

EMAMI'S RISE

Fuelling ambition by acquisition

Second-generation leader takes buyout route to transform Emami into a ₹10,000 crore company by 2025

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KOLKATA

Risk is what keeps you young." The question and the endearment at the end of the sentence is missing ("isn't it darling?"), and the speaker definitely isn't Aunt Emma, played by Joanna Lumley, whose death causes a crisis in Martin Scorsese's *The Wolf of Wall Street*.

The line is uttered by a person who could have played a part in that movie—he is young and dressed sharply enough to belong on a trading floor of the sort depicted. Harsha Vardhan Agarwal, 39, director of Emami Ltd and identified by the company as the "most promising" second generation leader to take forward the enterprise co-founded by his father, Radhe Shyam Agarwal, believes in the line.

In fact, you could say it has become his motto, which seems apt because Agarwal has masterminded all of Emami's acquisitions since 2007-08.

Of the 13 buyouts Emami has completed so far, he has supervised nine. Agarwal counts the acquisition of Zandu Pharmaceutical Works for ₹730 crore in 2008, when Emami's revenue was just about ₹600 crore, among his most successful buys.

His largest purchase to date has been SBS Biotech Ltd's Kesh King, a shampoo and hair oil brand. Emami had acquired the brand in June for ₹1,651 crore, offering a valuation equal to 5.5 times its sales to Sanjeev Juneja, the owner of SBS Biotech.

And Agarwal is not done yet. Over the next five years, he says, Emami will acquire more companies and brands, large and small, in India and without.

"They have to be brands that align well with our thought process and strategy and have high scope for growth in the near future."

Agarwal does not mind if they have low market penetration. "However, a particular level of margin is preferable. The key is what we can do with the brand over the next few years."

Acquisitions have powered Emami into a ₹2,217 crore business that has a presence in 60 countries.

The larger Emami Group, of which it is a part, has interests in cement, paper, infrastructure, retail and real estate.

And they will be key to Emami's ambition of becoming a ₹10,000 crore company by 2025. By 2020, it expects revenue from consumer packaged goods at ₹5,000 crore to ₹6,000 crore, said Agarwal. The company's annual report for 2014-15 says that it is poised for the next phase of growth.

"This phase will be dictated more by mainstream, yet differentiated products and will see a keen emphasis on urban youth. This phase will also be marked by the company continuing to look for inorganic



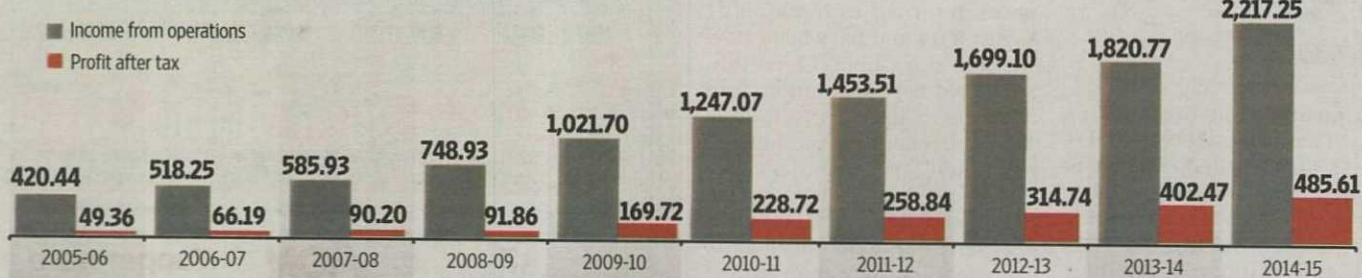
The next generation: From left, Harsha Vardhan Agarwal, Aditya Vardhan Agarwal, Neeraj Goenka, Priya A. Suresh, Mahan Goenka and Prashant Goenka.

SCALING OPS, ONE BUYOUT AT A TIME

Thirteen acquisitions, nine since 2007, have powered Emami into a ₹2,217 crore business that has a presence in 60 countries

