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Building efficiency through Merger: The Dharam Satyapal Limited & the Sandarbh Foods merger – Strategic Integration in India's Diversified FMCG Conglomerates

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Abstract

This case studies the merger between Dharampal Satyapal Limited (DSL), a major Indian FMCG company, and its subsidiary, Sandarbh Foods Private Limited and explains why the deal was done, how it was approved, and what changed after the merger. The primary goal of this merger was to simplify the corporate structure and integrate Sandarbh's food manufacturing operations directly under DSL's control. The merger was an intra-group, court-approved, cashless share exchange under sections 230-232 of the Companies Act, 2013, sanctioned by the NCLT, New Delhi, on December 4, 2020. Pre-deal financials show a strong, equity-heavy balance sheet at Dharampal Satyapal with prudent leverage and adequate liquidity, while Sandarbh had an asset-heavy, de-risked profile suitable for internal consolidation. Using common-size balance sheets and ratio analysis for FY2020, and tracking profitability and return ratios for FY2021-FY2024, the case finds that operating performance improved after the merger. Operating margin (PBDITA) rose from 19.96% in FY2020 to 25.66% in FY2021 and 25.64% in FY2022, dipped during an investment phase in FY2023, and recovered to 26.54% in FY2024. PAT margin and returns (ROE/ROCE) followed a similar pattern, with ROE reaching 18.69% by FY2024. The balance sheet scaled from Rs. 4,769 crores to Rs. 9,095 crores in total assets, with net fixed assets nearly doubling, while leverage stayed conservative.

This study also outlines integration challenges (Cultural, HR, Systems, and Operations), regulatory steps, and market pressures, and presents lessons for managers, investors and regulators on phased integration, disciplined working capital, conservative leverage, and

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book-value accounting in intra-group schemes. Overall, the merger created operational and financial benefits and strengthened the platform for future growth.

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1. Introduction

Dharampal Satyapal Limited, a company that is a part of the Dharampal Satyapal Group, is a multi-business corporation and one of the leading FMCG (Fast-moving Consumer Goods) conglomerates with strong Indian and international presence. It was founded in 1929 in Delhi by Shri Dharampal Sugandhi and Shri Satyapal Sugandhi. The group has diversified their product categories into different segments of the markets over the decade, like mouth freshener, Food and Beverage, Confectionery, Hospitality, Agri, Luxury Retail, Tobacco businesses and also has other investments.

The company's strength lies in its diversified product portfolio, which ranges from mouth fresheners, spices, confectionery, beverages, and dairy to hospitality and packaging. Some popular brands like Rajnigandha, Catch, Pulse, Pass Pass, and Chingles have given a powerful and loyal customer base in India. Another key strength is the strong distribution network, which covers both urban and rural markets, ensuring nationwide coverage. The company's brand equity, which builds trust among customers, enables it to command premium positioning.

Additionally, its vertically integrated solution, including in-house manufacturing and packaging, provides cost efficiency and quality control. This group focus on sustainability, research, and modernization, reflecting its long-term vision for growth.

On the other hand, Sandarbh Food Private Limited, an amalgamated private limited company, was established on 24 November 2005 in New Delhi, India. Engaging in bakery & Confectionery products within the food and beverages sector. It is registered under the ROC, Delhi. It is unlisted. It has an authorized capital of Rs. 47 Crore and a paid-up capital of Rs. 38.55 Crore. In the merger scheme, Sandarbh Foods is considered a transferor company to be amalgamated into the transferee company. One of its key strengths is its expertise in food processing and product development, particularly in the manufacturing of high-quality packaged food items that align with the Dharma Pal Satyapal group's standards of hygiene, flavor and innovation. The company has strong operational efficiency and a modern production facility that enables consistent quality and scalability of output. This strength made this company suitable for merger with Dharampal Satyapal Limited.

1. Deal Background

The Sandarbh Food Private Limited and Dharampal Satyapal Limited merger timeline & NCLT approval processes are classified into four phases from July 2019 to December 2020 final order, which include stakeholder meetings and judicial consideration.

Elements	Details
Transaction type	Intra-Group Amalgamation (Vertical Integration merger)
Transferor Company	Sandarbh Foods Private Limited
Transferee Company	Dharampal Satyapal Limited (DSL)
NCLT Approval Date	December 4, 2020
NCLT Case Number	Company Petition No. (CAA)/171/ND OF 2019
Bench	NCLT, New Delhi Bench (Division Bench)
Presiding judges	P.S.N Prasad, Sumita Purkayastha, Member (Technical)
Judgement Reference	(2020) 12 NCLT CK 0009
Authorized Capital	INR 47,00,00,000
Paid-up capital	INR 38,55,38,960
Consideration Structure	Tax-Neutral Share Exchange (No Cash payment)
Regulatory Compliance	Section 230-232, Companies Act 2013; Income Tax Act 1961
Merger Effective Date	Post-NCLT filing with ROC

Here is the timeline of this merger deal between Dharampal Satyapal Limited and Sandarbh Food Private Limited, from drafting proposal to taking approval from NCLT.

