Narnolia
Advance Strategy · Simple Solutions

GRASIM MERGER- DEMERGER

VIEW / TARGET

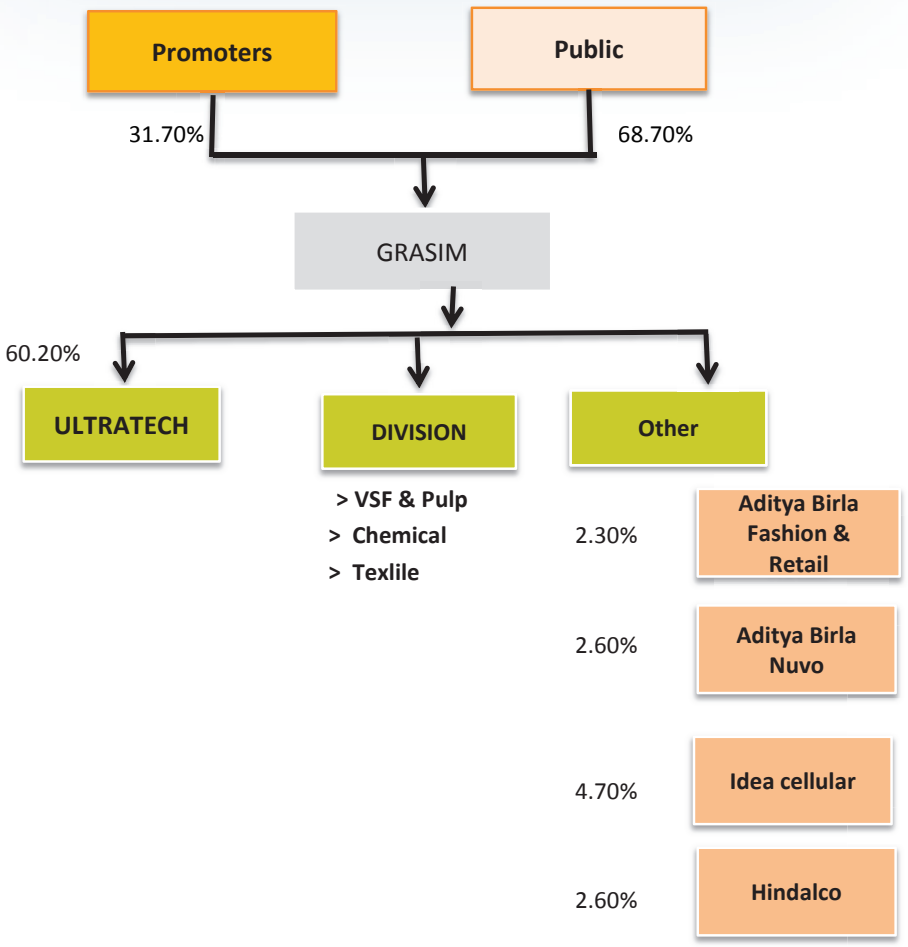
GRASIM: HOLD/ BUY
COMPARABLE PRICE AFTER DEMERGER- Rs1087/-
ABCL: HOLD TARGET PRICE 160/-

6-Jul-17

MERGER- DEMERGER CASE- BRIEF

- ADITYA BIRLA NUVO LTD (ABNL) HOLDS STAKE IN ADITYA BIRLA FINANCIAL SERVICE LTD (ABFSL) POPULARLY KNOWN WITH BIRLA SUNLIFE BRAND NAME
- ADITYA BIRLA NUVO MERGES WITH GRASIM
- SWAP RATIO IS : EVERY 10 SHARES OF ABNL WILL GET 15 SHARES OF GRASIM LTD
- GRASIM LTD IS THE NEW MERGED ENTITY
- ABFSL BECOMES SUBSIDIARY OF GRASIM
- ABFSL DEMERGED FROM GRASIM LTD
- DEMERGED ENTITY NAMED AS ADITYA BIRLA CAPITAL LTD - (ABCL FORMERLY-
- SWAP RATIO IS : EVERY 5 SHARE OF GRASIM WILL GET 7 SHARES OF ABCL
- SEPARATE LISTING OF ABCL TO HAPPEN ON EXCHANGES
- ABCL FAIR VALUATION ~ Rs160/-
- FINAL SHARES IN THE HANDS OF INVESTOR:
  >> 10 SHARE OF ABNL WILL GET 15 SHARES OF GRASIM AND 21 SHARES OF ABCL
  >> 5 SHARE OF GRASIM WILL GET 7 SHARES OF ABCL LTD

