

Emami may take equity route to raise funds

Our Bureau
KOLKATA

CITY-BASED personal care products maker Emami Ltd is looking to raise fresh resources from the market to finance future expansion plans, accelerate further growth as well as meet its long-term working capital requirement.

The group may mop up funds through issue of equity shares at a premium to qualified institutional buyers.

Information trickling in suggest that net proceeds of the issue from the offering may also be used to repay debt and finance investment opportunities.

"Besides, the funds may also be used for general corporate purposes. Pending utilisation for the purposes stated above, the company may look to temporarily invest funds in creditworthy instruments, including money market mutual funds and deposits with banks. Such investments would be in accordance with the investment policies as approved by the board from time to time," a company insider added.

When contacted, company directors refused to comment on the issue or quantify

the amount it intends to raise from the market. Sources claim Anand Rathi Financial Services Limited and India Infoline Limited will manage the proposed issue.

Though the promoter's holding may get diluted to an extent, post the proposed issue, they will continue to hold a significant part of the equity. Incidentally, promoters' and their group hold some 87.84% of the company's total paid up equity.

The move to mop up resources is in sync with Emami Ltd's plans to grow through the inorganic route.

"The company is toying with the idea of acquiring businesses which are strategically important for growth of their company. They are looking to acquire and enter into strategic relationships in the future as part of their overall corporate growth strategy," a market analyst closely following the company said.

Elaborating, he added: "One must also keep in mind that the company may not be able to identify or conclude appropriate or viable acquisitions in a timely manner. Further, the acquisitions may not necessarily contribute to their profitability and may require them to assume a high level of debt or contingent liabilities."

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