Regulatory Approval processes

The NCLT approval involved four phases;

i. Application Phase (July-Aug 2019): NCLT directed convening of Shareholder/creditor meetings

ii. Stakeholder Meetings (Sept – Oct 2019): Equity Shareholder, secured and unsecured creditors voted in favor.

iii. Final Hearing (Nov-Dec 2020): Divison Bench judges scrutinized scheme for public interest

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iv. Order Issuance (Dec 4, 2020): NCLT Sanctioned and approved the merger scheme

Key Objective points that will reflect why this merger has happened?

· **Operational Consolidation:** By merging with Sandarbh Food Company, it brought food manufacturing operations directly under DSL's Control from a subsidiary structure. Because of this efficiency and quality packaging production, the company needs to use this opportunity to improve its operational efficiency and reduce costs.

· **Cost efficiency:** The cost of the operation was decreased, eliminating inter-company complexity, duplicate functions, and administrative overhead.

· **Unified management:** Overall, the centralized control of all food operations within the parent company after the merger has increased the effective decision-making capability under the top management team.

· **Simplified structure:** Although the company was doing well in their position, after the merger, there is no need for subsidiary-level reporting, and it also reduces governance complexity.

· **Supply Chain Integration:** Unified procurement, Vendor Management, and Manufacturing Coordination.

The Sandarbh Food Company was a 100% subsidiary of Dharampal Satyapal before the merger. So, Sandarbh shareholders receive fully paid equity shares of DSL (Cash-less transaction). In this merger, all the employees transferred with service continuity, and creditors' rights were preserved. In addition, there was no adverse tax impact.

2. Data & Analysis

A. Pre-Deal Analysis: Financial position of both firms

Here is the following liquidity ratio analysis for the pre-merger of both firms;

i) Dharampal Satyapal Limited: Financial performance analysis before merger (FY2020) Balance sheet (FY2020):

The common-size Balance sheet for Dharampal Satyapal (FY2020) shows a resilient, equity-heavy structure with prudent leverage and adequate liquidity buffers, when each line item is expressed as a percentage of total assets. Net fixed assets constitute one of the

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assets that are the most capital intensive and account for 27. 16% of the total assets at the company's balance sheet date, which is quite big a number, meaning that the capital intensity is moderate, compatible with a manufacturing based FMCG business and there is still a lot of space to go on growth levers such as brand distribution or working capital efficiency if they keep the asset-based route. Also compare to other items. The company has more outside liabilities. As current asset is a big contributor and among the largest sub-components of current assets are inventories, so it shows that the company is stocking lots of SKU's which also shows that they have product breadth, but in addition, it may also imply that there could a bit of opportunity in inventory and working capital management to improve the quick liquidity position without affecting service levels.

The portion occupied by receivables is another evidence to credit discipline and balanced channel risk. In fact, cash and bank balances act as a cushion which not only temper net debt but also enables the company to have operational flexibility in procurement and promotion. As far as liabilities and equity financing of the company are concerned, tangible net worth is the key ingredient, reflecting a history of cumulative retained earnings and limited dividends as well as conservative capital expenditure and debt decisions that have gradually built up the company's equity reserve and cushion. With borrowed capital, short-term borrowings form the larger portion of the debt, which is typical of working capital financing in the FMCG sector; at the same time, the proportion of debt altogether only stays roughly moderate which in combination with double-digit operating margins, makes the balance sheet relatively risky and interest coverage risk. From the point of view of shareholders, the equity-led capital structure lowers financial risk and because of this preserves the room for capital expenditures and brand investments as well as a company's long-term performance.

