

# AN EDUCATIONAL STUDY ON FINANCIAL SYNERGY WITH SPECIAL REFERENCE TO EMAMI AND KESH KING COMPANIES COMBINATION

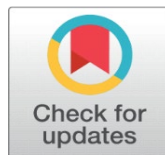
Sub Lt. Devika A. <sup>1</sup>, Dr. Kavitha Vani S. D. <sup>2</sup>, Latha R. <sup>3</sup>, Dr. Ramesha V. <sup>4</sup>

<sup>1</sup> Assistant Professor, Department of Commerce, L.B.S. Government First Grade College, R.T. Nagar, Bengaluru, India

<sup>2</sup> Associate Professor, Department of Commerce, L.B.S. Government First Grade College, R.T. Nagar, Bengaluru, India

<sup>3</sup> Assistant Professor, Department of Commerce, L.B.S. Government First Grade College, R.T. Nagar, Bengaluru, India

<sup>4</sup> Associate Professor & Co-ordinator, Department of PG Studies in Commerce, Government College for Women, Kolar, India



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## ABSTRACT

The business concerns have the best practices. One of the best practices is acquisition of best small company by the big companies. This provides benefit to both the selling company as well buying companies. One the popular company doing such acquisitions is Emami. It is expanding its product portfolio through major acquisitions. Its major acquisitions include Himami acquisition in 1978, Zandu acquisition in 2008, Kesh King acquisition 2015, Crème 21 acquisition in 2018. Kesh King was set up by Mr. Sanjeev Juneja with just Rs. 2,000 in 2001 year. He got motivation from his father's ayurvedic clinic and experimented with a herbal mix and started Kesh King, He went door to door and many retail outlets to sell his product Kesh King, one of ayurvedic oil for hair fall problems. But he was rejected several times. But he did not give up his attempt, he got success and popularized his brand. His product has become very popular Indian FMCG sector covering 35% market share. In 2015, Emami kept an eye and acquired the entire prodct portfolio and entire buyout takes place for Rs. 1,651 crores. This benefited both companies. The data has been collected from secondary sources like daily newspapers, journals and magazines and internet sources. The paper concludes that synergistic benefits must be enjoyed with positive combinations.

**Keywords:** Acquisition, Ayurvedic, Synergy, Collaboration Etc



## 1. INTRODUCTION

“Coming together is a beginning, keeping together is Progress and Working together is a Success”. This is quoted by Henry Ford, one of great Industrialist. It focuses on importance of collaboration and teamwork. It is very commonly found that competition is common among companies. Examples are many quoting a few, HDFC bank faces competition from SBI, Bank of Baroda, Canara Bank, ICICI Bank, Axis Bank etc. Though there is a competition benefit in this, there are many difficulties in this regard. That is the reason why companies are working together to enjoy the benefits of financial synergies. This is done in the names of amalgamation, merger, acquisition, and take over etc.

## 2. STATEMENT OF PROBLEM

Companies working separate have some advantages like independency, fast decision making, competition spirit etc. But they have certain demerits too such as heavy competition, increased cost structure, lack of finance etc. These problems are faced by big companies as well as small companies. So, acquisition is one of the common facilities available

to companies which want to enjoy the financial synergies. Therefore, the present study is taken on acquisition of Kesh King by the Emami.

### 3. OBJECTIVES OF THE STUDY

- 1) To study the basics of financial synergy benefits.
- 2) To study the factors influencing financial synergy.
- 3) To study the benefits of acquisition to both companies.
- 4) To create a model on synergy benefits.
- 5) To give valid suggestions on synergy mechanism.

### 4. METHODOLOGY

The present study was done on secondary data based with a purpose of studying the benefits of amalgamation of two companies. So, Indian FMCG major Emami company and Kesh King, one of Ayurvedic company are taken for the study. The data has been collected from the secondary sources such internet, text books, magazines, newspapers etc. Based on the data collected and study, a conceptual model has been designed to suggest the researchers and readers to make use of synergy benefits through working together.

