

BOND OF BROTHERS

A strong code of behaviour has kept the two promoter families of Emami together over the years, even as the founders have struggled with the succession question

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Emami Group, owned and managed by two Marwari families from Kolkata and now pushing a valuation of ₹60,000 crore, has a couple of secrets behind its success. While the first one provided an initial boost, the second has helped hold together the group that spans ayurvedic cosmetics to cement to edible oil.

The early secret of success was a classical Indian fragrance called *jannatul-firdous* or just *firdous*, meaning 'garden,' with a citrus and floral blend.

In the seventies, the Emami founders used *firdous*, traditionally used only for incense burning and *agarbatti*, for their vanishing creams and cold creams. It helped distinguish Emami products and established the brand. Founder chairman of Emami Radhe Shyam Agarwal himself had a knack with scents and perfumes, from spending hours at the family shop selling toiletries in a Kolkata bylane.

The creams grabbed more than 5% market share within two years. For the founders, this was a case of being second time lucky. For, the real secret sauce for the success was friendship.

In 1974, Agarwal and Goenka gave business a second shot on the back of a loan, a new brand, premium packaging and pricing, big commissions for retailers and the magic fragrance, firdous

Agarwal, 73, and cofounder and co-chairman Radhe Shyam Goenka, 72, have been life-long friends. In the sixties, they felt the need for a venture, to be able to spend more time together. Over the years, as the business grew in size, the duo built an almost ritualistic routine for the two families ensuring they bond like a clan. Today, with more than half a dozen members of the next generation in key positions, the succession questions looms large and the basic tenets of the Emami Group's operations will soon be tested.

BOND, EMAMI BOND

Goenka says, "All of us at Emami have accepted RS Agarwal as our leader." The top management of the group today has nine members of the two families working together, and Goenka says Agarwal's undisputed position ensures disagreements can find quick solutions.

As his senior, Agarwal had taken Goenka under his wings while the two were studying at Maheshwari Vidyalaya in Barabazaar. By the sixties, both became chartered accountants and had separate jobs, but their friendship had only become stronger.

ET met with the duo in Kolkata, at Agarwal's new house on Ballygunge Circular Road, named *Adwait* (meaning, united), where Agarwal and Goenka displayed all signs of their decades-old camaraderie.

In what looked like a practiced routine, Agarwal said, with mischief in his eyes, how he used to lead the school teams in almost all sports — football, cricket and hockey — and Goenka added without batting an eyelid, "Oh, that was all his *dadagiri*. Do you think anyone can be the best in all sports?"

In 1968, the two started a cosmetics business alongside their jobs. It wasn't called Emami then; the first brands were Kanti and Bulbul. "Cheap qual-

ity cosmetics," as Agarwal describes them, often sold for ₹3-4 for a dozen. The business all but went bust in months, drowning the ₹20,000 capital provided by Goenka's family.

Meanwhile, their professional careers blossomed. By the mid-70s, Agarwal had become a vice-president with the AV Birla Group and Goenka was heading income tax for the KK Birla Group. In 1974, the two friends gave their business dreams another go, with borrowed money, a new brand, premium packaging and pricing, large commissions for retailers and, of course, the magic fragrance, *firdous*.

No one is sure today, how the brand name Emami was found. "In Italian, *amami*, means 'love me,'" says Goenka, hinting that the brand found its mojo as an afterthought.

Over the years, Agarwal and Goenka have tried hard to keep the two families together and bonding all the time. Goenka's youngest brother Sushil is the designated managing director (though bulk of the executive powers are with RS Agarwal and RS Goenka) for the flagship Emami Ltd. There is a clear division of responsibility among key family members.

For the second generation, initiation into business started early. Priti Sureka, Goenka's daughter and the eldest among the next generation who chose to enter the business, recalls how she would come to her father's office for a few days every week even when she was in school. "I would be given small tasks to perform."

For the boys, the routine in the mid-nineties was to attend morning classes at St Xavier's College and then come in to work at the offices. They grew up handling little details like despatch, couriers and even post office work.

The tradition has continued till the third generation. As Sureka spoke to ET, Agarwal's grandson (son of Aditya) Vibash walked in wearing a school uniform and touched Sureka's feet before taking a seat. "It is a daily routine (for) the youngsters whenever they come in to meet all the elders," says Mohan, eldest son of RS Goenka.

Today, there are more rituals — like the daily lunch that all working family members must have together at the Emami headquarters in Kolkata. Often, an external expert or a business CEO from the group is invited to join.

There is also a formal business council, where the group's professional chief executives and family members sit together for major decisions. There is also a family council, where all family members — almost 60 — can meet.

Every year, at Durga Puja, the two extended families take week-long vacation together. Usually, a resort — or part of it — is booked and the family mostly stays indoors, enjoying companionable meals and playing cards. One meal during the vacation is inevitably cooked by the men of the family!

"We are not supposed to plan anything else during that week. We all have to be present for this," says Manish, younger son of RS Goenka.

