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India Strategy

Our Indian entrepreneurs

Anand Mahindra

Anil Agarwal

Dhirubhai Ambani

Dilip Shanghvi

Ekta Kapoor

Gautam Thapar

Jignesh Shah

Kiran Mazumdar Shaw

Kishore Biyani

NR Narayana Murthy

Raghav Bahl

Rajiv Bajaj

Rajiv Mody

Sanjay Labroo

Sanjiv Bajaj

Tulsi Tanti

Vijay Mallya



Banking on people

Going beyond numbers

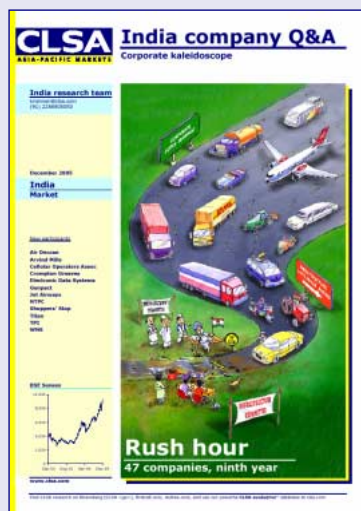
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See the inside back cover for a key to our corporate kaleidoscope

More head to head interviews with India's captains of industry – CLSA's annual company Q&A



India is rich in entrepreneurs

Foreword

The world's stock market history is replete with examples of how investing, either big or small, in individuals - call them entrepreneurs or entrepreneurial managers - can result in big pay offs. These individuals dared to dream and had the vision, foresight and untiring energy to pursue their dreams. They had the conviction to listen to their gut instincts and were fearless in taking risks, which, in some cases, were unfathomable at the outset. They opened up and created new lines of businesses and built previously non-existent size and scale. If you did invest with Dhirubhai Ambani or Narayana Murthy, you would have partaken in the staggering fortunes they helped create.

India, fortunately, is blessed with an abundance of such entrepreneurs. In this nucleus lies India's most powerful, as yet unquantifiable driving force for change and growth. India's entrepreneurial DNA, so to speak, that was hostage to too many controls and shackled till the early 1990s is gradually being freed. I have great confidence that India will produce many more Ambani's and Murthy's in the years to come, and, in the process, throw up many new and exciting money-making opportunities for the investment community.

The difficulty, though, is to know which way to invest when there is such a limited amount of information or lack of clarity on how such dreams can become real. To invest in Infosys or Microsoft when they started off would have required a huge leap of faith, quite possibly a bet on the dreams and execution capability of an unknown individual.

Stick with your conviction

Obviously investment decisions that back such individual entrepreneurs require deep understanding of the persona. This is a subjective game and hence more art than science. It is also easier said than done. Even after one develops conviction, it will be periodically put to the test. While each individual case may be different, and therefore one should not underestimate the need for constant review, the biggest pay-offs happen when investors stick to their conviction, even through trying times. Dhirubhai's aim to build global scale in refining and petrochemical facilities was often taken incredulously. Yet, he managed to build the single-largest grassroots refinery in the world. The turnaround in the fortunes of ICICI Bank is the result of one man's dream, that of KV Kamath, who managed to turn the bank around from an NPL-burdened term lending institution to India's fastest growing and largest bank by market capitalisation.

Personas matter

In this report we outline our understanding of the persona of a few entrepreneurs, some of whom have just emerged on the scene. Aniruddha Dange, our Head of India Research, spent several days studying companies, short-listing the entrepreneurs and spending hours interviewing them. Quite a few appeared almost rebellious in their early days and laced with unconventional thinking, were full of dreams and a willingness to take risks, but are great team builders. Anand Mahindra, for example, pursued a Master's degree in film study at Harvard and believes being 'right-brained' helps him remain creative. The story of how he picked up the design of *Scorpio* (a highly successful auto model) in a flash is a case in point. On how he transformed Bajaj Auto, Rajiv Bajaj says that all he did was to move one big group (of non performers) from getting in the way of a small group of performers. Anil Agarwal, who is now among India's leading non-ferrous metal producers, says the company's mantra is to become the lowest cost producer in the world. "Ultimately, everyone in the world is going to die, but

Entrepreneurs can now access abundant capital

we must die last," he says. He created a very unique corporate structure, by which a company listed in the UK owns assets in India, enabling it to drive better valuations for all his businesses. There are after all no boundaries for an enlightened mind.

Indian entrepreneurs today have access to abundant capital. They are confident in competing in the global market place and are looking to buy and build businesses outside India's borders. Secular growth in the momentum of domestic consumption, driven by some powerful factors like favourable demographics and rising affordability, is also throwing open a very large, fast-growing market. All of this is driving entrepreneurs to think of scale, "make Coke instead of *Clarets* and Nike instead of handmade shoes." The pursuit of size and scale has led them to test various price points (US 2 cents a minute for mobile calls!) in different industries. Sunil Mittal, an underdog not long ago, fought all odds to build a pan-India telecom company, whose market value today is in excess of US\$15bn. Bharti's success is yet another example of focus, foresight and perseverance.

Can India create a GE, a Microsoft or a Toyota?

Can India create a GE, a Microsoft or a Toyota? Even five years ago the answer would have been an emphatic no. The answer today is more likely to be 'possibly.' Entrepreneurship in India in the past five decades, especially prior to the late-1990s, never realised full potential, either due to too many government controls, lack of capital or the sheer mindset of entrepreneurs and their belief in management and control through legacy. In addition, too much stress on frugality also created its own problems, as it limited needs and therefore the hunger to grow bigger. The lifestyle and aspirations of the younger breed of entrepreneurs are different, and their yearning for super-luxuries will no doubt drive them harder.

Investors have had a real taste of success

Private equity investors in India have already had a real taste of success and most of their investments on entrepreneurs, especially those at an early stage, have paid off big. Warburg Pincus' US\$300m investment in Bharti fetched over US\$2bn in around five years.

Of course, there is much more support required from the government to give this dream a chance to be realised. Significantly better infrastructure, much less bureaucracy, a more simplified tax structure and an easier environment for capital flow would all be required to see this happen. Help and support from the government would possibly help Indian entrepreneurs to elevate their companies to the next big league, akin to what some of the north Asian governments have done.

Before I conclude, I must reiterate that the list of entrepreneurs detailed in this report is illustrative, so as to give you a flavour of the entrepreneurship talent in India. We could have added quite a few more names to the list, but we had to restrict it due to paucity of time and space.

Invest with those who dare to dream

For those looking to make disproportionate returns, look to entwine your investments with the destiny of those few who dare to dream.

Bharat Parajia
Director of Sales

Entrepreneurial activity in India is well ahead of many OECD nations

Dr Manmohan Singh heralded the arrival of a new economic era



A new generation of entrepreneurs

Banking on people

It is well known that entrepreneurship is one of the four key factors of production and that the entrepreneurial leadership of a nation drives its economic leadership as well, other factors remaining same. Entrepreneurs and risk-takers are people who have the potential to create disproportionate value for themselves, their economic constituents and the society. A nation or a society, if blessed with higher proportion of people with this trait, by definition, should be economically better off.

The London Business School, in association with Babson College of the US, undertakes annual studies on the entrepreneurial activity in the leading nations of the world. Based on their last assessment covering more than 40 nations, India was ranked among the top in terms of 'total entrepreneurial activity' (TEA), well ahead of several OECD countries including the US, UK, Germany and Japan.

The problem for India until the early-1990s was that the entrepreneurial DNA was kept under leash and this stifled economic progress. Too many controls and too high taxes did no good to the cause of risk taking and entrepreneurship.

Fortunately for India, the arrival of Dr Manmohan Singh as Finance Minister in 1991 heralded a new economic era. The gradual opening up of the economy, big reductions in indirect and direct tax rates, better capital availability along with a sharp fall in cost of capital and the abolition of licence-controls, woke up the dormant entrepreneurial DNA.

Dhirubhai Ambani – The icon of Indian entrepreneurship

Dhirubhai's life-story is a true rags to riches tale. He was a great visionary with unparalleled financial acumen, dreamt big and had the indefatigable energy to convert his dreams into reality. He built the Reliance group (aggregate market capitalisation of US\$35bn) from scratch and in less than three decades, Reliance has emerged as one of the world's leading refiners and producers of plastics & polyesters. He dreamt of scale and size, unheard of in India during the era in which he lived. Today, the group has annual revenue of over US\$23bn and is the only private company from India to be included in the Fortune-500 list.

The past 15 years of gradual, yet unmistakable change in economic policy has led to the birth and blossoming of a new generation of entrepreneurs. Dhirubhai Ambani and Narayana Murthy are the two well known icons, who started off early and took full advantage of the changing economic environment to successfully build businesses worth tens of billions of dollars. Subhash Chandra kick-started the media revolution in India, in the early 1990s. Most recently, Sunil Mittal fought one of the fiercest battles in the telecom space and built India's largest mobile services company. Entrepreneurial managers like Deepak Parekh and KV Kamath, as individuals, have had profound and far reaching impact on the destinies of the HDFC and the ICICI group, India's two leading financial powerhouses.

Ahead of the times

Subhash Chandra – The visionary

Subhash Chandra may be primarily known as a media mogul, but he does have multiple firsts to his credit. The visionary entrepreneur, who started his business career exporting rice to the USSR, set up Essel Propack (now the world's biggest laminated tube producer) in 1984. 'Zee' was the first Indian cable and satellite channel to begin operations in 1992. Since then, Zee has grown to become the largest integrated media company with a presence in TV broadcasting, music, films, cable, and education and has over 18 TV channels in various Indian languages in its bouquet. His recent foray into online lottery was also the first such venture in India.

Not deterred by competition

Sunil Bharti Mittal - Tenacious

Sunil Bharti Mittal is a businessman and entrepreneur to the core. He has tried various businesses – bicycles, textiles, steel, trading, generator sets and manufacturing telephones before getting into telecom services. His big opportunity came in 1992, when the Indian government was awarding licences for mobile phone services. Slugging out several battles, Sunil Mittal's vision, foresight and perseverance drove Bharti to become the India's leading mobile operator. The company now offers pan-India mobile, fixed line, national and international long distance services, internet, VSAT and network solutions. Each of Sunil Mittal's decisions were ahead of its time, the recent example being outsourcing of its entire network management services.

Rs3k invested equally in RIL, Infy, HDFC 10 years ago would be worth Rs240k today

No doubt any investor who decided to participate in the journey these individuals undertook would have taken home a fortune. If you had invested US\$1,000 each in Reliance, Infosys and HDFC, for example in Jan-1996, the aggregate value of the investment today would be worth US\$185,000. We do have the benefit of hindsight here and thus it's easier said. It would have been much more difficult to take a bet on these individuals, especially at a time they were unknown and unproven. Yet for a disciplined investor, identifying such an individual opens up an opportunity to make serious money as well.

What is the secret of the untrammelled economic success of these individuals? Almost all dared to dream and had the vision and untiring energy to convert these dreams into reality. They had the willingness to take risks, create new lines of business, and the conviction to build scale and size. Added to all of this, backed by a strong sense of purpose, their instincts were wired to sense and seize opportunities. Still, each of these individuals is different.

The need to understanding the personas

Any investor looking to take a bet on the probable success of an entrepreneur would, no doubt, require a deep understanding of their persona. We have, in this report, attempted to understand the persona of a few entrepreneurs who we believe have the potential to turn into, and remain, winners. A lot of effort and time went into studying through several companies, which turned up an initial screen of names. We then spent time interviewing each of the entrepreneurs. Our conclusions, along with an abridged transcript of the interview, are given in the following pages. A table summarising the entrepreneurs profiled in this report is given below.

Figure 1

Indian entrepreneurs interviewed in this report

Name	Company	Designation	Key philosophy
Anand Mahindra	M&M	Vice Chairman and Managing Director	Using the right brain and 'believing' in his team's ability to create something new.
Anil Agarwal	Vedanta, Sterlite	Chairman	Dreaming big coupled with fearlessness propels him to succeed even in riskier ventures.
Dilip Shanghvi	Sun Pharma	Chairman and Managing Director	Consistent strategy, detailed planning and calculated risk taking have been the mantra.
Ekta Kapoor	Balaji Telefilms	Full-time Director	Rather than being power hungry, do what you are best at. Success is automatic.
Gautam Thapar	BILT / Crompton Greaves	Vice Chairman/Chairman	Questioning the obvious and proactive action with quick decision making.
Jignesh Shah	Financial Technologies	Chairman and Managing Director	Grab opportunities when they come knocking on your door.
Kiran Mazumdar Shaw	Biocon	Chairman and Managing Director	Doesn't like to fail at things but doesn't get demotivated by failure; Builds competencies and an aspiration to move to the next level.
Kishore Biyani	Pantaloon	Managing Director	Identifying trends, opportunities and having a single-minded focus on the consumer.
Raghav Bahl	TV 18	Managing Director	Grabbing the opportunity and consistently doing something that you are good at.
Rajiv Bajaj	Bajaj Auto	Managing Director	Changing the rules of the game and identifying and supporting the right people.
Rajiv Mody	Sasken	Chairman and Managing Director	Using the India potential, focusing on your chosen areas, high ethical standards.
Sanjay Labroo	Asahi Glass	MD & CEO	Taking one step at a time without losing focus, remaining cognisant of the changing environment
Sanjiv Bajaj	Bajaj Auto	Executive Director	Solid foundation and a strong urge to take challenges.
Tulsi Tanti	Suzlon	Chairman and Managing Director	Courage of conviction: "I can compete with the best and the biggest in the world."
Vijay Mallya	UB Group	Chairman	Excessive regulation is only a minor hindrance. Let it not weaken your dreams.

Source: CLSA Asia-Pacific Markets

We see a rising number of global brands from India

Can global brands come out of India? While it's still early days, the trends are very encouraging. Through the 1970s and 1980s, Indian groups like the Tatas, Oberois, Mittals and Birlas set up successful global operations in Africa, south-east Asia and west Asia building brands in a number of locations. However, a restrictive business environment back home was not conducive to building global brands. Today, they do have capabilities to build strong brands, and without the shackles of a restrictive business environment are now going global - building brands with a newfound confidence and as a strategic imperative.

Indian firms have started acquiring a global

Indian firms have started acquiring a global footprint and have recently become more aggressive in global acquisitions; Tata's acquisitions of Tetley Tea, Daewoo Motors, Videocon's purchase of Thomson and Bharat Forge's buyout of Federal Forge are a few illustrations of the global footprint, which Indian companies are attempting to build. Revenue streams of Indian firms have also increasingly internationalised. Today, software and leading Pharma companies generate the majority of their revenue from overseas markets. Exports are a major driver for growth for sectors such as auto ancillaries and equipment manufacturers.

A strong aspiration to go global

There is also a strong aspiration to go global. M&M wants to build the largest tractor brand in the world; TCS, Wipro and Infosys are targeting to be among the top-five IT consulting firms in the world; I-flex is a leading brand in

banking software; UB Group aims to become the largest spirits company in the world; Asian Paints aspires to be among the top-five paint companies in the world. Besides consumer products, a number of Indian brands will also emerge from the service space. India's premier education institutes, the IITs, IIMs are not far behind in establishing themselves as global brands.

Figure 2

Some global Indian brands

Source: CLSA Asia-Pacific Markets

Entrepreneurship flourishes around quality educational institutions**Entrepreneurial education**

Entrepreneurship flourishes around quality educational institutions - Stanford Research Park and Silicon Valley, Route 128 and Harvard and MIT, the North Carolina R&D Triangle and North Carolina State University. These geographical groupings enable interaction between academia, industry and the market, and have been a potent catalyst towards new ideas resulting in successful products and services. In India, too, this trend has gathered momentum around the IITs, IISc and some of the business schools.

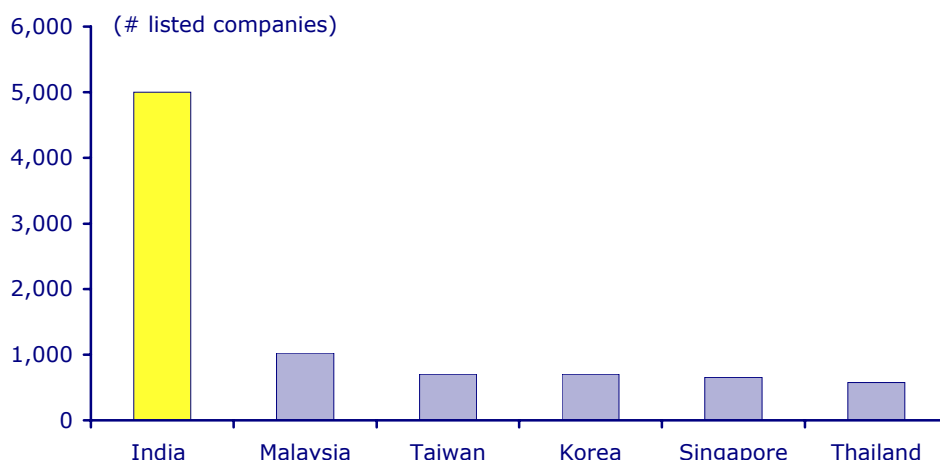
The Technology Business Incubation Unit (TBIU) at IIT Delhi was established in June 2000 under the administration of the Forum for Innovation and Technology Transfer (FITT) to encourage students and faculty to start their own ventures.

TBIU provides infrastructure on campus for a limited duration to help turn ideas into commercial entities. FITT provides seed funding and support services. There are currently six such units, including four faculty-student led companies. Access to the excellent library and laboratory facilities at IIT Delhi as well as proximity to the academia, gives these start-ups a unique edge, in ensuring a continuous flow of ideas.

India has among the largest number of listed companies

India has a very vibrant equity market and the largest number of listed companies in the world, totalling over 5,000. Of these, c.50 companies are in the public sector, c.150 are MNC subsidiaries with the balance from the private sector. The listed space straddles several sectors (see Appendix 1 giving the full list of listed sectors). Such a large number of listings across sectors is another illustration of the underlying entrepreneurial activity. This will continue to aid the efficient raising of capital by entrepreneurs.

Figure 3

India has the largest number of listed companies in the world, next only to the US

Source: CLSA Asia-Pacific Markets

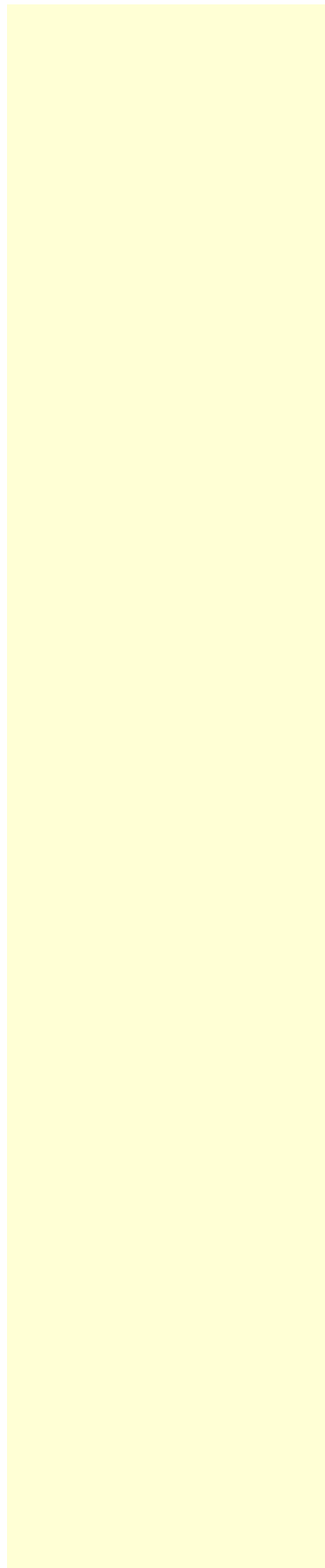
A big success story**Warburg Pincus – A prime example of private equity**

Seed, angel and private equity funding have been one of the biggest drivers for growth in entrepreneurship in the developed world. Till the mid-1990s, Indian entrepreneurs did not have access to these streams of capital. Warburg Pincus was among the earliest private equity (PE) investors in India. Led by an accomplished team of investment professionals - Dalip Pathak, Rajesh Khanna and Pulak Prasad – investments over the years have generated stellar returns. Warburg's US\$300m investment in Bharti, fetched them a near 7x return in just over five years and this attracted the attention of several large PE investors in the world. Going forward, we will see an accelerated growth in PE investments in India and this will be an added driver for entrepreneurial activity.

Private equity will be an added driver for growth in entrepreneurial activity

The flow of private equity into India has also picked up smartly and this will be another enabling driver for sustained growth in entrepreneurial activity. Almost all the large private equity firms now have a presence in India. Chryscapital, an India dedicated private equity firm, recently saw its AUMs rise to over US\$1bn. Chryscapital's IRR of >30% on over 30 investments made to date (quite a few of in the publicly listed space) illustrates how well bets on the right entrepreneurs can pay off. Going forward, deal sizes of >US\$500m are not outlandish to assume and thus for the large investors, there are greater possibilities of finding bigger and better investments, to participate in and prosper.

Notes





Dhirubhai Ambani, Reliance group

An enduring icon

- ❑ Growth has no limit at Reliance. I keep revising my vision. Only when you dream it can you do it.
- ❑ Think big, think fast, think ahead. Ideas are no one's monopoly.
- ❑ You do not require an invitation to make profit.
- ❑ Pursue your goals even in the face of difficulties, and convert adversity into opportunities.
- ❑ Give the youth a proper environment. Motivate them. Extend them the support they need. Each one has an infinite source of energy. They will deliver.
- ❑ Between my past, the present and the future, there is one common factor: Relationship and Trust. This is the foundation of our growth.
- ❑ We bet on people.
- ❑ Meeting the deadlines is not good enough, beating the deadlines is my expectation.

More than a rags to riches story

At the age of 17 a teenager from a poor family leaves his country for work, comes back after eight years with small savings to start his own business and eventually rises to become one of the 500 richest people in the world. It is easy to label Dhirubhai Ambani's journey a 'rags to riches' story. Dhirubhai's journey, though, from a humble beginning to establish India's largest private sector company is much more than that. It is a story of vision and belief driven by hard work, courage and determination – all in gargantuan proportions.

A humble beginning

After eight years in Aden, where he rose from petrol pump attendant to sales manager in a Shell company, Dhirubhai came back to India in 1958 and settled in Mumbai. About his early days in Mumbai he had this to say: "I started my business career in Mumbai with a table and a chair and Rs150 per month. My address was 'care of' a telephone number. I can never forget those exciting days in the commodity market at Bhat Bazar. It sharpened my business instincts. I also cannot forget my years in the yarn market at Tamba Kantha. There I learnt about the textile trade."

Dhirubhai started as a commodities trader . . .

His initial forays into commodity trading and exports arose through his local and Aden contacts to trade and export spices like ginger, cardamom and pepper. Christened, Reliance Commercial Corporation, the company was to become his launch-pad for his later ventures. In the early 60s, he diversified into textile and yarn trading as well.

From pumping gas to commodities trading

Background

Dhirajlal Hirachand Ambani (better known as Dhirubhai Ambani) was born on 28 Dec 1932 in a small village in Gujarat. His father was a village school teacher. After matriculating at 17 he went to Aden (now part of Yemen) and worked for A. Besse & Co, the sole-selling distributor of Shell products, as a gas station attendant. In 1958 he returned to Mumbai and started his first company, Reliance Commercial, a commodity trading and export house. In 1966, as a first step in Reliance's highly successful strategy of backward integration, he started the textile mill in Naroda, Ahmedabad. The company went public in 1977.

... but soon transformed into an industrialist

Dhirubhai's ambitions were growing bigger and in 1966 he set up a synthetic textile mill in Naroda, Ahmedabad. Later christened Reliance Textile Industries, which eventually became Reliance Industries, it was started with paid up capital of Rs0.15m and marked Dhirubhai's transition from a trader to an industrialist.

The first steps

This step was a very important turning point in Dhirubhai's life. Not only was this the first step in his famed backward integration strategy, it also signalled his will to take on the established old businesses houses in India – his Naroda mill was the first real threat to the dominance of the then supreme cotton mill industry.