### 5. QUOTATIONS HIGHLIGHTING THE POWER OF TEAMWORK AND COLLABORATION

- 1) "Alone we can do so little; together we can do so much". - Helen Keller
- 2) "Talent wins games, but teamwork and intelligence win championships". - Michael Jordan
- 3) "If everyone is moving forward together, then success takes care of itself". - Henry Ford
- 4) "The strength of the team is each individual member. The strength of each member is the team". - Phil Jackson
- 5) "Find a group of people who challenge and inspire you, spend a lot of time with them, and it will change your life forever". - Amy Poehler
- 6) "When you hand good people possibility, they do great things." – Biz Stone
- 7) "The way to achieve your own success is to be willing to help somebody else get it first." – Iyanla Vanzant
- 8) "Find a group of people who challenge and inspire you, spend a lot of time with them, and it will change your life forever." – Amy Poehler
- 9) "We rise by lifting others" – Robert Ingersoll
- 10) "Teamwork Works." – Widely recognized concept.

### 6. REVIEW OF LITERATURE

- 1) Kumar & Bansal (2008)<sup>1</sup> found that in many cases of M&A, the acquiring firms were able to generate synergy in long run, which may be in the form of higher cash flow, more business, diversification, cost cuttings etc. They used ratio analysis and correlation
- 2) Kumar (2009)<sup>2</sup> considered and found that the post-merger productivity, resources turnover and dissolvability of the procuring organizations, by and large demonstrate no improvement when contrasted and pre-merger esteems. So, it appears that, as opposed to basic convictions and desires mergers as a rule don't prompt improve the acquirer's money related execution,
- 3) Srivastava & Prakash (2014)<sup>3</sup> examined & found that no statically significant difference in the mean value of all the measures except R&D expenses as percentage of operating expenses for the acquirer Indian firms before and after merger and acquisition event.
- 4) Lakhwani et al. (2017)<sup>4</sup> found that M&A is benefited in long term but it entirely dependent on the company who choose this path and the way take it forward by using Du-Pont analysis with a sample size of 24 during 2005-2006.

- 5) Agnihotri (2013) researched to find out the firm level determinants that play decisive role in deciding for the business enterprises as to whether go for acquisition or not. She took sample of 360 companies from the time frame 2004-2010 and restricting to three sectors – FMCG, Automobile and Pharmaceutical it was found that business group affiliation and earning volatility are the two crucial elements for the corporates to decide to opt for M&A or not.

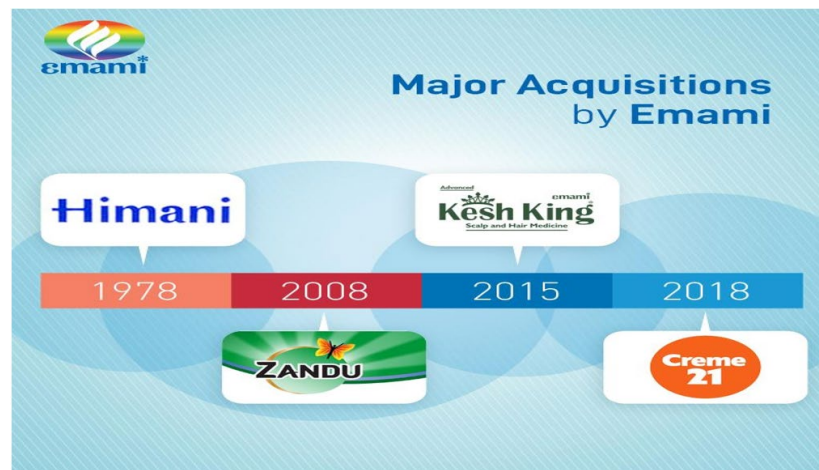
## 7. MEANING OF ACQUISITION

An acquisition happens when a popular and strong company buys another small company. It is a strategy to decrease competition and enjoy the benefits of synergy benefits. In 2015, Emami acquired Kesh king, a small company but got popularity in the market.

## 8. EMAMI'S MAJOR ACQUISITIONS

In 2008, Emami Limited acquired Zandu Pharmaceuticals Ltd followed by the business of Kesh King in 2015, two of the biggest acquisitions in the history of FMCG industry in India. Emami's products are available in 4.5 million + retail outlets through its network of 2800 + distributors across India.

