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THE NECESSARY AND THE BEAUTIFUL

Emami has built itself through acquisitions. But there is more coming, with a startup turn

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Two young men jostle in a rickshaw as it clatters along a narrow, bustling lane of North Kolkata, each with a leg dangling over the side of the vehicle, a bulging sack of cosmetics nestled between them. The protagonists here are the founders of Emami — Radhe Shyam Agarwal and Radhe Shyam Goenka — childhood friends who gave up cushy corporate jobs to build a fast-moving consumer goods (FMCG) company.

From a 200-square-foot rented space on Muktarab Babu Street in North Kolkata, brand Emami stepped

into the competitive world of FMCG 50 years back, armed with just three products: Vanishing cream, talcum powder, and cold cream. The launch was under the company, Kemco Chemicals, which went on to become Emami Ltd in 1995.

In the last three decades, Emami Ltd has covered quite the ground with a product portfolio of more than 500 across 20 brands, exporting to more than 70 countries. Net sales on a consolidated basis in 2023-24 stood at ₹3,578 crore.

In the driver's seat are the next generation promoters from the Agarwal and Goenka families. And they are busy mapping the next phase of growth.

The younger son of Radhe Shyam Agarwal, Harsha V Agarwal, gives *Business Standard* a preview of the things to come. "This year, we will probably end with revenues of around ₹4,000 crore," says the vice chairman and managing director of Emami. "The aspiration is to reach ₹10,000 crore in the next six to seven years."

Mohan Goenka, eldest son of RS Goenka, is vice chairman and whole-time director.

Driven by acquisitions

Emami was woven together by a string of acquisitions. Around 45 per cent of the company's top line and more than 50 per cent of its bottom line comes from acquired brands.

The first opportunity came along within the first four years, in 1978: The ailing Himani Ltd. For a startup business, it may have seemed audacious, but as the founders said in the company's annual report of FY24, it "proved to be the turning point — from a company addressing the small to a company aspiring to scale."

The antiseptic cream market was then monopolised by Boroline. BoroPlus was launched from the

comes the answer: Zandu. Not only is it the largest brand in the portfolio but it also paved the way for an entry into ayurvedic healthcare.

"A lot many things panned out well for the company. The trajectory-changing initiatives were BoroPlus, which at that point became a huge success and a category leader, and the launch of Navratna. Pair & Handsome proved that it could take on the multinationals," points out Agarwal.

But the one thing that really stands out, he emphasises, is the acquisition of Zandu.

Emami acquired a majority stake in Zandu Pharmaceuticals in 2008 for ₹750 crore. The deal size had raised eyebrows then. But Agarwal appears satisfied with the way things have turned out. It is another matter that he was the driving force behind the acquisition.

Work is on at Emami to take BoroPlus and Kesh King brands to the next level. Consulting firm Boston Consulting Group (BCG) has been mandated to look at the strategy, marketing, efficiency, communication, and distribution of the brands.

Kesh King was a big-ticket buy at ₹1,651 crore in 2015. In Q1FY25, however, the Kesh King range saw a 15 per cent decline year-on-year.

D2C play, growth areas

After Covid, the D2C, or direct-to-consumer, space has been heating up and analysts expect consolidation.

"Startup funding is drying up. So, a lot of the D2C startups will be bought out by listed companies. Emami will be one of the companies vying for such targets," says Abneesh Roy, executive director and head of research committee at Nuvama Institutional Equities.

Emami's D2C play is two-pronged. It is launching digital first products on its own platforms and also making



Himani stable in 1982, and it became a runaway success. Navratna cool oil followed some years later.

Navratna and Zandu are now the frontrunners to become ₹1,000 crore brands. Zandu, at above ₹800 crore, is closest to the goalpost. Navratna is at around ₹750 crore and BoroPlus at ₹550 crore.

Ask Harsha Agarwal what the high point in Emami's journey is, and pat

MAJOR BUYS

- 1978: Himani Ltd
- 2008: Zandu Pharmaceuticals
- 2015: Business of Kesh King
- 2019: German brand Creme 21
- 2022: Dermicool brand

STRATEGIC INVESTMENTS IN NEW-AGE STARTUPS

- 2017: The Man Company (set to take full ownership)
- 2018: Brillare Science
- 2022: Nutrition brand TruNativ; ayurvedic petcare brand FurBall Story
- 2023: Forays into the health juice category with strategic stake in Axiom Ayurveda, makers of AloFruT

strategic investments in D2C startups. The D2C investment is helping Emami to premiumise its product portfolio and gain entry into new segments.

The first such investment was in 2017 in Helios Lifestyle Pvt Ltd, the owner of men's grooming brand The Man Company. Recently, Emami announced that it was buying the other 49.6 per cent to take its ownership to 100 per cent.

So far, Emami has invested in five new-age categories: Premium male grooming, premium and natural salon products, ayurvedic pet care, nutrition, and fruit juices with aloe vera pulp. The plan is to look for opportunities and invest in eight to 10 strong brands and build a portfolio for the company in two to three years. The areas of interest include personal care and health foods.

Setting the stage

The FMCG business is an area of emphasis for the group. But about five years back, the promoters of Emami were consumed in reducing borrowings and pledged shares. Divesting non-core businesses has helped them sharpen focus on core areas.

In 2020, the group divested Emami



Emami Vice Chairman and Managing Director Harsha Vardhan Agarwal expects to end this year with revenues of around ₹4,000 crore

Cement to Nuvoco Corporation for an enterprise value of ₹5,500 crore.

Nuvama's Roy points out, "In the last five years, we have seen many companies go under because of the IL&FS crisis and Covid, among other issues. But the Emami promoters handled the debt problem swiftly and came out of it unscathed. They exited non-core businesses and the FMCG business is a big focus for the group."

Last year, the group divested an 84 per cent stake in AMRI Hospitals in favour of Manipal Hospitals for about ₹2,300 crore. The Emami group, however, retains a 15 per cent stake as

an investor.

Other changes are afoot. Roy notes that historically, investors believed that Emami was promoter-driven and the level of professionalisation was lower compared to Marico, Godrej Consumer Products, and Dabur, even though these are larger companies. "But Emami is getting into a larger company mode. Senior-level hires from MNCs have happened in the last two to three years. And to attract talent, the locations have been kept flexible," he adds.

As it is said, "small is beautiful but big is necessary."