Shaking up the establishment

The Indian economy of the 1960s operated under rigid state controls and a few business houses monopolised the industry. These business houses had much better access to funding, technology and the necessary clout to garner more than a fair share of licenses from the government – these in turn acted as overbearing entry barriers for new entrants. Breaking these barriers was a significant achievement for young Dhirubhai. Not surprisingly, it also led to intense business rivalry and many high profile corporate battles, which continued to rage well into the 1990s.

If you can dream it, you can do it

What distinguishes Dhirubhai from others was his ability to think big. He swore by the mantra- "only if you can dream it, can you do it" and his burning desire to make a mark on the global stage acted as a driving force from very early on. Even when he was working in Aden as a gas station attendant for Shell, he was already dreaming of creating a company like Shell. It wasn't a mere exhortation when he declared: "Our dreams have to be bigger, our ambitions higher, our commitment deeper and our efforts greater. This is my dream for Reliance and for India."

By sheer hard work and commitment, Dhirubhai transformed his dream into reality by setting up one of the largest petrochemical and refining complexes in the world.

Dhirubhai understood the power of equity funding ...

Dhirubhai also understood the importance of access to equity capital to convert his vision into reality. At a time when most of corporate India was still solely reliant on bank loans and project finance, Dhirubhai shook the establishment by turning to the still nascent equity markets. He took Reliance Textiles Industries public in 1977 to fund its expansion plans. After this first experience with equity raising Dhirubhai was convinced that only India's retail public investors had the appetite and wherewithal to provide him with risk capital and become the engine of this growth.

... and created India's equity cult

From the late 1970s and well into late 1990s, Dhirubhai turned to India's masses every time he needed risk capital to fuel the growth machine. His shareholders were amply rewarded and he changed the structure of the Indian equity markets by charming small traders, the salaried class and even farmers to equity investments. It is not an exaggeration if he is credited for creating the 'equity cult' in India.

Innovative instruments

Dhirubhai demonstrated his business acumen and unconventional thinking even in equity raising. He introduced products like convertible debentures, which were unpopular in the 1970s, and took this instrument to the masses. The number of Reliance shareholders grew over time and its annual shareholders' meetings were so well attended that he eventually had to hire football stadiums. In the 16 years between 1977 and 1993, he accessed the equity market 14 times. This was also the period when Reliance furiously

Multiple firsts to credit of Reliance

integrated backward by setting up integrated petrochemical complexes across product chains. In turn, its phenomenal growth fuelled a cult-like attitude toward investment in Reliance shares. About 2.3 million investors own its shares even now, making Reliance one of the most widely held stocks in the world. Reliance was the first Indian company to access the GDR market and the first company to float 50 and 100 year bonds in the US debt market.

**"Vision without execution is hallucination"
- Albert Einstein**

Dhirubhai backed his vision with a penchant for hard work and impeccable execution. "Meeting the deadlines is not good enough, beating the deadlines is my expectation" encapsulates his focus on world-class project implementation. Reliance has created several records for quick project executions and notably the US\$5bn refinery cum petrochemical project at Jamnagar was implemented in record time. Dhirubhai's hallmark was not only finishing projects ahead of schedule, but also that these projects are global scale and the best in terms of technology. It is interesting to note that even in an era when businesses used to thrive on protectionism, Reliance businesses were structured as if they were competing in an open market. This laid the foundation of Reliance being a globally competitive company.

Information is power

It is well accepted that Reliance has an unparalleled ability to collect and utilise information to its advantage. This ability has been inculcated into the group by none other than Dhirubhai. Dhirubhai thrived on information and was an avid reader. While he was not much into reading books, he did read magazines like *The Economist*, *The Times* and *Newsweek*. His obsession with information is reflected in the people he recruited in his think-tank to study and prepare reports on various issues related to the domestic and international economy. Clearly, while many of his decisions were based on the famous entrepreneurial 'gut feel,' they were also backed by thorough research.

Dhirubhai had his fair share of controversies . . .

It is hard to lead the life Dhirubhai did without attracting controversy, and indeed Dhirubhai did experience his fair share. Most of these controversies had their genesis either in the stringent government control, which inhibited growth, or the intense corporate rivalry he had to face.

. . . but even critics turned became admirers

Comments from Arun Shourie – a journalist of repute and an ex-Union Minister for Communication, IT and disinvestment - perhaps best captures this. Shourie says: "My acquaintance with Dhirubhai went through a 180 degree turn over the years". He was referring to an earlier perception he had of Dhirubhai based on a negative campaign run by a newspaper group for which Shourie used to work. The key thrust of the arguments against Reliance was that actual production was more than it was licensed to. Shourie goes on to say that those restrictions and conditions should not have been there in the first place as they were holding the country back. According to him, people like Dhirubhai are to be thanked not once but twice for creating world-scale plants despite the regulations and in by doing so, making a case for scrapping those regulations.

Reliance thrived in the post liberalisation era

Ironically, in the 1980s there was a perception that Reliance thrived because it was able to manipulate a protected market and that its growth and aura would fizzle out once the Indian economy was opened up. Ironically, Reliance's most explosive phase of growth actually coincided with the early liberalisation era of the 1990s when the Indian economy was opened up, regulations on businesses were relaxed and tariffs were cut. Dhirubhai philosophy of setting up globally competitive businesses even during a protectionist regime came full circle.

From executor to thinker

Dhirubhai suffered a stroke in the late 1980s but bounced back quickly and got back in shape by working out at a gym in his house. In the early nineties, he eased himself out from day to day operations, allowing his two sons, Mukesh and Anil, to take a larger role in Reliance. He continued to play a crucial role, though, as a strategist and undoubtedly played a pivotal role in conceptualising Reliance's milestone entry into telecoms in late nineties.

Dhirubhai's best achievement is in the form of the Reliance group's success
Some personal facts and accolades

Dhirubhai was the third among five children of Jamna and Hirachand Ambani. He married Kokila R Patel in 1954 and had four children (Mukesh, Anil, Dipti and Nina).

Some awards to Dhirubhai

- ❑ Voted 'Indian Businessman of the Century' in *Business Barons Global Multimedia Poll*, December 1999.
- ❑ Chosen as 'Star of Asia' by *Business Week*, USA, June 1998.
- ❑ Conferred 'The Economic Times Award for Corporate Excellence for Lifetime Achievement', August 2001.
- ❑ He was nominated as one of the 'Power 50 - the most powerful people in Asia' by *Asiaweek* magazine thrice (in the years 2000, 1998 and 1996).
- ❑ Chosen as one of the three 'makers of equity' by India Today in their special millennium issue entitled '100 People Who Shaped India in the 20th Century', January 2000.
- ❑ Declared 'Most Admired Indian Business Leader' by *The Times of India*, Indiatimes.com poll, July 1999.
- ❑ The only Indian industrialist in the 'Business Hall of Fame' in *Asiaweek*, October 1998.
- ❑ Awarded the Dean's Medal by The Wharton School, University of Pennsylvania, for setting an outstanding example of leadership, June 1998.

A flair for capitalising on opportunities

From childhood Dhirubhai exhibited intelligence, tremendous energy and a flair for capitalising on opportunities – an essential ingredient for any entrepreneur. There are stories of young Dhirubhai spotting small business opportunities like selling sweets during festivals to earn money. One of his more interesting quotes is: "you do not require an invitation to make profit." This was evident in well-known, possibly apocryphal, about the Yemeni rial. The Yemeni administration discovered that its main unit of currency, the rial, was disappearing from the market. The administration traced the shortage to Aden (a port in Yemen under British rule in the 1950s) and found to its surprise that a young Indian in his twenties had placed an unlimited buy order for rials. The rial was a silver coin and what this young man did was to simply buy rials, melt them into silver ingots and sell them to bullion dealers in London. This was a profitable venture as the silver in the rial was valued higher by bullion dealers in London. The young man was Dhirubhai.



NR Narayana Murthy, Infosys

Mentoring growth

- ❑ In God we trust, everybody else brings data to the table.
- ❑ I am a very proactive person. I am almost hyperactive. All my deadlines are in hours. I go into the smallest level of detail. I want quick answers.
- ❑ On recent events – “Events are interesting, otherwise life will be dull. Democracy is all about debate, points of view and pleasant disagreements. I have enjoyed it.”
- ❑ I have never withdrawn a resignation.

Simple living, high thinking

Imagine a company that has grown from zero to US\$100m in revenue in 10 years (1991 to 1999) and then US\$100m to US\$2bn revenue in another five years (1999 to 2005) with a consistent track record of sequential revenue and profit growth in each quarter. This might well be a world record. Add to it the highest levels of corporate governance and ethical standards. Mix it with highly driven and motivated individuals and you have a winning entity called Infosys. At the helm of this, the driving force, keeping the team together even when most others had almost given up in the early 1990s is Narayana Murthy, Chief Mentor of Infosys. Not surprisingly, he was recently ranked eighth among top CEOs of the world by the Economist Intelligence Unit (EIU), the only CEO from a developing country to make it to this august list.

Confidence, positive attitude, focus on ethics, leadership, simplicity, entrepreneurial spirit, passion are the thoughts that cross the mind when one thinks of NRN, as he is affectionately called by the Infosians. Economy class travel, love for music, frugality and no servants at home are other lifestyle attributes associated with NRN.

10 years of struggle before the good times

Success did not come easy to Infosys or to NRN. Murthy says, “In 1990 someone offered to buy us out for US\$1m. Finally I said I will acquire the stake of my colleagues. Everyone was surprised at this. If we have run the marathon for nine years, the good times will definitely come.” The good times did come. Infosys, formed in 1981, struggled for 10 long years before success finally touched the hard working entrepreneurs. In that sense Infosys is the child of India’s liberalisation. And the company that was almost sold for US\$1m is a US\$15bn+ company today and probably one of the most respected in the world.

“Leadership of ideas”

Infosys is more than just being at the right place at the right time

Undoubtedly NRN and team happened to be present “at the right time and at the right place” as Indian cost advantage coupled with an ability to transfer data over telecom links and the internet led to a once in a lifetime opportunity for the Indian software industry to prosper. However, many other companies have not progressed the way Infosys has. Murthy says, “Several factors led to success of Infosys – leadership and a large number of highly motivated and competent people who came together as a team with complementary skills. It was no one person’s dream.

Son of a school teacher

Background

Everyone knows the story of seven people who had a cumulative Rs10,000 (US\$1,250 at the 1981 exchange rate, US\$225 today) and created a business worth over US\$15bn. Fifth born of eight children, Murthy’s father was a modest school teacher in Mysore. Murthy himself studied electrical engineering at Mysore University and did post graduate studies at IIT Kanpur.

<p>Ground rules</p>	<p>These people put interest of the company ahead of self and accepted leadership of ideas rather than people. All subscribed to values which led to trust, confidence, hope, enthusiasm of every member in other members." The coming together of the team was no accident, but a carefully thought out move by NRN.</p> <p>The value system and philosophy of leadership by example was visible from the beginning. Murthy's directive was that "we should be profitable from day one and declare dividends from day one. Pay taxes, and invest back all the dividends received into the company. So there was still no money in the pocket for a long time."</p>
<p>The company binder</p>	<p>Personal qualities</p> <p>NRN is the binder among the people at the company. Known for "simple living and high thinking", NRN instils confidence in people working with him. While he believes in profit and capitalism, he has also been a big contributor to society through personal contributions to various organisations. His wife – Sudha Murthy, an electrical engineer with an exceptional career record with gold and silver medals at various universities – runs and contributes to the society through the Infosys Foundation. Ethics and a strong value system are high up there in NRNs list of priorities.</p>
<p>"Among the top 10 most admired CEOs in the world" - <i>The Economist</i></p> <p>Predictability</p>	<p>"Most admired business leader", "Entrepreneur of the year" and many awards adorn the showcase in his modest office. Almost all successful businessmen get numerous awards 'after' the 'success', however, its interesting to note that the JRD Tata Corporate Leadership Award in 1996 was one of the first awards NRN received identifying NRN as a potential and successful leader. And the most recent honour bestowed on him was the awarding of the eighth Best CEO in the World by the Economist Intelligence Unit (EIU), a division of <i>The Economist</i>. He is the only CEO from a developing nation among the Top 10 CEOs of the world.</p> <p>Infosys has never missed its annual or quarterly guidance. Murthy has an interesting philosophy on giving quarterly/annual guidance to investors. He says, "If you are a CEO, you should be in charge of your destiny. So you should have a target for the top and bottom line and know where the ship is headed. Since Infosys has many shareholders inside the company and they know the targets, outside shareholders have to be treated on par or there will be asymmetrical information available and I am violating the basic principle of corporate governance."</p>

Business India's
"Businessman of
the Year 1999"

Awards bestowed on Murthy

- ❑ Selected as the eighth most admired CEO in the world, 2005 by The Economist Intelligence Unit.
- ❑ Featured in the *Asiaweek* Power 50 (June 2000) - a list of Asia's most powerful people.
- ❑ Named by *Business Week* as one of the Top Entrepreneurs of the Year 1999.
- ❑ Chosen as *Business India's* "Businessman of the Year 1999", the Indian corporate world's most coveted award.
- ❑ *Business Week* chose him as one of "The Stars of Asia" for three successive years, in 1998, 1999 and 2000.
- ❑ Awarded the JRD Tata Corporate Leadership Award for 1996-97.
- ❑ Conferred with the Distinguished Alumni Award in 1998 by the Indian Institute of Technology, Kanpur.

Member of the Prime
Minister's Council on
Trade and Industry

Other positions held

- ❑ Board of VSNL and ICICI.
- ❑ Chairman of IIM Ahmedabad.
- ❑ Member of National Information Technology Task Force of India.
- ❑ Member of the Prime Minister's Council on Trade and Industry.
- ❑ Director on the board of Reserve Bank of India (RBI).
- ❑ He is co-chairman of the Indo-British Partnership.
- ❑ A member of the Asia Society's International Council and Board of Councillors of the University of Southern California School of Engineering. He is also on the Wharton Business School's Asian Executive Board.

A leader must lead
by example

Simplicity, humility and frugality are just some aspects of his behaviour. Asked whether his frugality is a burden on employees, NRN says that a leader must lead by example. And no one has ever accused NRN of not leading by example. The simplicity is reflected in his office, which is minimalist. He totally and completely believes in capitalism and profit making and his vision is to put India on a global map. Despite the modest background, he does not consider Infosys inferior to any multinational, having once told us "we are not ready to walk behind anyone, we will walk side-by-side."

Leadership and forward thinking is visible in the actions of NRN and his team. His was among the first companies in India to issue employee stock options, and decided to go ahead with a beautiful and world class campus. A walk in the Infosys campus makes any Indian proud of what the company has built and achieved. As the organisation has grown – today the company employs about 50,000 people - NRN and his team have monthly and quarterly forums to keep in touch with employees at all levels and to address their concerns.

"Punishment should be
commensurate with
the severity of the act"

Discussion and debate is undergone in a democratic way and is the key reason Infosys has not had any spectacular failures, according to Murthy. Within Infosys, there were mistakes, but these were corrected swiftly. For example the company lost money in the markets in 1994/95 and faced widespread criticism for investing surplus funds in the stock market.

Management immediately corrected this. Similarly individuals have also not been spared. "The punishment should be commensurate with the severity of the act. In some cases, it means lack of promotion or increments. However, for transgressions of the value system, in all cases the person has been asked to leave."

First Indian company to undertake an ADR

Various 'firsts' to Infosys' credit

- ❑ First employee stock options (ESOP) programme in India.
- ❑ First Indian company to undertake an ADR and listing on an American stock exchange (NASDAQ).
- ❑ First Indian company to present accounts in US GAAP as well as GAAP of eight other countries.

Infosys faced a number of bureaucratic and infrastructural hurdles initially

CEO chat – NR Narayana Murthy

Tell us about your education?

I gained admission to the IIT by passing the entrance exam with a fairly high rank and a scholarship. But the scholarship was to be disbursed at the end of the year. I remember talking to my father who said that there was no way he could afford to pay since he was earning only Rs250 per month. He said: If you're smart you can go to any college and be able to do something worthwhile. So I joined the local engineering college.

What was Infosys' initial business plan based on? What were the initial hurdles faced to get a business like yours off the ground?

We were very clear that we wanted to be in India. There were many opportunities to settle outside but we wanted to create an institution in India. We knew that there was hardly a market here, so we had to look at the export market from day one. Our first contract was from Databasics in New York. We had a contract for US\$3,50,000; in addition we got an IBM compatible machine as a loan from our customer. All they insisted on was that we have a telephone so that they could contact us. It took us a year to get a phone connection in Bangalore. My colleagues left for the US to work onsite on the project. I stayed back to set up the infrastructure. We decided to import a computer so that we could add value from India.

In those days it could take anywhere between 15-24 months to get a computer. We started in 1981 but our first computer was installed in February 1984. Getting a loan was very difficult. Several banks also turned us down. It was just by chance that on a flight I happened to be sitting next to K.S.N. Murthy of the Karnataka State Industrial Investment and Development Corporation, and we got our break.

I've been extraordinarily lucky in life

One has to go through all these experiences because it makes you understand your own frailties and also helps you develop respect for God. I've been extraordinarily lucky in life. I've received much more from society than I've given.

Did you ever feel like giving up at any point?

There came a time in 1990 when we were floundering. There were offers to buy us out, which my colleagues thought we should consider since we weren't making too much headway. We had a 4-5 hour discussion and I could feel a sense of despondency. So I pulled a fast one. I said guys don't worry, I'll buy you out. I know it's going to be tough in this country, but I have no doubt that we'll see light. In minutes, they all said that we're with you. From then

Leadership is about making what seems impossible, possible

on we never discussed the issue of closing down, getting tired or giving up. The marathon was restarted.

Leadership is about making what seems impossible, possible; about changing the perception of what reality is. The reality in India is dirty roads, pollution, bad traffic, etc. Reality is what we make of it; it is for us to change. If you give confidence to people, they can achieve tremendous things. We have run this company as professionally as any other corporation in the world in terms of the principles of corporate governance, and with respect for the professional.

Leadership of ideas vs leadership of men and women

A number of companies were present in the 90s but only Infosys made it big. What factors do you attribute this success to?

Several, first, is the leadership, ie, large numbers of highly motivated, competent people who came together as a team, discussed and debated ideas in an environment of openness and came out with what is best for the company. Second, they are all very competent people. And they brought mutually exclusive, collectively exhaustive skills, expertise and experience. Finally, I think these people put the interest of the company ahead of their own personal interest, they subordinated their egos, they accepted the leadership of ideas rather than leadership of men and women.

A value system is a protocol for behaviour in a community

We all subscribe to our value system. A value system is a protocol for behaviour in a community. Such a protocol enhances the trust, confidence, enthusiasm, hope, of every member in every other member. I think that is the best part of the company, because everybody followed the value system. And why do you need the value system? You need it because you need to be practical, you have to make sacrifices, and you have to put the interest of the company above your own interest.

Your philosophy on guidance?

My philosophy is that if you are a CEO you must be in charge of your destiny. That is, you must know what topline and bottom line you would target for the next quarter or remaining part of the year. You should have a target, otherwise you don't know where the ship is going.

Guidance to remove asymmetry of information

If they don't tell the targets to the investors, then it is unfair. Because, there are many shareholders inside Infosys, and they already know what we are going to do and the market doesn't know, so this creates asymmetry of information. There are shareholders within the company and outside the company and if they don't know the numbers, then I am violating the principles of corporate governance.

Why is it that Indian entrepreneurs don't dream big?

It is the environment. Environment created some kind of a cap on our aspirations. Secondly, government was a debilitating factor on all of us. You need to fight and fight with the government. At some stage, different people started saying we have had enough.

Today, aspirations are higher and they are increasing

However, today the aspirations are higher and they are increasing. When market became the determinant, global companies are showing interest in our country and aspirations are now much higher.

Today TCS, Infosys, Wipro are among the top five services companies. Twenty years back if someone would have asked me would any Indian company be there in the top five, nobody would have believed it. Similarly I think in the

A great example of enlightened democracy

next 10 years, I wouldn't be surprised to see a Google or Microsoft originate from India.

Is there something in your career that you regret, something you would have done differently?

Infosys is a great example of enlightened democracy. Here the aspirations of people are homogenous. People themselves are homogenous because they have a certain educational background, similar culture, etc.

So in an enlightened democracy you generally avoid big mistakes. – that's Amartya Sen's philosophy – huge famines do not occur in a democracy.

Infosys might not have done spectacular things; however, we did not have any spectacular or disastrous failures. Whenever there is an idea, it is discussed and debated here in a very detailed manner, before we accept something. It is unlikely that a company like Infosys will have disasters as long as we continue like this.

What do you plan to do after your retirement in August 2006?

Well, I'm on so many boards both in and outside India. I will continue to be busy with that. When I retire on 20 August, I will go to my office in J.P. Nagar. I will also be the non-executive chairman. I may think of spending time in our Mysore facility with youngsters on design, etc.

Given that you have your own standards, there could be people who are not matching up to your standards. Doesn't that frustrate you? Also your views on ethical lapses?

Oh yes, that does. But we have created a mechanism to correct that. We have different bands of performance, when people are in the certain/lowest band we put them in a performance improvement programme. After the improvement programme, we see if they have improved and whether they can be gainfully employed elsewhere in the company.

If they don't improve then we put them in for a re-programme. If they still don't improve we gently ask them to seek alternative opportunities.

Breaches of the value system are not tolerated

Punishment would depend on the act of commission/omission and the severity of the act. So in some cases it could be a lack of promotion, in others a lack of increment. If it is a breach of value system, I don't know of a single case to date where the person has not been asked to leave.

Do some of your value systems weigh heavily on younger colleagues? Eg, travelling economy class – how do you handle these aspirations?

I think if tomorrow we all decide to travel business class in India and still deliver our promises then it wouldn't be a problem for me.

I don't want a situation where a small set of people do things which are at variance with what they say. If we can all afford to travel business class, why not?

What has kept the Infosys team together through all these years?

How do we stay together? We have unwritten rules. Everybody knows that if we want to work as a team we have to be transaction based. We start every transaction on a zero base. It is perfectly feasible for us to disagree on a transaction but we start the next transaction without any bias. Only an argument that has merit wins; it has nothing to do with hierarchy.

Arguments settled based on merit, not hierarchy

Our value system was like the British Constitution

Disagreeing is in the nature of things. When you bring a set of people who have respect for each others' competence in certain areas and you're transaction-oriented then it can work as it has in our case.

Our value system was like the British Constitution – it was all unwritten but extremely well practiced. If I were to have another opportunity to found another company, I would never ask for anyone else – these are truly remarkable people. Our value system is the true strength of Infosys. Besides, we have complementary skills. For example, I have an eye for detail and am comfortable with balance sheets and numbers. Then I can also get into the big picture. Nandan has a great ability to communicate and get himself connected to networks; his thinking is very strategic. Gopal was the best among us in technology. Shibulal and Dinesh are great on projects – so there's a complementarity of skills

Early to bed and early to rise and work like hell

What advice would you give to the next generation of entrepreneurs?

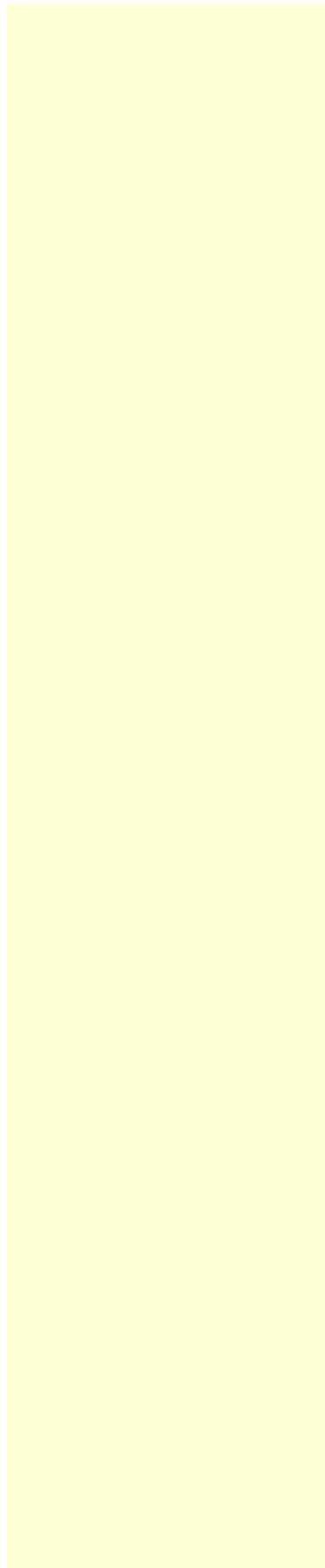
Early to bed and early to rise and work like hell. Those people who have entrepreneurial strengths need to get a marketable idea and understand the window of opportunity for it. They have to bring together a team that has mutually exclusive, but collectively exhaustive skills and work out a value system. Entrepreneurship is about running a marathon, not a 100 metre dash.