CURRENT STRUCTURE OF GRASIM



ABNL has stakes in telecom and retail businesses while Grasim is the owner of India's biggest cement business through its unit UltraTech. Shareholders of ABNL will get three new shares of Grasim for every 10 shares they hold. In the merged entity, which will retain the name Grasim, Aditya Birla Group will hold 39% stake and the remaining 61% will be with the public. The financial services company, to be called Aditya Birla Financial Services, is planned to be listed by May or June. Financial services businesses — from stock broking to insurance — are currently run by ABNL. Seven shares of the financial services company will be offered to each share held in Grasim, which will retain 57% stake after the listing.

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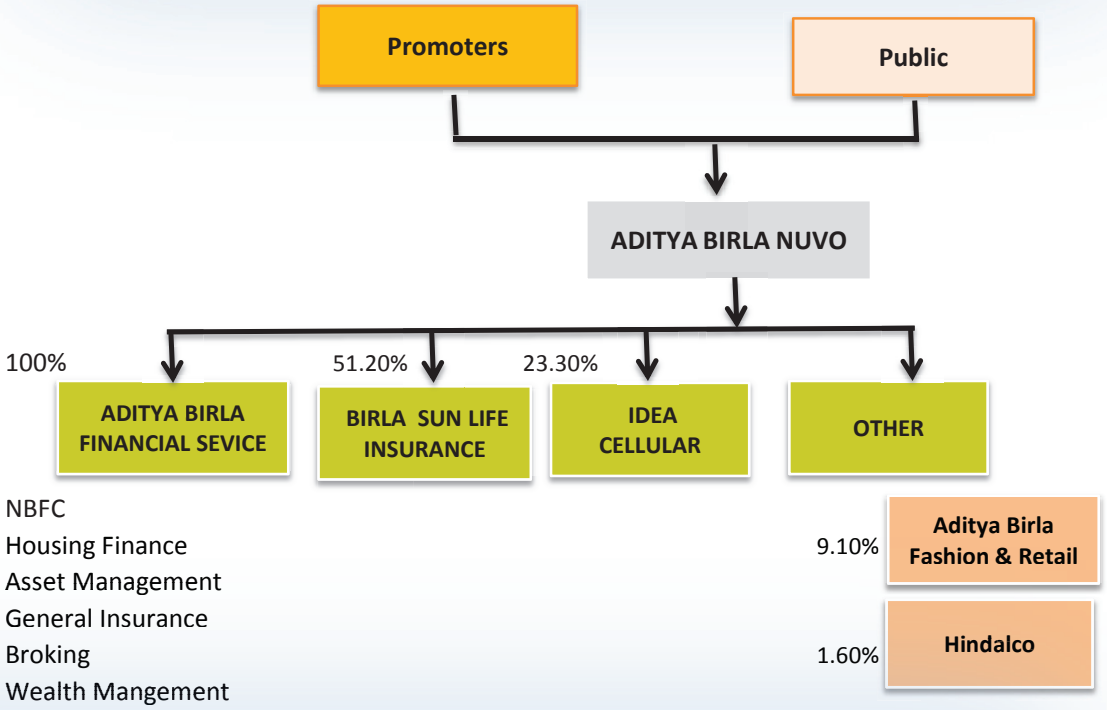
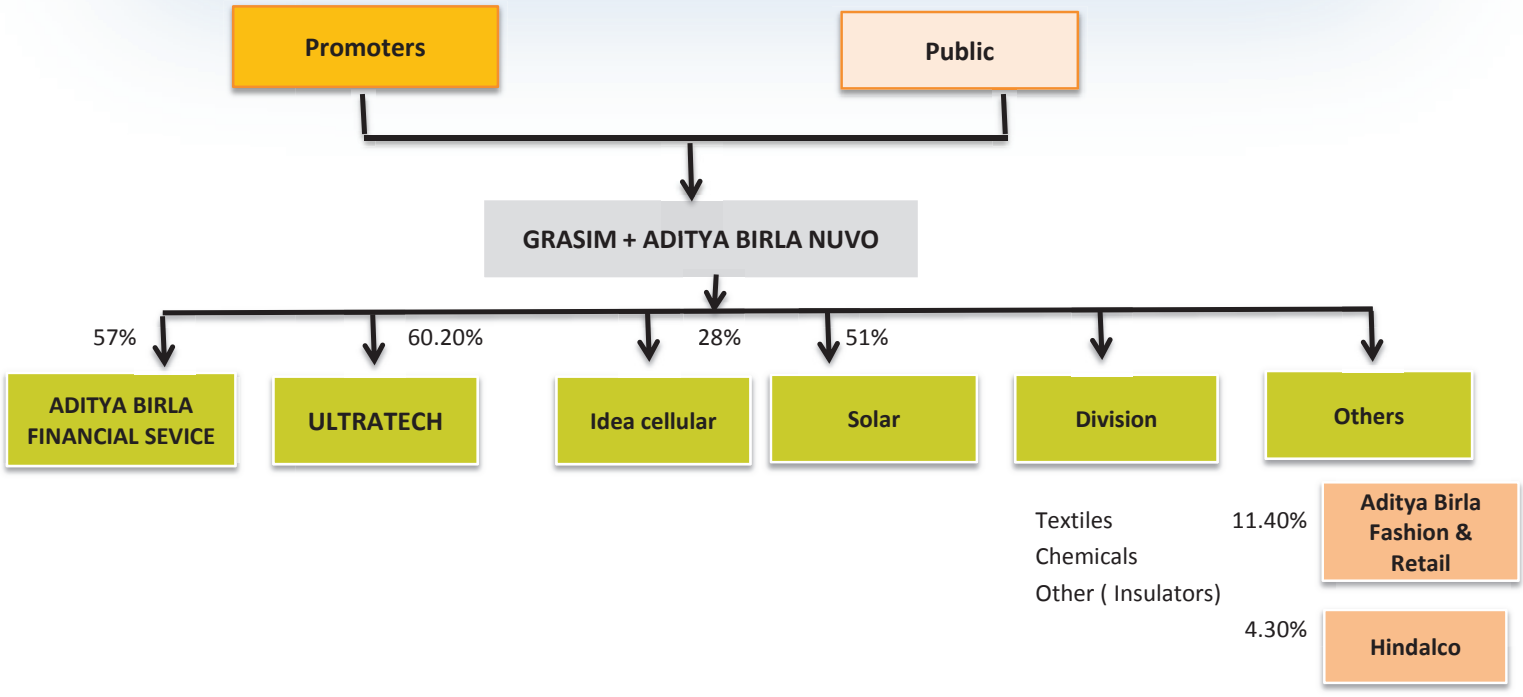
Please refer to the Disclaimers at the end of this Report

