mutual Fund, Premji Invest, Amundi, IDFC and others, thereby reducing the promoter holding in Emami to 62.7% from 72.7% as on December 31.

After the release of the shares, Emami promoters' total pledge has come down to 40.75% of their total shareholding from 47.58% before the stake sale, according to exchange filings

Emami promoters had pledged shares with HDFC AMC, Reliance Nippon Life AMC, ICICI Prudential AMC, SBI-SG Global Securities, Axis MF AMC and Invesco MF AMC, regulatory filings with stock exchanges revealed.

Nearly ₹1,000 crore of the stake sale proceeds have been used to release shares worth around ₹1,500 crore from financial lenders, according to bankers. Since the stake sale, Emami's stock has gained 13%.

In a statement to stock exchange-



es, Emami Group promoters said the stake sale proceeds will reduce promoter debt which was used in creation of assets like cement and solar power, while adding that they do not anticipate any further dilution of stake in the foreseeable future.

"In our view, the 10% stake sale by Emami Limited's promoters will aid re-rating of the stock from the current levels due to better financial stability of the promoters," said Abhijeet Kundu, analyst at Antique Stock Broking. "However, a sustained re-rating of the stock from the current levels will be driven by improvements in performance of its male grooming business, summer product portfolio and continued improvement in Kesh King and Pancharishta."

Emami's stock was under pressure due to consistent weak operating performance and rising promoter share pledge. The stock fell nearly 40% in the six months prior to the stake sale.

"We believe promoter stake sale is a positive and will reduce the risk associated with the stock," said Naveen Trivedi, analyst at HDFC Securities. "On the business side, the company has also enhanced the quality of its distribution but is awaiting a favorable season to benefit from the same."