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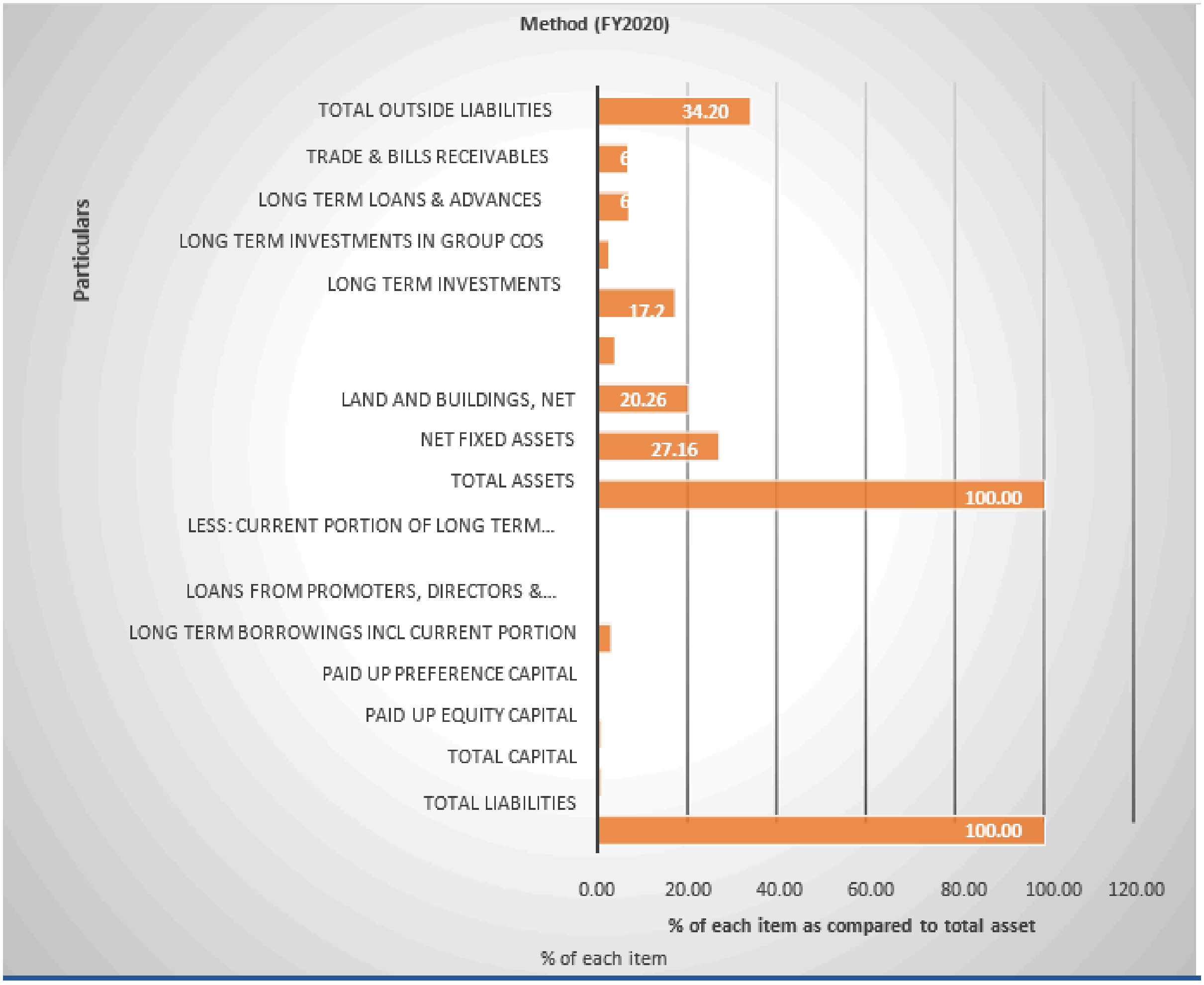

Analysis of financial ratios for FY2020

Financial Ratios	Value (Calculated using Excel)	Financial Ratios	Value (Calculated using Excel)
Liquidity		PBITA margin (On total income)	19.96%
Current Ratio	1.53	PBT margin (On total income)	13.53%
Quick ratio	0.93	PAT Margin (On total income)	9.63%
Working Capital	Rs. 651.56 cr	Return on net worth (ROE)	12.22%
Leverage		Return on Capital Employed	10.62%
Gross debt	Rs. 639.09 cr	Return on Asset	8.17%
Net debt	Rs. 429.53 cr	Net Fix asset to total asset	27%
Bank Balance	Rs. 209.56 cr	Total outside liabilities to total assets	0.34x

Debt to equity	0.21x	Net debt to assets	0.09x
Net debt to equity ratio	0.14x		

Analysis

The current ratios show that there is an adequate short-term solvency with a modest cushion over current liabilities. Also, it indicates that there is not efficient utilization of current asset that has the potential to earn money. the quick ratio indicates that quick assets rely mostly on inventory; liquidity is satisfactory but tighter on a quick basis. The working capital reflects the headroom to fund operations and receivables cycles. The debt-to-equity ratio indicates that companies are taking less risk and are conservative. If you see the net debt to asset ratio, which is 0.09 times, that reflects low balance sheet gearing and capacity to absorb shocks.