"Money is an opportunity to make a difference to society"

What does money mean to you?

Beyond a certain level of comfort I think one's wealth should be seen as an opportunity to make a difference to society. My colleagues think so too. The power of money is the power to give. Obviously it will have to be done in a gradual manner over the years, but there's no doubt that a majority of what we have will be given to public causes.

Notes





Anand Mahindra, M&M

Passionate innovator

- ❑ I call myself a "right brained person."
- ❑ The whole feeling in this company has been one of trusteeship.
- ❑ Innovators are non-conformists. Innovators and entrepreneurs are those who have immense confidence in their capabilities.
- ❑ If educated properly, Indians are second to none in the world.
- ❑ I worry when times are good.
- ❑ It's never only about the money, it can't be. Otherwise I don't think you can get outstanding results.

A communist in his college days

You don't find a Harvard graduate who earned a *summa cum laude* (Latin for "with highest honour") in film, heading one of India's largest auto businesses. A self-confessed 'right-brained person, Anand Mahindra believes this honour from Harvard was a cathartic experience and marked the end of his rebellion. It also proved to sceptics that he could establish himself in a field where his family was not present, rather than walking the easier path of joining and running an inherited family business. Anand, also a Communist party member in his college days, firmly believes that innovation and creativity are mindsets and one needs to constantly question one's direction in life – something he says he doesn't see in today's youth, who he believes are focused and know what they want from day one.

The *Scorpio* success factor

Anand began his career in a group company – Mahindra Ugin Steel (MUSCO) – taking it through the stormy early-eighties negotiating with labour unions in the steel business, a period he calls a "trial by fire". Anand eventually joined M&M in 1991, and became the Managing Director in 1997. He has a strong sense of pride in the work he does, and believes given the right education Indians are second to none in the world.

Not surprisingly, the *Scorpio* remains Anand's biggest achievement. Or, as he puts it, "The scale of risk we took is our biggest achievement". The *Scorpio*, interestingly enough was born, not as a specific SUV project, but as an idea from a 26-year-old engineer who was part of a team building a 13-seater Utility Vehicle. The imposing Rs6bn budget for developing the *Scorpio* was a huge risk to take and a hurdle to cross. Anand took the bet, convincing the Board that it was the way forward. The rest, of course is history.

Real estate – changing the way people live

Anand cites driving innovation across M&M and the entire Mahindra Group as another key achievement. His idea of setting up unique world class complexes ("World Cities") that holistically integrate the needs of work and family is a case in point. Despite opposition from the board ("*For five years people thought I was mad*"), Anand held his stance that "We're changing the way people live in these townships." Sure enough, Mahindra Gescos (the holding company) currently has orders worth Rs15bn and takers like Infosys for its Mahindra World City, Chennai project.

From films to business

Background

Anand Mahindra, 50, was schooled at the Lawrence school in Lovedale. He completed his graduate studies at Harvard College in Arts, following it up with an MBA from Harvard Business School. His paternal uncle, Keshub Mahindra, is the current chairman of the company. Anand has two daughters.

"The bluechip criteria"

The fact that the Mahindra Group consists of a myriad of companies seems to question the entire concept of focus. However, Anand believes that he already "chopped the deadwood" in 1994 (exiting businesses like nuclear engineering, oil drilling, etc) and set six areas as key focus businesses for the group. Each of these groups has to meet "the bluechip criteria," which means the business must: (a) be a leader in its industry; (b) have innovation as a key model; (c) have global potential; and (d) deliver on demanding financial goals.

Six focus areas for the group

With Anand removing himself from active management ("kicking myself upstairs"), all the businesses were given dedicated presidents to provide managerial focus. He believes giving managerial and financial independence to these businesses is what sets them apart from the conventional conglomerate structure that tends to focus on top-management control. Anand is now moving forward to list each of these businesses, which are as diverse as Mahindra-British Telecom (IT), Club Mahindra (time-share holidays) and M&M Financial Services. "All of these will be IPOed and will therefore become independent."

The five cylinder engine in autos

At the same time, Anand also resisted pressure to carve out M&M's auto business into a separate company. "If we do it right, I have a better chance of turning Mahindra as a globally recognised cult brand, than I do, trying to turn it into General Motors." Anand sees M&M as a three-cylinder engine, consisting of UVs, tractors and components. He is focusing on building M&M as an "auto competency group" by creating verticals sharing the same platforms such as logistics, procurement and engineering. His philosophy for M&M is "When you build more verticals you simulate the scale and get a larger company without losing the niche focus." With the recent tie-ups with Renault and International Trucks, Anand believes he has now created a "five-cylinder engine". Benefits for M&M's core auto business are already flowing in – for example M&M is now tapping into Renault's global procurement systems.

Clear targets for each businesses

Anand has clear targets for each of M&M's three cylinders. UVs – to be a globally recognised brand, tractors – to be a dominant player, and auto components – to be the largest automotive component conglomerate in India ("We'd like to be a Dana, Spicer or a Lear."). Similarly, for the group Anand doesn't believe in one single goal. He chooses, instead to focus on leadership, innovation, a global presence and delivering on the financials. Everything else, including size, which he believes doesn't matter, will then follow.

Anand spends as much time as he can with his family**What he does with his free time**

Anand spends as much time as he can with his family and those near and dear. A friend once told him that life is like a bunch of rubber and glass balls that you have to juggle all the time. You have to know, which are the glass balls, and you never drop those. The rubber ones keep bouncing and you can pick them up along the way.

A voracious reader by his own admission Anand does not read business books since they become obsolete. He prefers business magazines such as *Harvard Business Review*, *BusinessWeek* and *Fortune*. In fiction, Anand is a big fan of the Booker Prize winning author, Ian McEwan.

A company originally formed by professionals

Studied film at Harvard

Initial years at MUSCO were a "trial by fire"

Not focused on personal wealth; but on realising India's potential

CEO chat – Anand Mahindra

Give us a brief family background of the M&M promoters?

M&M was founded by KC and JC Mahindra. JC Mahindra was my grandfather. His son was my late father Harish and I have two sisters. Keshub has three daughters, none of whom are in the business. As a family we had a paucity of family members who wanted to go into the business. In fact, there is no other male family member in the business.

The founders were professional, which is very important. My grandfather was working for Tata Steel, and later worked for the government. My grand uncle was with Martin Burn, and also worked for the government during the war. The standards of honesty and integrity have always been high. This coupled with the fact that there was no proliferation of family members and the company going public very early, meant, there was no holding company structure.

What factors led to you joining M&M?

The whole feeling in this company has been one of trusteeship. So I never grew up with a feeling of entitlement or that I was going to take over anything. In fact I studied film at Harvard and my father never expected me to come into this business. This helped me establish credibility and show that I could succeed in an environment where there was no family backing or help available.

When I returned from Harvard, I joined Mahindra Ugin (MUSCO). My uncle, Keshub told me to prove myself, get credentials and work my way up. Eventually, due to uncertainty on who would join the business from the family, my uncle approached me since he believed I had the right credentials to join M&M.

Did you not think of starting something on your own?

When I returned to India in 1981, it was the best year in MUSCO's history. With the economy doing well, there was a feeling that India was going to change and I ought to be there. Because they did not allow vertical expansion I decided to diversify. My father was very keen to enter into hospitality. So I was out there negotiating franchise with Ramada and others. As it turned out, in 1982 the whole economy tanked and the steel industry went into a recession. Looking back I could have stayed in the US. As it happened I came back. I was looking at corporate planning, and I had plans on how we would diversify in different areas. All those plans came to nothing because the steel industry went into crisis and I was left battling the unions, battling the losses and trying to roll inventory. It became a trial by fire and I had to focus on keeping the company afloat. When things recovered in 1985, I renewed my interest in looking for new areas.

Given the tough times of the early 90's, what kept you motivated?

The thing is that we never focused on affluence or personal wealth creation. We have this saying that the history of M&M is in a way, a microcosm, of the history of India. The company was born in 1945 and its day of founding was Oct 2 (Mahatma Gandhi's birthday). There was a huge amount of patriotism in this company and the founders' strong belief was if you give Indians education, they are second to none. That is our core purpose. This belief in India's potential is alive, even today. It might sound like flag-waving but there's a tremendous desire to make India change in our lifetime and to take it to a position where its capabilities are recognised.

Building pride in the workplace
That is fine in a positive business environment. What do you do in an environment where employees lack motivation?

In fact, I think it works better when the things are bad. I worry when the times are good. Even when our share price fell to a low of Rs67, we knew that what we were doing was fine, and we knew that we were building businesses that would have value. But the market wasn't recognising that. We realised that it was because we weren't putting financial performance at the centre-stage. That is when I used self-motivation and peer pressure. I even showed the employees a clip of "Chariots of Fire" and told them that if you have pride in what you do, you have to pick yourself up and run to the finish line. So I set out targets of ROCE and free-cash flow because that's what the market will respect. We articulated an aspiration to double our stock price within three years and did it in a year. It changed the complexion of the company. It is about pride. It's not about getting ROCE – that is a subset.

Changing the culture of complacency
What are the specific things that resulted in the big changes at M&M?

There are no silver bullets. When I started in 1991, there was an air of complacency and efficiency was low. I had to make the message clear that there were no free lunches and took a tough stance of not increasing bonuses that year. I faced huge resistance and was even surrounded by workers at the Kandivali factory. But eventually we worked out a way.

We faced a strike at our Igatpuri factory. Even there, we demanded a 100% increase in productivity and got 120%. Changing the culture of complacency and signalling that there were no free lunches, were the key turning points.

I would say that the Bluechip Conference in 2002 was really a turning point. We got the top 250 managers in a group and set out a roadmap and a set of strategies. When the managers went out, they got a whole lot of people aligned to a roadmap. That really was the key. Having done that, we achieved motivation and results through financial incentives and intellectual alignment.

Innovation is the key driver
What is your biggest achievement at M&M?

If I were to put all my bets on one thing, then it would be about being innovative. What we have set are very clear targets for innovation for all the companies. For example, for the product companies, there are very specific targets on the percentage of revenue, which will come from products that didn't exist four years back. There is a matrix of innovations. In a way, I can look back with satisfaction and say that I have made innovation a key driver of business for the entire group and not just for M&M as represented by the *Scorpio*. Today I think the biggest achievement is that people recognise that M&M is the biggest player in the industry and ask keenly, what is it doing next?

Quality of experience can not be bought
Did you face any challenges in removing older employees who could come in the way of innovation?

I have been criticised for keeping the old hands on for too long. In fact there used to be a joke that this (M&M) is Anand's retirement home. Anytime a person retires, rather than asking him to go, I keep him on and extend his contract. I believe the quality of experience we have is something that just cannot be bought.

Do you think that age hinders innovation?

In fact, one example I love giving is of our three-wheeler, the *Bijlee*. This was created not by me, but by a Nagarkar, a 59-year old employee on the verge of retirement. He was the head of our planning. One day we had a core-values session, where there was dissatisfaction over the fact that we were

Older people are more innovative as they want to leave a legacy

Keeping up with the pace of innovation is a constant race

Real value of JVs lie in the synergies

uncomfortable being seen as a polluter. We had this system of innovation in place to encourage blue-sky thinking. Nagarkar approached us and asked for a budget of Rs500,000 to try this new idea for an electric three-wheeler. What he created was not about new technology. He worked out a "cassette system" by which the three-wheeler owner walks in and replaces the battery via this cassette in five minutes and runs the vehicle for 90kms. In Pondicherry women's self-help groups are using it. You'll see them soon in Uttaranchal. The government are the missing link and if they push for legislation, the *Bijlee* will really take off.

I believe innovation doesn't come only from youth. You have to encourage a climate of telling people to come out with something new and I've found that older people are sometimes better because they want to leave a legacy. They want to say that I left a mark in the company. When you have that attitude, you don't get resistance; you get people jumping on the bandwagon.

What keeps you awake?

If anything keeps me awake, it is the pace of innovation. It's always a constant race. Innovation may not be a new product it may be a new cost angle, a new service. I constantly ask myself "Why can't we be the pioneers in the new process or the new product?" The challenge to me is to make the customer say, "I have to have that product." And it's all about innovation. When you get that, magical things happen because that's when the products and services start flying off the shelves

When you have that virtue the cash expands and your efficiency goes up. To me the beginning of the whole magic is that the customer, at the end of the day, is banging at the door saying, "give me that."

Which of your joint ventures are you worried about and which one are you confident about?

I am not overly confident or overly worried about any one. It is going to be a daily battle for any business. The truck business is harder to break into and I think that's going to be a real challenge. What people haven't understood is that the real value of that venture is not in the truck product, but in the many things that come out of it. Their chairman came here and has doubled the target for sourcing through us. Then you look at engineering services. We've got 150 people in an ODC doing work for them. The spin-offs from the international truck venture are enormous. Of course, it is a hard act cracking the truck market, but that's only one of the many learnings this will give us.

On Renault – Everybody is focusing on the *Logan*, which I believe is a crackerjack product and will do well here. It will meet all its targets. But we're getting benefits right from today. We are engineering the right-hand drive *Logan* for global markets. It will do wonders in terms of confidence and exposure to our people. 70% of the procurement is bought out from M&M and there are huge benefits on the economies of scale that come from that procurement.

When do you plan to retire?

That is a good question. I had planned at 50 originally. But I am having too much fun right now at the age of 50. There are many things that I have to do right now so my retirement is out of the question. When I told Keshub I wanted to retire at 50, he laughed – he's still in the saddle at 80. I think if the innovation challenge continues my future role must be to fuel innovation and to empower our people so that they will always outperform.

**Sees himself as a creator
rather than a seller**

Following that logic would you sell out, if Renault comes to you with an offer in M&M itself?

One has to do what is right for the shareholders at a given point of time. I don't like selling out because I like building. Moving to a private equity model will be a stretch for me because I see myself more as a creator than a destroyer or a seller. But having said that I think it's a constant challenge for me to create enough value that board members or shareholders will not want me to move out and want me to sell. I hope that they always perceive that I add more value by staying than by selling out.



Anil Agarwal, Vedanta Resources

Fortune favours the brave

- ❑ 60-70% of entrepreneurship is about risk taking.
- ❑ The mantra is that we must become the lowest-cost producer in the world. Ultimately, everyone in the world is going to die, but we must die last.
- ❑ Indian people are still thinking in steps. They have not seen global scale.
- ❑ Most of my wealth must go back to society.

Anil Agarwal hails from the tough and competitive state of Bihar

Son of scrap trader, today he owns India's largest non-ferrous metal group

Bihar, in eastern India, in many ways symbolises the worst of India in terms of economic and social development indicators. But the maximum number of students to graduate every year in India come from Bihar and the maximum number of bureaucrats (the elite Indian Administrative Service officers) hail from Bihar. Bihar, till its bifurcation into Jharkhand and Bihar in the late 90s, was also one of the most mineral resource rich states in India. From this tough and competitive state hails Anil Agarwal and he is every inch a pugnacious fighter who will travel miles to get what he wants. This son of a scrap dealer is today India's uncrowned king of non-ferrous metals and has enjoyed the distinction of seeing his company, Vedanta Resources, become the first Indian company to list on the London Stock Exchange.

India's uncrowned metal czar

In 1986, when Anil Agarwal started Sterlite Industries for the manufacture of jelly filled telecom cables, Hindalco was India's largest producer of aluminium. In 20 years, Anil Agarwal has transformed Sterlite group into India's largest non-ferrous group with significant interests in aluminium, copper and zinc. The story of Anil Agarwal is the story of an entrepreneur who dares to dream and dreams big. Acquisition of Balco was one of the most challenging tasks taken up by Anil Agarwal. Earlier having been thwarted from acquiring Indal, then a subsidiary of Alcan, the Canadian giant, Balco was Anil Agarwal's chance to become big in aluminium. He bid Rs5.5bn to acquire a 51% stake in Balco when the Sterlite group did not even have Rs200m in the bank and his bid was twice the next highest bidder. The story was repeated when he acquired Hindustan Zinc.

From Bihar to Mumbai

Background

Coming from the state of Bihar, Anil Agarwal went to the same school, Miller High School, as Lalu Prasad. His father had a scrap dealing business in the 1970s. Anil came to Mumbai in 1975 and stayed on.

Sterlite Industries was formed in 1986 when he set up a plant to make jelly filled cables. Later he went into backward integration, non-ferrous metals and then into mining.

He moved his headquarters to London in the late 90s and Vedanta Resources was born and listed on the London Stock Exchange.

Anil Agarwal is helped by his brother Naveen Agarwal and has one son of around 20 years of age.

Stupid, stubborn or visionary?

Was he being stupid or stubborn? What did Anil Agarwal see that the Birlas and Tatas did not? Where analysts saw a 100,000tpa aluminium plant with outdated Soderberg technology, Anil Agarwal saw the foundations to build a 1mtpa aluminium giant (today Balco's aluminium capacity is 350,000tpa). This would not have been possible without acquiring Balco at an aggressive price. Trying to build a greenfield plant in India means myriads of approvals and long delays. Anil Agarwal took the high speed elevator to growth instead of the rickety and uncertain ladder.

Taking controversies in his stride . . .

The guts and gumption of the entrepreneur was evident once again as stiff resistance by labour unions and certain political parties during the Balco acquisition failed to deter him from bidding for Hindustan Zinc. It was not a question of once bitten, twice shy for Anil Agarwal. "Entrepreneurship is 60-70% risk taking", said Anil Agarwal during our conversation. He obviously lives by that credo and is nobody's Mr Nice Guy. He has never shied away from either controversy or a tough battle. Once the foundation to build his businesses was in place, the strategy was built around it.

Betting on India's rich mineral resources

Anil is a big picture guy and extremely bullish on India's potential to become a resource base to rival Australia, Canada, South Africa and Brazil. He looked at these countries and wondered at the huge metal businesses created with revenue in excess of US\$50-60bn. India's metal business on the other hand, despite having rich mineral resources, was just a fraction of these countries and that too was primarily controlled by the government - "aluminium, steel, zinc - everything was controlled by the government". That is when he decided that he wanted to focus on metals and make it big in metals and continued on his dream without wavering into other fields.

Began with a copper smelter in 97, acquired a stake in Balco in 2001 . . .

He started by setting up a 100,000t copper smelter in Tuticorin (Tamil Nadu) in 1997 giving Sterlite a 40% share in the domestic market. Over the past few years, Sterlite's copper capacity has expanded to 300,000t and a significant portion of production is now exported. After having established a prominent position in copper the group went on to acquire Balco, a 100,000t aluminium smelter, in 2001 becoming the third-largest aluminium producer in India after Hindalco and Nalco. Balco is currently in the process of increasing its capacity by 250,000t, which will make it almost as big as Hindalco and Nalco in terms of aluminium capacity.

. . . bought Hindustan Zinc in 2002 and listed Vedanta Resources on the LSE in 2003

After establishing a strong presence in copper and aluminium, the group acquired the government's 26% stake in Hindustan Zinc, India's largest integrated zinc producer. With acquisition of Hindustan Zinc and expansions of its copper and aluminium production capacities the group has emerged as India's largest non-ferrous metals group. Anil Agarwal consolidated all his asset holdings under Vedanta Resources and got the entity listed on the London Stock Exchange in 2004. Market capitalisation of Vedanta Resources is up from GBP1.1bn to GBP2.8bn since its listing on the LSE in December 2003. In 2004 the company also acquired copper assets in South Africa - Konkola is an integrated project with a mine as well as a refinery with a production capacity of 250,000t of copper.

"Fortune favors the brave"

A number of people thought that Anil Agarwal was crazy to bid so high in acquiring Balco and Hindustan Zinc. However, the sharp rise in prices of these two metals over the past two years (aluminium up 65% and zinc up 80%) makes this acquisitions a 'steal'. Rising metal prices coupled with the cost cutting efforts and capacity expansions drove up Balco's profit from Rs187m

Along with success there have been challenges, failures and controversies

in FY02 to Rs1.27bn in FY05. Profit at Hindustan Zinc rose from Rs679m in FY02 to Rs6.55bn in FY05.

Anil's journey from a simple cable company to India's largest non-ferrous metal group to acquisition of mines in Africa and Australia has been a fascinating one. Along with the successes he has faced a number of challenges, failures and controversies too. However, each challenge was dealt using different strategies. As he says, "we have made a lot of mistakes, for example in the 1980s the paper project was a mistake. Later we decided to go into downstream aluminium for producing foils. But once there is a realisation of a mistake, we quickly move out instead of sitting and worrying over the future course of action."

The metals and minerals projects undertaken by Anil have often been riddled with controversies. From his first metals venture (the 100,000t copper smelter at Tuticorin), which was opposed tooth and nail by environmental activists to the proposed alumina project in Lanjigarh, Orissa, which has been in controversy due to the opposition/strife with tribal and environmental activists. The strike by Balco workers after the acquisition of the company by Sterlite was another big challenge for the group, since an asset acquired by stretching the company's financial resources was lying idle for some time. A number of political parties had also joined in the protest giving a political colour to the whole acquisition of assets by Sterlite. However, Anil was not deterred by these. With patience and determination he was able to tide over the opposition and start operations in Balco.

Big expansion plans for fibre optic cables had to be shelved

One field where Anil was not fully able to realise his dreams was the optical fibre business. He had big plans for Sterlite Optical Technologies, a company manufacturing optic fibre cables. This company was earlier a part of Sterlite Industries but was floated as a separate entity with the rapid growth in demand for optic fibre. Anil had planned to raise funds for this company and expand the capacity to achieve global scale. However, the downturn in the global telecom market and sharp correction in optic fibre prices resulted in deterioration of the financials of this company and the group had to shelve plans for capacity expansion.

The move to London made him realise that Indian companies are still small by global standards . . .

In the course of these failures, Anil realised that scale was his forte and that has been his focus ever since. He says that while in India his businesses are considered big, but his move to London made him realise he was still small by global standards and his businesses have a long way to go to attain global economies of scale.

Figure 4

Acquisitions done by Sterlite/Vedanta

2001	Balco, Orissa	Aluminium production
2002	Hindustan Zinc, Rajasthan	Zinc production
2004	Copper mines, Australia	Copper mines
2004	Konkola mines, Zambia	Copper concentrate and metal

Source: CLSA Asia-Pacific Markets

. . . and also helped raise capital required to fund the group's expansion plans

His move to London was driven by another important goal. As his business empire leapfrogged in size, it required capital. Indian capital markets even five years back were not deep enough for too many large listings and were giving very poor valuations to commodity companies. Anil Agarwal realised that to raise the necessary capital to drive his ambitious expansion and acquisition plans, he will need to raise capital overseas. From this to listing

CVRD is Anil Agarwal's role model

Vedanta Resources in London Stock Exchange was a step away. Vedanta Resources has the distinction of being the first Indian company or first company with assets predominantly in India, to be listed on the LSE.

Anil Agarwal has unique role models. Instead of focusing on people, he focuses on companies. In the initial years, he used to admire Finolex Industries for the relative size of the plant set up by them. Later, in 2000s, he started admiring CVRD. And today he expects to have similar revenues and Ebitda as CVRD within the next two years after completion of his expansion plans. Shifting the goal post as he goes along is another trait.

Today, Anil's goal is to reach global scale of 1mt production capacity for each of the three metals – aluminium, zinc and copper and to have 5mt capacity for alumina in the next 4-5 years. Anil attributes his biggest success to his father and grandfather. "They never let me slowdown, including my grandfather who is 93 years old. Whenever I try to slow down a little bit, they say no."

