Merger complete, focus now shifts to integration of HUL-GSK operations

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Hindustan Unilever (HUL) said on Wednesday it had completed the merger of GlaxoSmithKline (GSK) Consumer with itself, taking its combined food and refreshment business to over ₹12,000 crore.

The merger will also give HUL access to brands such as Horlicks and Boost, pitting the company against rivals such as Nestlé India, another big player in the health and nutrition segment.

HUL will also pay GSK Plc a sum of ₹3,045 crore for acquiring Horlicks' brand rights in India, implying it will not pay brand royalty to parent Unilever, who had first acquired the rights when the merger was announced in December 2018.

GSK Plc, on the other hand, will monetise its 5.7 per cent holding in HUL, after the share swap is completed on April 17. 4.39 HUL shares will be exchanged for every GSK Consumer share as part of the scheme of arrangement, approved by the Mumbai and Chandigarh Benches of the National Company Law Tribunal.

With the merger now complete and GSK Consumer's assets and liabilities moving to HUL's books of account, attention will shift to the integration of the former's employees and operations into HUL.

Around 3,500 people from the nutrition business of GSK Consumer have moved to HUL, company Chief Financial Officer Srinivas Phatak said on Wednesday, with the emphasis now on integrating IT, sys-



NESTLÉ VERSUS HUL: TOP LINECompany size in ₹cr

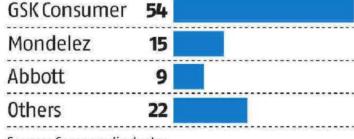
Nestlé* **12,369**

HUL-GSK Consumer[#]
12,045

*Net sales for calendaryear 2019 #Net sales for FY19 (food and refreshment)

LEADERS OF HEALTH FOOD & DRINKS

Market share size in %



Source: Company/industry

tems, sales, distribution and procurement across the two companies.

For this, HUL has set up two teams. The first unit will manage core integration, said Phatak, looking at synergies across departments, seeking to eliminate overlaps and merging operations wherever needed. "We

will retain the workforce of GSK Consumer wherever required. Others will be redeployed across HUL's operations," he said.

"The second unit will be the country category business team (CCBT) that will handle the core nutrition portfolio within foods and refreshment," he said. "Horlicks, Boost, Maltova and Viva will be part of this nutrition portfolio and the CCBT will be responsible for identifying opportunities of growth and expanding the business," he said.

Analysts, however, expect the integration process to be delayed due to the ongoing supply chain and manufacturing disruption caused by the Covid-19 pandemic, with the company saying the integration would take around 18 months to be completed. "There are short-term challenges that we will need to handle," Phatak said. "However, in the medium term, we see no issue as far as the integration process goes," he said.

On Friday, HUL had said operations in many of its manufacturing and distribution centres, warehouses and extended supply chain partner locations had been disrupted due to the pandemic. It was therefore suspending and scaling down operations at most of its plants, with talks on with government authorities to resume operations and ensure continuity of business. "We are monitoring the situation closely and the impact on business operations is difficult to assess now as the situation continues to evolve at a rapid pace," the company said.