

STAKE SALE

# Emami in talks to buy Paras Pharma; deal may cost ₹4,000 cr

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AHMEDABAD/MUMBAI

In a deal that could cost up to ₹4,000 crore, healthcare firm **Emami Ltd** is in negotiations to acquire a controlling stake in Ahmedabad-based unlisted **Paras Pharmaceuticals Ltd** that has over-the-counter (OTC) and personal care product brands such as Moov, Krack, Set Wet, D'Cold and RingGuard in its fold, according to an Emami official.

"We are interested in acquiring the company and some sort of negotiations have begun," an Emami executive said.

He did not want to be identified or divulge details about Emami's interest in Paras, as talks have just begun. "We would be interested to acquire the entire company."

Two private equity firms, **Actis Advisors Pvt. Ltd** and **Sequoia Capital India Advisors Pvt. Ltd**, which jointly hold around 70% in Paras, have been looking to sell their stake in the company for around \$700 million (₹3,269 crore), *Bloomberg* had reported on Monday.

An investment banker with knowledge of the development said the valuation of the firm was reasonable considering profitability had been good this year and prospects in the consumer goods segment were promising. The banker, too, re-

NEGOTIATIONS UNDER WAY

**THE NEWS**  
Emami has started negotiations to pick up a controlling stake in Paras Pharmaceuticals, which has successful brands such as Moov, RingGuard and D'Cold in its fold.

**THE BACKGROUND**  
Private equity firms Actis Advisors and Sequoia Capital India have been looking to exit their cumulative 70% stake in the company, which had a turnover of ₹400 crore in 2009-10. Emami has been looking for its next acquisition after Zandu.

**THE IMPLICATION**  
If the acquisition were to materialize, it would give Emami a further stronghold in the personal care and over-the-counter products segment.

quested anonymity. The FMCG index of the Bombay Stock Exchange (BSE) has risen 35.54% in past year and touched its yearly high on 7 September. Emami's shares gained 0.93% on BSE on Wednesday. The stock has outperformed the benchmark Sensex index over the past year, gaining 107.89% against Sensex's 15.77% rise.

"We don't comment on potential exits," said Sumir Chadha, managing director of Sequoia Capital India, which had invested \$12 million to pick up an 8% stake in Paras in 2006.

"I cannot comment on such matters relating to our portfolio companies," J.M. Trivedi, head of South Asia at Actis Advisors said in an emailed statement on 31 August. After ac-

quiring 23% in 2006, Actis ramped it up to 62%.

The remaining 30% stake in the firm is held by chairman and original promoter Girish Patel. "I would not like to comment on this as the matter is related to our shareholders," Patel said.

A person with direct knowledge of the development said: "The process has just been initiated and investment bankers have been appointed last week. A lot of buyers have shown keen interest and Emami is one of them." The person declined to be named.

Actis and Sequoia have appointed **Morgan Stanley** as investment bankers to the deal.

Quoting a statement from Actis, the *Bloomberg* report stated that Paras saw a 32% growth in revenue this year, while operating profit climbed 51%

Sunil Duggal, chief executive officer of **Dabur India Ltd**, had recently said once Paras is on the block, they would look at it.

When asked on Wednesday whether Dabur was in talks with Paras, Duggal said, "No comments."

Apart from its successful products, Paras also owns substantial real estate in Gujarat, which could be of value to po-

tential acquirers. The company has shifted most of its production to a new unit in the tax-free area of Baddi in Himachal Pradesh.

Its original factory in Kalol, Gujarat, is almost vacant. The size of the land at Kalol isn't immediately known.

Analysts, however, cautioned that unlike its acquisition of Zandu Pharmaceutical Works Ltd, Emami may choose to acquire Paras' key products and brands only and not the real estate in the company.

"Emami paid for Zandu's real estate assets, making the acquisition expensive," said Rajesh Agarwal, head of research at Kolkata-based stockbroking firm **Eastern Financiers Ltd**. "But this time, it may want to buy only brands and key production facilities."

Emami has been on the lookout for its next acquisition after it acquired management control of Zandu in November

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2008 and merged its herbal health-care business with itself.

*Mint* had reported on 3 September that Emami was exploring an acquisition in the health-care or person-

al care space either in India or overseas. Consulting firm **Ernst and Young** and boutique investment banking firm **Singhi Advisors Ltd** were helping it scout for investment targets.

Emami had ₹604 crore of cash reserves on its balance sheet as on 31 March and had passed an enabling resolution to raise ₹1000 crore in June.

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