Now, the profit after deducting all the taxes and expenses from the total income is 9.63% which reflects bottom-line profitability, which is ahead of the restructuring window. There is a reasonable equity return with scope to rise as operating leverage improves. Return on capital employed is 10.62% which indicates a healthy return on operating base and is consistent with moderate capital intensity. And all the assets are utilized efficiently for a manufacturing-backed consumer business.

ii) Sandarbh Food Private Limited

Analysis of Balance Sheet for the years 2008-2010 as per available data

A. Capital Structure and Solvency

The company moved from a negative tangible net worth of Rs. -0.19 crore in 2008 to Rs. 5.35 crore in 2009 and Rs. 8.74 crore in 2010, which indicates the consistent equity repair and balance sheet strengthening within two years. The outside liabilities fell sharply from Rs. 7.66 crore in 2008 to 2.95 crore in 2009, and to Rs. 0 by 2010, implying full deleveraging/settlement obligation by FY2010 and near zero financial risk at period end. In addition to these, the paid-up equity rose from Rs. 0.01 crore (2008) to Rs. 1.12 crore (2009) and Rs. 1.80 crore (2010), suggesting fresh equity infusions that underpinned the turnaround in net worth and liability reduction.

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B. Reverse and equity quality

Even though net worth turned positive, free reserves stayed at ₹-0.20 crore for all three years, suggesting that accumulated losses had not yet been reversed at the "free reserves" level. The improvement was due to the creation of specific reserves (securities premium), not the accretion of retained earnings. From ₹0 in 2008 to ₹4.43 crore in 2009 and ₹7.14 crore in 2010, specific reserves (securities premium) increased significantly, demonstrating that capital was raised at a premium and that equity quality was strengthened without depending on operating surpluses.

C. Signals related to working capital and liquidity

Even though the balance sheet is clean, the lack of visible current assets other than token cash suggests that future operating scale-up will require intentional working capital planning (inventory/receivables financing). Current liabilities are small (₹0.09 crore in 2008–2009) and disappear by 2010, consistent with the exit of outside liabilities.

D. Readiness for investments and mergers takes

If working capital facilities and operating cash flows are set up to support revenue scale-up, Sandarbh's de-risked, equity-funded, asset-heavy platform with no external liabilities and a positive net worth by 2010 makes it an appealing profile for internal consolidation or integration. The use of securities premiums rather than free reserves indicates that net worth repair during this time frame was not driven by internal accruals driven by profitability; post-merger operating discipline and margin delivery will be crucial to converting capital structure strength into sustainable ROCE/ROE.

3. Post-Deal Performance Analysis

Although post-deal performance analysis for Dharampal Satyapal Limited (DSL), covering the two to four fiscal years after the Sandarbh Foods amalgamation was sanctioned in dec-2020. Since DSL is unlisted, “Stock performance” is proxied with profitability and return ratios. For this company, if I analyze their performance, the profitability and returns strengthened in FY21-FY22 as compared to FY20, dipped in

