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THE FOUNDERS OF EMAMI  
ASCRIBE THEIR METEORIC RISE  
TO GOD, LUCK AND CHANCE



BREAKFAST WITH BS ■ RADHE SHYAM AGARWAL &  
RADHE SHYAM GOENKA, FOUNDERS, EMAMI

## DIVINING EMAMI

*The hard-nosed founders steadfastly ascribe their meteoric rise to god, luck and chance*

**T**he imagery, as they describe it, would be worthy of a Bollywood hit: two young men on a rickshaw bumping down a narrow north Kolkata street, each with a leg hanging out of the vehicle and a sack of cosmetics between them. But Radhe Shyam Agarwal, 65, and Radhe Shyam Goenka, 64, (respectively right and left in the illustration) decline to be dramatic about a small, provincial business that grew so rapidly that it has emerged as a major national player on the competitive fast-moving consumer goods (FMCG) battlefield. In the past two years, they've been at the centre of one takeover battle and are now high-profile bidders in another prominent buy-out, write *Devjyot Ghoshal* and *Ishita Ayan Dutt*.

We're at The Promenade Lounge at Taj Bengal, where Goenka and Agarwal, the founding duo of Emami, have agreed to meet us for a frugal breakfast, and discuss how they converted a cosmetics company set up in 1974 with start-up capital of ₹20,000 into a ₹1,000-crore FMCG major.

For Emami, unlike many of its competitors with long legacies, the story begins at a little-known school called Maheswari Vidyalaya in what was then Calcutta, where a schoolboy friendship extended to a long-term and profitable business relationship.

"We have an association of more than 50 years because we went to school together," recalls Goenka. "Later, he (Agarwal) went to St Xavier's College, while I went to City College. But we would still meet every day."

It was during one of those usual meetings, at a time when both held positions in companies owned by different Birla brothers, that the idea of combining to open their own business was floated.

One thing led to the other and by the late 1960s, the duo got going with their cosmetics business from a cramped 40 sq ft room in north Kolkata's business district — their "first factory". The initial capital had

been borrowed from Goenka's father.

"We knew nothing about the business, but in the beginning we did everything on our own," says Agarwal, who read books on cosmetic formulations to create the first marketable products for the company.

A couple of years after Kemco Chemical, the fore-runner of Emami, was incorporated in 1974, both quit their jobs to concentrate on growing their new company. By now, the product portfolio, which had begun with Vaseline selling at ₹3 for a dozen, consisted of a vanishing cream and a talcum powder.

"We used to sit on the footpath, sip tea and discuss how to sell our products. We would go around the stores personally and show them our products. And later, we would have to go back to collect the money," recalls Agarwal, who is Emami's executive chairman.

The brand came to national notice in the new century when it signed on Madhuri Dixit, then at the apogee of her popularity, as a brand ambassador, a bold move for a brand that was considered "rurban" in nature. But ask them how they managed to grow from street marketers to owners of a profitable ₹1,000 crore enterprise in about four decades, and the answer is unlikely to make it to B-school case study. "It is all about divinity. It is coincidental and cannot be rationalised. It is a combination of god, chance and luck. We are both great believers in god," explains Agarwal, who by now is comfortably seated cross-legged on the couch.

Philosophy and religion, they insist, lies at the centre of Emami's story. Agarwal, in spite of his wide reading of business and management, doesn't believe in running a company without spiritual guidance. "Divinity," he asserts, is a "fundamental driving force". They steadfastly stick to this explanation no matter how much we seek worldly, strategic answers.

Their perspective on divinity is difficult to discern, but they also use a combination of rational-

