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● **GOLDEN GLOW**

# Emami@50: A tale of big buyouts and clever exits

**MAKING OF AN FMCG GIANT.** The Kolkata-based conglomerate's five-decade journey has been marked by profitable acquisitions

Mithun Dasgupta

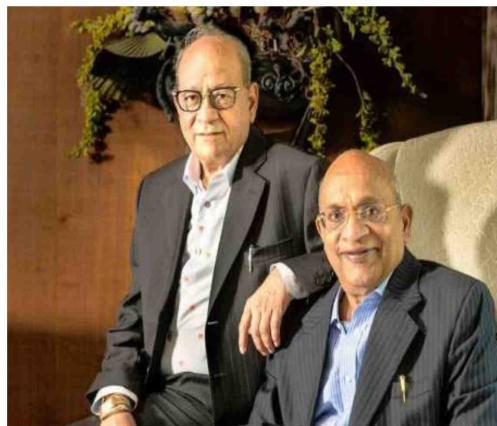
Emami has been likened to a hungry Bengal tiger often. The Kolkata-based conglomerate set up by two friends — both called Radhey Shyam incidentally — has voraciously acquired companies during its five-decade long journey. Perhaps that hearty appetite explains its rapid rise from humble origins. As an emotional RS Goenka, co-founder and joint chairman of the Emami group, said during a glittering event to celebrate 50 years of the group's operations, "From the lanes of Burrabazar to now being available in 70 countries across the globe, with a diversified portfolio of business, we have come a long way."

Burrabazar, Kolkata's business district, means a "big market". The sprawling area in the central part of the city has witnessed the rise and fall of many budding entrepreneurs — but none as unique as that of Goenka and his friend RS Agarwal.

The two childhood friends had started manufacturing cosmetic products under the brand name of Emami from a small office at Khyengra Patty, Burrabazar, in 1974, with very little funds.

After 50 years, the diversified group now has a turnover of around ₹30,000 crore with three listed entities — FMCG major Emami Ltd, Emami Paper Mills and Emami Realty. The group is keen to also list its edible oil and bio-diesel arm Emami Agrotech, which makes the largest contribution of over 60 per cent to the total turnover.

In terms of margins, the group



**TAKEOVER TYCOONS.** RS Goenka and RS Agarwal, co-founders of Emami

flagship Emami Ltd is a major contributor. The home-grown FMCG maker has major brands like Fair and Handsome, Navratna, Zandu, BoroPlus, Kesh King, Mentho Plus, 7 Oils in One and Dermicool. Significantly, five of its brands are market leaders in their respective segments.

Emami Ltd has grown mainly through acquisitions. Its major acquisition was in 2008, when it bought Mumbai-based Zandu Pharmaceutical for ₹750 crore in one of the most expensive takeovers in the Indian FMCG space at that time.

Although such an expensive acquisition had raised the eyebrows of many analysts, Agarwal, an astute strategist, understood the "long term value" that the Zandu takeover would bring. Goenka supported him

in the risky buyout, which paid off and later proved a game changer.

"Agarwalji was a trailblazer. I am yet to meet a person who has so much energy, who has never been scared to take any risk or had brilliant foresight... his innovative ideas about products or communication were unparalleled," recalled 77-year old Goenka during the celebrations.

After Zandu, Emami bought Kesh King for ₹1,651 crore in 2015 to enter the haircare segment. The company's brand-strengthening initiatives like strong digital campaigns, smaller stock-keeping units (SKU), incorporating influencers, focusing on direct-to-consumer website and launching an organic haircare product range resulted in increased penetration and distribu-

tion for Kesh King. The brand has witnessed higher household growth compared to the category growth. In the Ayurvedic hair oil category, Kesh King gained market share, in terms of both volume and value.

The company's latest big acquisition was Dermicool in 2022 from consumer giant Reckitt for ₹432 crore. The company has since become a market leader in the niche category of prickly heat powder and cool talc with two major brands — Navratna Cool Talc and Dermicool.

**CURRENT STRATEGY**

Emami is aiming to create a "balanced portfolio" of brands that cater to summer, winter and year-round needs. Products like Zandu, Kesh King, Fair and Handsome and 7 Oils in One are perennial with no seasonal impact.

Moreover, the company has strategically invested in start-ups with unique products in categories like natural or organic personal care, Ayurveda, nutraceuticals, healthcare, male grooming, ayurvedic pet care and healthy and nutritious food.

The hunger has not abated. The group has hired consulting giant McKinsey to identify different ventures for the group, as it is looking to enter new consumer-facing businesses.

"Emami has always believed in growth through both organic and inorganic routes. For any dynamic organisation like us, sustainable growth should come from diverse sources," Aditya V Agarwal, Emami Group Director and Agarwal's son told *businessline*.

Emami has made many strategic investments in new age digital start-

ups such as The Man Company, Brillare, Trunative, The Furball Story and the recent addition of Alofrut Juice. "In course of time, we have acquired majority stake of some of them like The Man Company and Brillare which are now our subsidiaries," adds Agarwal.

Meanwhile, the group has recently gone through some restructuring to pare debt. It has also exited non-core businesses. For instance, it divested an 84 per cent stake in AMRI Hospitals to Manipla Group for around ₹2,450 crore. It also sold its cement business, Emami Cement, to Nuvoco Vistas, part of the Nirma Group, for an enterprise value of ₹5,500 crore, in 2020.

On the management front, while both Goenka and Agarwal's children — Manish Goenka, Prashant Goenka, Mohan Goenka, Aditya V Agarwal, Harsha V Agarwal and Priti Surekha are active in the business, now the third generation is entering.

An analyst commenting on a couple of listed companies of the group, says that for Emami Ltd, between rural and urban, winter and non-winter revenue splits, the average revenue growth is expected to range in mid-single digits. "Once commodity costs decline and advertising and promotion costs are reined in, the EBITDA margins may start improving. The stock is trading at lower multiples of 32 times trailing EPS which is low considering the FMCG tag. The company is now net debt positive (cash higher than debt)," he explains.

To mark the 50-year milestone, the group is establishing an Emami Legacy Centre which is expected to be completed by June this year.