

# THE ECONOMIC TIMES

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Tue, 04 Dec-18; Economic Times - Delhi; Size : 362 sq.cm.;  
Circulation:134320; Page : 1

## Valuation Right, Say HUL's Mehta & Phatak



HUL chairman Sanjiv  
Mehta and CFO Srinivas  
Phatak said the deal was

done at the right valuation, especially in view of the category-leading brands involved. The deal would give the Indian FMCG giant added scale, they said. ▶▶ 5

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# ‘Together with GSK, We can Make Horlicks a Much Bigger Brand’

COPMANY PHOTOS

## Our Bureau

**Mumbai:** India is the second largest market for Unilever globally. Its local unit, Hindustan Unilever, on Monday announced a ₹31,700-crore deal to acquire GlaxoSmithKline Consumer Healthcare’s brands to boost its foods business that has historically been a subdued segment compared with its global portfolio. In a media briefing, HUL chairman Sanjiv Mehta and chief financial officer Srinivas Phatak outlined the reasons for and contours of the deal. Edited excerpts:

### DEAL VALUATION

We believe it is the right value. Remember, it is not a cash deal. It’s an all-share deal. If you then start to project some of the growth, this deal in due course can be below 20 (times) enterprise value/EBITDA. Of course, as the synergies and growth kick in, that’s how the equation will be. Also, we are buying brands which are category leaders. They are not small players, but big players in a big category.

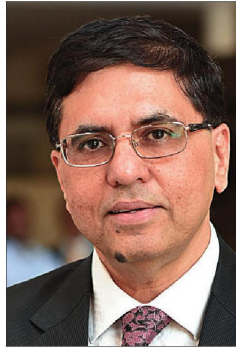
### FOOD SCALABILITY

If you look at the history of it, you grow your business organically (and) inorganically. It is all about where you put your focus at a certain point of time. It also depends on an opportunity that comes your way. A ₹7,000-crore (business) is not a small business. Now, it gives us added scale.

### HORLICKS – HEALTHY GROWTH POTENTIAL

We have very carefully examined the strength of this brand, the claims we would be able to make, the nutritional properties of the brand and product and there is a huge opportunity for us. That is what we are going to leverage going forward. We are very confident that it is a brand with a huge runway ahead of it, and penetration is low. We are in a business which knows how to do market development and how to do premiumisation.

Together with the GSK te-



Sanjiv Mehta, chairman (L) and Srinivas Phatak, CFO, HUL

am which will come to us, we will be able to leverage and make it much bigger.

### GSK EMPLOYEES’ FATE

Our first focus is to get regulatory and statutory approvals. The second-year focus will be integration. For the first one year, after the approvals, we are going to retain the same terms and conditions for the employees. First, it is a merger. So, everyone is an employee of HUL. We are a growing business,

### PHARMACY CHANNEL

For us, pharmacies are an important channel even from a beauty- & personal-care perspective, as chemists lend credibility to brands

in need of talent. This is a business growing in high single to double digits and there is enough opportunity. Obviously the first focus will be integration. Then obviously we will have a choice of looking at a larger pool of talent on both sides. We will have the luxury and advantage of the best people. And thereafter, we will have to really talk through where is the rest of the business and where do you take it forward. Sure, there will be synergies in the

due course but the starting point is not about that but about integrating, bringing everyone on board.

### ROYALTY TO SELL GSK OTC BRANDS

We would be getting a commission. That is an arrangement we will continue post the merger for a period of five years which can be renewed. You should also remember that pharmacies and chemists are increasingly playing a bigger role in personal care and food.

For us, pharmacies are an important channel even from a beauty- and personal-care perspective, because chemists lend credibility to the brands. For us, that is where the benefit would come in but for GSK Consumer Health, it will also give them access to the massive reach that we have.

### GSK ASSETS

The deal is for all four plants and all the assets. We will decide what will happen to the office and what will we do with the space. We have valued the enterprise not individual assets.

### ROYALTY TO UNILEVER

There will be a royalty payment. Even today there is. The Horlicks brand, unlike Maltova and Boost, was not owned by GSK India. It was owned by the GSK headquarters; so, Unilever has rights not just in India but beyond India. We will use it, like we use other brands.