CEO chat – Anil Agarwal

Regarding your acquisitions in India, the price that you paid for BALCO was significantly higher than other bids. What were you thinking when you bid for these entities?

We were looking for assets to form as a base from where we could grow. Fundamentally, the objective was to be in the business of natural resources and specifically aluminium - that was at the back of my mind. When we took over Malco, which was a sick unit, we were able to revive it and we became successful. Later, I looked at Indian Aluminium and I put a bid for it, but that did not work out. So BALCO, which was the first privatisation, was definitely a stepping stone.

This was the whole idea and that is why we paid a higher price which proved right eventually. Balco's capacity was 100,000 ton then and now it is 350,000 ton and with Malco, we will be producing 400,000 ton aluminium. I could not have done it without taking over Balco.

However your price was almost double that of the next bid. Was it too aggressive? Did you think that you overpaid once other bids were known?

Whenever there is an opportunity, you have to be aggressive; otherwise it does not work out.

I think it was definitely a balanced price. My vision and thinking was that our company should be known and India should be known in the metal business.

Bullish on India's metal resources

Australia, Canada and South Africa - all these generate US\$50-60bn of revenues from metals and most of it is private. In India majority of the business is in the hands of government, whether it's steel, copper, gold or chrome. However, when I talk to geologists, they tell me that India has a better geology and mining resources than many other countries. So I wanted to be in natural resources business.

How did your thinking change which led you to move from scrap business to cables to metals?

I always believe that if nature has given you strength in certain areas then you should stay within those areas. From a metals scrap merchant, I moved onto a cable company. From the cable business, I realised that there is

Businesses as role models

potential in copper and aluminium - so I wanted to integrate into copper and aluminium. Then I had to go into mining, so I went to Africa and Australia and took over mines there.

What are your long term goals? What do you want to become in five to ten years?

I always believed in a role model, a hero. People look at Amitabh Bacchan and Shahrukh Khan (both film actors). Before I got into the cable business, I must have circled another Indian cable company 100 times and used to admire how such a large factory was set up. Today, we admire CVRD of Brazil. It has about US\$10bn dollars in revenue, has an Ebitda of US\$3bn and a market cap of US\$10bn.

Vedanta as the ambassador of India

What have been the advantages of your move to London - is it better recognition, better access to capital?

I always thought I could work half of the week in Mumbai and the other half in London. I stay in London because Vedanta is a London listed company and I am the chairman.

Today Vedanta is the ambassador of India. Today, the press coverage of Vedanta is huge. People say that if you want to invest in India, the easiest and safest way is to invest in Vedanta. And it also helps in attracting the best talent.

When we were listed in London, I realised that we were still in the lowest quartile among the companies here. So you get a flavour that there is a lot more to do. Better access to capital is definitely another reason.

There are many regulations in India. Does that worry you?

This is a challenge that we have to look at. If India opens up its geology, it can attract a lot of investments. And this can be the biggest source of employment for government. I want the unskilled people and the masses to be employed and that is what we are doing. We are setting up this plant in Kalahandi, one of the most backward places in India.

Scale is important. Quick exit decisions

What have been your biggest mistakes? And how did you correct them?

Lots of them. You learn from your mistakes. We thought of putting paper plant newsprint 15 years back and then we realised that is not our cup of tea. We thought of going downstream into aluminium foil, but even this was not for us as we are people of big scale.

Once the decision was taken to exit any business, it was taken quickly.

Lowest cost producer – ability to sustain through a downturn

If you have to choose between two approaches – one, you go step by step, and only after the success of the first step do you take the second and the second approach is to go in a big way. Which approach will you take?

In India you go the big way. How can you go wrong? Two things are a must for the commodity business. One, you must be the lowest cost producer in the world. I always believe that everybody is going to die but you must die last. And second, you should be able to sell your product in any part of the world. If you are right on both, how can you go wrong?

Simple living

How do you manage the quality manpower challenge?

We have to get some special manpower resources from outside India. It is difficult to convince the technical people to expand the capacity from 100,000t to 400,000t. They think it is very aggressive. So we have to get people who have been running million tonne plants and it is a cake walk for them. I always tell my people that you remain the boss, but if you want to succeed, hire the most technically capable people, even if you have to pay ten times more than what you are getting.

So what are your targets for the next three to five years?

We are presently looking, at over US\$5bn in revenue. After completing the ongoing expansion, we will worth US\$10bn. This can be achieved within three to four years. That's a good target I think. So we are targeting to have capacities of 5 million tonnes of alumina, 1 million tonnes of copper, 1 million tonnes of zinc and 1 million tonnes of aluminium.

What do you do in your free time?

I read light, entertaining books and like any normal Indian, I like to go to movies, to be with my family, children and have a nice meal. I like to be with my parents, relatives and friends. I live as simply as possible, I would like to be one of the persons on the street.

Who do you attribute the biggest success to?

My father and my grandfather. They never let me slowdown, including my grandfather who is 93 year old. Whenever I try to slowdown a little, they say no.

Are you a person who believes in the big picture or do you believe in getting into the details?

I think I belong to the first category. I have people around, who can take care of the detail. Systems can take care of the detail. But make sure that you have robust systems. And last comes the trust of your people, which is also very important. I am an architect.

Big picture; create robust systems and empower people to take care of details

No shortcuts to success

What advice do you have for budding young entrepreneurs in India?

I think the biggest thing is not to get greedy. There are no shortcuts. Youngsters sometimes want to do things quickly. But I can tell them with experience that there are no shortcuts.

Dreaming big is paramount

How important is fearlessness and risk taking in entrepreneurship and in business?

Very important. I think 60-70% of the marks go to fearlessness and dreaming big. In every decision we have taken risks. For example when we decided to take over BALCO, we did not have the necessary resources but still we went ahead and bid. Finally when the bid was successful, then we gathered together in a room and thought, how do we tackle the problem of resources. I don't like to be defensive. And we were finally able to take the situation head on and solve the problem.



Dilip Shanghvi, Sun Pharma

Conservative but confident

- ❑ Entrepreneurship is understanding the skill set that is available with oneself, realising what skill set is required to succeed and working towards acquiring the balance skill set, keeping the value systems and ethics intact.
- ❑ I will never do unethical things.
- ❑ When working with my father, I realised if you sell a product as a brand, you can charge a significant price difference over the generic price.

His first business lessons were learned from his father

Soft spoken, conservative in his approach but supremely confident; you cannot but be impressed by Dilip Shanghvi. Coming from the Gujarati community but born in Mumbai and brought up in Kolkata, Dilip Bhai, as he is popularly called, completed his education in Kolkata.

His first business lessons were learned while working with his father, and though he was not clear about the further path, a typical job was ruled out, "doing a job never occurred to me." Modesty and conservatism is evident when you ask about achievements and other related questions.

Niche branded focus

Dilip Shanghvi has followed a slightly different strategy in the pharma business. Unlike Dr Reddys and Ranbaxy, which focused their energies towards the global generics market, Sun Pharma has built an extremely profitable and fast growing business in domestic formulations and exports to unregulated markets, focusing on niche therapeutic areas with long lasting prescriptions such as cardiovascular, CNS etc. But Sun Pharma has not limited itself to being a niche domestic player.

Stable domestic business funds international expansion

Sun Pharma has progressively transformed itself by integrating backwards from formulations to bulk, utilising stable cashflow from its domestic business to expand into international markets and fund its generics foray and bring greater focus on innovation based research rather than process based research as it did in the past. From being a largely domestic company initially, today 40% of Sun Pharma's revenue is from international markets and over 20% of its employees work internationally. Sun has five manufacturing locations internationally (one in Europe and three in the US) and is on-track to expand further.

Dilip started out helping his father

Background

Born in Mumbai, Dilip Shanghvi moved to Kolkata at the age of five. He graduated in 1976. His father started a pharmaceutical wholesale business – generic products and company representations.

Dilip started helping his father in the business. He worked with his father for about three years and then borrowed some money (Rs10-20k, ~US\$1000 at that time) to start his own manufacturing plant in Vapi, Gujarat in 1982.

He has one brother, who worked for a few years with Dilip, however, since the last decade he is in the construction business.

Dilip Shanghvi has two children; a son aged 20 and a 17 year-old daughter.

Impressive track record

Execution is one of the biggest success factors for any project. While other companies have also followed a similar strategy, the differences in execution are evident in results. Sun Pharma has an impressive track record of growth in revenue in each of the past 10 years with a Cagr of 30%. Consolidated Profit during the same period has expanded at a Cagr of 34%.

Careful planning to the smallest detail and execution is the success factor. Dilip Shanghvi also blames execution for the delay in turnaround of Caraco. "The biggest challenge faced has been Caraco; it took much longer than expected because of: a) long-distance management; and b) not anticipating all the issues before starting the project. We bought the facility and then started developing the products, whereas it should be the other way round." He believes that the planning, price and timing were right, however, execution and a lack of understanding foreign rules and regulations were the key lacunae.

From the outset things didn't work as planned**Caraco – Delayed but remarkable turnaround**

Sun Pharma bought a 36.5% stake for US\$7.5 million in Caraco in 1997-98. Sun's plan was to use Caraco's USFDA approved manufacturing facility and distribution network to sell generic drugs in the US. Sun would provide the product technology in return for equity rather than a fee that the loss-making Caraco did not have, and Caraco would thus have access to a pipeline of new generics and make and market them.

But from the very start, things didn't work as planned. Till the beginning of 2001, (April 2001) Caraco couldn't make and sell any of the drugs that Sun Pharma was offering. The systems and procedures at its facilities didn't match up to FDA standards. And, by Dec 2001, Caraco had accumulated losses of \$56 million. In 2002, things had started stabilising. By the third quarter of 2002, Caraco had started making an operating profit. It had also applied to the FDA to market 14 ANDAs in the US.

In 2003, Caraco stopped accepting new products from Sun as Caraco's independent committee of directors were dissatisfied with the terms of the contract (shares for product swap) between Sun and Caraco. They were primarily financial investors who hoped to exit with a profit once Caraco turned around. But without a pipeline of products, future growth would be affected. In Jan-04, Sun Pharma agreed to buy the investors' stake and agreed to pay US\$42m to take its stake to over 60% from 40% on a fully diluted basis including options.

Caraco has since turned around

Since then, Sun has effectively turned around Caraco and we expect Caraco to achieve a turnover of US\$75m and cash profit of US\$20m in 2006. Caraco currently markets 19 products, with 37 ANDA filings awaiting approval between Sun Pharma (24) and Caraco (13). Caraco has also recently won summary judgment on the US\$330m drug, Ultracet.

Acquisitions focused on turnaround potential

Figure 5

Sun Pharma's acquisition history

Year	Target	Reason
1996	Bulk drug unit, Knoll Pharma	Bulk capacity.
1996	Caraco	Acquired initial equity stake; entered the US generic market.
1996	Gujarat Lyka Organics	Manufacturer of cephalexin bulk active with a USFDA approval for the intermediate, 7ADCA.
1996	MJ Pharma	Manufacturer of several dosage form lines with a UK MHRA approved plant.
1997	Tamil Nadu Dadha Pharma	Enabled a quick entry into high growth therapy areas of interest: fertility, anticancer, anaesthesiology, gynaecology, pain management.
1998-99	Milmet Labs	Quick entry into ophthalmology.
1998-99	NATCO brands	Respiratory and asthma range.
2000	Pradeep Drug company	Chennai based bulk-active manufacturer.
2004	Phlox Pharma	Bulk-active company EDMF for cefuroxime axetil amorphous.
2004	Women's First	Two branded generic products.
2005	Manufacturing facility , US	Liquid/ointment manufacturing facility in the US.
2005	ICN Hungary	Manufacturing facilities in Hungary; controlled substances.
2005	Assets of Able Labs	Acquired from bankruptcy for US\$23.5m; sales of >US\$100m before USFDA suspended operations, plant has replacement value of c.US\$45m.

Source: CLSA Asia-Pacific Markets; Sun Pharma

Successful entrepreneurs are not deterred by challenges. After delayed turnaround at Caraco, Dilip is back in the international acquisitions game, recently announcing acquisition of assets and IPs of Able Labs for US\$23.5m.

Planning process is continuously evolving

Unlike other entrepreneurs in the list, Dilip Shanghvi is not a big believer in long-term planning. We would classify his planning process as – “continuously evolving.” “I do not have a plan for the long term – only the big picture is there in my mind. Working with so many variables, success or failure of one step could totally change – say the cashflow position, and then one has options which were not possible earlier. So we have a broad business objective in mind, and we are moving in that direction. Speed with which we reach there is a function of what happens midway.”

Principles are the pillars for successful entrepreneurs. Dilip Bhai places ethics on a very high pedestal. “No one can ever force me to do unethical things. If selling a bad product is unethical, I will never sell a bad product, irrespective of what it costs.”

An apolitical organisation

People are the biggest assets of every organisation. Dilip Shanghvi has a way of managing people. Attracting and retaining quality manpower is a challenge. He mentions that promotion from within, an apolitical organisation and tolerance for genuine mistakes are important factors for employee motivation.

“There is no need for me to sell”

Though he claims he has a lot of free time, he is extremely hard working and passionate about his business and works almost seven days a week. On being asked if he would sell if an offer came at some exorbitant value, he says “There has to be a need to sell. As of today, I have no need to sell.” Moreover, he believes he has not created Sun Pharma as an organisation that is “designed to sell out”.

Risks should be taken only after analysing options

While a number of pharma companies began operations at the same time, some even following similar strategies as Sun Pharma, Sun has clearly emerged as a winner and has the fourth-largest revenue among pharma companies and is the largest by profit. Dilip readily gives the reason behind his success to luck. "A large number of things that you do are not in your control. So luck plays an important part." Other than luck; good people, sticking to a well thought out strategy, and planning are the keys to success.

Measuring and taking calculated risks is an important attribute for an entrepreneur. According to Dilip, risks should be taken only after analysing options. Once you have analysed various options, it may not look so risky.

"For example we are now increasing spending on R&D. Thus our planning and actions are more determined by our capacity." Sun Pharma has in the past few years transformed its R&D focus from process research to working on technically complex products and new technologies. Sun Pharma has developed several firsts among Indian companies, eg, Lupron depot, liposomal delivery systems. In addition, it is developing anti-cancer products and injectibles. Sun Pharma's NCE, which is in Phase-2 trials, follows an analogue-based approach and has a low probability of failure because of known biology – another example of taking calculated risks.

One can be sure that Sun Pharma will always chew what it can swallow. While this may delay the process of reaching the target, the probability of reaching goals is much higher than other companies who may take unwarranted risks and thus may take much longer to reach their final goal.

Dilip Shanghvi forgoes part of his dividends for donations

On philanthropy, Dilip Shanghvi foregoes a certain portion of his dividends, which the company gives as donations.

A lot of Sun Pharma is about Dilip Shanghvi. "A good leader should have the ability to look ahead." On succession planning he believes that some of the skill sets that he has are unique within the organisation. There is a plan to develop those skill sets among others gradually.

Not many people consider competitors as role models, however, he is impressed by Cipla, Ranbaxy and Dr Reddys, and Warren Buffet is another person who has impressed him.

Simplicity is visible from the fact that he only recently upgraded his car to a Toyota Camry. When asked "why not a Benz?" he says, *it's not important.*

Dilip Shanghvi does not use any of the Sun Pharma's drugs

Managing a US\$3bn (market cap) organisation is not easy and one could easily complain about stress and other things. Dilip Shanghvi, however, has a different psychology. "I have no stress." And this attitude is the reason for his health. He has no hypertension, diabetes and is cardiac trouble free. However, he says realistically that "for me it's a struggle to maintain a strict schedule."

CEO chat – Dilip Shanghvi
What was your family business and why start a business?

My father started a pharmaceutical wholesale business - both generic products and representative products. I used to help my father and I learnt the basic tricks of trade there - the pricing, formulation prices, etc. I realised that if you sell a product with a brand then you could charge significant price difference over a generic price, which is your margin.

**Wholesale distributor
to branding**

Doing a job never occurred to me. I chose to be in the pharmaceutical sector because I was familiar with it. I started by making products on loan license with someone in Calcutta.

**Did you have the necessary resources/capital to start a business?
What age did you start the business? Any initial difficulties?**

My father gave me some money and I borrowed some money. About Rs10,000 to start with. I was 26-27 years old when I started my own business. I did not face any major difficulties, everything was smooth. No financial difficulty, no stress.

**You have followed acquisition as a growth strategy. Some of the
assets that you acquired were loss making and some even BIFR
cases. What has been the thought process in acquiring such assets?**

Typical decision one has to take is make vs buy. There is a choice that you can make whatever you want or buy whatever is there. Then the criteria like cost of acquisition vs building it from scratch, time of acquisition vs early entry, developing skill sets vs using existing skill sets. These are all the positives; the negative side is that the business you acquire comes with its own culture, comes with its own baggages. And you have to evaluate the trade off.

**Acquisitions need to fit
into Sun's business
objective**

We see whether the acquisition makes sense on strategic basis. If business comes to us at low cost and can be turned around, but if it has no strategic importance to us, then we don't look at it. It needs to fit into a business objective that we have set for ourselves.

What was the biggest challenge you faced in the past 10 years?

The biggest challenge has been Caraco. It took much longer than what we thought it would and it is long distance management. Otherwise I don't think we have had any major challenges.

**Do you agree with the decision to buy Caraco? If you had to change
the way you did it, what would change?**

One is anticipating all the issues before you initiate any project, and structure so that you are able to manage. It was the first US acquisition. The regulatory environment is different. We bought the facility and then started developing the products. It should have been the other way round so that you can move and then start filing products. You should have regulatory capabilities in place before you start filing.

I think we failed on execution. Not on strategy or other things. Execution was not effective. Strategy was right, cost was right, timing was right; none of those were issues. The only issue was the execution. We started strengthening our ability to execute, focusing on setting up periodic milestones to see whether we are improving on executions or not.

How many years in the future do you plan internally?

Not too much. The internal business plan is for one year. This detailed plan is for routine business, but for any developmental business, there is no business plan. There is an underlying thought process of what we wish to do. But quite a few of our R&D projects are 4-5 years projects. So once we commit resources, we know we have to continue to fund them.

**The internal business
plan is for one year**

Time of reaching the final goal depends on what is achieved mid-way

Are there longer term plans – 5-10 years?

I don't have a plan for more than 1.5–2 years, because there are so many variables. If you are successful with one research based or filing based product, it can change your potential cash flow position. If cashflow changes then you have other options possible which were otherwise not possible earlier.

So the planning evolves over time. We have a broad business objective in mind and we are moving in that direction. The speed with which we reach there is a function of what we achieve mid way. If we have a successful research/filing based product, we will possibly think of doing things differently because we have now more financial resources to invest in terms of cost also in terms of acquisition or any other things.

Where do you see your company in 10 years? Any specific targets?

We have target for the visible part of our business in India, where we plan to reach say 4% market share in the next 2 years. But beyond that we don't have any plans. We've planned that at some point in the next 5-6 years, our innovative products should start coming to the market. Then that part of business will start becoming increasingly important for the company rather than our generics business.

"Wish has no validity"

Are you a meticulous planner or a dreamer?

There is a difference between wish and plan. Wish has no validity. What we wish is not enough. Whatever I tell I have to deliver.

Are you worried about the MNCs? What are the biggest challenges that you see in the next 5 years?

Our challenge would be managing the transformation of the organization because today we are a generic company, process driven, and cost focused. From that we will become more international, multi locational, with some innovative products - so how do we transform the business processes, thinking processes and planning processes.

Generally we try and see that we promote people from within

One of the biggest challenges any sector is facing today is people. How do you motivate them, and manage their aspirations.

Generally we try and see that we promote people from within the company. We are reasonably tolerant of people failing as long as they learn. We don't evaluate people based on their failures. We give lot of importance to an apolitical organization. We also try to ensure that people work together. We also ensure that the right person gets the credit.

For the past 10 years, everyone wanted to get into cardiac, CNS, etc, but not everyone executed it. What do you attribute Sun's success to?

I think familiarity. If I want to get into acute care market, I don't think we would be very successful.

For successes, luck is very important. A large number of things are not in your hands and when things fall in right place for you sometime then there has to be something that is beyond your capacity. Sure, it is not only luck. You have to have good people, well thought strategy and you have to plan for all probabilities, possible successes and possible failures

What are your thoughts on the risk companies can undertake?

I think risk is something that is subconsciously ingrained. There are people who don't evaluate the options and there are people who will take risks only after evaluating the options. From my point of view, I have a rational logic for

"I have a rational logic for what we are doing"

"We can't invest if we don't understand"

what we are doing. To me it doesn't look very risky. In the same way, people who take higher level of risk than what we take, they have their own sense and internal rationale why they take that risk.

If you allow yourself the flexibility of taking slightly more risk, do you think that the growth rate will change?

It can. But we don't do things; not because we are uncomfortable with risk; we don't do things because we don't know how to manage them effectively. Let's say we are increasing our spend in R&D. We could have spent more last year also but there are things which we can manage more effectively this year than what we were able to manage last year. So our planning and investment process is more determined by our capacity than by risk appetite. Risk is always a factor, but we can't invest if we don't understand.

"Nobody can ever force me to do an unethical thing"

A lot of times in business, it is said, that you have to bend rules. What is your philosophy on that?

Nobody can ever force me to do an unethical thing. Which means that selling good products is ethical and bad products is unethical; I will never sell a bad product. Irrespective of whatever is the cost.

How would you define leadership or what attributes would you say define a good leader?

First if all, a good leader should have the ability to look ahead, look at future, anticipate what is going to happen, so that he can structure and prepare the organization for all the opportunities as well as challenges ahead. Second thing is that he can help people in managing the future effectively, investing in and improving their capabilities and use their potential to the maximum.

Will your children ultimately join the organisation, or they are too young now to decide?

They are not too young, my son is 20. But he is not sure and I am not sure.

We understand you don't take dividends but donate to charity?

That's a method by which we want to structure so that it is tax efficient. So the company doesn't donate its money but donates the dividend that I forego. I have structured it in a manner which is tax efficient for the company.

If someone gives you an offer of 200% to buy you out, will you sell?

As of today, no. What would be the benefit? There has to be a need to sell. And as on today, I have no need to sell.

Do you think Indian entrepreneurs think small and are easily satisfied?

Possible. That's what a lot of people ask us, when will Indian companies in the pharmaceutical field take the big jump? We all still are peripheral players in the international market.

I personally think people have to be comfortable

I personally think people have to be comfortable, comfortable with their ability to achieve success. If I look at everything from my point of view, we know that 10 years down the line, we will be a much bigger and successful company than what we are today and for achieving that level of success we don't have to take any uncomfortable level of risk. If I take risks, then I can get there earlier, but in the process I'm also taking the chance that I might get there much later. That's a trade off and every individual will have to take that decision about the level of comfort and risk.

Knowing the business and learning from other people – critical for success

What would be your advice for young entrepreneurs?

The idea would be that he has to know his business. He has to learn from everybody who has succeeded and those who failed, you don't have to make the same mistakes. Entrepreneurship is understanding the skill set that is available with oneself, realising what skill set is required to succeed and working towards acquiring the balance skill set, keeping the value systems and ethics intact.



Ekta Kapoor, Balaji Telefilms

The tele-queen

- ❑ I admire attitudes more than achievements.
- ❑ Life is not just business, it's much more.
- ❑ I have a lot of free time.
- ❑ On new initiatives – "Its about an instinct which has to be supported either by experience or by knowledge."

"I was basically a drifter, a couch potato"

Children of successful Hindi movie stars normally try their luck in acting, with more often than not their parents launching them with lavish productions. One would have expected a similar career graph for the daughter of Jitendra, a very successful Hindi film hero of his time and Shobha Kapoor. But Ekta Kapoor started making TV serials at a time when film stars of the big screen used to look down on tele serials. Her timing was serendipitous. With numerous new channels being started and TV viewership exploding, the demand for quality programming content grew exponentially.

