

INCREASING LIQUIDITY

Emami may look to sell 10% stake to FIIs, collect Rs300 crore

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Personal care products maker **Emami Ltd** is likely going to announce this week, the sale of a 10% stake to foreign institutional investors. The company, which in October acquired a 72% stake in herbal healthcare firm **Zandu Pharmaceutical Works Ltd** for around Rs750 crore, is looking to raise around Rs300 crore through the share sale, according to chairman R.S. Agarwal.

"Some of the best institutional investors in the world have evinced interest in acquiring shares of our company," Agarwal said. "We connected with them by conducting roadshows in places such as Singapore and Hong Kong."

The money raised is likely going to be spent on expanding Zandu and Emami's production facilities, to pay down debts and to introduce new products under the Zandu brand, according to Agarwal.

Anand Rathi Financial Services Ltd and **India Infoline Ltd** are advising Emami on the share sale, according to a regulatory filing, which also said that the shares will be sold for Rs310-340 each.

Emami's shares closed at Rs365 apiece—almost unchanged from Monday—on the **Bombay Stock Exchange**. Over the past one week, Emami's stock has risen by Rs20.

Emami, which borrowed around Rs225 crore to acquire the stake in Zandu, is restructuring the operations of the two companies. Under the plan finalized on 19 June, Emami would merge with itself Zandu's herbal healthcare business. The latter's product range is going to be expanded and its production unit in Pantnagar in Uttarakhand will be commissioned soon, said Agarwal.

Currently, the promoters of Emami—the Kolkata-based Agarwal and Goenka families—own 88% of the company's shares. Their stake will go down following the merger of Zandu's herbal healthcare business with the firm, and allotment of shares to institutional investors. Under the plan finalized on 19 June, shareholders will get 14 shares of Emami for every share held in Zandu.

The merger and share sale to institutional investors will increase the liquidity or number of the company's shares available for trading on the bourses. This, say analysts, could result in better price discovery.

Emami acquired Zandu after a protracted takeover battle, which started in May last year. Emami launched its unsolicited takeover bid after acquiring a 23.6% stake from one Dev Kumar Vaidya and his sister Anita, descendants of the firm's founder Jugatram Vaidya. The management of Zandu, then led by Girish G. Parikh, held off Emami for almost six months before giving up.