

August 26, 2024

LEGACY REIMAGINED: GODREJ FAMILY RESTRUCTURING

INTRODUCTION

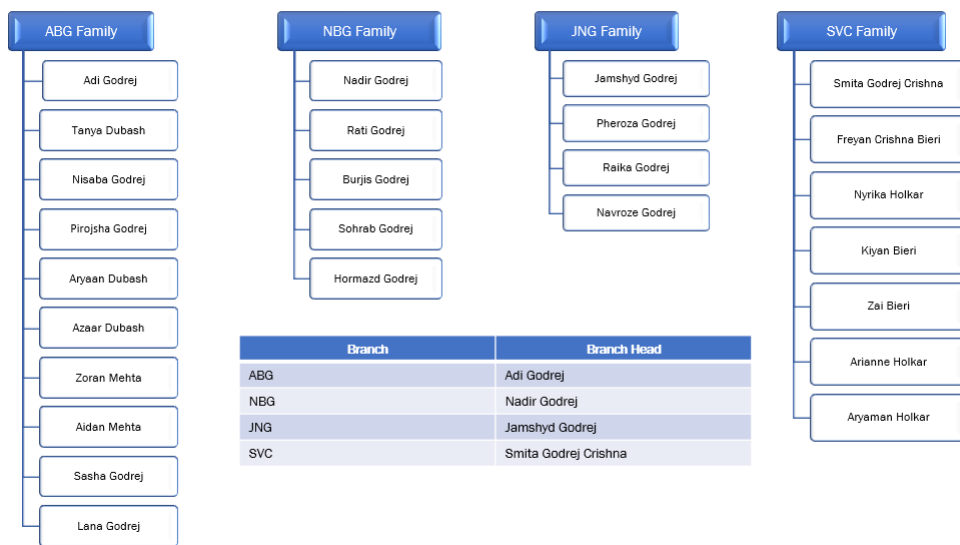
Godrej, a pioneering conglomerate which came into existence during the Swadeshi Movement in 1897, is a household name in India, well known across industries ranging from real estate to consumer goods. The Godrej group has businesses ranging from real estate to consumer goods, each with a rich history. However, after a 127 year long run, the Godrej family mutually decided for it to enter into a new era of operations that are divided amongst the Godrej families, in a manner which allows the newer generations to unlock more value from the conglomerate whilst preserving the goodwill and credibility of the management and operations of the allocated entities.

The new era has been innovatively structured to ensure a smooth division of the entities / existing businesses in the conglomerate between the existing patriarch Adi Godrej and his cousin Jamshyd Godrej.

REORGANIZATION

For the purposes of the reorganization, four family branches were created, with each branch having a branch head (as set out below). Each member of the four family branches entered into a Family Settlement Agreement ("**FSA**") dated April 30, 2024, to record the restructuring of the Godrej group. Pheroza Godrej and Rati Godrej) also entered into a Brand and Non-Compete Agreement ("**BNC**") dated April 30, 2024 to set out terms governing the adoption, use, ownership and registration of the 'Godrej' brand. None of the Godrej group companies were party to these agreements.

The family branches and branch heads that have been created for the reorganization are as follows:



For the purposes of the rearrangement as per the FSA, the four family branches have been divided into two groups – (i) ABG – NBG families have been clubbed together ('**Adi Group**'); and (ii) JNG – SVC families have been clubbed together ('**Jamshyd Group**').

A brief profile of the companies in the Godrej group that were divided between Adi Group and Jamshyd Group are as below:

S. No.	Name of the Company	Listed / Unlisted	Key Operation
1	Godrej Industries Limited (' GIL ')	Listed	Through its downstream affiliates (GCPL, GPL, GAVL, GSGL, IMPL, Astec and Anamudi), GIL's operations range from fast-moving consumer goods, real estate, agri-business, chemicals and financial services.
2	Godrej Consumer Products Limited (' GCPL ')	Listed	Affiliate of GIL engaged in the production and sale of fast-moving consumer goods.
3	Godrej Properties Limited (' GPL ')	Listed	Subsidiary of GIL and a real-estate company developing residential, commercial and township projects in India.
4	Godrej Agrovet Limited (' GAVL ')	Listed	Subsidiary of GIL, which, along with its subsidiaries, is engaged in agri-businesses.
5	Godrej Seeds and Genetics Limited (' GSGL ')	Unlisted	Trading of agricultural products.
6	Astec Lifesciences Limited (' Astec ')	Listed	Subsidiary of GAVL engaged in sale of fungicides, insecticides, herbicides and intermediates.
7	Innovia Multiventures Private Limited (' Innovia ')	Unlisted	Innovia holds 2.68% shareholding in GPL and has no other business operations.
8	Anamudi Real Estates LLP (' Anamudi ')	Unlisted	Leasing real estates. Further, Anamudi holds certain investments.
9	RKNE Enterprises	Unlisted	Management, development, acquisition, leasing and investment in immovable properties. Further, it also invests funds of partners in shares / other forms of investment.
10	Godrej & Boyce Manufacturing Company Limited (' GBMC ')	Unlisted	Presence across 15 industries through business units involved in the aerospace, construction, electricals and electronics, tooling, storage solutions sectors, etc.
11	Godrej Holdings Private Limited (' GHP ')	Unlisted	Management of investment portfolios of other companies.
12	Godrej Infotech Limited (' Infotech ')	Unlisted	Subsidiary of GBMC. IT service provider providing business process consulting, infrastructure management, implementation, application support, etc.

