THE ECONOMIC TIMES

Welcome Merger: For The Times, in Itself

Hindustan Unilever Ltd (HUL) announced completion of the merger of GlaxoSmithKline Consumer Healthcare Ltd on Wednesday. It is welcome, foremost, as a resolute assertion of optimism in the midst of plummeting stocks and extreme uncertainty over the extent of damage that Covid-19 would cause, in terms of human lives and diminished growth. The action by India's largest FMCG company to complete the merger into itself of another large Indian subsidiary of a multinational company, announced in early December 2018, in the midst of the Covid-19 lockdown, one of the largest in the consumer goods space, is a welcome message of business continuity and even strategic advance during a pandemic-induced lockdown that should brace other businesses.

The all-stock deal, in which GSK receives 3.9 HUL shares for every share sold, entails issuance of fresh equity. The result is to dilute the holding of parent Unilever in the Indian subsidiary by 5.3 percentage points. Not only does HUL beef up its business, but it also becomes more Indian. HUL also decided to buy the brand Horlicks from the GSK parent. Time was when Horlicks used to be listed as a premium beverage on the menu of restaurants in southern India. Even as India has grown into the world's largest health food drinks market, Horlicks does not have quite the same cachet it used to enjoy in the past. Having laid out good money for total ownership of the brand, HUL should be expected to spend money to give it contemporary appeal and relevance. That spells good news for the advertising and media industries.

HUL, as India's largest FMCG company, is a reliable component of risk-averse investment portfolios. That the company is entering a new market segment and using its surplus cash to acquire a wholesome brand is welcome.