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₹8,900-cr rich Piramal not eyeing new areas

Will invest in financial services, drug discovery, information services: Ajay Piramal

PT JYOTHI DATTA

Mumbai, April 10

Ajay Piramal's decision to invest in Vodafone about two years ago has come good. The investment has got him a 50 per cent returns as he now sells his company's 11 per cent stake in Vodafone for ₹8,900 crore.

On Thursday, Piramal Enterprises said it would divest its entire equity in the telecom company to Prime Metals Ltd, an indirect subsidiary of Vodafone Group Plc. The transaction valued the shares of Vodafone India at ₹1,960 a share. Piramal had acquired them at an average ₹1,290 a share for ₹5,864 crore, in two tranches in 2011 and 2012.

Today's deal is part of Vodafone's plan announced last October to take full control of Vodafone India for $1.7 billion, following a rule change allowing foreign carriers to fully-own their Indian subsidiaries. The group has already completed a transaction to buy about 4.5 per cent stake from Analjit Singh.

Not entering new sectors

Even as fresh funds flow into the kitty, Piramal says he is not keen on entering any new sector. In fact, his company has all but disengaged from the defence sector, Chairman Ajay Piramal told *Business Line*, outlining the investment plans.

The company will continue to invest and grow businesses it is already in — financial services, drug discovery and information services, he said, asked if the company would look at new sectors to park funds.

"We decided to discontinue defence because no (government) decisions were being taken in the area," he said, adding that it was a difficult sector to operate in. The company's alliance with Bluebird Aero Systems of Israel would continue, he said, adding that all else had been discontinued. A change of government, post elections, would not change that decision, he added.

Another Piramal investment recently in the spotlight was its diagnostics business, with reports indicating that the company was looking to exit the space. "It would not move the needle either way," he said, indicating that it was a small business for them.

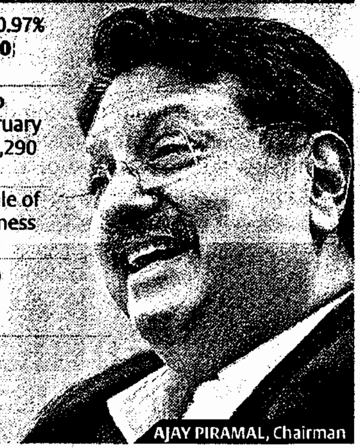
Piramal sits on a ₹10,000-crore-plus kitty, with ₹8,900 crore coming from the Vodafone disinvestment, and another $400 million (over ₹2,000 crore) from multinational drug-maker Abbott.

In 2010, the then Piramal Healthcare had sold its domestic formulations business to Abbott in a ₹17,000-crore deal. Abbott's payments were staggered over a four-year period, and the last tranche is expected in September.

Flush with funds after the sale to Abbott, Piramal had picked up equity in Vodafone as a short-to-medium term investment, expecting a return of 17-20 per cent in 12-18 months. "Our role was not to be a long-term investor," Piramal said, on his decision to exit, adding the timing was right as Vodafone had got all approvals in India.

Windfall gain

- Piramal Enterprises has sold its 10.97% stake in Vodafone India for **₹8,900 crore**, at ₹1,960/share
- Piramal acquired the stake in two tranches in August 2011 and February 2012, **paying ₹5,864 crore**, or ₹1,290 per share
- The funds came from the 2010 sale of Piramal's domestic generics business to Abbott Labs for **₹17,000 crore**
- The Vodafone sale translates into **50% plus return** on Piramal's investment in just two years
- Piramal has **diversified into** real-estate, infrastructure, information management, and education funding



AJAY PIRAMAL, Chairman

Company