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SUCCESSION PLAN

Emami founders prepare to hand over reins to the next generation

One member from each family would combine to lead new business and functions of the flagship company

By Manish Basu manish.b@livemint.com

As R.S. Agarwal, founder and chairman of personal care products maker Emami Ltd, prepares to retire because of "indifferent health", he and co-founder R.S. Goenka have put in place a succession plan aimed at avoiding conflicts between the two families that jointly run all group businesses.

Under the still-evolving succession plan, the founders have decided that one member from each family would combine to lead new business and functions of the flagship company Emami, which sells the Fair and Handsome skin-whitening cream for men and pain reliever Zandu Balm.

First generation entrepreneurs, Agarwal, 66, and Goenka, 65, jointly founded Emami about 45 years ago.

The group now has five listed companies that have a com-

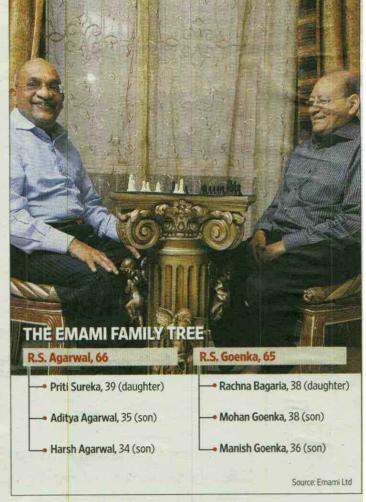
ka—to run all businesses, except real estate. All of them are directors of Emami.

The Mohan Goenka-Harsh Agarwal combine would lead the proposed cement and power businesses. They currently look after the sales and distribution of consumer good brands such as Emami Fair and Handsome cream, Zandu Balm and Mentho Plus ointments.

Aditya Agarwal and Manish Goenka jointly head the healthcare, paper, biodiesel and edible oil businesses, besides overseeing some consumer good brands such as the herbal diet supplement Sona Chandi Chyawanprash and Himani Fast Relief ointment.

"Manish and I were friends from school—he is only a year older than me," said Aditya Agarwal, 35. "So when our time came to join the family business, we decided to form a team." That forced Mohan Goenka, 38, and Harsh Agarwal to join hands though they are four years apart in age. "Not that they have any regrets, though," said Manish Goenka.

Guided by a so-called code of conduct, they operate under the oversight of a "business forum" comprising family elders





Changing roles: A file photo of the directors of the company (lL-R) Prashant Goenka, Aditya Vardhan Agarwal, Manish Goenka, Mohan Goenka, Harsh Vardhan Agarwal.

bined market value of around ₹6,000 crore and several unlisted ones.

Emami business interests include consumer goods, edible oil, hospitals, paper, retail and real estate. It is setting up power and cement plants and has secured limestone mining leases in India and is looking for coal mines in Indonesia.

"I am on my way out because of indifferent health," said Agarwal. "Goenka is to be around for another four-five years, and before he retires, he is to decide on how the businesses are to be driven after him."

Agarwal and Goenka have one daughter and two sons each. Two teams have been formed from among their children—one comprising R.S. Goenka's elder son Mohan and R.S. Agarwal's younger son Harsh; and the second consists of their other sons Aditya Agarwal and Manish Goen-

and professionals such as investment banker Anand Rathi, K.N. Memani, former India head of consulting and audit firm Ernst and Young, and former managing director of IDBI Bank, J.N. Godbole.

The group's privately-held real estate business, which operates in a consortium with developers in eastern India, is managed jointly by R.S. Agarwal and R.S. Goenka's sons-in-law.

"Don't ask us anything about our real estate business," says Aditya Agarwal. "We don't even keep track of our investments in the real estate business."

R.S. Agarwal's daughter Priti Sureka, 39, also takes interest in the family business.

As a director of Emami, she looks after the company's marketing, research and development and products such as soaps and hair colour. R.S. Goenka's daughter, Rachna

Bagaria, 38, isn't involved with the businesses at all.

At the core of this arrangement is the code of conduct, which is aimed at "eliminating scope for conflicts", according to Mohan Goenka.

The code precludes members of both families from pursuing business interests privately and even from seeking personal gains through investment in shares.

"No one decides anything unilaterally," said Aditya Agarwal. "The arrangement allows you to share with others the responsibility for all mistakes."

But at the same time, deviations from the code, if within reason, are allowed, according to Aditya Agarwal. "Unless there's flexibility, it is impossible to avoid conflicts."

Differences are bound to arise when one runs a business conglomerate as big as Emami, according to Rathi. "The elders

have to create a framework under which such differences could be resolved quickly," he

"Under the current arrangement, the ground rules have been defined and areas of operation clearly demarcated for each person—this is like preventive medicine aimed at avoiding conflicts."

Also under the code, all businesses are currently owned equally by the two families, with R.S. Goenka sharing his 50% stake with his three brothers. One of them, S.K. Goenka looks after the backend of all businesses such as manufacturing.

One of R.S. Goenka's nephews Prashant Goenka looks after Emami's consumer goods business outside India.

He has also started taking interest in the proposed power venture, according to R.S. Goenka.