"I was basically a drifter, a couch potato and I used to watch a lot of television. At that time new TV channels had just been launched – Zee, Starworld, Star TV etc", says Ekta Kapoor. Probably that is where she got a feel of the pulse of the television viewer. Newspapers and magazines are full of stories about this kid, who used to be, mediocre in studies, plump and not particularly good at anything and the transformation to a stunning lady who not only picked up the right theme for TV serials but anything that she touches turns into gold – implying high TRPs in the world of television.

Failures have not deterred her

Failures have not deterred her. She started off when her father got her an offer from Ketan Somaiya (a businessman), for co-production for their channel in London. However, company was dissolved because he sold off the channel. Her being a couch potato finally came to rescue because she had ideas for the entertainment channels that were being launched in India. She made six pilots with three episodes each. But all of them were rejected by the TV channels. Lot of money was lost during this time.

But rejections and disappointments did not deter her. She continued to make pilots for TV serials and then the big break came as she made a comedy serial – "Hum Paanch". This became one of the most successful serials and ran for a long time on Zee. The rest as they say is history. Riding the success of Star Plus, the entertainment channel from Rupert Murdoch's Star group, Balaji Telefilms and Ekta Kapoor have become household names.

Daughter of a film star

Background

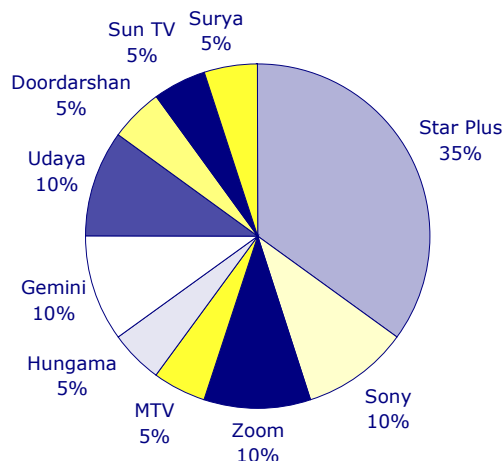
Daughter of film star Jitendra, and Shobha Kapoor, Ektar Kapoor had no interest in the entertainment business during her childhood. Graduating from Mithibai College in commerce, she was just quite ordinary at school.

Initially she started hanging around ad and film makers but to no avail. She then started making pilot TV serials. She made six pilots and three episodes for each pilot. Finally she got her big break when she made a Hindi TV serial – *Hum Paanch*.

She has one brother and currently lives with her parents.

The actors in her serials have become stars in their own right with popularity rivalling those of the big screen stars of Hindi films. Ekta is today the uncrowned queen of soap operas in India and prime time television time belongs to her shows. TV channels are known to charge premium advertisement rates for successful Balaji serials.

Figure 6

Balaji's programming is spread across channels

Source: CLSA Asia-Pacific Markets; Balaji

Ekta has her fingers on the audience pulse

After *Hum Paanch*, she took up the now famous theme of *Saans Bahu* (Mother in Law, Daughter in Law) for her soap operas –one of the most common themes in India and made a big success out of it. Her critics – and there are many – feel that she is far removed from the reality of India given her portrayal of women in her serials, which would have probably been appropriate two decades back. But Ekta is not removed from reality. She has her fingers on the pulse of her audience, never mind the carping of the critics.

Focused on the target market

She is aware of the risks and accusations of being stereotyped, however, believes that given television viewing is a lot in the population age group of 35-65, and therefore there is lot of steam in this theme. "The youth wants me to tap a little more on contemporary problems, while traditionalists are the ones that I am catering to. Because I can't change the mindsets of those above 40, and I don't want to, because I really want to cater to their tastes." If there is a testimony needed to judge her gut-feel, then the TRPs say it all.

Balaji shows dominate 6 out of 8 prime slots

Figure 7

Top TV shows in various time slots (Balaji shows highlighted)

	20:00-20:30	20:30-21:00	21:00-21:30	21:30-22:00	22:00-22:30	22:30-23:00	23:00-23:30	23:30-:00:00
Weekdays	Mum Tum Aur Hum	Kasauti Zindagii Ki	Miilee	Kavyanjali	Kahaani Ghar Ghar Ki	Kyunki Saans Bhi Kabhi Bahu thi	Kahiin To Hoga	K.Street Pali Hill

Source: CLSA Asia-Pacific Markets; Tam Ratings for week ending 07.01.06, Target Group: MF 4 + (C&S)

In any business, change is the only constant and therefore it is extremely important to keep a tap on trends and change the strategy accordingly. Also it is important to identify opportunities and make full use of them. In media, it is even more important and therefore it keeps Ekta on her toes. Recently Balaji Telefilms released a movie – *Kya Cool Hain Hum*, a sex comedy. "We knew at that time that there is a vacuum in the genre of sex comedies".

Focus on budget is key to profitability

200% premium is undermining Balaji's growth and potential

I was basically a drifter, a couch potato

Creating new market for television drives Ekta

How does one get new ideas? - "It's about an instinct which has to be supported either by experience or by knowledge. I can get an idea but I may not have experience". Ekta draws on the knowledge of her father in such cases as there are no precedences for pathbreaking decisions.

However, films are a risky business. They have made a few films which have run into losses. However, over time all the losses have been recovered. Ekta believes that not budgeting properly is one of her biggest mistakes. She is very conscious of her mistakes, especially on the film budget front - "Your budget is the albatross that hangs from your neck. The lower the budget, the smaller the goal you have to achieve to get profitability".

Ekta has many role models - Sonia Gandhi, Dr. Vijay Mallya, and Dhirubhai Ambani among others. "The thing about Sonia Gandhi is that her silence speaks so much. She actually proves that silence is power."

What drives Ekta Kapoor? Clearly her life is far removed from the serials that her firm produces. The entrepreneur in her is driven by passion, ambition and power. It is not money that drives an entrepreneur everyday to office. She is extremely passionate about her business and on being asked if she would sell out if an offer came at a >200% premium to her? "My attachment to this company is more ambition, than money. My ambition to see this company at a point where it signifies not only numbers financially but power. And also 200% premium is undermining my company's potential & growth".

Ekta has big plans for the Balaji over the next decade. "I see Balaji as a much stronger media house." She has plans of tapping, non fiction potential, up market programming potential and catering to larger population. She has even plans and dreams to start an academy.

CEO chat – Ekta Kapoor

Were you clear when you were studying that you wanted to start a company in this line of business?

I was basically a drifter, a couch potato. I used to watch a lot of television, a lot of serials - hang out make friends, party a lot. Then one day my father got me an offer with Ketan Somaiya to start a co-production for programming for their channel. Production house was called *Dolphin Telefilms*.

The company got dissolved because he sold his channel. We had software already made. In the partnership, he was not there because he didn't want to do a co production at that time.

I had the software which I made, which wasn't very good because my father gave me a computer to sit and handle the business. I was watching a lot of foreign television. Starworld had just come in Starplus, which was just about to start and I was a big Zee addict. I started with making some shows - sent to the channel and they got rejected. Adhikari Brothers helped us out. I had lost a lot of money and with two hundred thousand left, we made *Hum Panch* and it turned out to be successful.

What drives you to work? What is your motivation?

I want to create new markets for television. We have tapped the so called bulk audience, mass audience, TV viewing audience. There is a lot of audience that moves from channels to channels. They are our peripheral audience. You cannot make shows which are long running. You have to make it short, or smart shows - seasonal basically.

Instinct has to be supported by either experience or knowledge

"I am a perpetrator of hard work in my company"

Proper budgeting is critical to ensure profitability

So in the next year I am trying to try to tap that. And cash in our competence that is mass programming even more.

Plus there are two ways to make money. Television- being able to generate more revenue with software that you already have. And creating software experimentally in a way, so that you are given a chance to tap fresh audience.

When you go into a new media, say entering into films - who took the initiative. Was it you or your group or were it your mother/father?

A combined discussion, because it is about an instinct you need to support with either experience or with knowledge. I can get an idea. Because in any path breaking decision for the company, you might not have a past experience but you might have some knowledge of it. My father is a film person and when we made films early we took advantage of his knowledge as - what films we should make, we did at times make loses. We had to cover those loses and we did it with the successful movie "Kya cool ha hum". That was a sex comedy vacuum, so you need it to be cool looking so that you get the classes in and you have to be very mass in the language so that you get the masses in. We plan out our films with lower costs so that there is a lower hurdle to cross in order to make profits.

We hired a company which does profiling of businesses we are getting into and the kind of profit attached to it. Even when we went south we started small. We did one television show now we have got seven there.

You have a reputation for being a very hard worker

I don't think I am that hard working. I think I am a perpetrator of hard work in my company. My company lives in an attitude more than one person's hard work. The whole idea of working hard is to send out the right message. Ours is not a 9-5 job. Ours is a performances based company so it is not really important how many hours you put in. But how many hours you put in only matters if you have to achieve perfection - you have to put in that many hours.

It doesn't matter how many hours they put in, but I need to see that perfection. There are a lot of shows which I don't even look into. That way, a company has to be eventually independent. But, the whole idea is that I might come in to review progress.

In fact *kyon ki*. . . . and *Kasauti*.... are our most popular serials and I don't even look at them. I rather give my attention to those programmes which are not doing well and try to pull them up. Because my job is to do a creative check and I have hired people who are all performance based people. We have a TRP target, and if they achieve it, they will get a raise. Therefore ,they essentially don't work for me they work for themselves. As far as hard work is concerned, I want to send out a message that if I can work on a Christmas eve or a Saturday then every one should.

One failure or regret which you have?

There was a film which I think would have been a success, if it was budgeted well. Its profitability was lost because of its budget - this is some thing I realised later.

Your budget is the albatross that hangs from your neck. The lower the budget the lower the goal you have to achieve in order to cross. And it is not a big

Ekta focuses on her core competencies at Balaji

problem taking a longer leap. The problem is you attempt a higher leap; it makes your line higher. For a smaller budget you will have to jump a little less.

Where do you see Balaji in five years?

I see it becoming a stronger media house. I see it tapping on non friction potential, up-market potential, catering to a bigger and larger audience – in terms of tapping niche markets. I also see releasing couple of films and starting an academy hopefully for media.

I am looking at doing things for the company which hopefully will make it a stronger media house with a lot of subsidiary companies attached which deal with different aspects of media.

Suppose someone gives you an offer at a two hundred percent premium would you sell?

No. My attachment to the company is more ambition than money and my ambition is to see this company at a point where it signifies not only numbers financially but power. And I think two hundred percent is undermining my company's worth.

Are you financially involved in the company?

I leave the financials to other people. I am not even on the board any more, because I personally feel my core competence lies in the creativity, the vision. It's ok, getting into the finance on the peripheral level – budget etc.

But regarding detailed company financials, I would rather let other professionals handle it. That is the only way a company will survive – handle your department in a more intense manner, rather than try to have an overall view in everything. It's not about not getting into a hundred other things - we will; that vision will be the CEO's. I have the experts to grow my company.

In the next ten to twenty years your role will be?

The CEOs/CFOs will come in - they will do the future plan. Of course the ideas will be mine. There would be a lot of other things that come in, they always have to be backed by the knowledge and the experience of some well versed CEO.

Some idea that you may like but may not make business sense?

I will make it on my own and not from Balaji. I have done this before - I have made films by my own. And the company was not involved.

Who are all your role models?

There are so many I like. Sonia Gandhi, Vijay Mallya. Sonia Gandhi - I think her silence speaks so much. I think she actually proves silence is power. It is not what you say but what you do. Vijay Mallya on the other hand has a passionate attitude about himself. If you talk about people, it is attitudes which I admire more than achievements. There are a lot of people who are very quiet and they have achieved a lot more but I feel they are very boring people.

I think life is not only business, it is much more because if you see any American company or if you see Reliance - I really admire Dhirubhai Ambani and his two sons - I like the message they send out. It very clearly is that we make millionaires and not millions. That's the message I want to send out.

**You should dream big
for yourself and for
your company**

You should dream big for yourself and for your company. If you only want to have a Lexus and a penthouse you will see that the company makes that much money that it reward you with it. And we in turn, tell them that sky is the limit tomorrow if you go ahead and achieve your targets.

How do you spend you free time, if you have any?

I have quite a bit of free time; the myth of working hard is big myth. Meeting friends, hanging out, watching a lot on television. I like international TV a lot.



Gautam Thapar, BILT and Crompton Greaves

The buck stops here

- ❑ One of my key attributes is that I tend to call a spade a spade and I don't beat around the bush.
- ❑ CEOs have to trust their gut because most of the time they are acting in a very short time and with 50-60% of the information. The balance 40% is your gut. You learn to trust it. I trust my gut a lot because it has not yet lead me astray.
- ❑ Most companies that run into problems, the problem is never with the company, it's always with the leadership. Until you start taking the problems head on & to change those people, solutions will not come.

Questioning conventional wisdom requires a lot of guts

The buck stops here! is a prominent placard on Gautam Thapar's table and this showcases a deep-rooted philosophy of the group. Imagine, you are a young graduate from a foreign university and you suddenly face the possibility of heading a business. A business which was run by people twice your age. You find almost everything, that is being done incorrectly and would like to change it, but that would require displeasing a number of people. You cancel a Rs5bn capital expansion project which was approved by the company's board recently. Questioning conventional wisdom requires a lot of guts.

This is Gautam Thapar. Gautam is a third generation entrepreneur from the Thapar business group who did not initially want to join the family business as he was the youngest of the cousins. However, LM Thapar, his uncle gave him an opportunity to work on a JV with DuPont which Gautam accepted.

When Gautam joined the business, Thapar group was highly diversified with interests in chemicals, electronics, transformers, paper etc. Gautam joined the group as early as 1986 on the shopfloor as apprentice, but started his corporate journey much later in the early 90s heading the chemical group and in 97/98 was given the responsibility of the paper business as well.

Since then the journey of Gautam has been one of rebel, or one would say – questioning the obvious. First thing I did was to cancel the board approved Rs5bn expansion plan of caustic soda capacity at Kharwad. I said that till we are clear about the profitability, customers, and market etc the expansion does not make sense. Instead he went on for an in-depth market analysis and came up with the conclusion of focusing on Bromine which was much more value added. Today, they are the largest producer of Bromine in India and have a >80% of market share in India.

Accepting the mantle

Background

Gautam is son of Brij Mohan Thapar and grandson of Lala KC Thapar, the founder of the group. Lala KC Thapar passed on the mantle of many companies to LM Thapar, who remained a bachelor. Gautam's generation had five cousins taking over the Thapar empire.

Gautam did his schooling in Doon School and went on to study Chemical Engineering at Pratt Institute in the US.

Gautam's initial actions at BILT were non-popular

He got the opportunity to actively get involved in BILT's paper business only when the CFO resigned. He immediately understood that the company was bleeding. Unless something was done, the company could have gone to BIFR, said Gautam Thapar during our conversation with him. And then he started the unpopular process of shutting down businesses, changing distributors, selling off units and focusing on the core area.

His initial days were filled with huge challenges. This is when his relationship with some family members also got strained. It was not my objective to question everyone. If I did not believe in something, I asked questions and also questioned the assumptions. I was surprised because my questions were quite elementary and should have been asked by managers to the projects themselves. Selling off businesses was almost considered by people as selling family jewels. However, Gautam was adamant on his course of action. His view was if the company was to survive, these tough decisions had to be taken. Over the next 6-12 months, we shut or sold over six businesses.

Turnaround in performance led to confidence in the change process

It's tough to motivate people and keep them driven in an environment when your company has reported huge losses and no recovery is in sight. Even before that, it is tougher to drive yourself. Gautam accedes that in 1998, there was no light at the end of the tunnel. However things changed in 1999 and rise in paper prices and an overall improvement led to higher confidence. So from risk of getting into a debt trap, delayed salary payments and a >90% drop in profit to Rs30m in 1998 the turnaround was significant. Since then there has been no looking back.

Gautam joined Crompton board at a time when the company reported its peak losses

Gautam joined the board of Crompton Greaves, India's third largest electrical goods company, in FY00 – a year when Crompton reported a loss of Rs1.5bn. The company's sales were on a decline for last few years and the costs were going up. Crompton had invested heavily in mid-90s in expanding its production capacities in anticipation of continued growth in investment cycle. However, with the peaking of that cycle in mid-90s Crompton was saddled with high debt and interest costs.

While Gautam joined the board of Crompton Greaves, he was not directly in charge of operations. However, his strategy remained similar - sell off loss making businesses, focus on customers, bring down the costs, asking fundamental questions etc. Gautam's good connections and his personal credibility with the bankers also helped and eased the cashflow problems.

Revival began in 2001 with change in management

In FY01 there was a management reshuffle at Crompton and S M Trehan was appointed as the Managing Director in place of K K Nohria. Over next few years a number of steps were taken to revive Crompton's profitability. The company revived its focus on the core businesses and simplified the organisation structure.

A number of subsidiaries were either amalgamated or sold off. The company was able to bring about significant reduction in its costs base. Between FY01 to FY04, Crompton slashed its cost base; even as revenues grew 34%, staff costs were brought down 23%, power cost remained flat and other operating expenses were down 4%. The company managed to bring down the net debt/equity ratio to a comfortable level of 0.75 in FY04 compared to 1.83 in FY01 and interest costs were down 58% during this period.

Pauwels acquisition

Having addressed the internal issues, Crompton has been benefiting from the pick-up in power and industrial investments over last few years. In May-05 the company acquired the transformer business of a large Belgian manufacturer, Pauwels. The company was able to acquire this distressed asset at an attractive equity value of around Euros 2m and enterprise value of Euros 30m. Pauwels' total revenue in 2004 was around Euros 250m. Pauwels' acquisition provides Crompton a presence in US and European markets. Crompton-Pauwels' combine is world's sixth largest transformer manufacturer.

Impatience is Gautam's biggest lacunae

Gautam likes to be the man in charge. The advantage is that decisions get taken and not lingered on. However, Gautam mentions that impatience is his biggest weakness. Gautam is a big picture guy and believes that he can spot patterns about the future but is judgemental on people who are not able to keep up with the pace. Gautam says I have a lot of difficulty when people are not able to keep up with the pace. It is actually my fault because I should have spent time in the beginning to find this out. But he is conscious of this I am learning to say no nicely and get the buy-in of the people involved.

Gautam is financially focused. "When I look at my first goals, they are financial." Only after looking at financial discipline, do market share and other parameters become important. BILT today has the No.1 market share in coated paper, copier paper, specialities, uncoated paper and tissues as well.

Aggressive plans for the future

While earlier in this report we have written about Indian entrepreneurs getting satisfied easily, it's not the case with Gautam. Gautam has specific and aggressive group targets in mind. He plans to take the group from Rs80bn to Rs160-200bn (US\$4-5bn) in five years. Once you started reaching there then Rs200bn has to become Rs400-500bn because by then you will have the scale and size to take bigger decisions and put bigger capital, I may go out and buy some of my global competitors.

Working on professionalising the organisation

He plans to further professionalize the organisation for which he is willing to give up his existing role and kick himself upstairs. The first thing that I have to do is figure out how to get out of this job and let somebody else take on. I will remain as Chairman but it's important to evolve a structure of decision making which prevents us from going through the same problems again. A framework needs to be put in place in terms of taking harder decisions faster. The group has become a global organisation with manufacturing facilities in six or seven countries and exports to various other countries. He is continuously on the prowl for acquisitions, however, has restrained himself till he is clear that he has people who have the global experience to run the new organisation.

Learning from global companies

His efforts to internationalise the Thapar group starts from himself. He reads anything that gives him an international perspective. He is on the board of Bata and would like to be on the board of a few international companies. Bata is a two billion dollar family business with operations in 58 countries in the world so there is a lot of learning from that but ideally I would like to go on a listed company board globally, which would give a different perspective in terms of management systems.

Gut feel is important

With so many business areas in which the group is present the decision making is not always scientific. A lot of decisions I take are based on my gut feeling, says Gautam. Information overload and availability to take decisions on short notice imply the sixth sense assumes a high importance. You only

**Management systems
were behind times**

have 50-60% of the information at most, and you have to make the call. The balance of 40% is your gut. Overtime, you also learn to trust gut feelings.

Though Gautam has issues with people not keeping up with his pace, trust on people and the management team is central to run such a large and diversified business empire All I have to do is to find the right management team and work with them.

CEO chat – Gautam Thapar

How did you move from an apprentice in 1986 to MD of Ballarpur Industries? Why did you come back to family business and not start something of your own?

I completed my studies in 1985. I joined BILT as an apprentice management trainee at the factory in 1986. I went to the factory, and quickly understood the basics of the process of paper making. Then I returned to the head office. At that time I got an inkling that despite the fact that we had grown as a company, we had not grown as an organization. There is a big difference between a good company and a good organization. Also, in my opinion, the management systems were behind times. People were good but extremely internally focused.

**Learning under his
mentor – DN Bakshi**

When I came into family business, I reported to a gentleman by the name B.M. Bakshi. He was the vice-president who looked after both APR and the joint ventures and became a mentor for me. He used to tell me, Son, You just sit in my cabin no matter who goes in and out, you will be exposed to everything. You ask questions that you have in your mind and I will ask you questions based on what you hear & see and this went on for 3 years. I used to be with him on every thing. I used to travel with him for every single meeting.

In 1993, VP of the Ballarpur chemical division retired, so I took over. After APR, chemicals was the first really interesting challenge for me. Because we were in a commodity business like caustic soda, phosphoric acid, etc. So, it was my first opportunity to challenge conventional thinking. We made a lot of changes in the chemical business.

Questioning assumptions

One of my key attributes is that I tend to call a spade a spade and I don't beat around the bush. I ask a lot of questions, query assumptions and point out deficiencies in the way we thought, which didn't obviously go down well with them. I had no doubt that we can be a better company than we were. But, we need a different way of thinking, something that was not happening. 9 out of 10 executives didn't have the answers to the questions because nobody was challenging them to think forward and this included the senior most people.

I would just sit, listen, and then ask questions, which made me extremely unpopular. I had a proposal on my table cleared by the board to invest Rs1bn in expanding the caustic soda chlorine facility at the Karvar unit, which was the first thing I cancelled. I was probably extremely unpopular with people in the chemicals business because of this.

**Tackling challenges,
celebrating victories**

In an environment when things don't go right, the motivation level drops. So, how do you keep up with it and motivate employees?

I think, you have to set things up. As long as you are there doing things, fighting, energy levels are high. Whatever victories we had, they had to be celebrated. Whatever challenges, we were able to tackle them. We used to get huge complaints from distributors, customers, suppliers. There was a

**Favorable cycle in 1999
boosted confidence**

team built up to pacify each of these complaints. We needed to manage our cashflow in such a manner that it met our financial obligations. This was a priority.

Were you clear that you would come out of this tough situation?

In 97-98, I was slightly doubtful. But in 98-99, I was sure as two things happened. Number one, capacities that had come in were absorbed and secondly, the market and pricing had moved as well. Demand/Supply turned favourable. Once that happened, prices started to move up. With that stability, you get a forward view of your business. It allows you to plan better. The cycle changes. We started seeing that in 1999 and I was very confident.

Can you also elaborate on your journey at Crompton?

In 1999-2000, I went to the Crompton's board. Crompton's was in a mess at that time. Again, they had a huge burgeoning liability, too many businesses, their profitability was sharply down and they were about to default as well. And what I found that there was complete paralysis on the board.

**Gautam' relationships
with bankers helped
Crompton tide over cash
flow problems**

So the first thing was to start making changes out there. But it was different as my involvement was only at the board level. We got a new CEO and it was decided that he will also not be given the MD's job till he doesn't prove himself. I was able to pick up the phone, talk to each and every banker personally. I knew some of them personally and gave them assurances. Nine out of ten times they said fine.

I don't see any different principle being used at Crompton. It was focus, getting the process right, making sure we sold to the right customers, bringing the costs down, and just refocusing the operational part of the company the way the company should run efficiently. And the turnaround happened.

**Recognizes people related
issues as a short coming**
What has been your biggest mistake, shortcomings according to you?

Sometimes when I am impatient I am not willing to let things carry on to their logical conclusion. I am a person who looks at the big picture and I spot patterns very quickly. I have a lot of difficulty in working with people who can't keep up to speed with my thinking. This makes me a bit judgemental on people. Its not that they are bad people but it's my fault that initially I did not spend enough time to figure out whether these people can actually keep up to speed with me before giving them their tasks.