Many other things are forbidden — like buying expensive cars or showing off. In fact, cars are allotted by the families depending on need. Family members are not allowed to make investments in businesses outside Emami, or give unsecured loans.

BREAKING BUSINESS

The second generation, Manish Goenka and Aditya Agarwal, can give Emami watchers a sense of déjà vu. The two were classmates and even benchmates at South Point school and then at St Xavier's College. Around a decade ago, the duo moved out of execu-



PHOTOS: SUBHAJIT PAL

Corporate Clan

FOUNDERS Radhe Shyam Agarwal, chairman, and Radhe Shyam Goenka, co-chairman

OTHER FAMILY MEMBERS

SUSHIL GOENKA: RS Goenka's youngest brother, is managing director

PRITI SUREKA: RS Goenka's daughter, and eldest among the second generation, handles strategy, research and brands like Boroplus

MOHAN GOENKA: Sales, distribution and some brands under Emami Ltd

MANISH GOENKA and ADITYA AGARWAL: Classmates through school and college, they have moved out of Emami Ltd and together handle edible oil, biodiesel, cement, healthcare and paper businesses

HARSH AGARWAL: M&A, HR, media and marketing, Emami

PRASHANT GOENKA: RS Goenka's nephew deals with the international marketing division of Emami



(Top) Emami founders RS Agarwal and RS Goenka; (above L to R) Harsha Agarwal, Aditya Agarwal, Manish Goenka, Priti Sureka, Mohan Goenka and Prashant Goenka

Group Contours

Listed entities/market cap

Emami Ltd ₹25,718 crore

Emami Paper ₹1,396 crore

Emami Infrastructure ₹722 crore

Other businesses include edible oil, cement, medicine retail, healthcare

Edible oil is targeting a turnover of ₹13,000 crore in 2018-19

Internal assessment of the group's net worth ₹60,000 crore

What Makes Emami Families Tick?

Clear leadership of Radhe Shyam Agarwal

Entire business is held together by the bond of family relations

Family members' pay allowances and spending on luxuries such as cars is regulated by the family elders

All family members are present daily for lunch together at the office

An annual mandatory holiday during Durga Puja sees 60 members from the two families at a resort for a week

A family council comprises everyone in the family

A business council, comprising family members who work in Emami Group and professional CEOs, takes major business decisions

at the same time, grew with the business and contributed." Aditya adds, "We have never lived without each other; we do not know how that is."

Mohan does, however, indicate that diversification is seen as one way of managing the future. The Emami Group has clearly emerged as a diversified play, with group turnover likely touching ₹15,000 crore in 2017-18 and Emami Ltd's turnover at ₹2,530 crore. None of the businesses are subsidiaries of Emami Ltd, all being directly owned by the promoters.

It may broadly be viewed as a succession plan — a business for every scion.

UNITY IN DIVERSITY

Emami had a lucky break with edible oil, which now has Amitabh Bachchan as brand ambassador. The oil is being marketed at less than ₹100 a litre, grabbing market share and aimed at a turnover of ₹13,000 crore for 2018-19.

The plant in Haldia was originally a biodiesel project; Emami promoters did a smart pivot when biodiesel business did not take off. The raw material — imported palm oil — was the same, the plant was located on the coast and processing equipment was similar too.

The group is also investing heavily in cement across India, eyeing a capacity of 20 million tonnes per annum in another three years, having already hit a turnover of ₹2,000 crore.

Emami Group is also the largest manufacturer of newsprint in India and has had brief dalliances with steel and mono-filament yarn too.

Even Emami is looking to move strongly towards FMCG, soaps and shampoos for expansion.

However, it has all not been smooth sailing. In 2011, after a fire at AMRI, a hospital run by the Emami Group, both RS Agarwal and RS Goenka were arrested, along with others from the second generation. The tragedy was the largest hospital conflagration in India, claiming the lives of 92 patients.

Today, Goenka says one has to experience jail to know what it can be like. Nonetheless, despite challenges and the fact that Agarwal has not been keeping well, the founders seem serenely unhurried about settling succession. Perhaps, they have a plan. Or perhaps they believe the bond of brotherhood they have forged within the family will see the Emami Group through.

tive roles in the flagship company to handle the other businesses — namely paper, cement and edible oil. Realty, ballpoint pen tips, healthcare, pharmacy and retail are also in the mix.

Manish's elder brother, Mohan, says succession planning and how the family will manage the group in future is an unresolved question. The second generation tried to discuss it among themselves but results were unsatisfactory. "It's a sensitive issue," he says.

Harsh Agarwal, who works for Emami along with Mohan, says he prefers the seniors handle the issue. "Each one of us have specific roles assigned to us, which is substantial enough for us," he says.

Mohan points out, "There is no clear leader among us. We are all the same age, we came into the business almost

Agarwal and Goenka have tried hard to keep the two families together and bonded. There is a clear division of responsibility among key family members, two councils and a healthy dollop of rituals