GRASIM MERGER- DEMERGER

STRUCTURE OF ABIRLANUVO PRE MERGER INTO GRASIM



CURRENT STRUCTURE OF AFTER MERGER



GRASIM MERGER- DEMERGER

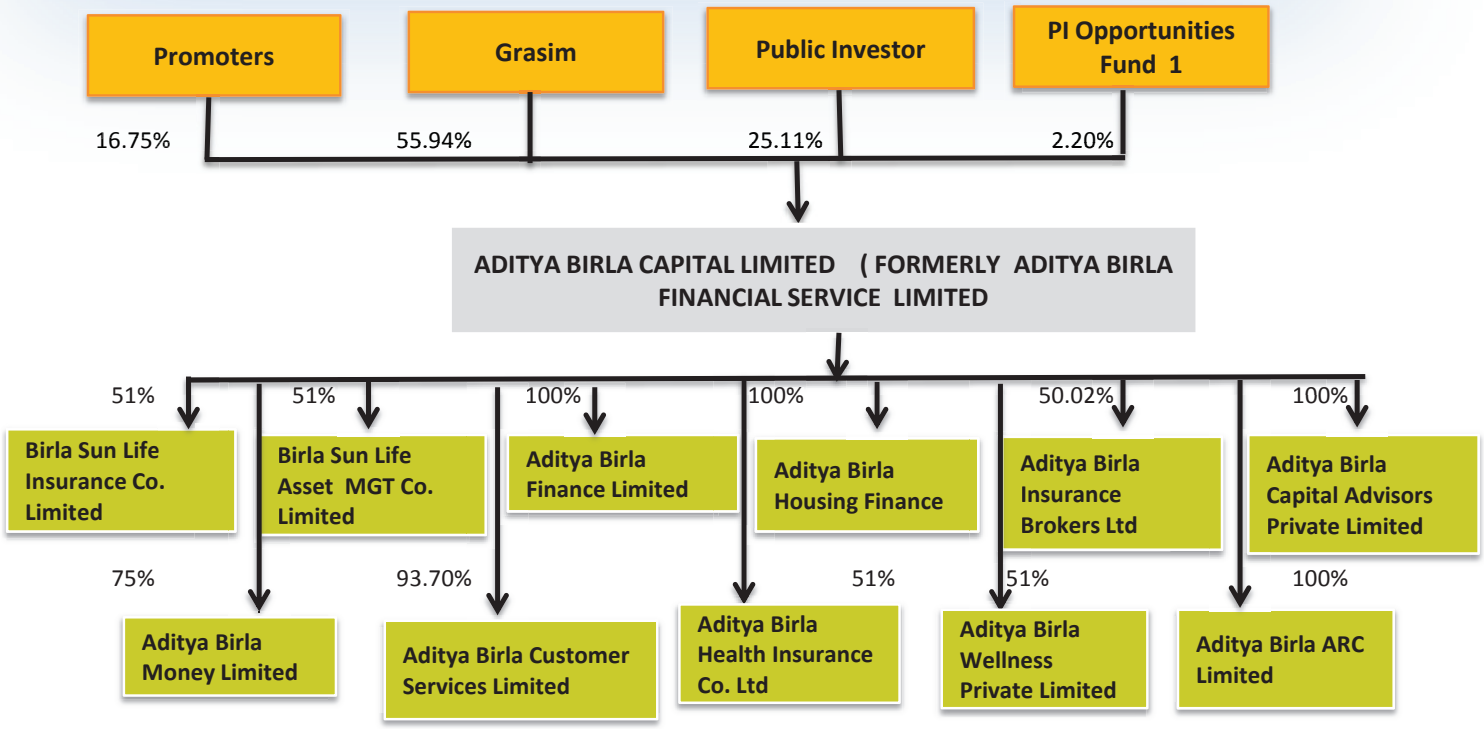
SWAP RATIO OF GRASIM & ABIRANUVO MERGER

Following the merger, a shareholder will get 15 shares of Grasim for every 10 shares of AB Nuvo, and seven shares of AB Financial Services for every one share of Grasim.

DEMERGED ADITYA BIRLA CAPITAL LIMITED FROM GRASIM LTD

Aditya Birla Financial Services will be demerged and listed as a separate entity after the merger between AB Nuvo with Grasim

ADITYA BIRLA FINANCIAL SERVICE RESULTANT STRUCTURE ON DEMERGER



Aditya Birla Capital Limited ("ABCL") is the holding company of the financial services businesses of the Aditya Birla Group. Having a strong presence across life insurance, asset management, private equity, corporate lending, structured finance, general insurance broking, wealth management, equity, currency and commodity broking, online personal finance management, housing finance, pension fund management and health insurance businesses, ABCL is committed to serve the end-to-end financial services needs of its retail and corporate customers. ABCL has recently applied to the Reserve Bank of India for seeking license to start asset reconstruction and securitisation business.

ABCL ranks amongst the top fund managers in India with an aggregate AUM (across asset management, private equity and insurance businesses) of Rs.2,463 billion and a lending book of Rs.388 billion as of 31 March 2017. Anchored by over 12,000 employees, ABCL is present across more than 400 cities in India through over 1,300 points of presence and more than 142,000 agents and channel partners. Delivering a wide range of protection, investment, financing and advisory services to its customers, ABCL has emerged as a significant financial services player in the non-bank space. PI Opportunities Fund – 1, an affiliate of Premji Invest, will own 2.2% of the post scheme fully diluted equity share capital. The transaction values ABCL at Rs. 32,000 Crore