Figure 1



## 9. EMAMI COMPANY

Figure 2



Emami is one of the major FMCG Company which provides personal health care products. It's major brands are Boroplus, Navarathna, Zandu balm, Kesh King, Smart and Handsome, Menthoplus, 7 oils in one, Dermicool, Crème 21 etc. It is focusing herbal based products which does not have side effects to consumers. It is originated in India but now has strong presence in key international markets. It was founded by two childhood friends, Mr. R.S. Agarwal and Mr. R.S. Goenka. They initially set up Kemco Chemicals, an Ayurvedic medicine and cosmetic manufacturing unit. It started its journey in 1974 as a local company and reached global access today. One of major strategy it used for market expansion

is through acquisitions. Emami operates in over 70 countries worldwide. these include markets in SAARC, Africa, Europe, America. Emami has committed manufacturing units in India and abroad to cater to the diverse needs of consumers in different countries.

## **10. KESH KING COMPANY**

It was started by Mr. Sanjeev Juneja with a small investment of Rs. 2,000 in 2001. He hails from ayurvedic family, his father was a renowned ayurvedic practitioner. He has no fancy degrees and lots experience. What he did was, he was facing hair fall problem. So, he experimented some herbal mix with a minimum knowledge of ayurvedic field from his father. He wandered door to door, retail outlets requesting to buy his hair fall shampoo, capsules in the competitive world. He rejected and insulted many times by many people. But he never gave up. With determination he could be able to convince people to buy medicine for hair fall problems. Since his attempt was very sincerely, he got success. He developed brands like Kesh King, Dr. Ortho, Roop Manthra and Pet Saffa. His brands got grand success all over India. The brand Ambassadors like Juhi Chawla endorsed his brands.

## **11. PRE-ACQUISITION DETAILS OF KESH KING**

Kesh King was the King in the market before its acquisition in 2015 by Emami. Its strengths include popular brand, arurvedic focus and healthy financials. Its weaknesses include susceptibility to market competition and raw materials price fluctuations.

## **12. PRE-ACQUISITION DETAILS OF EMAMI**

### **1) Diverse Portfolio**

Emami has a wide range of products, including antiseptic creams, cooling talcs, hair care, and men's grooming products.

### **2) Strategic Acquisitions**

Emami has a history of acquiring established brands to enter new categories or expand its market share. Acquisitions like Kesh King and Creme 21 have been successful in boosting Emami's topline and expanding its product range.

### **3) Strong Distribution Network**

Emami boasts a wide distribution reach of over 5.4 million retail outlets and a strong international presence in over 70 countries.

### **4) Focus on Growth**

Emami has been focusing on strengthening its consumer business by appointing dedicated heads for international business and healthcare segments.

### **5) Divestment of Cement Business**

Emami's decision to divest Emami Cement to Nuvoco Vistas was a strategic move to streamline its operations and focus on its core FMCG business.

### **6) Potential for Further Acquisitions**

Emami continues to explore opportunities for inorganic growth and strategic acquisitions to enter new product categories and expand its market presence.

### **7) Financial Strength**

Emami had surplus funds that were used to finance some of the acquisitions.

### **8) Brand Building**

Emami has been investing in brand building and marketing to enhance its market position and drive growth.

### 13. POST-ACQUISITION BENEFITS

#### 1) Increased Market Share

Kesh King, already a market leader in ayurvedic hair oil, expanded Emami's presence in the hair care segment and solidified its position in the broader ayurvedic market.

#### 2) Enhanced Brand Portfolio

The acquisition added a popular and established brand to Emami's portfolio, complementing its existing brands like Navratna and Fair and Handsome.

#### 3) Improved Financial Performance

The acquisition contributed significantly to Emami's top line, with Kesh King estimated to have contributed Rs 75-80 crore in a single quarter. The acquisition also led to cost savings through distribution and media synergies.

#### 4) Synergies in Distribution and Media

Emami's extensive distribution network and marketing capabilities were leveraged to further boost Kesh King's sales and reach.

#### 5) EPS Accretion

The acquisition became earnings per share (EPS) accretive within a year, indicating positive financial impact on Emami's overall profitability.

#### 6) Consolidation in Ayurvedic Space

The acquisition strengthened Emami's dominance in the ayurvedic and herbal products market.

#### 7) International Expansion

Emami's strong international presence allowed it to explore opportunities for expanding Kesh King's reach in various global markets.

