

'GST will be beneficial in the long run'

ABHISHEK LAW

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FMCG major, Emami Ltd, has seen its share of hiccups post demonetisation. But that was the past. The company is now gearing up for implementation of GST, says Harsh V Agarwal, Director, Emami. In an interview to *BusinessLine*, he talks about the impact of demonetisation and imposition of GST, opting for direct distribution of products, and investing in HE brand, among others. *Excerpts:*

So how was FY17 for Emami? Any specific consumer trends that you noticed?

In FY2016-17, a strong summer followed by good rainfall during the first half of the year allowed our sales to remain buoyant. In the second half, the demonetisation initiative affected both consumer sentiment and offtake, largely in rural and wholesale markets. Cash profit reported a decline of 1 per cent compared to the same period in the previous year.

However, despite challenges, we managed to report profitable growth from an EBIDTA perspective. Major initiatives such as increase of outlets covering more villages and so on helped the process.

We have also introduced innovative brand extensions during the year and the consumer response to these have been encouraging, especially in view of them becoming more and more discerning for value added benefits.

We have also commenced operations at our Pacharia plant in Assam, the benefits of which will become evident across the foreseeable future.

Did you see spillover effect of demonetisation in your Q4 numbers?

Yes. We believe there was some impact of demonetisation in Q4 although the impact came down drastically. But it (impact) was more in the case of wholesale trade and now the wholesale

trade is worried about uncertainties which may come with the introduction of GST.

We, however, believe that introduction of GST is a positive step and would be beneficial for the industry in the long term. There are initial apprehensions and uncertainties which might have short-term impact.

What's the outlook for this fiscal?

Reasonable GDP growth, normal monsoon forecast, increasing infrastructure and government spending along with growing consumerism are expected to help in generating good growth on medium- to long-term basis. We expect second half of the current fiscal to be better than the first half.

Are you trying to shield your supply chain by opting for direct distribution?

This year we have plans to increase the distribution to around 8 lakhs from around 7 lakhs (outlets). Nearly 50 per cent of these

are in rural areas. Two to three years back our direct reach was around 3.5 lakh outlets (across urban and rural).

Direct distribution expansion will come through increase in reach to general trade including chemist shops, cosmetic stores and grocer shops.

We believe for any organisation, efficient direct distribution is always the best way to reach retailers so that the dependency on indirect trade such as wholesale reduces.

'HE' is yet to break even. So would you still look at extending its portfolio?

HE is still a young brand and we are in investment mode.

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HARSH AGARWAL,
Director, Emami Ltd

'HE' brand was launched two years back by foraying into the cluttered deo space with a differentiated positioning of 'Be Interesting'. We would continue to be very innovative and extend (it) into other categories in the men's grooming segment. We have just entered the face-wash category by launching a waterless face-wash, "HE On The Go".

Any additions for Kesh King or

Navratna?

We would like to focus on oil and shampoo with Kesh King as of now. Navratna, however, might be extended into other categories depending on the product fit.

Has the SHE brand been taken off the shelves?

Yes. As a company we see better opportunities in other areas including the potential in our existing power brands. Hence, we have decided to focus on them and keep 'She' on-hold.

Is the brand up for sale?

Not as of now.

Would you invest in FMCG start-ups?

We are open to investing in start-ups which has strategic fit with us and which can help us in our future growth plans.

