

Company acquires four marquee brands, Glucon-D, Nycil and Sampriti, from Heinz for Rs 4,595 crore

Cadila Health now a Complan boy

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Mumbai/Ahmedabad: Pharmaceutical company Cadila Healthcare, through its subsidiary Zydus Wellness Ltd, has agreed to acquire Heinz India for a valuation of Rs 4,595 crore.

The deal includes Heinz's brands Complan, Glucon-D, Nycil and Sampriti Ghee and two manufacturing units in Aligarh (Uttar Pradesh) and Sitarganj (Uttarakhand).

The consideration will be in cash, through a mix of debt and equity, with leading private equity firms committing equity support.

The transaction is expected to be earnings per share accretive and is expected to close in the fourth quarter of this fiscal, subject to regulatory approvals, Ahmedabad-based Cadila said in a statement.

Kraft Heinz has proposed to carve out business related to ketchup, tomato sauce, mayonnaise, before the closing of the transaction.

Post announcement, shares of Zydus Wellness closed 4.29% lower at Rs 1203.95 per scrip on BSE while shares of Cadila Healthcare closed 5.17% lower at Rs 358.40 on BSE on Wednesday.

Zydus warded off competition from Tata Group, Wipro, Dabur, Danone, and Coca-Cola for the assets.

Cadila's consumer health business is led by Zydus

NEW SECRET OF ENERGY

₹1,150cr **₹225cr** **₹1,700cr**

revenues of the four brands for 12 months ended June 30

Ebitda for the four brands

Cadila's consumer health biz turnover would cross



5.6%

the nutrition drinks segment may see CAGR during 2017-22, according to Euromonitor



This acquisition will be an ideal addition to Zydus Wellness, supporting our aspirations to grow in the consumer wellness space by providing multiple choices to consumer

SHARVIL PATEL, chairman, Zydus Wellness

CADILA HEALTHCARE

Share price on BSE in ₹



Wellness.

With this acquisition, the turnover of the consumer business would surge to over Rs 1,700 crore, almost three times its current size, making it one of the strongest players in the fast growing

consumer healthcare market, the company said. In FY18, Zydus Wellness reported a turnover of Rs 503.1 crore with a net profit of Rs 133.9 crore, as per its annual report.

The acquisition will ex-

pand and strengthen Zydus Wellness' core business of food and nutrition, which currently contributes for 80% of its revenues, it said.

Zydus Wellness has a presence in the food, nutrition and skincare markets and currently owns brands such as SugarFree, EverYuth and Nutralite, which it acquired in 2006.

The four major brands Complan, Glucon-D, Nycil, Sampriti Ghee registered a combined turnover of Rs 1,150 crore and Ebitda (earnings before interests, taxes, depreciation and amortisation) of Rs 225 crore for 12 month period ending June 30, 2018.

Heinz India enjoys global rights of Glucon-D, Nycil and Sampriti Ghee, while for Complan the rights are for India, Bangladesh, Nepal and those countries where it has IP rights.

Headquartered in Mumbai, it has around 900 employees across its manufacturing facilities and four branch offices in key metros.

In fiscal 2018, Heinz India has a turnover of Rs 1,185 crore, including Rs 55 crore-worth of sales of business to be carved out. In fiscal 2017 and 2016, Heinz India reported turnover of Rs 1,279 crore and Rs 1,256 crore, respectively. **Turn to p2**

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Heinz India also has a strong distribution network of over 800 distributors, more than 20,000 wholesalers covering 29 states. Most of these brands are 50 years old with Glucon-D first launched in 1933, Complan launched in 1969 and Nycil launched in 1951.

Sharvil Patel, chairman, Zydus Wellness said the development offers immense opportunity to broaden its portfolio and invest in brands and products which it believes as relevant to health conscious consumers.

"This acquisition will be an ideal addition to Zydus Wellness, supporting our aspirations to grow in the consumer wellness space by

providing multiple choices to consumers. We also look forward to welcoming the employees, consumers, partners and all stakeholders of Heinz India to the Zydus family," Patel said.

Amey Chalke, analyst, HDFC Securities, said Zydus Wellness currently contributes 4-5% in topline and 6-7% in earnings with mid-single digit revenue growth over the last few years and 20% plus Ebitda margin. After this deal, Zydus Wellness's contribution in Cadila's overall business will move up to 12-13% of revenues.

According to him, Cadila Healthcare is yet to declare the exact deal structure and the amount of debt it is likely

to raise for this acquisition.

"After assuming Rs 2,000 crore debt and Rs 2,500 crore equity infusion by PE, we estimate this deal to negatively impact Cadila's earnings by 4-5% in FY19. It will also reduce Cadila's stake in Zydus Wellness to 55% from 72% now. Net debt to equity ratio likely to raise to 0.6x from 0.4x now," Chalke said.

Abneesh Roy, research analyst – senior vice-president, institutional equities – research, Edelweiss Securities said the deal works out to be approx 3.8x enterprise value/ sales on trail basis, which is much lower than comparable companies under its coverage trade at approx 7.9x trail EV/ sales.