I need to be a little more patient, a little more thoughtful about whom I pick up for a job and I need to be a lot more careful about people related issues.

The second is learning to say 'no' nicely, it is very easy when you sit up here in the position that I am in - "I am the owner and the answer is no". But I don't think that is the way you need to do it. You need to point out and get a little buy-in terms of saying that it is my decision at the end of the day but still I need to get your buy-in, for you to understand, where I am coming from. I don't think that you are going to buy 100% of what I say but in any organization or group the buck stops somewhere and the buck stops here with me.

You have an internal target for 3-5 years?

We do have a five-year target in terms of numbers, sales. But targets are changing continuously because of the changes that are taking place in the environment, regulation etc. For example because of the lack of policy

Enjoys current and foreign affairs

continuity we have a lot of problem in the paper business. Problems are because of lack in consistency in tax policy, import duties, etc. We were planning our projects based on government's stated plans of WTO level of tariffs. Then suddenly the Prime Minister says look east and because of NAFTA, SAFTA and other trade agreements we are looking at different levels of tariffs now.

What kind of magazines do you read?

I read a number of magazines including the *Economist* and *Foreign Affairs*. Current and foreign affairs are something that I enjoy reading about. I sit on a couple of international advisory boards which has given me a global view of things; I am hoping to get on a couple of other global boards that will give different type of exposure. Bata is a two billion dollar family business in 58 countries in the world so there is a lot of learning from that. I would like to go on a listed company board globally, which would give a different perspective in terms of management systems, strategy and allocation of resources.

Relying on gut feel essential to take quick decisions

How much do you trust your gut feeling?

Very much. Nine out of ten CEOs take decisions based on gut. First, there is so much information overload that you can't digest it all, and second the speed of decision making required in today's market place is totally different than what it was ten-fifteen years ago. So you can't wait for all the information and typically, you have to base your decision on 50-60% of the information and the balance 40% is your gut. And you learn to trust it, I trust my gut a lot because it's not yet lead me astray and when it has told me things are not going well I have normally gone in and looked at things and have found my gut to be right. Overtime you refine it a lot more as well.

Best deployment of capital is in creating new businesses

Don't you think that there are too many activities on your plate and if your energies were more focused it would be better? BPO for example is a totally new area that you have entered?

I am clear that I can either manage my businesses or I can manage my money or I can manage part of my money through the businesses. I don't invest my money in stock markets. So for me, the best deployment of capital is into enterprise, creating businesses. And I don't have to manage every business. For example in Crompton, we have majority shareholding. I have got a good team; I have got a good CEO. My goal is that the company becomes a global power house but that does not mean that I have to be the CEO to do this. I can be the chairman of the board and find the right management team and work with them.

In the case of BPO I think that we are not even scratching the surface of the potential opportunity. It's a more difficult business because it is much more about job displacement, you can't disguise the fact that you are outsourcing. And India definitely has a long term advantage in this business so if I have got 99% of my business in manufacturing I think it is time we start diversifying the portfolio into other areas.

Wealth and value creation are important criterion

Second is that wealth creation and value creation are important criteria, taking money and putting in the bank and earning a deposit rate is not productive use of capital. So I am always looking out for what we can do, new sectors, and new businesses. To run that kind of a set up requires a different mindset and a different way of thinking, a different way of approaching the challenge. We are trying to do this here by professionalizing across the board, providing capital, guidance, strategy and the identity and the financial

It is not possible for me to run seven businesses on a day to day basis

muscle. Finding good external managers and not be stuck on the 100% ownerships.

We can tell investors that we have ten different companies, here is our portfolio. What you get from companies in diverse sectors is a consistency of management practices, a consistency of focus in terms of financial delivery, a consistency of the way we run the business, of management and of organizational structure and a consistency of growth and acquisition and how we view our businesses.

What targets do you set for the group?

We must do Rs160-180bn in the next five years from current Rs80bn. If we don't double in the next five years then I think that there is something wrong. I think that there are enough opportunities across businesses for us to do that. And once we started reaching there then Rs200bn has to become Rs400bn or Rs500bn because by then, we will have the scale and size to take bigger decisions and employ bigger capital.

How do you manage such diverse businesses?

It is not possible for me to run seven businesses on a day to day basis or to sit on the head of the CEO, asking him what's happening everyday. I don't do that, I talk to Sudhir maybe twice a month in detail and we review things in detail once a month. I also speak once a week on the phone to get an idea on specific issues rather than what is the company performance like. If there is anything that I should know the CEOs call and tell me. I have my projections, I have the budget, I have the forecast.

Notes



Jignesh Shah, Financial Technologies

Against all odds

- ❑ I was sure at a very young age that I want to become an electronics Engineer and also knew the girl I am going to marry.
- ❑ I believe in astrology, I started with palmistry and have studied horoscope and numerology as well.
- ❑ I have not made many mistakes, most of the decisions have proven to be correct.
- ❑ I think I am a chaser. A bull chaser. – clear target. A good vision. It becomes an obsession / passion sometimes.
- ❑ I believe that everyone should have a purpose. Its important to analyse in whose eyes do you define success.
- ❑ Source of FT success: Courage of conviction and power of perseverance.

Jignesh knows what he wants

Gujarat and Rajasthan are two states in India known for the entrepreneurial qualities of their people. In local folklore it is said they have business in their blood. Jignesh Shah fits this description like a T. Coming from a family where his grandfather was the largest grain trader of Gujarat in 1950's and 60's. Father's generation also used to trade in iron and steel, it is no surprise that Jignesh ended up being a commodity lover. Or rather the man behind electronic commodity exchanges in India.

I knew in my early school days that I wanted to become an electronics engineer, says Jignesh Shah and he became one. Jignesh Shah comes across as a man who knows what he wants. After his graduation he gave up traditional career choices such as going abroad for an MS or joining a software firm and instead joined the Bombay Stock Exchange where he got opportunity to work on automation and computerisation of stock exchange, the back office systems to start with.

Dewang still lives in a modest apartment complex

Background

Born and raised in a Gujarati-Jain family, Jignesh Shah grew up in Mumbai. After obtaining an engineering degree, he joined Mumbai stock exchange and was put on the team responsible for automation of the stock exchange.

He along with Dewang Neralla set up Financial Technologies in 1995 but software operations began only in 1998. Initially started creating front end for stock exchange software, he subsequently went on to develop software for trading platforms including internet based trading platforms and then later developed an exchange backbone on which MCX and DGCX are based.

Even after attaining personal wealth of over US\$600m, he chooses to live in a modest apartment complex in Kandivli, a distant suburb in Mumbai. His parents and two brothers stay in flats in the same apartment complex. His only daughter is 13 years old. He was not able to spend much time with his family in the past 10 years but intends to do so now. Jignesh took his first real holiday (ie, not mixing work with holidays) recently in the Swiss alps.

Quite modest in his attire, lifestyle and behaviour he still loves to go and eat at simple restaurants in Mumbai. His concession to luxury is the S Class Mercedes Benz that he bought recently. His modest façade momentarily slips when he says, "It suits my position now."

Global exchanges are institutions with decades/centuries of history

He, along with Dewang Neralla (co-founder of FT) were lucky (or may be destined) to travel to 12 countries and study various exchanges in the world, which gave them an inside look into the operations of exchanges worldwide.

The family's ancestral business instincts, training at Mumbai stock exchange, chance to travel all over the world and understand the best systems in global stock exchanges, right partners and most importantly a dream to create and prove himself is what went into the foundation of Jignesh Shah, the entrepreneur.

Successfully competed with giants like TCS, TIBCO and IBM

When one thinks of exchanges, one thinks of venerable institutions and organisations. Who would believe that a young entrepreneur is behind the largest commodity exchange in India (and one of the largest in Asia). A space dominated by institutions like TOCOM, Nymex and LME, MCX is odd one out. MCX is promoted by Financial Technologies, a small IT company started by a first generation entrepreneur and not a big industrial group or an established financial institution. The second largest commodity exchange in India is NCDEX promoted by ICICI Bank, National Stock Exchange, Crisil and others.

The Exchange space is not Jignesh Shah's first success, although it has bought him into the public limelight. He has been successful in the products space – his core business. No one initially believed that a small company – Financial Technologies – could compete against the domestic and international biggies in the products space. FT with only under 100 product programming employees was against the giant TCS with 20,000 employees with international experience as well as global companies like TIBCO and IBM. FT continued on its success path within its niche areas of transaction processing, especially for stock exchanges and commodity exchange trading. Proof is demonstrated by the fact that FT has 80-90% market share in on-line trading platforms. ICICI direct, Sharekhan, Indiainfoline all prefer to use FT software even though they started with some other software systems. Also, it has over 80-90% market share in trading software used by local as well as foreign brokers for stock trading on BSE and NSE.

MCX went live in record time

The big success came when FT was awarded the licence to set up a commodity exchange in 2003. They went live in a record time of 9 months in Nov-2003. Among many applicants who applied for licence also included the Bombay Stock Exchange (BSE).

FI participation in MCX lends credibility

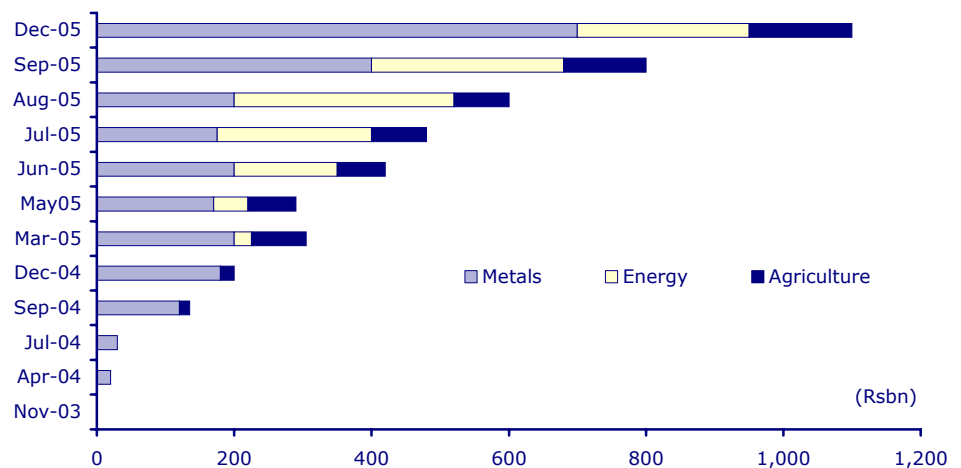
Many disbelieved the potential of MCX, given that it did not have any financial powerhouse supporting it, whereas the competitor – NCDEX was promoted by seven financial institutions including ICICI, Crisil and others. Basic doubts were -How much can a technology company tie up on the physical back end – like warehouses, delivery mechanisms, trade guarantee etc. However, slowly MCX has put to rest all possible doubts anyone had. National Stock exchange (NSE), SBI (with its seven subsidiaries and SBI Life – its life insurance company) , Union Bank of India, Bank of Baroda, HDFC Bank, NABARD, Corporation Bank, Bank of India, Canara bank now have equity participation in the exchange.

Global tie-ups and new contracts to boost growth

MCX has grown exponentially and trades over US\$2bn / day with volumes on silver to be the second-highest in the world and volumes in gold at third-highest. It has operations in 500 cities and has >1000 members with over 6000 terminals. About 60 commodities are being traded on the exchange and MCX has further tied up with The Tokyo Commodity Exchange (TOCOM), The

Baltic Exchange – London, Chicago Climate Exchange (CCX), New York Mercantile Exchange (NYMEX), London Metal Exchange (LME) and other exchanges and if regulation allows, it can begin trading in weather derivatives, carbon credits and various other intangibles.

Figure 8

Average daily volume – An exponential rise

Source: CLSA Asia-Pacific Markets

**FT launched DCGX
ahead of NYMEX**

Clearly, the man means business and is able to execute projects and get things done. Also like many entrepreneurs that we spoke to, Jignesh Shah also dreams big and believes in speedy execution. Another recent example is the Dubai Commodity Exchange. When Nymex and others kept thinking whereas FT was able to get the permission and launch a commodity exchange in Dubai - DGCX began trading successfully since Nov 22 2005. DGCX is an international exchange to be setup in a record time (from conceptualisation to going live in one year 12 days) in a free zone. The crown Prince at the inauguration even told Jignesh Shah – “You came, you promised, you delivered. We are very happy.”

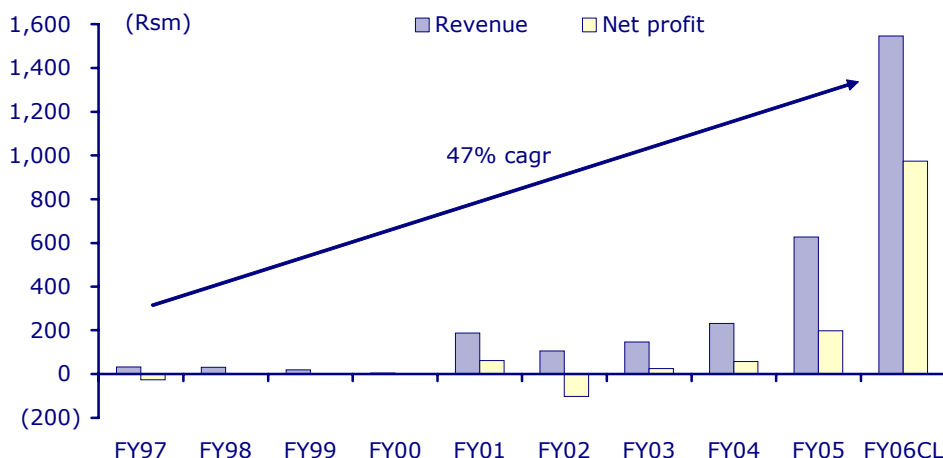
**Forex markets as next
growth opportunity**

I am very clear, that I would create wealth for shareholders as well as myself, says Jignesh Shah. Jignesh Shah is definitely driven and not content with his achievements. Jignesh realised that trading volume in commodity markets are 10x equity markets and those in foreign exchange market are 10x of commodity market. He decided that currency markets were the place to be, so it applied to RBI, demonstrated its capabilities and got the licence for an inter bank foreign exchange trading platform, IBS-Forex (in 2002/03).

MCX also has to its credit the setting up of the first national spot exchange, NSEAP, which interlinks all-India APMC (agriculture produce market committee) markets electronically. The network established by NSEAP and MCX will be used by producers for spot trading in commodities.

Impressive growth in revenues and profit

Figure 9

10 year financials for Financial Technologies

Source: CLSA Asia-Pacific Markets

CEO chat – Jignesh Shah**You come from a business family and usually most children join their family business, so how come you did engineering?**

Yes, I come from a business family. My grandfather was a big businessman in Gujarat and then he migrated to Mumbai. He was into grain trading initially and then chemical trading in Mumbai. But I was clear since my second standard that I wanted to get into engineering.

When I was in 12th standard, Vivekananda was a new college. They were offering Electronics and Computer Science. I chose electronics because I thought it would prevail.

Also, after electronics engineering its not usual for anyone take up a job in financial services. Why did you choose to join the Bombay Stock exchange?

In 1990, BSE was talking about a project to computerise the stock exchange. This Rs1bn project was well advertised in media. That's the reason I, even though, not being connected to the market was lured into it. Otherwise usually most electronics engineers either went to US for higher studies or joined TCS.

In 90, I started the career after I completed my engineering in electronics. I joined the Bombay Stock Exchange (BSE) and was in BSE till 1994. Before joining BSE, I was not doing anything related to stocks. I did not even know what are shares, etc. In those three years, the stock market peaked and later crashed. I started learning and it was interesting to understand the functioning of the market.

In those days they bought the first mainframe system. We joined the technology and information system department.

How was your experience at the BSE? What did you learn?

First objective was to automate the back office functions. I took a lot of interest in how the markets function. I wanted to understand what drives markets and how the jobbers, market makers, brokers and various other participants function.

Joined BSE to be a part of its modernisation plan

Stint at BSE offered chance to study global exchanges

We were sent to various countries to study the stock markets. Prior to that I was an analyst for two years. I was sent to the major stock exchanges at London, Tokyo, Singapore etc. to study their surveillance system and create a blueprint for India. That is when I started learning how various financial markets were created and how these markets function.

Did you not think of staying back in the US, instead of starting a business in India?

When I was in US, both Dewang and I had offers from Tandem and Merrill Lynch. However, I decided to come back. When I came back, BSE had given the software contract to CMC and then there was no future for us. Along with my colleague, Dewang, I then decided to do something else. We did not want to be another number – for H1B visa for the US. He believed in me & we started FT. Thus began the journey of FT.

Mortgaged apartment to fund initial investment

Were you financially secure at that time? What was your initial investment?

I had a sound background. My family was not dependent on our salaries. I convinced my family to give us some support. Our initial investment was Rs500,000. Also I took a loan from banks by mortgaging my apartment. So about seven of us – friends and acquaintances – started the company.

Developed trading software to prove technological capability

So what was your initial focus when you quit BSE and decided to be on your own?

We decided to start a product company. There were business models that we considered – selling services, selling products based on licence fees etc. However, I realised that if you are able to charge based on value transacted, then you are unlocking maximum wealth. So one plus one becomes eleven.

But we could not have started any exchange as BSE and NSE were functional anyway. Being first generation entrepreneurs, we had to prove our mettle. So we decided to establish that we can come up with world class and robust software products.

We were very clear that we won't restrict ourselves to the equity markets. We knew the destination – that exchanges is the business to focus on. But we had to find the roads to get there.

We decided to develop base technology on financial markets which have high transaction density. So our targets were all four markets – Equity, commodity, currency and bond. Also, we decided not to restrict ourselves to trading. So we decided to develop technologies and products that could do surveillance, back end, front end etc and a whole ecosystem is created. It took us three years.

Initially I managed my cash flow by giving consultancy to brokers as the exchanges were getting computerised at that time. And we were doing small products for brokers.

Focused on ease of use

Which technology did you choose to develop your products?

We decided not to go with Sun, or at least not to go with Sun alone. Initially we had both – Unix as well as Microsoft based system. We thought that skill availability of Microsoft technologies will be much better. And finally our product is truly marvellous. If Microsoft or Bill Gates comes to know about our software and the throughput that we are handling, he would be impressed.

Because on a client server architecture (on C++) of windows, billions of transactions are happening. Such products do not exist anywhere in the world.

Who developed the basic software at Financial Technologies? How did you differentiate against other big players at that time?

It was always a joint effort of Dewang, myself and a team of people. For example Ghanshyam wrote the communication protocol. The engineers wrote front end.

Our objective was, that for any transaction system, we should target to be the defacto front end. We launched the products in 1996/97, by 2001, we were number one and we had about 90% market share of equity – digital trading desk.

Anyway, our customers were recovering the investments within 3 months. I think domain knowledge made a major difference between us and other players. There were international players like TIBCO, TCS, IBM. But our product was more user friendly and there were small details like – 4 clicks should lead to order execution and 4 clicks should also lead to tracking of 23 surveillance parameters. These features were there in our products which were absent in our competitors’.

So what was the way going forward once majority of the existing brokers used your product? How do you grow from there?

We decided that we launch new versions every few years. And we were clear that any new version was a new product and will be charged accordingly. But for that, the product should be appealing in terms of technology as well as functionality.

Then came the internet opportunity. I was lucky to have the internet equity trading business in India with a market share of at least 80% - with ICICI, Sharekhan, and India Infoline all using my product. I remembered even charging a quarter million dollar for an engine.

Then there was a Multi exchanges and new products like F&O etc. FT was the only company to have a front end with capability in everything.

In 2001 we approached the RBI for inter-bank foreign exchange trading. Here Reuters had a monopoly. And we represented to RBI. Within 18 months we got their approval to create a parallel platform for interbank trading.

In late 1999/the early 2000s, venture and private equity funding was available in plenty. So many companies may have offered to buy you out?

Yes. A global multinational had offered, but I wasn’t interested. I knew the focus would be lost. Even at that time I wanted to create an exchange. If I sold my technology business, my unique selling proposition would be lost.

So instead we privately placed our equity with IDBI and raised Rs150m - Rs33m as debt, Rs 60m as preference equity and the rest as equity. We were very clear that we will dilute only 20%.

When the internet boom collapsed, how did you perform?

We suffered a lot. In 2001 we moved up to Rs187m revenues with Rs 57m profits but in 2002, we made Rs60m loss.

Domain expertise was the competitive advantage

Then came the internet opportunity

Resisted the temptation to sell – focused on creating an exchange

**MCX - first commodity
exchange in India
to go live****So finally, how did the commodity exchange opportunity strike?**

In 2002, government said that corporates should set up commodity exchanges. We applied and proved our worth. 16 companies applied to set up commodity exchanges. Only four companies were selected. The criteria for selection were based on 17 different things. Government told us to come back after 10 months after satisfying all the criteria that they had outlined.

In the sixth month, we started getting into tie-ups with regional commodity exchanges. We completed everything in 7 months and we went back to the government for evaluation. And in the 9th month, we went live. We were the 1st commodity exchange to go live.

Who are your role models?

I appreciate JRD and Dhirubhai from the business perspective. I also admire Bill Gates from a strategic perspective and Steve Jobs for his innovation.

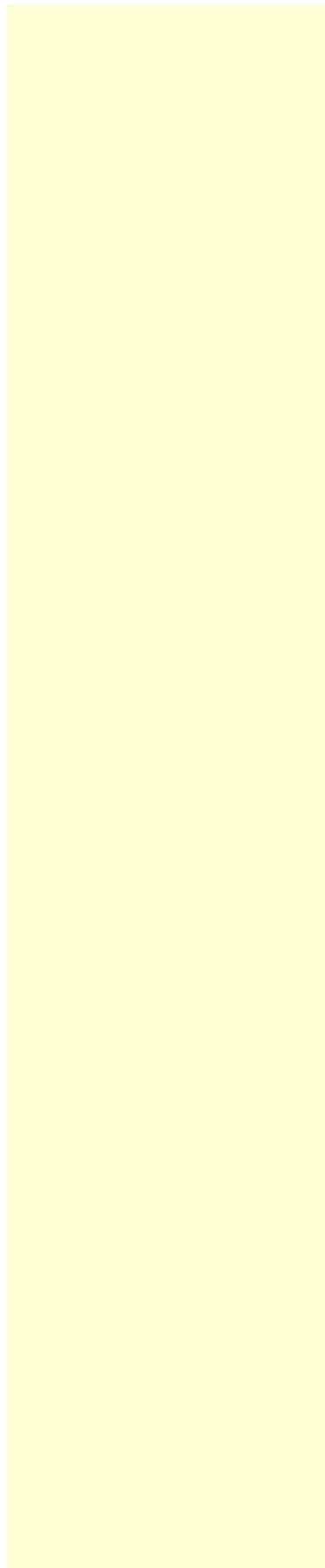
What should we attribute the success of FT to?

Courage of conviction and power of perseverance.

What are your hobbies?

Movies and astrology. I started working on these in 1991. Started with palmistry, then astro and then moved on to numerology. I have read many books on them.

Notes





Kiran Mazumdar Shaw, Biocon

Brewing success

- ❑ Focus on your market first and keep moving onto the next level.
- ❑ Leadership is about shared vision.
- ❑ I am willing to take a risk, accept a challenge and I am willing to see it through because I don't like to fail at things that I do.
- ❑ I have been very logical in my thought process. I have used a lot of common sense.
- ❑ I have never ever felt de-motivated by a failure. I get challenged by failure.
- ❑ I challenged myself every step on how we can be different. I don't want to go down the trodden path.
- ❑ I believe in this business and I know how to do it.

Having a market to sell your product is very important

Kiran Mazumdar Shaw is both conventional and unconventional at the same time. She was the usual good student from an upper middle class background studying science till she decided to become a brew master, a very unusual profession for an Indian lady then and even today. Entrepreneurship happened to me very accidentally. Kiran Mazumdar Shaw's success as a businesswoman started with her passion for brewing. A university topper, she gave up opportunities for higher studies in genetics to study to become a brew master. Unable to find acceptance as a woman brew master in India, she proactively looked for a job abroad and got a job with a brewery in Scotland.

