

Emami unlocks Zandu's realty assets, sells 19% for Rs 105 cr

Had Bought Zandu For Rs 750 crore Last Fiscal After A Pitched Battle

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NEW DELHI

KOLKATA-BASED Emami Group, which acquired Zandu Pharmaceuticals in a pitched battle in the last financial year for around Rs 750 crore, is now encashing the latter's realty assets, which are being valued at Rs 500 crore. It has retained the entire FMCG business of Zandu through a complex restructuring exercise.

Emami Infrastructure, which owns Zandu, has divested over 19% stake in the company for around Rs 105 crore. According to this price, the realty business of erstwhile Zandu Pharmaceutical is being valued at Rs 500 crore. Following this divestment, Emami's stake in Zandu has come down to 54% from 72.8%. This makes the value of the FMCG business of erstwhile Zandu Rs 250 crore only.

In a complex arrangement, which started almost immediately after consummation of the deal in June 2009 and was completed in the first week of December, Emami hived off the FMCG business of Zandu and merged it with itself. As a result, the residual business of Zandu became a real estate company and its name was also changed to Zandu Realty from Zandu Pharmaceutical Works. Zandu Realty is now majority-owned by Emami Infrastructure, which also owns the real estate businesses of Emami.

"We have done these transactions to be able to augment our resources better," Emami group CFO NH Bhansali said. The move is aimed at Emami monetising part of its



ZANDU CAME FREE

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stake in Zandu Realty post the restructuring process. Zandu is the residual business, which comprises realty as well, and will continue to remain listed with the real estate business.

Kolkata-based Emami group, which makes Boroplus cream, Sona Chandi chyanprash and Fair & Handsome fairness cream, added Zandu Balm, Zandu Chyanprash and Zandu Kesri Jeevan brands through the acquisition of Zandu Pharmaceutical Works.

Emami chairman RS Agarwal had recently told media the company expects to touch Rs 5,000 crore turnover in the next five years, and that it hoped to post Rs 1,000

crore in 2009-10. He had said the growth would come mainly from portfolio expansion and additional focus on its ayurvedic portfolio.

The stake sale took place through separate transactions in the open market. The company sold 1,51,553 shares, amounting to an 18.79% stake, between December 22 and 24, at an average price of Rs 6,600 per share.

The move is being seen in analyst circles as a possible precursor to Emami divesting additional equity in Zandu Realty. "But it's unlikely that Emami will sell the entire realty business," a Mumbai-based analyst said.

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