

RESTRUCTURING OPERATIONS

# Emami likely to merge real estate business with Zandu

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KOLKATA

Personal care products maker **Emami Ltd** is likely to merge its real estate business with **Zandu Pharmaceutical Works Ltd**, the Mumbai-based herbal healthcare firm it acquired last year.

An announcement to this effect could be made on Friday after the boards of Emami and Zandu have finalized plans to restructure operations.

Zandu's herbal healthcare business would be carved out and integrated with Emami, and closely-held **Emami Realty Ltd** would be merged with Zandu, which owns properties in Mumbai and its suburbs, according to R.S. Agarwal, co-chairman of Emami.

At the time of launching its unsolicited takeover bid in May-June last year, the management of Emami had valued the headquarters of 98-year-old Zandu, located at Dadar in Mumbai, at Rs350 crore.

"The restructuring will lead to creation of two focused companies and, in turn, to better price discovery of shares of the two companies," Agarwal said. "It would unlock value for shareholders of both Zandu and Emami."

**ICICI Bank Ltd**, the country's second largest commercial bank that also offers corporate advisory services, has been advising the two companies on the proposed restructuring.

Management consultancy **Ernst and Young** has also been hired to advise the companies on integration of their herbal healthcare and personal care products businesses.

"We'll soon start selling some of Emami's products under the Zandu brand and vice versa. Both Zandu and Emami would emerge as stronger brands because of



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**Strategic move:** Emami co-chairman Agarwal says both Zandu and Emami would emerge as stronger brands because of this restructuring.

Emami, which acquired a 72% stake in Zandu in October, may get substantial tax benefits with this move

this restructuring," Agarwal said.

Tax consultant **Bansi S. Mehta and Co.** is advising Emami on tax issues. It is expected that the restructuring would result in substantial tax benefits for Emami, which acquired 72% stake in Zandu for Rs750 crore in October last year.

Emami launched its takeover bid for Zandu after it bought a 23.6% stake from Dev Kumar Vaidya and his sister Anita Vaidya, whose great-grandfather Jugatram Vaidya had founded Zandu in October 1910. In keeping with Indian

takeover laws, Emami made an open offer for an additional 20% and this led to a fierce takeover battle with the Parikh family, which was running Zandu for years.

Over the next four-and-a-half months, the management of Zandu and Emami fought many battles in courts and the stock market. Emami had paid the Vaidyas Rs6,900 per share and priced its open offer initially at Rs7,300 apiece. In the end, Emami raised its offer to Rs16,500 a share, and the Parikhs sold out.

What led to the settlement was Emami's offer to the Parikhs to sell them its stake in Zandu at "a price which was 10-15% less than what we were offering for their shares", Agarwal had told *Mint* in an earlier interview.

The price of Zandu's shares has declined substantially from its peak in October. But on Thursday, it rose 3.33% on the National Stock Exchange to close at Rs7,471 apiece, while the bourse's key S&P CNX Nifty Index declined 2.4%. Emami's shares, however, fell 5.59% to Rs335.45.