

Fairfax India buys 51% stake in Privi Organics

Mumbai: Canadian billionaire Prem Watsa's Fairfax India Holdings Corp. on Wednesday said it had agreed to acquire a 51% stake in Privi Organics Ltd for about Rs.370 crore.

Privi Organics is a supplier of aroma chemicals to many large fragrance and consumer goods companies globally. The transaction is expected to close in the third quarter of 2016, Fairfax said in a statement on Wednesday.

Additionally, the boards of Adi Finechem Ltd, a Fairfax investee company, and Privi Organics have approved a scheme of merger, which will bring significant diversification and synergies to both partners. Adi Finechem will gain access to Privi Organics's high-quality research and development facilities. Privi Organics will benefit from Adi Finechem's focus on cost optimization and capital efficiency, the statement said.

Adi Finechem and Privi Organics would continue to operate as distinct and independent business units. Fairfax India had acquired a 44.9% equity stake in Adi Finechem in early 2016.

After the merger, Fairfax India would own approximately 49% in the merged business, which is proposed to be renamed as Fairchem Speciality Ltd. The proposed scheme is subject to customary regulatory approvals including a court approval process and is expected to close in the first quarter of 2017.

"We are excited to partner with great entrepreneurs who have shown commitment to building great businesses over the long term.... Mahesh Babani, D.B. Rao and their experienced management team have done a commendable job in building Privi Organics into a global leader in their product segments and will continue to grow its operations independently under their leadership" said Watsa, chairman of Fairfax India.

Fairfax, through its various investment vehicles, has invested over \$1 billion in India in the last one year. In March, Fairfax invested in Bangalore International Airport Ltd, in which it acquired a 33% stake from infrastructure developer GVK Power and Infrastructure Ltd for Rs.2,149 crore.

In April, the investment firm announced that it is investing some Rs.2,000 crore in Sanmar Chemicals Group, a speciality polyvinyl chloride (PVC) company. Other Fairfax investments in India include diversified financial services firm IIFL Holdings Ltd, insurance firm ICICI Lombard General Insurance Co. and commodity warehousing and collateral management company National Collateral Management Services Ltd.

"The company will invest in businesses that are expected to benefit from India's current pro-business political environment, its growing middle class and its demographic trends that are expected to underpin strong growth for several years. Sectors of the Indian economy that the company believes will benefit most from such trends include infrastructure, consumer services, retail sector and the export sector," Fairfax India said in its public offering regulatory filings.