#### Synergy

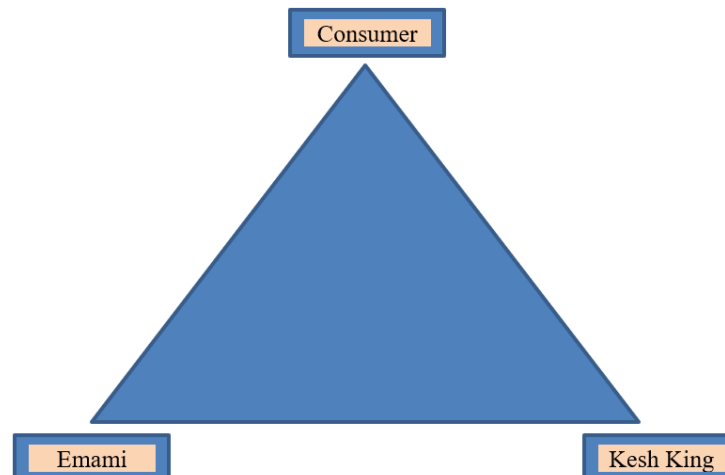
It refers to benefit arrived due to addition of two components. It is a collaboration effect. In this article, the addition of Emami and Kesh king has provided benefit to both companies.

#### Financial Synergy

$1 + 1 > 2$ , there is added advantage to both the companies naming a few, Kesh king got worldwide market, increased research and development, opportunity to work with FMCG gaint and Emami got market expansion, cost savings in media advertisement and distribution channels.

### 14. MODEL ON BENEFIT OF EMAMI AND KESH KING MERGE (CEK)

Figure 3



Kesh King was a small company whose value was about Rs. 650 crore got full cash payment of Rs. 1,651 crore. The initial efforts of Mr. Sanjeev Juneja are paid very good fruits. The Kesh king has got access to benefits of large brand values. On the other hand, Emami also benefited from this merger in the form of market expansion with very good quality of products of Kesh King. Ultimately, Consumer also the benefit from the merger of these two companies in the form of quality goods and services at affordable prices. Even, in our daily life also, we can adopt this model as role model and we should work with our neighbors, colleagues, relatives to enjoy the benefit of synergy.

## 15. LIMITATIONS OF THE STUDY

- 1) This study is mainly based on secondary data selected from the annual reports of companies, so the reliability and the finding are contingent upon the data published in annual report.
- 2) The period taken for study is too short which will not give a clear view for the long run.
- 3) This study is related with only two cases. Therefore, it is not considerable for any decision-making process regarding acquisitions

## 16. FINDINGS AND SUGGESTIONS

- 1) It is found that Kesh King acquisition by Emami is biggest ever found in the Indian FMCG sector.
- 2) Mr. Sanjeev Juneja has got success without any fancy degrees. He got the success through hard work, passion, and perseverance.
- 3) He got Rs. 1,651 full cash payment for the valuation of 651 crore of his company, Kesh King.
- 4) This is the one of the major motivations to Indian youngsters to take up own business ideas.
- 5) This will reduce unemployment problem in our country and also increase the productive activities.
- 6) The efforts of Sanjeev Juneja are provided very good fruits in 2015, when he paid handsome amount by Emami.
- 7) He is continuing even after sale also in innovative activities.
- 8) The acquisition benefited both the companies with positive results. The sales of Emami after acquisition increased by 50% due to good quality of products of Kesh King.
- 9) There is a saying "Unity is Strength", that has become true in case of Emami – Kesh King combination.
- 10) Emami is famous for acquisition and expansion. In 2008, Emami Limited acquired Zandu Pharmaceuticals Ltd followed by the business of Kesh King in 2015, two of the biggest acquisitions in the history of FMCG industry in India.
- 11) Emami's products are available in 4.5 million + retail outlets through its network of 2800 + distributors across India.
- 12) Kesh King was started by Mr. Sanjeev Juneja with a small investment of Rs. 2,000 in 2001. He hails from ayurvedic family, his father was a renowned ayurvedic practitioner.
- 13) Kesh King was the King in the market before its acquisition in 2015 by Emami. Its strengths include popular brand, ayurvedic focus and healthy financials.
- 14)  $1 + 1 > 2$ , it has become practical experience by Emami Kesh King.
- 15) CEK model suggested that Emami acquisition of Kesh King has mainly benefitted Emami through product diversification, it benefitted Kesh King also which offers to enter and enjoy international business. These two benefitted consumers also.

## 17. CONCLUSION

The Emami acquisition of Kesh King provides a big message to other entrepreneurs to do same to expand the business. The triple benefit motivates Indian budding youngsters to take business with small ideas for production activities. There is a positive impact of acquisition to both companies.



## ACKNOWLEDGMENTS

## REFERENCES

- 
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