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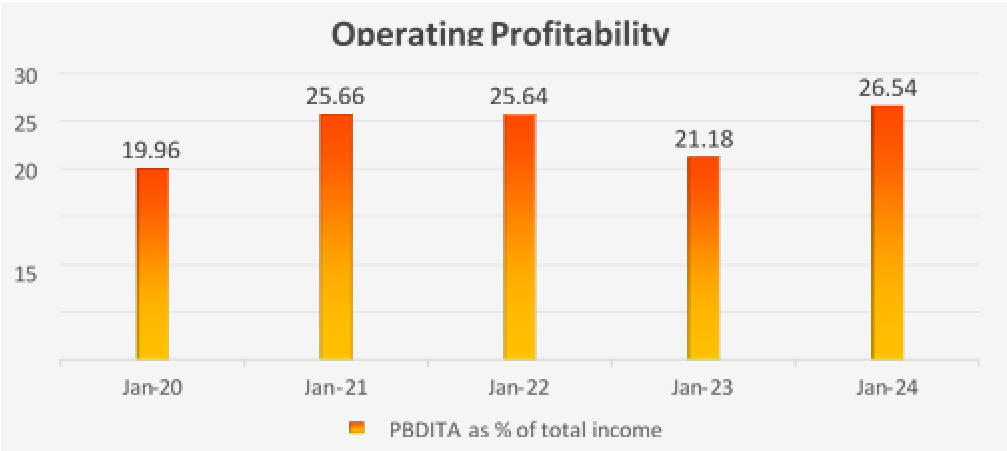
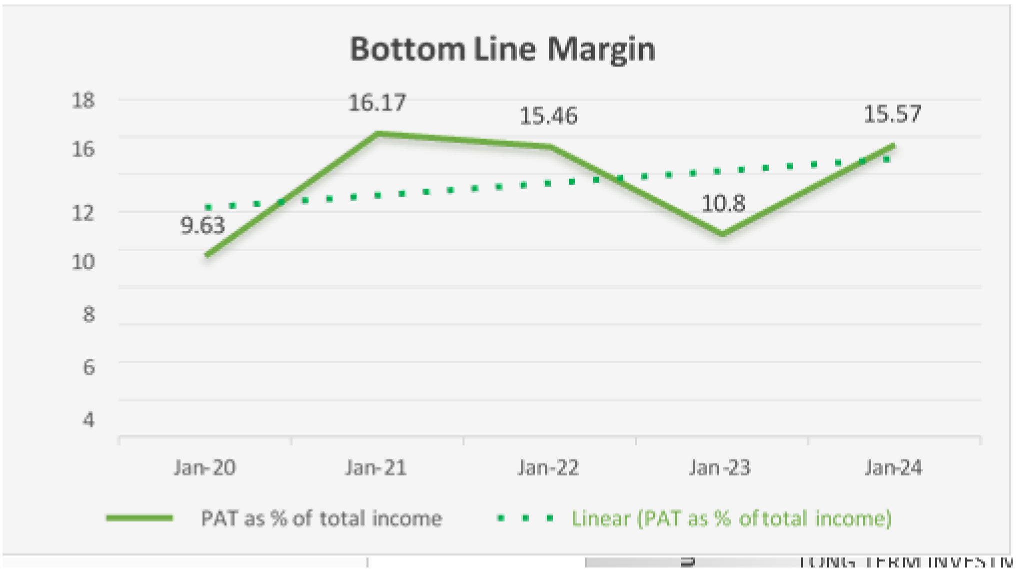
FY23 amid investment/build-out and working-capital expansion, and rebounded sharply in FY24 with multi-metric improvement, while the balance sheet scaled materially with controlled leverage.

A. Financial performance after merger (FY21-FY24)



PBDITA margin rose from 19.96% (FY20) to 25.66% (FY21) and 25.64% in FY22, after this it dipped to 10.80% (FY23), then recovered to 15.57% (FY24) which shows that there is strong post-merger operating leverage with a temporary FY23 softness before normalization.



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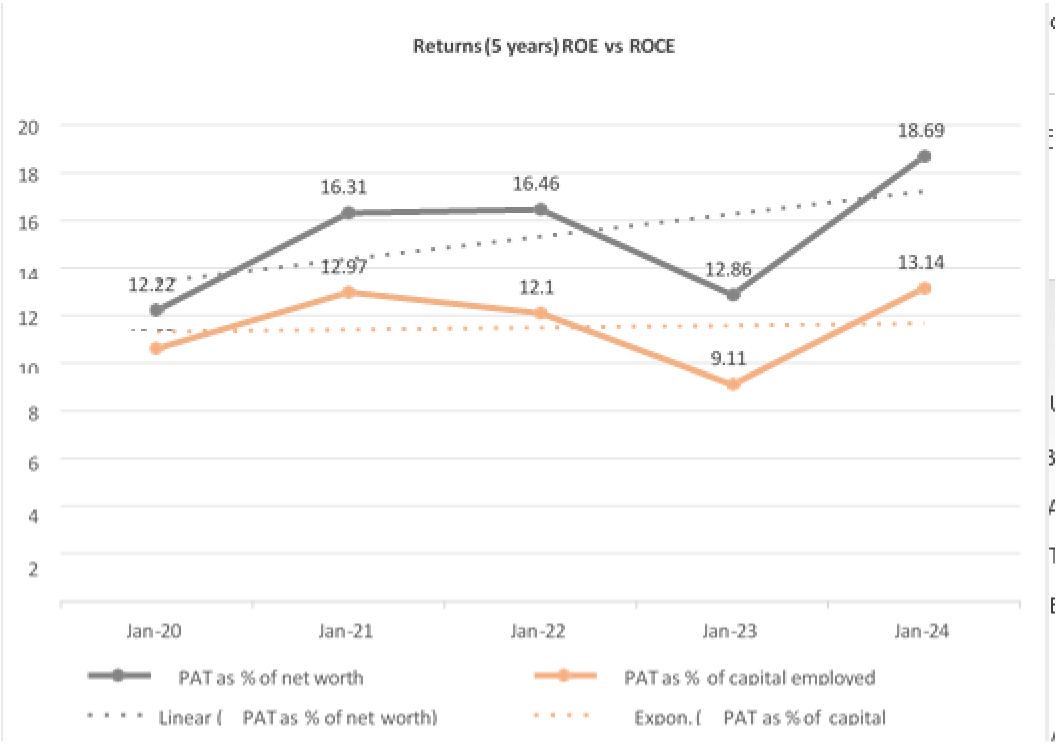
PAT margin improved from 9.63% (FY20) to 16.17% (FY21) and 15.46% (FY22), dipped to 10.80% (FY23), then recovered to 15.57% (FY24), so this showing consistent with operating margin profit.



