The Hindu Business Line

Date: 29/04/2017 Page No: 3 Location: Main Circulation: 21655

Edition: Mumbai

FMCG major Emami reworks overseas strategy

Kolkata-based company plans acquisitions and manufacturing in overseas markets

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Kolkata, April 28

As growth slows down in traditional overseas markets, FMCG-major Emami Ltd is opting for a new set of strategies. Some solutions are even country-specific by nature.

Re-working product portfolio by getting into new categories (that have higher buying preference) and revamping distribution networks have already been implemented. The Kolkata-based company is now eyeing acquisitions and local manufacturing (in overseas markets).

According to Prashant Goenka, Director IMD, Emami, maintaining and protecting sales and profit numbers, while gaining market share, tops their priority list.

Emami has a presence across 60-65 countries encompassing regions such as West Asia, South-East Asia, SAARC and CIS, through five power brands — Navratna, Kesh King, Fair & Handsome, Boro Plus and Zandu.

"We need to increase bottom-line and protect top-lines. The bad countries are becoming better now. But, hope is on the better countries having geo-political stability," Goenka told *BusinessLine*.

Overseas scenario

Some of the markets that have witnessed weak growth over the last few quarters include the West Asian and African nations (categorised as MENAP or Middle East, North Africa, Afghanistan and Pakistan).

While economic slowdown is a cause in countries like Saudi Arabia; political instability and currency devaluation are being seen as the major reasons in the large North African nations like Egypt, Nigeria and so on.

Comparatively, East African nations or South East Asian ones — like Bangladesh — have fared way-better with an over 20 per cent growth.

For instance, overall international business de-grew by 16 per cent, year-on-year, in Q3, of FY-17. But once MENAP is taken out of the equation, the remaining countries put together saw a 10 per growth, (Y-o-Y, Q3).

Countries in MENAP account for 35 per cent (over one-third) of Emami's overseas business. Overseas sales are 11 per cent (apprx) of top-line.

A strong growth driver for Emami in overseas markets would be acquisitions.

"These offerings (acquisitions) will add value to my existing business overseas and also in India. We have initiated talks in select markets," Goenka added without getting into much details. Localisation or manufacturing products locally are being looked at. African nations and Indian neighbours like — Nepal and Sri Lanka — are some places where it can explore setting up facilities to take out any risk of currency devaluation. Facilities could be company-owned or third-party sourcing ones.

Prashant Goenka, Director IMD, Emami

As Goenka points out, the FMCG major will also look to enter countries which are geo-politically stable; and strengthen its presence in India's neighbourhood (Nepal, Bangladesh and Sri Lanka).

Emami has also tried to mix-up its offerings so that it gets into categories high on consumers buying preferences; rather than ones which fall in the discretionary spending category.

At least 12 new SKUs have been introduced. Where the market was good, skincare offerings were introduced.

OTC offerings

In case, the market weakened, over-the-counter offerings (non-prescription ones) were introduced. "We introduced products for pain management in the Middle East market sometime back. We are looking to add more such categories now," he added.

West Asian countries have also seen a change in distribution network to align with credit policies prevalent in retail trade there.

Controlling cost in another major part. "We are spending money in the right places. For example, we may cut down on overhead expenses and not necessarily on the ad budgets," Goenka explained.