Opportunity came in 1978, when she was approached by an Irish biotechnology company to set up an enzyme manufacturing facility in India. During those days, India was very xenophobic and people didn't like foreign companies investing in India. In that sense, it helped me since I got majority ownership.

India's first female brewmaster

Background

Kiran was born and brought up in Bangalore. Her father was a brewmaster at United Breweries and laid great emphasis on the importance of education. She topped science at Bangalore University and went on to specialise in malting and brewing technology in Australia, eventually becoming India's first woman brewmaster.

Initially Kiran, along with her father, provided consultancy to new breweries, but was unable to find a job as a brewmaster in India as a woman. Undeterred by the challenges, she looked abroad and found a job as a brewmaster in Scotland. Before moving there, an Irish biotechnology company called Biocon asked her to partner with them to start a facility to produce enzymes used by breweries in India. Kiran started the venture with Rs10,000 investment of her own and a 70% stake in the business.

She is married to John Shaw, who was then managing director of Madura Coats. She is extremely fond of her niece and nephew and her family is forcing her to take some more free time and have vacations. She is a voracious reader and her favourites, besides technical, books include Ayn Rand – books which reinforce her belief in theories of excellence, being different, believing in oneself, etc.

Identifying and capitalising on opportunities

I owned 70% of the stock. Kiran started with Rs10, 000 of her own in a shed in Koramangla, Bangalore with papain processing. According to her having a ready market helped her a lot. She believes focus on the market is very important. Make sure you can sell what you produce because that is very important when you are building a business. A lot of people fail because they have a good product, but they do not have a market to sell.

Biocon started as a company which used to produce enzymes. Enzymes are made by the process of fermentation. Over the years, Biocon has developed excellent skills in fermentation whether it is solid state fermentation or submerged fermentation. It has also developed The PlaFractor is a unique fermentation technology, which exploits the best of solid substrate and submerged fermentation.

Identifying opportunities has been a forte of Kiran and exploiting the skill sets available to capitalise on the opportunities has been exhibited like the statin business or the Cuban monoclonal antibody program. I went to Cuba for something entirely different and I spotted this opportunity and I just signed up. I felt we have to do something with this molecule. It was too valuable for us to be left out.

Capitalising on skills to move to the next level

Using these fermentation skills, the company moved on into manufacture of statins which also require fermentation. While enzymes were providing cashflow, next leap for Biocon has come from statins the largest selling class of drugs in the world (US\$20bn in sales). Biocon has built a strong position in the bulk actives segment garnering significant market share in US and European markets.

Kiran is not dismayed by failure

Even though, the commoditisation in statins was not anticipated by Kiran, she is not deterred by that setback. I have never ever felt de-motivated by a failure. I get challenged by failure because even at the start, I didn't get a job because I was a woman. So, I took it up as a challenge. I think the generic story is about how do we learn from our mistake and how do we position ourselves in such a way that we actually gain from all the capabilities and strengths and differentiate the aspects of our business compared to other players. Biocon is moving on and is looking at differentiators such as new delivery mechanisms and starting to file dossiers on its own. Kiran is confident of Biocon's capabilities and believes it can be a partner of choice for innovator companies. We know the innovator company is not going to select a bad company over us. For them, quality is paramount and therefore, it is important for them to work with a company like us.

Kiran believes in moving on to the next level

Kiran believes in moving on to the next level before competition catches up. While statins are driving profits in the near-term, Biocon has sown the seeds for growth beyond this time period. Several products have been lined up like recombinant human insulin, immune suppressants, generic biologicals, etc.

Biocon has two sunrise businesses today – contract research, which is carried out in its subsidiary- Syngene and clinical research work carried out in its subsidiary Clinegene. The businesses show Kiran's philosophy of learning and earning. These business help the company build relationships with big pharma, gather skill sets while also attaining compensation for services offered.

Figure 10

Events in the history of Biocon

Year	Event
1978	Biocon India is incorporated as a joint venture between Biocon Biochemicals Ltd. of Ireland and Dr. Kiran Mazumdar
1990	Biocon scales up its in-house research programme, based on a proprietary solid substrate fermentation technology, from pilot to plant level
1994	Biocon establishes Syngene International Pvt. Ltd. as a CRC to address the growing need for outsourced R&D in the pharmaceutical sector
1996	The commercial success of Biocon's proprietary fermentation plant leads to a 3-fold expansion
1996	Biocon leverages its technology platform to enter biopharmaceuticals and statins
2000	Biocon commissions its first fully automated submerged fermentation plant to produce speciality pharmaceuticals
2000	Clinigene, India's first clinical research organisation and a subsidiary of Biocon, is set up to pursue clinical research and development
2001	Biocon becomes the first Indian company to be approved by US FDA for the manufacture of lovastatin, a cholesterol-lowering molecule
2001	Biocon's proprietary bioreactor, the PlaFactor™ is granted a US 2001 and world-wide patent
2003	Biocon is the first company worldwide to develop human insulin on a Pichia expression system
2004	Biocon did its IPO in March 2004 ; IPO oversubscribed 32 times
2004	Biocon, and North Carolina's Nobex Corporation announced a research collaboration to jointly develop an oral Insulin product for the treatment of Diabetes on a global scale.
2004	Biocon, announced the launch of INSUGEN™, the new generation bio-insulin, manufactured in Asia's largest human insulin plant.
2004	Biocon and Vaccinex, Inc. announced a broad strategic partnership to discover and co-develop at least four therapeutic antibody products.

Source: Biocon

**Feeling of ownership
excites and incentivises
employees**

Kiran's philosophy of shared wisdom and shared ownership reflects in the company's employee culture. Biocon has a strong management team and more importantly, this team has been with the company for 14-23 years. These team members which are functional heads in Marketing, Finance, R&D and Manufacturing each own 1.22% (US\$8m) in the company through stock options. Overall about 7% (US\$50m) of equity is with employees. These are softer issues towards building organisations. I literally distributed shares to all the key members of the team. I said, I want you guys to have ownership in this business. I don't mean just from a rhetoric point of view but, from real stake or ownership stake in the business because we all have to grow in this business because if my ownership is giving me all this excitement, so even others should feel a similar excitement of real ownership.

Kiran is inspired by people like Narayan Murthy and Azim Premji. She is also inspired by Mohd. Yunus who started the micro-finance revolution and is fascinated by the way he has built the whole model. Jack Welch is a very big role model for her in terms of management style.

Not deterred by criticism

In biotech sector, she finds Genentech really inspirational as they went about building their business despite the capital markets not being very kind initially. There will be turbulent times, lots of criticism, tough times, there will be a lot of questions like is this Bio- Con? But I am not deterred. I believe in this business and I know how to do it.

Kiran believes it is essential to have a high sense of integrity and a big strength of hers has her belief in very strong values. She does not believe in taking short-cuts even if she has to suffer in the interim and is criticised for not doing things in an expeditious manner. She is also a gut-feel person when it comes to taking important decisions.

**Pursued brewing giving
up chance of higher
education in genetics**

**"I don't like to fail at
things that I do"**

Building on competencies

She believes it is her mission to build pride into the workplace, into the country. She wants India to benefit from companies like Biocon and Infosys. She is a good role model for the women in India and really wants women to pursue successful careers. Inadequacies in our reforms process is one of the reasons according to her for Indian entrepreneurs not thinking big till now. But with global markets becoming accessible, entrepreneurs are gradually starting to have dreams on a global scale.

CEO chat – Kiran Mazumdar

Why didn't you take up a job? What led you to start your own business?

Entrepreneurship happened very accidentally. I came back to India after completing my brew-master's course in Australia and I wanted a job. I started by helping my father who was offering consultancy in brewing to a number of breweries which were coming up at that time. And I helped my father with two such commissionings. It was very exciting as I had hands-on experience in helping to get a whole plant up and running, and dealing with a lot of unions and labour problems.

However, at the same time, I realised that I was not getting a job as a brew-master, as the breweries found it very difficult to take a bold step by entrusting the job to a woman.

I found it best to try and get a job overseas as a brew-master and got a job in Scotland. However, before joining, founder of an Irish biotech company called Biocon contacted me and told me that he was trying to set up a company in India and wanted someone with a brewing background because a lot of enzymes that they made were used by breweries and offered me a partnership in the venture. So entrepreneurship happened to me very accidentally.

And one thing about me is that when I take up some project or challenge, I see it through. I am willing to take a risk, accept a challenge and I am willing to see it through because I don't like to fail at things that I do. So, I do like to give my best shot.

The fact that I had a ready market helped me a lot. In fact, whenever anyone plans to open a company, I tell them, focus on your market first.

I think the commercial focus and awareness is very important for an entrepreneur. You don't just set up a company because you want a company to run but, I think it is very important to see your product in the marketplace. This is what drives me. Whatever I do, I am not happy until I see my product in the market.

There is a lot of metamorphosis in Biocon from Papain to where you have reached today. How do you plan for the future?

I think Biocon is more of an evolutionary process as Biocon is about building skills. As we acquired new skills and we became competent in those skills, we moved on to the next level. I believe very strongly, that if you have in-house skills, which are very unique, you can build a very good business out of that.

Therefore, I started to focus on technology in a really big way and I realized that to become competent in technology, you had to develop a lot of specialized skills and that's what we did.

I think oral insulin was one big risk

So, I looked at entering the pharmaceuticals in two stages. The whole regulatory framework was so different in pharmaceuticals than enzymes that I decided not to take up the most difficult regulatory challenge. I thought let me do it in a 2-stage process and I started with smaller molecules generics first because that seems easier to develop and meet regulatory norms. Then, we developed recombinant products but, I realized that it is going to be a longer path because that required different kind of regulatory norms to meet in terms of clinical development.

I have been very logical in my thought process. I have used a lot of common sense. I like to take risk but I also like to de-risk in whatever I do. Because I also feel that I owe it to my stake holders not to take a too big a risk. Also, de-risking allows you to feel comfortable about the way you are developing your business.

What according to you is the biggest risk that you have taken?

Well, now of course, I am taking big risk in discovery led research. I am taking a risk but, at the same time I am de-risking it. I have reduced risk in the research process by choosing products that have either been through a proof of concept or I've chosen molecules that are proven and I am trying a new drug-delivery system.

I think oral insulin was one big risk. One important reason for taking up the risk was the fact that we could do a lot of development and proof of concept development in India. So, that way we could de-risk it even further. Let's first make all our mistakes in India, which is an inexpensive way, and not do the expensive mistakes in developed markets.

What has been your biggest failure?

I can't really pinpoint any big failures that we made. May be the one big failure on my side was that I didn't understand the generics market too well. Statins was an area where we built a lot of capability, lot of expertise – both in terms of technology and regulatory compliance. We got to market very fast and built a great business in statins. We still have a great business in statins.

My failure was not perceiving the kind of commoditising that could take place. I kept feeling that nobody can be as good as us. That was my failure because I used to think that people won't be able to perform at our level.

Does not believe in taking short cuts

There will be turbulent times, lots of criticism, tough times, there will be a lot of questions like is this Bio-Con? I believe in this business and I know how to do it. To me, integrity and values are very important. I always believe that you have to have a very high sense of integrity. People take short-cuts and do things smarter, at the end of the day, I always feel that believe in certain way of doing things and I do it that way. I am not going to take short cuts. I might suffer; I may even be criticized for not doing things in an expeditious manner.

"I do not get demotivated by failure"

But today, if you approach a product, you will do it differently?

Yes, you learn from your mistakes. I have never ever felt de-motivated by a failure. I get challenged by failure because even at the start, I didn't get a job because I was a woman. So, I took it up as a challenge. I think the generic story is about how do we learn from our mistake and how do we position ourselves in such a way that we actually gain from all the capabilities and strengths that differentiate the aspects of our business compared to other players. I think we are also looking at doing things differently.

"Leadership is about shared vision"

Giving people a true sense of ownership

My philosophy is to pick on the strengths

For instance, we are looking at generics but differentiating through some value-adds, which may be a different formulation or a different delivery system, or working with different innovator companies for combination drugs. Maybe enter the dossier game, rather than just selling an API.

People have stayed with Biocon for years. How did you succeed in getting the right talent and retaining it?

I think leadership is about shared vision. I think if you can share the passion, commitment, sense of purpose, spirit of challenge with others, who believe in the same kind of value then, you can attract like-minded people. That's what I have done. I just shared my vision and sense of purpose with a lot of like-minded people. I feel leadership is about how you retain people. You motivate them, you make them feel excited about belonging to the same set of goals and it is also about team-spirit. I have also believed in building great teams.

I also believe if you want to build great teams, you should make people concentrate on definite goals. I am not a kind of person who will postulate about where you will be after 10 years because this field is so fast moving that what I am doing today will be completely different from what I'll be doing 10 years later.

You mentioned of shared vision, and like Infosys you have also shared wealth with your employees.

Yes, because I believe very strongly that when you talk about having a much delegated organisation, where you are empowering people, where you have a network management style, where you want each person in the organization to be an entrepreneur, which is my style. You can't order anyone that you do all the work but, everything will be controlled by me. It doesn't work that way. I think it's about really getting people who are a going to play an important role in doing this business to have a true sense of ownership.

So, from that point of view, I think right from day one, long before we went public, I literally distributed shares to all the key members of the team. I said, I want you guys to have ownership in this business. I don't mean just from a rhetoric point of view but, from real stake or ownership stake in the business because we all have to grow in this business because if my ownership is giving me all this excitement, so even others should feel a similar excitement of real ownership. That's what I have always believed in and will always believe in.

What all decisions are centralized and what are the decisions that should be taken by the individual himself/herself?

We have a core group of people called core committee. This core committee looks at strategies. For instance, how are we going to build a health-care business, how are we going to build our oncology portfolio, how are we going to invest in mega-projects, is addressed through core committee. But, the moment the decision is taken; it is delegated to the individual who is going to take the ultimate operation responsibility.

How do you spot and capitalise on opportunities?

My philosophy is to pick on the strengths, build on your strengths and strategise through your strengths. I have also been very good at spotting opportunities.

I intuitively spotted an opportunity, which is very different from what people look for because I have strongly believed in differentiation. So, I don't like to go on the usual path. So, I challenge myself by saying, What can I do that

Gut feel endorsed by information on the subject

everybody else is not doing? and when I was looking at the Cuban project, I saw nobody was looking at the monoclonal antibodies. We were the first Indian company to even think about monoclonal. And that's how we started on this track and hence, we are the first ones off the block.

So, I think one of the best things about my entrepreneurial style is I want to have a unique DNA and therefore, we have to be different. And I challenged myself every step of the way, how we can be different. I don't want to go down the trotted path.

How much do you trust your gut feeling?

Gut feel! Total gut feel. I must confess I am not someone who is a meticulous planner. I don't sit and get all the information before I take a decision. I get a pretty good idea about some information but, then I go by gut feeling. Whenever I get a gut feel, I try and endorse that gut feel through getting some information that I want on that subject. Once I do that, I take a quick decision. So, I am largely a gut-feel person.

What are your usual working hours? What do you do in your leisure time? What books do you like to read?

My usual working hours are from 9-7:30 and on Saturdays, I work till 2 or 3pm. I do try and find some time but, otherwise I have very little free time. But, these days, my family is forcing me to take some free time out.

In terms of reading, I used to read 3 books a week, when I was younger. Today, if I find some time to really read a book, it is on a flight - long-haul flights are great to read books.

Kiran believes in theories of excellence, being different and believing in oneself

I used to read Ayn Rand kind of books in the past. May be that's why I believe in those theories of excellence, being different, believing in yourself, etc. I also like to read medical journals or reports on new medical technology or new class of drugs.

Who are your role models?

I do have a number of role models. Role-models - is about inspiration. I am very inspired by people like Narayana Murthy and what Aseem has done. I am also inspired by people like Devi Shetty; I mean the way he has built his own brand and his medical kind of business. I think it's a very clever business. I am also inspired by people like Mohd. Yunus. He is the guy who started the micro-finance revolution and if you see the way he has built the whole model, it is fascinating!

I have always been impressed with Jack Welch's style

In terms of management, I have always been impressed with Jack Welch's style. He has been a very big role model for me.

In my own business, in biotech sector, the Genentech story is really inspirational. That company is my role model. They haven't been bothered about by being knocked around in the capital market. They just went around doing what they had to do. That is a great story to me. I can see a lot of empathy in the way they have gone about building their business.

Are you religious?

I am not very religious. I am very God-fearing. I am very averse to religion because in today's age, religion has caused far more havoc and disharmony than what it's supposed to do. We should be building communal and religious harmony, ethnic harmony.

Kiran is a good role model for the women in India

Reform inadequacies responsible for Indian entrepreneurs not thinking big

The world is becoming so violent and I think this is really the time to build harmony. That's why I don't have time for religion. Because today, religion has become a place of hatred. The moment you become too religious, you start having different views on different religions and that's not good.

When are you planning to retire?

Never. I don't think I will ever retire because I am too committed to what I am doing. I don't have any exit strategy to use an investor phrase. So, I don't plan to cash out in any way. To me, this business is very important because I believe in this business. I just need to make sure that it keeps growing.

I think my mission is to build pride into the workplace, into the country. I am very nationalistic but, not religious. I really want India to benefit from companies like Biocon and Infosys. That's what we are doing. We are change makers. I think we are trying to fly the flag on the global platform. I think we are trying to prove to the rest of the world that we can be as good, if not better. I think companies like ours are gaining global visibility. Personally, I think I am a good role model for the women in this country. That is important for me because I have always felt that women don't have enough courage and when they look at people like us, who are just ordinary people who have become successful, we are very inspirational for them. I would really like women to pursue very successful careers in this country.

One thing about Indian entrepreneurs is that they do not really think big. They get satisfied too quickly. What are your views?

I don't agree with that because let's face it, an entrepreneur has so far, looked at India as his/her world. But, today entrepreneurs are thinking globally. We have always dreamt big but, we always had our hands cuffed. Even today, the reforms process is still not as it should be. So, how can you dream big if your hands are cuffed and legs are tied. Indian entrepreneurs are not dreaming big because of the inadequacies of our reforms process.



Kishore Biyani, Pantaloon

Rewriting rules, retaining values

- ❑ I was the black sheep of my family. No one supported me initially, but support came over time.
- ❑ I am not a conventional thinker! I always try to think why this is happening in a particular way and not the other way around.
- ❑ If I was not in retailing, I would have gone into something creative. I like to create.
- ❑ 80% of thoughts that cross one's mind are negative. I have been able to convert it into positive thoughts. This has helped me a lot.

High on design and creativity

As you enter the Pantaloon office in suburban Mumbai, the buzz is evident. One does not expect anything less in India's biggest organised retailing company. The man who has created this buzz is Kishore Biyani. Kishore Biyani is high on design and creativity, by his own admission. Both are evident at the reception. Behind the receptionist sits a painting with a collage of palm prints representing the hand of every employee (*"Every employee has a hand"*). The design of the office is not conventional, but unique in many ways. From the ceilings hang banners which speak to visitors on the company's philosophy and vision.

Big dreams and big bets

As one enters KB's room (senior employees refer to Kishore Biyani as KB), the first thing that strikes you are the various quotes from world leaders like Mahatma Gandhi to Albert Einstein and Azim Premji. One slot is still empty. Maybe the man behind the organization would some day like to have his own quote there to inspire the next generation. KB was just another small manufacturer and retailer of garments who dared to dream and if the last few years are any indication then Pantaloon looks to be on course to be one of the dominant players in the retailing sector in India, estimated to be an US\$200bn opportunity. He dreams big and bets big – when other companies talk of doubling in three years, KB bets on doubling his company's size every year!

Visits Tirupati, not for praying but for understanding emerging trends

Eccentric, as every entrepreneur is, Kishore Biyani has his own way of doing things. He is an atheist and does not wear any jewellery (unusual for a typical Indian) – rings, chains etc. Quite modest in his approach, he has a Baume and Mercier watch (which too is gifted) and has recently upgraded his car to a Honda Accord. "I had to upgrade my car for a different reason. Many Pantaloon employees want to have a bigger car and therefore I was forced to upgrade. Even today some employees have opted to have higher end cars."

Pantaloon is now the largest organised retailer in the country

Background

A commerce graduate by background, Kishore Biyani lives in a joint family in Mumbai. While his family was in the textile business when he graduated, he decided not to join them but instead started his own business supplying fabric to garment manufacturers. Later he went into manufacturing and sold branded garments and also launched jeans under the brand name 'Bare'. His retailing foray evolved over time as he set up initial outlets to sell his garments and then later expanded it to different formats. Today Pantaloon is the largest organised retailer in the country. He also has a discount store, a Food Bazaar, Central, which sells various brands - and Pantaloon which sells primarily its own brands.

He visits Tirupati, a famous and very popular temple in Andhra Pradesh, not for praying but for understanding the culture and emerging trends as it gives an opportunity to observe the diverse ethos of India at one place "I go to Tirupati every three years just to understand how Tirupati is changing. It represents how a typical Indian really is." KB is also a fan of Hindi films and many moons ago had even produced a couple of films. But these days he watches the success (or otherwise) of different films in different towns and cities to gauge how the attitude and moods of consumers are changing. This is his market research to get a feel of the consumer pulse.

Tracks success of films to track evolving consumer behaviour

Some personal facts

Kishore Biyani does not like to socialise and so can be found at home by 9:00 PM on most nights. Perhaps he might be a trifle uncomfortable socialising although he is fast getting used to fame and being quoted and courted by the media. "I may not go for all my daughter's school functions but my family knows that I am always available if they need me." He has two daughters, two brothers and a few cousins who work with him in Pantaloon.

KB has two passions – Hindi films and reading. He usually takes up a different subject every year and reads all books on the subject that year. The last subject that he chose was 'design'. The last book he read was *Fortune at the bottom of the Pyramid*. However, he has given up reading now as thinks that overall, he has broadly acquired enough knowledge and now believes in his own "creation". In pursuit of his passion, he has also produced some Hindi movies and we are sure, time permitting, he will continue doing so.

Dreamer with an eye on detail

KB is a dreamer (his favourite book right now which he loves to quote is *The Alchemist*). He started with a dream to create a retail revolution and has expanded his dream every year; the eye for detail is not lost. Kishore Biyani can tell you the depth of a shelf in Wal Mart, Pantaloon, Carrefour etc the layout, number of shelves etc. He is a hands-on manager. He has a detailed one-year plan but has a three-year bird's eye view on the revenue line. "We are now able to predict our sales with a 91% accuracy. I don't think any other company or a sector can do it with such accuracy".

Everything, everywhere to everyone

Passion and risk taking ability are entrepreneurial attributes which are visible in everything that Kishore Biyani does. While business analysts and consultants are predicting a multi-billion dollar opportunity, only Kishore Biyani is dreaming big. He is willing to take the risk of setting up multiple formats and try to capture as much as he can dream of this opportunity. Pantaloon's latest slogan – Everything, Everywhere to Everyone – best epitomizes this hunger for growth, risk-taking ability and passion. Start KB talking on retailing and his passion is evident in every sentence.

Learning from mistakes

The other side of risk-taking is the ability to learn from mistakes and to take timely corrective action. What are KBs major mistakes? He rates his yarn manufacturing business as the biggest failure and mistake. Surprisingly he attributed it to interested parties and unions who neither work for management interests nor for worker interests. For the rest he says that it is a constant experience of learning. Riding high on recent success he says what is the fun in it if one does not make mistakes or face competition.

Transforming from person dependent to process dominated firm

He believes that the limitations of his strategy will get corrected over time. Realising and getting the feedback that the support and IT systems remains the biggest weakness in the retail strategy, he undertook a massive IT drive.

Hiring the best talent

Pantaloon has implemented and went live on SAP in November 2005. They plan to spend US\$20m on IT over the next three years to ensure that the organisation he has dreamt of, is a process-dominated one and not a person-dependent one.

KB has been the face of the organization. But is there an organisation behind the man or is it just a one-man show? Steadily and methodically Kishore Biyani has been able to add the best in the class to his team. People from Unilever group, Coca Cola India and other leading organizations have been joining the retail revolution and the one-man show is a full fledged organisation today. In 2004, every store opening meant that KB had to be physically present there and in 2005 over a weekend, four stores were opened in different locations and Kishore Biyani was not present at any one of the locations. He was planning the next leap for the company.

