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Emami Infra to merge Zandu with itself

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Emami Group, the diversified conglomerate based from this city, has decided to consolidate its realty arm into a single listed entity, to unlock value and raise funds from the market to fund its ongoing projects.

Zandu Realty (ZRL) is being merged into Emami Infrastructure (EIL). Over the years, while ZRL, its subsidiary, had stagnated in implementation of new construction, EIL has been on a project construction track and is currently implementing as many as eight projects, entailing an investment of ₹4,500 crore. Girija Choudhary, director and chief finance officer of EIL, says the merger will imply a flow of funds from ZRL into the former, helping project funding.

"The promoters can't give 100 per cent project funding from their own pockets. From where (else) is the money going to come?" he told *Business*

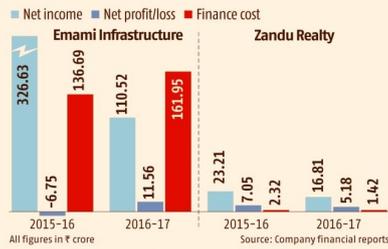
Standard. In the proposed scheme of merger, ZRL shareholders will get seven shares of EIL of a face value of ₹2 for every share of face value of ₹100 held on the date of record. Public shareholding in the merged entity will be increasing, as the promoters' share in the merged entity will fall to 50.49 per cent, from the current 58.06 per cent in EIL. The public shareholding will go from 41.94 per cent to 49.51 per cent.

The company says earnings per share (EPS) is likely to increase with the merger, which will lead to an expanded price to earnings ratio and an increase in the stock's value.

EIL is developing properties in Kolkata, Chennai, Jhansi, Bhubaneswar and Indore in its individual capacity. Two projects each in Mumbai and Hyderabad are being executed in alliance with partners.

Choudhary said while EIL has been expanding its business, ZRL had stagnated over

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the years, with inventory of ₹10-12 crore and no land reserve. While, EIL has land parcels of around 800 acres, sufficient for new constructions in the next seven-eight years.

"We generally intend to develop projects exceeding a million square ft, primarily in Class-B cities (the now-outdated ranking used the central government). In the coming years, our growth path will evolve

around developing projects directly. We are open to partnering with others if a project is lucrative," he told this publication. In the coming years, he added, most of the growth in the real estate sector would come from Class-B cities.

EIL's indebtedness is ₹1,398 crore and ZRL's is ₹11 crore. The merger will imply ZRL's debts being taken over by EIL; the latter's net worth will rise to ₹214

crore from ₹27 crore. "All these borrowings have been invested towards acquisition of land and construction and development of projects, including security deposits provided to joint venture partners," Choudhary told this business daily.

EIL was until recently in losses, on account of inability to complete projects in time, leading to rise in administrative overheads. It is now targeting to complete at least one project every year, which will help it maintain a profit margin.

During 2016-17, EIL posted ₹11.6 crore profit, as against the loss of ₹6.75 crore in the year-ago period. After the Emami Group's flagship company, Emami Ltd, acquired the stakes of Zandu Pharmaceutical Works in 2008 for ₹750 crore, it had spun off ZRL as a realty firm. Although ZRL developed a property in the Mumbai suburbs, Zandu Sigma Estate, it didn't undertake new projects thereafter and EIL became torchbearer of the group's real estate wing.