

Emami to strengthen SAARC-SEA business after loss in West Asia

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Kolkata, 25 April

Fast moving consumer goods company Emami is focusing on strengthening its export market in the SAARC-South East Asia (SEA) region this financial year, hoping to compensate for the business loss it incurred in the Middle East and North Africa (MENA) region.

The MENA region, along with Pakistan, contributed 27 per cent to the company's international revenue in the first nine months of 2016-17, compared to 37 per cent during the same period the previous year. The company's revenue from the region declined by 50 per cent in the third quarter and is expected to remain under stress for another one-and-a-half years.

On the other hand, its export market in the SAARC region grew by 38 per cent during the third quarter of the 2016-17 and by 26 per cent in the nine months ended December 31, with Bangladesh and Nepal leading the growth.

The South Asian Association for Regional Cooperation (SAARC) is an economic and political organisation of eight countries, namely Afghanistan, Bangladesh, Bhutan, India, Nepal, the Maldives, Pakistan and Sri Lanka. Overall, in the third quarter of 2016-17, Emami's international business declined by 16 per cent, while the decline was five per cent for the nine months ended December 31.

"Like the industry, we never predicted that the Middle East is going to come under so much stress. While recovery in this region will take at least a year and a half, we have decided to grow our business in SEA," Prashant Goenka, the company's director who leads the international sales division, told Business Standard. While Emami had predicted its international business to contribute 30 per cent to its consolidated turnover in the coming four years, a revision is most likely now. Goenka, however, said, "Given the current global situation, a prediction at this stage cannot be made."

Earlier, the company had planned to not only scale up its business volume in the Middle East but also introduce new brands and product lines. The company's global business grew from ₹221 crore in 2013-14 to ₹365 crore in 2015-16, registering a compound annual growth rate (CAGR) of 27 per cent. However, during the first three quarters of the last financial year, it degrew by five per cent.

For the international business, which contributes 14 per cent to the company's topline, Goenka has now devised a mixed strategy. In the MENA-Pakistan region, the company's main focus is to recover lost ground. For Russia and East European region, where its business lately felt the heat because of a declining rouble, its strategy is to hold ground. And, for the SAARC-SEA region, it plans to grow the business.

Russia and East Europe account for 11

per cent of the company's global sales, while the SAARC-SEA region accounts for 53 per cent. In the Asian region, after opening a factory in Bangladesh, the company is considering opening another plant in Sri Lanka which, besides catering to the Sri Lanka market, may cater to other countries in the region as well.

Goenka is considering options of either having an owned plant in the island country or sourcing it from third-party manufacturers. "The business strategy for SEA is an organic one," he said, adding Bangladesh was the focus market in this region.

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