

'We may buy companies overseas'

LAST year, Kolkata-based Emami Ltd acquired Zandu Pharmaceutical Works. Emami chairman **R S Agarwal** spoke to ET Now's **Rumi Dutta-Hardasmalani** about integration of operations of the two companies and his plans to grow his business. Excerpts:

You spent around Rs 750 crore to acquire Zandu Pharmaceutical Works. Would you now say it was an expensive deal?

We saw a value proposition in buying Zandu. Going ahead restructuring, curtailing costs and launching new products will be key drive growth drivers. We expect to make profits of about Rs 60-70 crore by next financial year and grow that to around Rs 150 crore profit in three years. That is phenomenal by any analysis.

You executed one of the very few successful hostile takeovers in India. How are you integrating Emami with Zandu?

We have a team of 80 chartered accountants and 140 MBAs driving the integration process. The strategy — integrating each and every department — is well drawn out. Every department, be it HRD, marketing, branding or manufacturing, is being restructured. We have nine manufacturing units at Emami and another 6-7 units in Zandu. We plan to bring down the number of units to six. That will help us cut costs and it will be in the interest of our employees. The integration process will be completed over 3-4 months. We are in the process of finalising the papers for the merger and move the high court for approval soon. The merger process is to be completed within one year.

Are you also rationalising the brand portfolio of the two companies?

Emami and Zandu together have a portfolio of around 350 brands. A restructuring of the



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brand portfolio is underway and we will clearly define the exact role and positioning of each brand. For instance, each brand will be categorised as natural, ayurvedic or synthetic. We will also launch new products.

Do you plan to further pursue inorganic growth as a strategy? Are you considering more acquisitions?

Indeed we are. It has to be financially viable. We may even consider acquiring companies outside India, particularly in underdeveloped and developing countries. Our revenue from international operations is currently around Rs 100 crore. We expect this to grow to Rs 300 crore in three years and about Rs 700 crore in five years. We are also contemplating some regional brand acquisition. There are some heritage brands in Bengal that offer immense growth potential.

Are you then considering equity dilution to raise funds?

We are open to selling equity but at a good price. But we are not in a hurry. The key cri-

terion for such dilution would be the value investors would bring to the table. We have proposals and we are in talks. We have proposals from PE funds as well as from other long-term investors. In any case, we are not looking at selling more than 12-15%. A core team of professionals are looking at this issue.

Has the slowdown in the economy hurt your business?

Economic slowdown is part of business. Though the slowdown this time around is not as severe as it was in the 1990s, it has affected certain businesses but it does not include the FMCG sector. Our group has presence in other sectors such as paper, real estate and hospitality, where we have seen some impact. I do not, however, think that the slowdown will have such an impact that it will shake up everything. It is much severe in the US and Europe where the banking and finance infrastructure almost collapsed.

Has your business strategy changed due to the current market dynamics?

We have changed and we are changing further through this restructuring. We are putting in place strict cost control measures, but none of this not at the cost of growth. We are still hiring, although most of it is strategic by nature. We are only spending in growth areas and are doing it differently.

We are not copying the big companies. Multiple layers in big companies sometime cause delay in decision making. Moreover, too much analysis sometimes cause paralysis. That's a big problem with big companies. We try to avoid such problems. We are driven by entrepreneurship.

If you want to play football with the German team, you cannot win by being clinical in approach like the way Germans are. You have to play like Brazil.