Returns over the 5 years then ROE (PAT/Net worth) rose from 12.22% (FY20) to 16.33% (FY21) and 16.46% (FY22), softened to 12.86% (FY23), and strengthened to 18.69% in FY24. In comparison to these, the return on capital employed (ROCE) which is calculated by profit after tax divided by capital employed, it moved from 10.62% (FY20) to 12.97% (FY21), 12.10% (FY22), 9.11% (FY23), and 13.14% (FY24), reflecting investment cycles and margin normalization.

Stock performance (Unlisted): This company with no market price, performance is best tracked via ROE/ROCE trend and margin sustainability, both improved post-deal vs FY20 baseline and peaked again in FY24 after an investment-heavy FY23, suggesting accretive consolidation and efficient deployment of capital over 2 to 3 years. If you see the scale overall, then it showing higher scale after 2 years of deals, that indicate stronger operating

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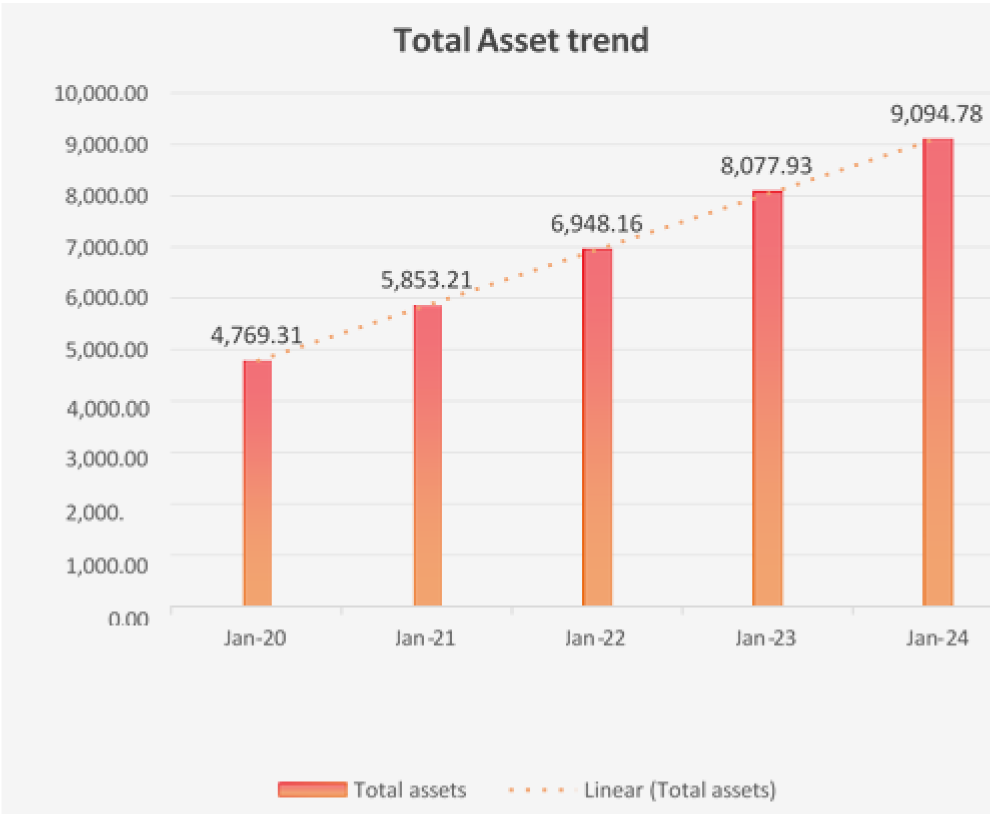
and net margin as compared to FY20, robust ROE recovery to 18.7% by FY24, and disciplined leverage alongside capacity addition, this reflect that the merger has successfully after merger integration and profitable growth execution.

B. Balance Sheet Growth and Scale



Total asset trend rose from Rs. 4,769 cr (FY20) to Rs. 5,853 cr (FY21), Rs. 6,984 cr (FY22), Rs. 8,078 cr (FY23), and Rs. 9,095 cr (FY24), this showing that there is an increase in the total asset after merger.