Division of group companies between Adji Group and Jamshyd Group (as per the FSA):

The FSA bifurcates the above-mentioned entities between the Adi Group and Jamshyd Group, in such a manner that either family groups are not directly or indirectly involved in the management or control of the operations of entities that have been designated to the other family group.



Management and control of these entities (in subsidiaries and joint ventures) will be with ('Jamshyd Group Entities')

PUBLIC M&A CONSIDERATIONS

- ## ANTITRUST CONSIDERATIONS

However, the CCI still undertook an analysis with respect to the linkages that the other investments (outside the Godrej group) made by Adi Group and Jamshyd Group would have with the activities of the Adi Group Entities and the Jamshyd Group Entities.

However, CCI was of the view that such overlaps and linkages did not cause any appreciable adverse effect on competition given that these overlaps and linkages could not significantly change the market dynamics in any plausible market that could be delineated.

■ It is very important to note that 'family arrangements' not constituting 'transfer' under the Income Tax Act, 1961 is only available as long as the divestment is by one family member to another and does not extend to any corporate entities.

KEY TERMS OF THE RNC

- The division under the BNC can be divided into three segments:

■ **Existing Businesses** – The businesses being undertaken by e

Machines

- Financial Services
- Pharmaceuticals
- Diagnostics
- Sexual Wellness
- Agriculture related services
- Fertilizers
- Chemicals
- Oils and Fats

Exclusive Businesses of Adi Group

- Furniture
- Durables
- Heavy Engineering
- Locks/Architectural Hardware
- EPC Services
- Construction Materials
- Automation Services
- Interior Design Services
- Medical Devices

Exclusive Businesses of Jamshyd Group

- Energy
- Electric Mobility
- Vending Machines
- Security Products and Solutions
- Intra Logistics
- Transmission Systems

Both the family groups have agreed to a non-compete protection for their Existing Businesses and Exclusive Business, which would be applicable for a total of 6 years from the effective date of the FSA (**Non-Compete Period**). Post the Non-Compete Period, each family group would be allowed to use 'Godrej' or the names of the corporate entities. The non-compete obligations in the BNC are subject to customary exceptions and other pre-agreed limitations.

The trademark 'Godrej' will be equally owned and shared by both Adi Group and the Jamshyd Group. Each of the family groups shall have the exclusive right to adopt, use, own and register 'Godrej' brand directly or indirectly for the Existing Businesses and Exclusive Businesses.

The Adi Group shall have the exclusive right to adopt, use, own and register the name 'Godrej' and brand for development, marketing of real estate projects and real estate services relating to sale and/or purchase, of real estate projects, and the business of licensing and leasing to third parties.

Jamshyd Group shall have the exclusive right to adopt, use, own and register the name 'Godrej' and brand for real estate development business and the leasing / licensing business carried out in respect of any land parcels (including the land in Vikhroli) owned by, or leased as of January 1, 2017, by or through any of its affiliates (**Existing Land Holdings**) and also includes any real estate asset class developed over the Existing Land Holdings by Jamshyd Group, directly or indirectly through their affiliates.

Adi Group shall not be restricted, directly or indirectly, from using 'Godrej' brand when acting as development manager of any land parcel owned by the Jamshyd Group in Vikhroli (pursuant to an agreement between Adi Group and Jamshyd Group and / or their Affiliates).

Both family groups have the non-exclusive right to adopt, use, own and register 'Godrej' name and brand for ancillary real estate activities such as project management and consultancy services for construction projects, construction of hotels, hospitals and schools, master planning and architecture, etc.

For the Shared Businesses, both family groups can undertake these using 'Godrej' brand along with distinguishable group level differentiators. Shared Business would include any business not falling under Existing Business and Exclusive Business and having been agreed as a shared space, such as a hospital, etc.

The Jamshyd Group would use 'Godrej Enterprises Group' or such other tagline including variations for its business and the Adi Group would use 'Godrej Industries Limited' or such other tagline including variations for its business. None of the family groups can make any modifications to the shared tagline.

CONCLUSION

Given the unique family dynamics and demographics in India, such settlements are not uncommon. The country has witnessed several high-profile family settlements, such as those of the Ambani and Haldiram families, which have set precedents for managing intricate family businesses and wealth. This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

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You can direct your queries or comments to the relevant member.

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