Year	Acquired company / brand	Area of business	Remarks
2015 (Jun)	Kesh King	Ayurvedic hair care	Emami acquired Kesh King and allied brands for ₹1,651 crore to strengthen its hair and scalp care business.
2015 (Jan)	Fravin Pty Ltd (66.67% stake)	Natural and organic personal care products	Emami enters natural and organic personal care segment.
2014 (Sep)	Rasoi Vanaspati	Cooking oil	Emami Agrotech, the edible oil and bio-diesel arm of the group, acquired the Kolkata-based vanaspati brand.
2014 (Jun)	She Comfort	Sanitary napkin	The acquisition of the brand from Mumbai-based Royal Hygiene Care Pvt. Ltd marked Emami's foray into the feminine hygiene space.
2011	Pharma Derm	Manufacturing unit	Emami acquired the stake in the Egypt-based manufacturing company through EmamiOverseas FZE, an indirect subsidiary. It now holds a 90.6% stake in Pharma Derm SAE Co.
2011	King & Co.	Homeopathy medicine manufacturing	King & Co. offers generic homeopathic products, such as mother tinctures and dilutions, apart from special formulations like Livin, Cassina, Sprano and Dermatol. This helped Emami enter the homeopathic space.
2009	Lakhi Bilas	Hair oil brand	A century-old hair oil brand owned by M.L. Bose & Co., Lakhi Bilas had become a forgotten story since it stopped production two decades ago due to family issues and management problems. The red hair oil probably hit the market in the 19th century and was a great favourite with women in Bengal.
2008	Zandu Pharmaceuticals Works Ltd	Ayurvedic medicines	A 100-year-old, Mumbai-based family-owned business of renowned Ayurveda and healthcare products company.
2007	M. Bhattacharyya	Homeopathy medicine manufacturing	One of the oldest names in the world of homeopathy medicines in India. It was formerly known as Economic Pharmacy and changed its name to M. Bhattacharyya & Co. Pvt. Ltd in 1915. The Kolkata-based company was founded in 1889 by Mahesh Chandra Bhattacharyya, an Indian philanthropist.
1994	CRI Tips	Manufacturer of ball point tips	Originally a manufacturer of cash registers, the company, post its acquisition by Emami, was transformed into a specialized company that creates and designs ball point pen tips for leading writing instrument brands of the world. It is today the fourth largest ball point pen tip manufacturer globally.
1994	Gulmohar Paper Mills	Paper mills	Emami Paper Mills Ltd acquired this paper mill located at Dakshineswar, Kolkata. It was merged with Emami Paper in 2000.
1993	Frank Ross	Pharmaceutical company	Frank Ross, a more-than-century-old iconic brand, was acquired as a sick unit and transformed into a successful and growing pharma retail business. It currently has more than 100 stores.
1978	Himani Ltd	Cosmetics Manufacturing	A sick 100-year-old company that manufactured cosmetics enjoyed good brand equity. The company had a factory in Kolkata. Himani was later merged with Emami Ltd in 1998.

FINANCIAL PERFORMANCE (in ₹ crore)



Graphic: Sarvesh Sharma/Mint

Source: Company & BSE

opportunities," said Agarwal.

The beginning

Emami was born Kemco Chemicals in 1974. The founders—Radhe Shyam Agarwal and Radhe Shyam Goenka—met in the early 1950s, when

they were students at Shree Maheshwari Vidyalaya, a Kolkata school. By 1968, both had law degrees.

Their tryst with entrepreneurship began in college. They would spend hours in second-hand bookshops at

College Street poring over books that contained chemical formulae for cosmetics. Their plan was to manufacture such products, which they noticed seemed to have a ready market. Even before they finished college, they were dabbling in

different businesses—repackaging Isabgol, trading in combs and manufacturing board games.

"The duo would lug their goods on hand-pulled rickshaws, selling from shop to shop in Burrabazar," writes

Nikhil Inamdar in his book *Rokda: How Baniyas Do Business*.

Eventually, Goenka's father Keshardeo offered them ₹20,000 to start a business and Kemco Chemicals was born.

By 1978, faced with bleak prospects, the two were ready to wind down the business when they were offered Himani, then one of the most popular soap brands in east India. Goenka's father helped them with ₹1 lakh and the duo bought the brand.

"The risk was high. But that was a right decision. That's how we started the inorganic journey," says Goenka. Himani had a glycerine soap, which was discontinued soon after the acquisition. "We kept the brand name and extended it to the areas we felt had potential, including cool oil," he adds.

In 1984, they launched their first flagship brand Boroplus Antiseptic Cream under the Himani umbrella, as the first competitor to GD Pharmaceuticals Pvt. Ltd's Boroline, the iconic antiseptic cream brand still ubiquitous in almost every Bengali household.

While Boroline still retains its hold in West Bengal, the lighter and less sticky Boroplus appealed to the young and subsequently became the dominant brand outside the state. Today, Boroplus has about 74% share in the national antiseptic cream market, the company claims.

"Emami is a great example of what Indian companies can do and how they can give the multinationals a run for their money," said Darshan Patel, founder and managing director of Vini Cosmetics Pvt. Ltd, the Ahmedabad-based maker of Fogg and 18+ deodorants, the facial powder White Tone, Jinjala talc and Glam Up fairness cream.

"It has created successful brands. Plus strategic acquisitions have fulfilled its appetite for faster growth. Emami is a success story that any Indian entrepreneur should look at."

While the founders built the company from scratch, relying mostly on developing new products in areas where competition was less intense, the new generation has a more audacious streak.

Harsha Vardhan Agarwal prefers the quicker, and riskier, acquisition route as he tries to transform the company into one of the country's biggest packaged goods and alternative therapeutic products company.

On top of its core ayurvedic products, such as Zandu Balm, Zandu Sona Chandi Chyawanprash Plus, Navratna Hair Oil and Navratna talc, Emami has recently tied up with the German homeopathic firm Hevert-Arzneimittel to distribute, market and manufacture (select formulations) Hevert products in India, as part of the strategy to strengthen the presence in homeopathic space.

"Healthcare is a focus area. We want to bring alternatives to traditional drugs. We also believe that there's a lot of scope and potential in the natural therapeutic and homeopathic segment as more and more consumers are moving towards natural treatment that are safe and effective. Emami would have an option for every Indian consumer—safe and effective products that give results," said Agarwal.