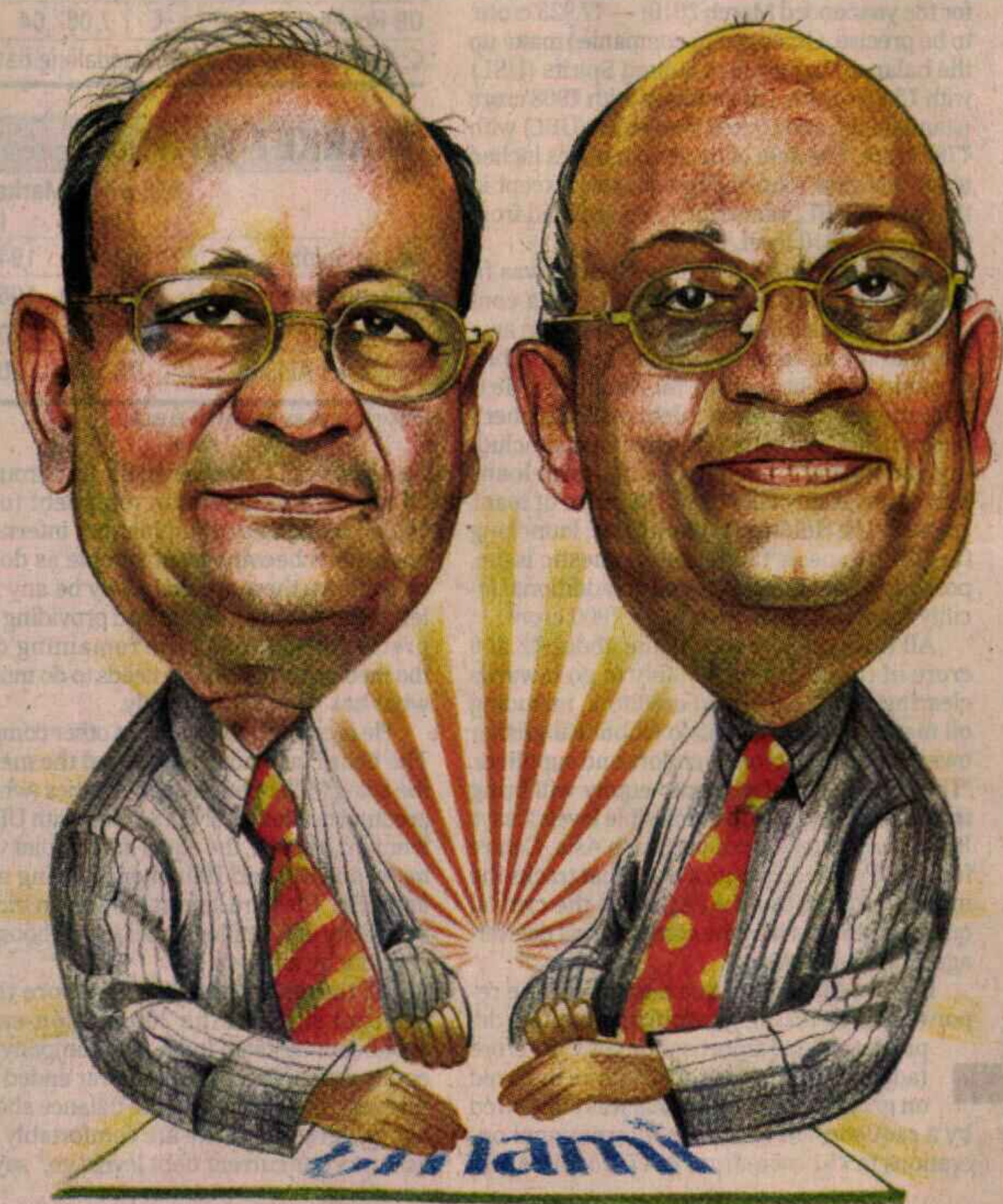


ILLUSTRATION: BINAY SINHA

ity and emotion — “for success, the most important thing is wisdom and for business, the most important trait is a balance between emotions and rationale,” Agarwal offers as an explanation.

Both men have been up since dawn, a daily routine, but some breakfast is ordered — multi-grain toast with honey and a dash of pepper for Goenka, who starts the day with *puja*; buttermilk for Agarwal, who uses the time to read. The hour was too early by journalistic standards for us to order anything more than coffee.

The founders may be childhood friends and both display an earthy shrewdness, but they are dissimilar men by their own reckoning. “He (Agarwal) is very aggressive, but I am not that much. He is the visionary, and I am responsible for executing

things. But we have respect and affection for each other,” says the soft-spoken Goenka.

The Zandu takeover that began in May 2008 certainly demonstrated the aggression. Even as Emami picked up a “strategic” stake of 27.5 per cent in Mumbai-based Zandu from the Vaidya family, Agarwal had said the company would eventually be bought over. After a five-month battle with the Parikh family, which had an 18 per cent stake in Zandu, Emami paid a premium and bought it out.

Emami is at the threshold of yet another change as it prepares to bid for Gujarat-based Paras Pharma. The board just cleared the deck for acquisitions up to ₹5,000 crore. The duo doesn’t say much about the Paras deal, which has attracted many deep-pocketed suitors like P&G, Reckitt, Mari-

co, Glaxosmithkline, Novartis and Johnson & Johnson, except that it will completely change Emami's profile. "It is very important for us," is all Agarwal is willing to concede.

Goenka, who is a director, has his role to play in the larger Agarwal-Goenka family. If any member of the family, which could easily be a model for any of Ekta Kapoor's soap operas, wants to buy jewellery, the purchase will have to be approved by Goenka. And that holds for Agarwal's wife, Usha, as well.

The rationale: Goenka knows best. "He understands these things," explains Agarwal. It's one of the golden rules that binds the next generation together, or so they hope.

The Agarwal siblings - Aditya, 35, Harsh, 34, and Priti, 39 - and Goenka's eldest son Mohan, 38, are already on the Emami board and the founders "have plans to keep them together".

"We have formed family and business governance rules that are mostly recommendatory, but some are obligatory," explains Agarwal.

The family governance rules consist of an ethics-based code of conduct that stresses maintaining equal relationships within the two-family framework. "The recommendations are usually respected as rules," Goenka adds.

Not that the two partners agree on everything. "We fight every day," says Agarwal cheerfully, "but we fight with love. Love is important, since it gives you peace. And peace brings energy." Neither specified what they fought about, merely saying they disagreed on "many issues".

The barebones breakfast arrives and, downing copious quantities of coffee, we chat about Gen Next's responsibilities. Each family member on the board is responsible for certain segments and products, and their actions are governed by a "well-structured manual".

The group, for instance, will not enter the tobacco, liquor, hotels or film businesses, and all members are only eligible for economy-class air travel.

Have they documented a first rights of refusal agreement for the next generation, as is the order of the day? "It's ongoing. We have already done it. If they want to separate businesses, we can just sit across the table and do it," says Agarwal.

The succession plan, Agarwal clarifies, is based on the Vedic principles of Karmayog, Rajyog and Bhaktiyog. "Total balance in these three things will allow the family to steer through any situation," he asserts.

Obviously that's not an answer that reporters of a temporal financial daily are ready to settle for. We try probing a little more about their management oeuvre only to be implacably told: it's all about divinity.