

# 'We will use Zandu's land bank within a year'

Emami has offloaded a 19.61 per cent stake in Zandu Realty through separate transactions in the open market for Rs 105 crore. In an interview with Pradipta Mukherjee, Emami Joint Chairman R S AGARWAL talks about plans for Zandu's real estate business and how the company plans to leverage its existing land bank to ensure all its projects are commercially viable and to achieve break-even faster. Edited excerpts:

## Q&A

### R S Agarwal

Joint Chairman, Emami

#### Emami has offloaded a 19.61 per cent stake in Zandu Realty. How does it help?

Emami's stake in Zandu has come down to 53.19 per cent from 72.8 per cent earlier. The average sale price of Rs 6,545 a share gives Zandu Realty a valuation of around Rs 528 crore. Zandu Realty is now a listed entity, the result of the demerger of Zandu Pharmaceuticals' FMCG business and its subsequent merger with Emami.

#### How would you utilise Zandu Realty's land bank?

Zandu Realty has about 2.5 acres in Dadar, Mumbai. Within a year, we are planning to use the land bank of Zandu to set up a very premium residential project as well as create a public car park area. We will apply for a special provision for our real estate projects in Mumbai for some extra floor area ratio (FAR), which would make the property more valuable. FAR essentially means the limit that is imposed on the amount of construction in a certain plot of land or location. The parameters differ from state to state and are governed by the respective city development authorities.



#### By when do you think you can be a debt-free company?

We had acquired Zandu in 2008 by paying Rs 713 crore. The Zandu acquisition was funded by a judicious mix of debt and internal resources. Thereafter, the mobilisation of qualified institutional placement (QIP) of Rs 310 crore neutralised a large part of the debt. Go-

ing forward, the enhanced earnings of 2009-10 are expected to pare net debt down to less than Rs 100 crore in 2009-10 and completely eliminate all debt by 2010-11.

#### What is the current land bank for Emami Realty?

In Emami Realty, much of the available land is in the form

of joint ventures (JVs) with other real estate partners. What we are trying to do is use the extra land at our various project sites for real estate projects as well. For instance, Emami owns around 5,000 acres for its edible oil project in Madurai. Alongside the project, we could use the additional land for some real estate development.

Similarly, we have acquired 100,000 acres in Ethiopia for jatropha cultivation. Here, too, we can use the additional land for real estate projects. Now whether this land will be used for commercial purposes or for residential projects is a call we have to take, but the idea is to ensure that all our investments — be it in fresh land or in new projects — become commercially viable and enjoy quick break-even point.

#### What are your plans for FMCG business?

FMCG would remain our core business and focus area. We intend to touch Rs 5,000 crore

turnover in five years. We should touch Rs 1,000 crore by March 2010. We are focusing on expanding our existing product portfolio and our thrust area will be ayurvedic products. So, we are planning to launch a range of new ayurvedic products and a new brand line altogether. We are recruiting separate sales, marketing and distribution personnel to look after the ayurvedic business alone.

#### How are your other businesses doing?

We are in the process of setting up pulp and paper units. For that, we may acquire some land in India or abroad. We are looking at countries like Canada, Malaysia, Indonesia, Australia and the US, for both greenfield and brownfield projects. We are the largest newsprint manufacturer in India and we are eyeing companies with size not less than Rs 1,000-1,500 crore abroad. We have planned a total of Rs 2,000 crore investment in pulp and paper projects.