

Emami ramps up direct distribution channel

Expanding to smaller towns, rural areas

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In a bid to shore up reach and shield itself from vagaries of the unorganised wholesale distribution channel, FMCG major Emami Ltd is ramping up its direct distribution channel. The company also aims to be debt-free by the end of this fiscal.

According to Madan M Pandey, President Sales CCD, Emami began to explore options for increasing its direct distribution presence over the last one year. It began with metros and tier-I cities and is now expanding the direct distribution network to smaller towns and rural areas which have a population of over 5,000 people.

Trade sources point out that the shift in strategy came primarily on account

of the company increasing its non-seasonal portfolio. The recovery time for the wholesale trade from demonetisation and GST roll-out has only made Emami increase focus on direct distribution.

In a recent analyst call, the company's top-brass had expressed their desire to bring down contribution of wholesale trade to between 40 and 45 per cent by March 2018.

Wholesale channels contribute around 35-40 per cent for the FMCG industry, while in case of Emami, it was as high as 50 per cent.

Better control

Pandey pointed out that direct distribution would enable Emami to push for higher value products or larger SKUs in specific areas (in metros mostly), while in the rural areas, it will focus on having the lower unit price offerings and "aspiration"



Madan M Pandey, President Sales CCD, Emami

brands like 'He', 'Fair & Handsome', 'Kesh King' and 'Emami 7 Oils In One'.

Brands like Kesh King - which account for nearly 15 per cent of Emami's turnover and rely heavily on the wholesale channels - are expected to benefit from the move.

Typically, the wholesale trade is known to prefer and push for faster moving and in-demand products. Premium products often go amiss in many cases. "From the long term perspective it makes more sense to have a direct distribution model.

The impact on (our) bottom-line is also expected to be positive in the long run," he told *BusinessLine* during an interview.

Emami is expected to reach out to 8.5 lakh outlets directly by the year-end; up from the 7.3 lakh outlets it reached out to by FY-17.

In terms of accessing smaller towns, it will cover 25,000 to 27,000 such towns (with population of over 5,000) by FY-18. It has also made investments - to take care of logistics and delivery issues - necessary to reach out here.

Debt-free

Meanwhile, Naresh Bhansali, CEO-Finance, Strategy & Business Development, pointed out that the company was planning to be debt-free by the end of this fiscal. It has a debt of ₹135 crore. Emami's market capitalisation stands at around ₹24,000 crore.

Emami had raised money to fund its Kesh King acquisition (in June-2015) and also towards capex to set up its Guwahati unit and shore up capacities at existing plants.