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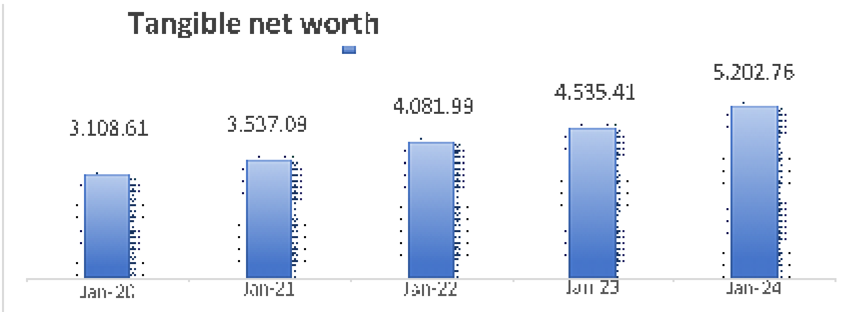
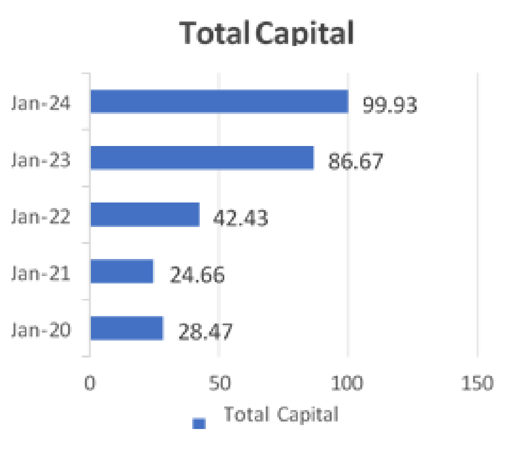
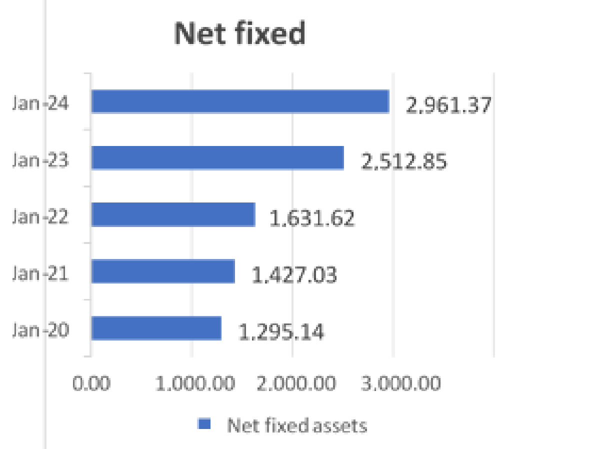
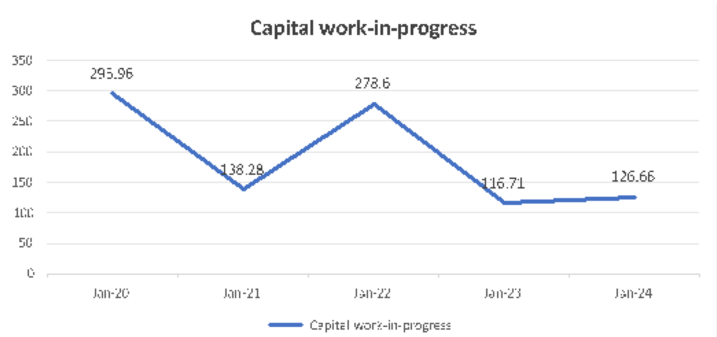


In above charts, it shows the tangible net worth increased from Rs. 3,109 cr (FY20) to Rs. 3,537 cr (FY21), Rs. 4,082 cr (FY22), Rs. 4,535 cr (FY23), and Rs. 5,203 cr (FY24), demonstrating the strong internal accruals supporting growth.







Total capital refers to all the resources companies use to run and grow their businesses; it includes owners (shareholders) and outsiders (lenders).

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4. Finding & Discussion

Overall, the amalgamation was successful on operating, return, and balance-sheet metrics over the 2 to 3 years post-deal, with margins, ROE, scale, and net worth improving versus the FY2020 baseline while leveraged stayed conservative.

A. Was the deal successful?

After a brief period of consolidation, integration produced sustainable cost and scale benefits, as evidenced by operating profitability, which increased from a 19.96% PBDITA margin in FY2020 to 25.66% in FY2021 and 25.64% in FY2022, fell to 21.18% in FY2023 due to an investment-heavy period, and then recovered to 26.54% in FY2024.

