

INTERVIEW ADITYA V AGARWAL & MANISH GOENKA, DIRECTORS, EMAMI GROUP
'Emami's strength lies in diversified businesses'

The Rs 2,000-crore Emami group, which has a diversified portfolio ranging from FMCG to real estate, launched a Rs 400-crore biofuel project in Ethiopia. The foray was led by directors Aditya V Agarwal and Manish Goenka. While Agarwal drives biodiesel, edible oil, hospitals and paper operations, Goenka looks after organisation building, strategy and finance. In an email interview with fe's Prachi Raturi Misra, both Agarwal and Goenka talked about the potential of biofuel and inorganic growth options. Excerpts:

Your focus on biofuels has been increasing over the last few years. What is the driver?

Since biofuel is the fuel of the future, we see great potential and opportunity in it. We take this as a challenge and have entered this segment to grow further and expand. Besides, producing biofuels takes care of both the energy and environment security of a country.

How does the business model work?

The company will take up plantation of biofuel crops (jatropha) and other edible and non-edible oil seeds on 100,000 acres of land allotted to Emami Biotech by Oromia Investment Commission. Emami Biotech has already taken possession of 27,500 acres of land and work has begun with a capital outlay of about \$25 million or Rs 120 crore.

The project also envisages setting up an extraction plant and the total cost is being estimated at about Rs 400 crore over a span of five to six years. While Emami Biotech will bear 30% of the project cost, the remaining funds will be mobilised from banks and financial institutions. The commercial plantation work has begun on land which has been handed over to the company by Oromia Investment Commission, a nodal agency in the state of Oromia. The land is being offered to Emami Biotech on a 45 year renewable lease. Once the project is completed, we will be able to churn out 100,000 tonnes of crude bio-fuel/edible oil per annum. While biofuel will be exported to India for producing biodiesel, edible oil will be used for captive consumption.

The National Policy on Biofuel aims



to raise blending of biofuels with petrol and diesel to 20% by 2017. But it is not picking up. What makes you optimistic?

This issue needs to be addressed by the government. Pricing is a major deterrent for private players like us in selling the fuel. Besides, our hands are tied in selling it in the open market due to government restrictions. The petroleum ministry as well as the ministry for new and alternative energy must work out a solution to make all biodiesel projects in India viable. Or else, investments worth Rs 3,000 crore will go waste. If the government just decides to blend 5% biodiesel with normal fuel, then the total requirement of biodiesel will be a whopping 2.38 million tonnes. This will require about 24 manufacturers of our size to be operational. Besides, this will also save the country foreign exchange worth more than \$1.3

Aditya V Agarwal (left) and Manish Goenka: leading the biofuel venture in Ethiopia

billion, assuming an average price of crude at about \$70 per barrel. So factoring all these, we are optimistic about the future assuming that the government will not ignore the importance of introducing the use of biofuel to take care of the energy needs of the country as well as to protect the environment.

The Budget reduced customs duty and abolished dual taxation on biodiesel. Hasn't it brought relief?

The reduction of customs duty has in fact done more harm to the domestic manufacturers of biodiesel since it will encourage importers to bring the product from outside India and sell it at a cheaper rate. Abolition of dual taxation is a relief, but the government

needs to come with even more clarity on selling of biodiesel. We want the pricing of the product to be done in a manner that makes our operations viable. Besides, we should also be allowed to sell the product as a branded item in the open market and set up our own dispensing units.

What are your organic and inorganic growth plans and how do you see your portfolio in next few years?

We are always on the lookout of financially viable acquisitions. 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. After the Zandu acquisition, we together have a portfolio of around 350 brands. A restructuring of the 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. We also plan to launch a men's range, baby range including soap, talc and oil and further expand our FMCG business via brand extensions and penetration in new markets and fresh categories.

After acquiring Zandu, how are you working on the integration part and what kind of competitive advantage are you aiming at?

We saw a value proposition in buying Zandu. Going ahead restructuring, curtailing costs and launching new products will be key driver for growth. The FMCG business of Zandu will be merged into Emami. This will help in consolidation of FMCG business of Emami and Zandu into one entity. The scheme of merger shall unlock value for all the stakeholders of Emami and Zandu. With the consolidation of the FMCG business under one company, common business objectives can be achieved with a clear focus on the core FMCG business.