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'Acquisitions by Emami have proven valuable'



Game changer: The acquired brands now have a larger footprint, says chairman R.S. Agarwal.

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Brands yield 30% of domestic sales

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Two acquisitions made by Emami over the last few years and valued at ₹2,384 crore have added value to the the FMCG company. While the Group bought into Zandu in 2008, it bought Kesh King in 2015.

"Industry observers had predicted failure for these two acquisitions," said Emami chairman R.S. Agarwal. "But the acquisitions have proved value-accretive... and the Zandu and Kesh King portfolios now account for over 30% of our domestic revenues," Mr. Agarwal said. He and director R.S. Goenka are the founders of the company that has grown mainly through acquisitions.

The brands owned by the company include Zandu, KeshKing, Navratna Oil, Fair and Handsome and Boroplus.

Referring to Zandu and Kesh King, Mr. Agarwal said: "we improved formulation, repackaged the acquired products, heightened the promotion, restructured the distribution channel and enhanced market footprint."

An Edelweiss Securities report noted that the acquisitions were complemented by corporate rejuvenation which made it possible for

the Zandu acquisition to breakeven within its first full year of operations and Kesh King to become EPS accretive in a year.

Emami, which reported domestic sales of ₹2,142 crore in 2016-17, increased advertisement and sales promotion to ₹443 crore in that year from ₹430 crore the previous year. The company claimed that it was among the highest spenders in its category (on promotion) and that it maintained its spend through the demonetisation, when consumer spends moderated and the company suffered hits to its bottomline.

International business

On its international business, the company said in its 2016-17 annual report it had marked a major presence overseas with 11% of its revenues coming from exports. It added that it had 'reformulated products and repackaged' them to increase appeal in a global market which includes West Asia, Russia, and South Asia.

It is now stepping into new markets in the ASEAN region and is evaluating options to set up manufacturing plants. Emami has eight domestic units and an international one in Bangladesh besides outsourced units.