Resilient bottom-line quality after integration is demonstrated by the PAT margin, which increased from 9.63% (FY2020) to 16.17% (FY2021) and 15.46% (FY2022), softened to 10.80% (FY2023), and recovered to 15.57% (FY2024). With net fixed assets growing from ₹1,295 crore to ₹2,961 crore and total assets rising from ₹4,769 crore (FY2020) to ₹9,095 crore (FY2024), scale expanded significantly, demonstrating that capacity additions translated into growth platforms rather than stranded capex.

B. Did it create shareholder value?

Indicating that equity productivity rose as integration synergies and growth normalized, ROE (PAT/Net worth) improved above the pre-deal baseline and reached the high by FY2024 following an FY2023 dip. Return on capital employed surged to 13.14% in 2024 financial year from 10.62% in 2020 financial year. It suggests that the increased asset contributed significantly to generate higher returns then followed by integration and ramp-up. As total external liabilities increased in tandem with growth, leverage remained prudent, protecting equity downside risk and maintaining financial flexibility.

C. Lessons for manager, investor and regulator

Stage integration to keep service levels intact: The decrease in margins during FY2023 highlights the importance of having a staged SOP, ERP implementation, and vendor

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integration with sufficient working-capital buffers to prevent cash-cycle stress during capacity expansions. Match capex with your sales distribution strategy: the good results of FY2024 imply that capacity increase that can be supported through sales/distribution network and with right pricing/mix discipline and by doing so one can achieve a permanent increase in margins from absorption of fixed costs.

Maintain a low leverage during the expansion phase to keep your flexibility for market movements and your profit base when there is a change in the business. Don't just focus the eyes on one-year margin results but analyze it over ROE/ROCE recovery curves. After the deal, performance pattern has shown an improvement, followed by a dip during the investment phase, and a subsequent recovery to levels that are higher again than the baseline one, Because of this proving that integration has taken place successfully and that there was no loss in a structural margin. Quality of the balance sheet is important- an increase in net worth compared to outside-controlled liabilities and an asset growth is an indicator that a capex is a useful one and a value-adding one to equity. The two-motion NCLT scheme with carrying over of the shareholding and safeguards for stakeholders enabled the tax-free merger which did not disrupt the operations. After such a merger, a return to the level of profit and a Really higher return was observed in the first two years and even by the third year, post-sanction. Post-sanction compliance (ROC filings, asset and license transfers) clearly done and well-documented help in continuing the company's operations and helps co-existence which can be easily seen from the return to normal profitability and growth scaling within FY2024.

5. Conclusion

In two to three years after the sanction (December 2020), the merger was operational and financially successful. Leverage was conservative and yet margins, returns, and scale exceeded those of FY2020. Since integration stabilization, the PBDITA margin has reflected consistent improvements going up to 25. 66% (FY2021), 25. 64% (FY2022), 21. 18% (FY2023) due to the build-out, and the final result after the expansion was 26. 54% (FY2024). PAT margin went up from 9. 63% to 16. 17% in FY2021 after integration and then to 15. 46% in FY2022 but it dropped Much during the capacity addition to 10. 80% in

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FY2023 and rose back to 15. 57% in FY2024 showing that the synergies and bottom-line resilience were realized. Total assets went up from 4,769 million to 9,095 million and net fixed assets from 1,295 crores to 2,961 crores which, despite the huge amount and scale of amalgamation, reflected that most of the capital was invested in productive assets and not lost to stranded capacity.

ROCE went up to 13. 14% in FY2024 (10. 62% in FY2020) indicating increased efficiency about capital and return on equity after the integration, ROE went even higher than it was before the purchase and was at a remarkable 18. 69% in FY2024 (compared to 12. 22% in FY2020). Tangible net worth moved up from about 3,109 million in FY2020 to 5,203 million. Overall outside liabilities were increased for financing the growth but the amount of liabilities were not more than the higher net worth of the company which protected the downside risk to the equity shareholders and maintained the company's flexibility for financial operations.

Key takeaways for business strategy

Integrate in phases to protect service levels: the temporary FY2023 margin softening underscores the need for buffered working capital, sequenced ERP/SOP harmonization, and disciplined vendor onboarding to avoid cash-cycle strain during ramp-up. Pair capacity with route-to-market leverage: the FY2024 rebound shows that capex converts to durable margin lift when synchronized with distribution depth, premiumization, and promo ROI discipline. Keep leverage conservative through build-outs: growing tangible net worth alongside measured external liabilities sustained optionality for growth and insulated profitability during integration variability. Use book-value (continuity) accounting in intra-group schemes to maintain tax neutrality and minimize operational disruption, then focus managerial bandwidth on execution metrics—inventory turns, OTIF, and mix—to accelerate post-deal payback.

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