Figure 11

The best in the class have joined Kishore for a retail revolution.

Name (age)	Designation	Qualification & years of experience	Previous assignments
Ved Prakash Arya (35 Yrs)	Director-operations & chief operating officer	M.B.A. (IIM, Ahmedabad), ESSEC-France, BE- Rajasthan 11 yrs	CEO-Globus, H & R Johnson, Asianet Satellite Communications Ltd., Hathway Investment Ltd. (Rajan Raheja Group)
Raghu Pillai (48 Yrs)	MD & CEO - Home Solutions Retail (India) Limited	AMP - Harvard MBA - IIM (A) B-com SRCC Delhi	RPG Group
Shishir Baijal (46 Yrs)	JMD - PFH Investment Advisory Company Ltd.	MBA - Bond University Australia, Washington State University, Delhi University - Eco. 23 yrs	ITC Welcomgroup, Berjaya Group of Hotels (Malaysia), Inox Leisure Limited
Neeran Chibber (45 Yrs)	President & CEO - Communication Products	MMS - Birla Institute Advanced Management - IIM (A) - 25 yrs	Goodlass Nerolac, ITC Ltd. Mudra Public Relations, JG Glass Ltd., BILT, Bharti Enterprises
Damodar Mall (42 Yrs)	President-Food Business Division.	PGDM,B.Tech(Mech.) 18 yrs	Hindustan Lever
Narendra M Malhotra (39 Yrs)	President- Food & restaurant business	Dip in Hotel Management (IHMCN), Mgnt Training - IHA(Paris) 16 yrs	Dodsal Corp Pvt Ltd, The Trident - Jaipur, Hotel Inter-continental - N.Delhi, The Leela Kempinski - Mum, Welcomgroup Chola Sheraton - Madras.

Source: CLSA Asia-Pacific Markets

Evolution through
the years

Figure 12

Timeline in history of Pantaloon

Company Incorporated	1987-88
The Pantaloon Trouser – India's first formal trouser brand launched	1987-88
BARE – Indian Jean brand launched	1989-90
John miller- Shirt inspired by America - Formal shirt in popular segment launched	1993-94
Distribution of branded garments through multi-brand retail outlets across nation and exports of garments	1993-94
The Pantaloon Shoppee – Exclusive menswear store in franchisee format launched across nation	1993-94
Pantaloons - India's Family Store launched	1997-98
BIG BAZAAR - Isse se sasta aur acha kahi nahi! – Indian Hypermarket launched	2001-02
FOOD BAZAAR - Ab Ghar Chalaana Kitna Aasaan - chain of large supermarkets with a difference	2001-02
GOLD BAZAAR - Sone pe suhaga. Shudh bhi, sasta bhi	2003
Added new retail format "Seamless Mall" (Central at Bangalore) From 0.56msqft in FY03, crossed the 1msqft mark and almost doubled the number of stores from 22 to 42	2003-2004
Retail space reaches almost 2msqft. Crossed Rs10bn in revenue. Launched subsidiary to specifically cater to the home solutions market	2004-2005
Launched real estate funds – " Kshitij " in the domestic market and " Horizon " in the international market. Launched a consumer fund " Indivision Capital Fund "	2005-2006

Source: CLSA Asia-Pacific Markets

Started with yarn
manufacturing**CEO chat – Kishore Biyani**

Tell us about your initial days and the choices you made – job, family business, starting something on your own? How did it all lead to retailing?

I completed my post graduate degree in marketing in 1983 and did not join the family business. We were into textile trading at that point in time. Doing a job did not occur to me.

I rather extend the family business by getting into fabrics to supply to the garment industry. We had a plot of land in Tarapur so I started a factory, which manufactured yarns to make fancy fabrics.

Evolved into a multi-
format retail player

Then over time we evolved from a garment manufacturer to a brand to a multi-format retail player. We did a lot of things on the way - franchise retailing, multilevel marketing, a department store in 1997, hyper-marketing in 2001 and then into property funds. Now we believe we are firmly in the consumer space.

Unconventional thinker

Why did you not join the family business? Were you clear in your mind that you want to be in textiles/garmenting business?

No, I was clear that I wanted to do something different. I was called the black sheep of the family. I was not a conventional thinker and I questioned tradition. Many times, my views were contrary to the popular view. I also became an atheist as I grew up. I don't go to temples but I would not displease my family if they tell me to come to the temple occasionally. Though I must tell you that I go to Tirupati every three years – but to understand how Tirupati is changing. Tirupati represents a large section of society. It represents how a typical Indian really is and behaves.

Mistakes are a part
of evolution

What is your biggest mistake, one you'd like to correct?

I don't think I would like to correct my mistakes. I believe that if you don't go through the process of mistakes you would not evolve. Unless you make mistakes you would not have learnt so much. When I started in my yarn

**Always available
for family**

**Desire to create and make
a difference to people**

**Competition is not the
only driver of
improving efficiency**

**Money is not the
sole driver**

business, I faced huge labour problems and the factory closed down and we were into debt we had to pay the debt. So one has to go through the process of making mistakes.

What are your weaknesses?

Many! One of my biggest weaknesses that I was able to overcome only 2-3 years ago was my inability to say 'no'.

How do you manage your time between work and home? With so many things happening, you must be a really busy person. How do you manage time?

I don't socialise, so I am home before 9:00 p.m. I am always there when my family members need me. They are 100% aware of this.

I think work is all about complications. You create problems and you solve them and you get busy. Work does not require so much time. I think its all in the mind when you say that "person who is managing a lot is busier".

If it was not the retailing business that you are in, what business would you have been in?

I would have been in some creative business. Once I look back I feel I want to do something where one can create and make a difference to a lot of people. Something that touches the masses and that can influence a lot of people.

Are you worried about MNC competition? Are you worried more about MNC or Indian competitors?

We are worried about any competition. Competition does not have any colour, MNC or anything else.

I believe that competition is always worrisome when the opponent is psychologically very strong. Otherwise it does not matter, whether it's Indian or foreign. Foreigners can be psychologically more vulnerable. Because they are in a different territory, and they do not know how to enter and exit.

But competition will make you more efficient?

It's not the question of efficiency. Efficiency is within you. You should keep on improving. You have to design your organisation accordingly. Yes any competition will make you more efficient but that is not the only way of becoming efficient.

If Wal-Mart offers to buy, at say, a 300% premium, will you sell?

I don't know to be very honest. There is a theory which says that everyone has a price in this world. Somebody will capitulate at a million. Somebody will break down at 25m, somebody at 50m. I think I will be at the highest level to break down.

It's not about money, its all about what passion you have in life and what you want to do. I need to have something where I can deploy money or make my knowledge more effective or more useful. I can't spend a whole day without doing anything.

How do you handle the information overload?

We like to read the trends. Any social economic trends which will impact us in a far reaching way. So there is no information overload.

Earlier I was a reactive person. I used to react to every information. I have become very proactive in the past 3-4 years. Every information has a message. I read the book *The Alchemist* twice and thrice and every time I read, it got a different meaning. *The Alchemist* talks about something that is very interesting, you will always get an omen in your life, that's what I call opportunities - it's for you to reason. If you look at everybody's life journey or career there would be enough omens which have come into everybody's life. I don't regret any omen which I have missed.

Which books do you read?

In the early stages of my life, I used to read a lot of Hindi literature (eg Harishankar Parsai). Over time, I have read a number of books. In English - I was into fiction as well as comics. I must have read every comic in the world - Archies, Tintin, everything.

Over the past few years, I pick up a subject every year and finish it off in that year. Design was the last subject that I read - Design management. I am reading a book *Fortune at the bottom of the Pyramid*. On self improvement I have done a lot of reading. Anthony Robbins, Stephen Covey among others. I have read *The Alchemist* a number of times. I am currently reading *The Argumentative Indian*.

How do you define success?

To live well, to learn and to leave a legacy. I am living well, I am learning a lot, whether I leave a legacy or not - let us see.

How do you promote innovation?

We are training people to use both sides of the brain - right and left. The rational side and the creative. We are training people to think a different way.

I believe everybody is innovative in our office. The biggest idea which we hit upon at Big Bazaar was the exchange mela and the idea came from the Bangalore office. Similarly "Big day idea" - we thought of making 26 January the biggest day in our organisation and every year we celebrate it as 'Big Bazaar day'. We are looking at Rs260m of business on a single day.

Similarly such ideas keep coming and keep getting implemented. We have a very open system of sharing ideas and we believe in the theory of bottom up and top down. Even the planning process is that way.

How do you manage employee aspirations? What are the challenges in attracting quality employees and the motivating them to live up to the energy that you have?

I had to change myself a lot to do something like this. I have transformed myself totally when I came up with a theory which I worked upon myself.

Out of every ten thoughts that comes to a human being, eight are negative. That's a scientifically recorded fact. I was able to convert nine out of every 10 thoughts to positivity.

Once you are able to convert all your thoughts into positive thoughts its Nirvana. For example, I believe that every human being has something in him. If he has joined me and is not performing it's my mistake. Other than that, I don't think that's a problem. Otherwise, if someone tells me he is not happy or he expects something more, I have to analyse why he is asking for it. There is something definitely behind it. Is he being influenced by his family

Wants to leave a legacy

Open system of sharing ideas

Positive thinking

or peer group, what is the reason? And if you come up with the right reason you will be able to find the problem also. The solution typically lies in the diagnoses of the problem.

How does the organisational planning process work?

Now it's a top-down, bottom-up approach. It's a big process now and it takes nearly a month+ to come to numbers and it still continues for the next month of operations. The forecast / planning period is one-year broken down into 52 weeks.

We don't work on long-term plans. We work on a three-year numbers-on-square foots in terms of top line, and in terms of categories broadly we work on numbers-on-a-matrix structure for evolution of businesses.

How frequently do you refine your plans and targets?

We don't refine our yearly plan at all. Our accuracy levels on category forecasts are reaching very high levels of 90-92%.

What do you attribute this high rate of success/forecasts to?

I think its all about people. Making them empowered and making them understand. I remember 5 years ago, I used to be the key driver for the top-down/bottom-up planning. But now the line managers make plans which are prepared on store level and all of us agree to it. And that is why it works. First we used to stretch the targets a lot but once you start "owning", things are very different.

High degree of forecast accuracy

Empowered employees are key to success

Notes





Raghav Bahl, TV18

News baron

- ❑ We want to be calculated risk takers.
- ❑ Money is raw material for future growth.
- ❑ I don't work hard but I am always switched 'on'.
- ❑ I surround myself with the right people and I set them free.

Spotted opportunity for local content

"Like life's most important decisions my idea of starting a business happened as an accident". Raghav Bahl's story is one of passion and hobby, leading to a successful business career. Raghav is one of the few entrepreneurs in this study, who did his MBA from an Indian institution and joined a typical job routine, but unlike many others, he kept his hobby alive. However, circumstances were not conducive for his hobby to be monetarily remunerative in the 1980s with existence of only one government-sponsored terrestrial television channel. "Rs250 is what Doordarshan used to pay for anchoring a show like the Youth Forum".

However, opportunity knocked the door in the late 80s when *India Today* started a video magazine called *news track*. "It was the first time that one got a sense that one could make a living out of television programming". However, it was in 1991 when the satellite television revolution happened and various channels were launched in India. Also the war coverage by CNN got a lot of publicity and that is when the seeds of business germinated in Raghav's mind. "It was very clear to us then that for a country like India, local content is essential."

Initial foray into content production successful

The environment in the early 1990s was quite conducive as India opened up to foreign investments. "I started off as a self employed and was very clear in my mind that I am not going to take another job". Raghav put in his Rs 200-300,000 in making two pilots *India Business* report and *The India Show*. And the quality of these programmes was evident as both went on air. One with BBC – and the other with Star Plus.

With both shows accepted and on air, they raised resources by placing their equity with venture capitalists, which gave them a valuation of Rs 70 – 80m.

While private equity and later stage funding has been available in India, the venture and early stage funding is near impossible and limits the growth for many entrepreneurs. "The biggest challenge is the first few years - Capital availability. It's much more difficult to run a Rs10m company than it is to run a Rs1bn company".

He could not spend time with his family in the initial years of the company's formation

Background

Born in Saharanpur, and brought up in Delhi, Raghav Bahl did his studies in India. He has an MBA from the Faculty of Management Studies FMS, Delhi. Raghav worked at AF Ferguson, a consultancy and audit firm, and American Express before venturing into business.

His father worked for the government in the Indian Administrative Services (IAS).

Raghav's wife was also in the media business. He has two kids – an 11-year-old daughter and a 5-year-old son. He concedes that he could not spend time with his family in the initial years of the company's formation.

Regrets selling his equity cheap

Compared to entrepreneurs from business families, Raghav's family comes from a professional background. He therefore mentions that equity structuring and selling his equity cheap is one of his biggest regrets. Cost of equity, dilution and such concepts that a typical first-generation entrepreneur is not conversant with: "I now understand the concept that equity financing is the one of the most costly ways of financing".

Early to realise that the future was in broadcasting

Realising trends and continuous moves to create value are important attributes of an entrepreneur. One of the most significant decisions taken by Raghav is the move to create an independent channel. While till 1995/96, Raghav's company was primarily a content production company. "We realised that you need to be a broadcaster. The trend was obvious that it's difficult to survive purely based on content production".

Figure 13

Timeline of various events in TV18/CNBC

Year	Event
1993	Started as a production house
1995	Entered into a production agreement with NBC Asia
1996	TV18 set up a 100% subsidiary which entered into a JV to launch Asia Business News India
1997	Following merger of ABN with CNBC worldwide, TV 18 was still the chosen one for production of local content.
1999	TV18's wholly owned subsidiary, Television Eighteen Mauritius Limited (TEML) entered a joint venture with Business News (Asia) Private Limited (BNA), owners of the CNBC Asia brand in Asia
2003	TV18 restructured its arrangement with CNBC to meet with government guidelines inducting it as a 10% strategic partner.
2003	TV18 entered into a new distribution arrangement with Zee Turner Limited.
2004	TV18 Group launched India's first Hindi language consumer channel. Awaaz
2006	TV18 Group's foray into General English News - CNN-IBN launched.

Source: CLSA Asia-Pacific Markets

Taking one step at a time

While it looks obvious now, this was not an easy step for Raghav. "Shareholders pulled out, directors were very unhappy and everyone said that NDTV and UTV are continuing to be content people." Being a broadcaster was a huge risk, however, as the Raghav firmly believed that content production, which does not create IPR is a dying business. Thus, taking one step at a time, Raghav has developed the company into a news powerhouse.

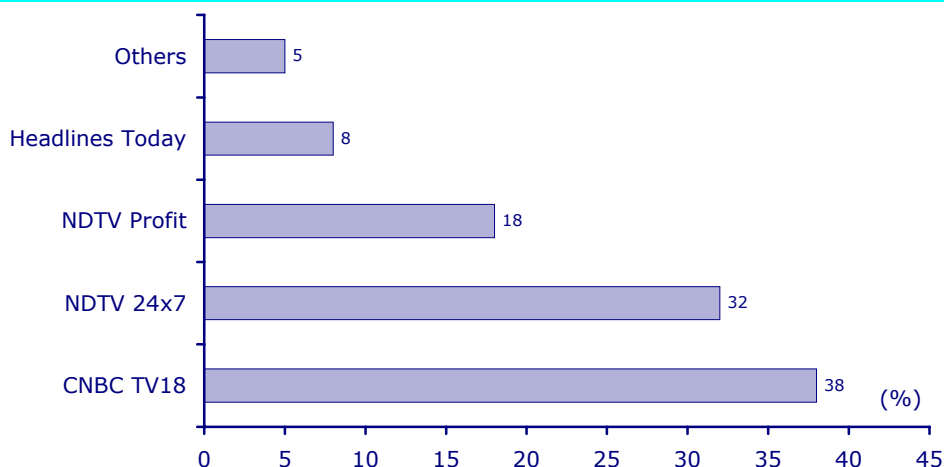
Raghav's vision was proven correct later as most other content producers went on to become broadcasters 4-6 years after Raghav's move - eg NDTV, Aaj Tak, etc.

TV 18 IPO listed at a 760% premium

Raghav modestly attributes the IPO and valuations that the markets awarded to them as one of the contributors to his success. In 2000, TV18 IPO was oversubscribed by 62 times and the stock got listed at 760% premium to the offer price. However, this gave Raghav significant scope for expansion and risk taking. While the flagship channel started running on its own, an idea of a full fledged news channel came about in 2003/04. Raghav was able to snatch Rajdeep Sardesai from NDTV and finally launched the channel in 2005.

Largest share of English news viewership**Entrepreneurs are risk minimisers****People are the essential ingredients of success****One of the best records of retaining talent in the industry**

Figure 14

Market share of English news viewership Oct-Dec 2005

Source: TAM, TG; CS Male SEC AB 25 yrs+, Weekdays 7am to midnight

Raghav remained focused on his area of competence and never thought of diversifying into general entertainment channel or other areas. He firmly believes that every entrepreneur is a risk minimiser and therefore he maintained his focus.

Interface between media and internet space is likely to be the focus area for Raghav going forward. "For information players on television, the internet is the next big opportunity".

Even being the managing director of the company, Raghav has not given up having an active line role. "I wear two hats in the organisation. As an editor - the role is online and operational where I am commenting on output, stories. I like to do it because I think I do it well. The second role is entrepreneurial - which is strategy, finance, communication to the outside world."

People are the essential ingredients of success. When you are in the media industry, quality high calibre people are absolutely essential for success. Raghav prides in his ability to attract and retain talent. He is not shy of attributing the success to his team. He remembers the quote from JRD Tata - "I surround myself with good people and I set them free." Raghav follows this motto - "Its not one man that has done it. If Udayan is the best stock market editor in India then I too rise with the tide. I am zero at leading commercial operations; I think our CEO is much better placed to do the job. Rajdeep is a much better political editor than I could ever be."

Raghav also claims that "the best record of retaining talent in our business has been one of TV18. Senthel, Udayan, Haresh all have been with the company from 6-14 years."

Entrepreneurs from business families have an advantage over first-generation entrepreneurs in one aspect. It's the equity structuring. The biggest decisions that Raghav would like to change from the history is the structuring of the equity. "I am struggling with the fact that I have only 25-30% of the company, and raising stake from here becomes difficult. Initially, if I had understood the concept of expensive equity financing the structuring would have been different". An important message for budding new entrepreneurs!

Used to anchor TV shows for Doordarshan as a hobby

CEO chat – Raghav Bahl

How did you come about the idea of a TV channel, how did it happen?

Like all of life's most important decisions, most of them are accidental. I always had television as a hobby in school and college, I always loved watching Doordarshan. I did my MBA and my first job was AF Ferguson in the consulting side. After which I joined American Express, but I kept my little television thing going as a hobby. There was no money and one could not make a career out of this hobby, Doordarshan used to give Rs250 for anchoring a show – e.g. *Youth Forum*.

Those days a new video magazine was launched by the *India Today* group. And that was the first time one could make a living out of television. They were paying you as much as they were paying journalists. A couple of years after that the whole satellite television revolution happened. CNN came in 1991 and the war was covered and satellite TV as a concept arrived, it was very clear to us then, that for a country like India, there has to be local content. That is the time when I decided to start something of my own.

So many things happened together which concluded in my starting this business. Starting with me quitting my professional job, then the launch of satellite television, then the realisation of the importance of the local content etc led to this business.

How much money did you invest to start your own business? Did you start on your own, or you had people along with you?

When I moved out of the job, I was clear that I am not going to take up another service job. So I started off as a professional or self employed. It was always a loose arrangement and from *News Track* we moved to Business India TV with Ashok Advani of Business India group. And the entrepreneurial journey began. One person who started off with me was Sanjay Ray Choudhury.

We made pilot programmes, I invested all the money that I had on my own - about two or three hundred thousand rupees in making two pilot shows. Both got selected - one went on BBC and the other was on Star Plus. Both were the first programmes out of India for satellite television.

Initial success led to venture capital funding

Acceptance of the two shows led us to our first Venture capital investment. I remember we got a valuation of Rs70 or 80m rupees at that time and we raised some money. Next placement was at valuation of Rs 200-250m. Then another placement was made at valuation of Rs 600 to 700m.

First few years are the toughest

From 1993 to 2005 what were the biggest challenges that you faced?

The biggest challenge is always the first few years. If you can survive the first few years then it keeps on getting easier. The biggest challenge again is the resources, if you don't have much capital you can't attract talent. You can attract only those who can believe in you personally and that can't be more than 5 to 10 people.

It is much difficult running a Rs10m revenue company, than running a Rs10bn company. Because nobody is willing to back you, you don't get a bank loan, you don't get the best talent, yet you are competing with the big boys. The first five or seven years you face big challenges in a new company.

Pro-active move to become a broadcaster

And I think people like us who don't have family background of business do not understand concepts of valuations, equity financing. Yes I am an MBA, but you don't learn much in the classrooms. Though it teaches you about balance sheets and cashflow, it does not teach you about equity dilutions etc.

So how did producing TV content move into becoming a TV channel?

Till 95/96 we were a content production company. And we took the decision to become a broadcaster, not because there was a problem in content production but more as an opportunity. The decision of moving into broadcasting was the most significant decision taken. In 95/96 after being four years in content production we emerged in business news space as people who were doing good work. Our BBC show did manage to create lot of goodwill and created a lot of impact.

However, increasingly it became clear to me that if you want to be in a news space you cannot only be a content producer. So I told our shareholders that we have to give up our BBC deal, I had to do a joint venture with CNBC but since it is a broadcast JV we will be running all the risk as there will be no annuity revenues coming in.

Initial resistance from certain quarters

At that time, some share holders pulled out, some directors were very unhappy. Everybody said – "look at the competitors - they are all content people and no one is talking about becoming a broadcaster. Those guys have got much stronger balance sheet than you". But I said that it's not a matter of balance sheet, either we get out of the content business because I tell you it will die.

It was also very clear to us that in content margin are going to be very low. If you are not creating IPRs you will be a 10% player. You will earn only 10% margins. You want to be all your life in a business where clearly your budgets will come down, your revenues will keep coming down, because there are no entry barriers.

That was our biggest decision, we broke up with BBC and we formed a JV with CNBC, and made our tentative steps into broadcasting and it took three to four years before that model evolved.

CNN-IBN launch has been successful
When did you decide to launch the general news channel IBN?

I think it was somewhere in 2003/2004. English news was a beautiful opportunity sitting for us. We already understood the product in CNBC; we understood the advertising and the consumers of English news channel. There was only one other English news channel - NDTV 24/7 - a entire Rs1bn market dominated entirely by it. So it was a monopoly market waiting for a good second player to enter. It made a lot of sense for us. Opportunity crystallised with the coming of Rajdeep.

CNN-IBN has taken off very nicely. We have ratings for one week and we have already captured 50% of the market. So, the first feed back is that it has already entered the consideration mindset of the people.

Awaaz: Hindi business news channel – a pioneering effort
Instead of coming out with another channel why not a newspaper?

We believe that opportunity is in the Satellite TV space. After being successful with CNBC, our natural extension was to get into Hindi space. We wanted to cover the entire spectrum - we covered Hindi with Awaaz. I have absolutely no doubt that in three to four years that Awaaz will become one of the most

Internet is the next big opportunity

valuable properties. It a completely pioneering effort it is an uncharted market. We have created the market for business news in Hindi.

What are you near term focus areas?

www.moneycontrol.com is something that we are very consciously scaling up. This is the interface between media and internet that we believe is going to be become really powerful. We just announced delivery of CNBC on video on mobile. As information players on television, internet is the next big opportunity.

We don't want to get into general entertainment, because that is not in our genes. And we don't want to be a 10% margin player where the broadcaster dictates terms.

Are you a dreamer or a detailed planner?

Every entrepreneur calculates a lot. One of the best definitions of an entrepreneur is that he is a risk minimiser, not a risk taker. He will take risk because it is in his DNA, but he is a minimizer. He will do every thing possible to minimize it because he wants to survive in the market. On the spectrum of risk taking, there will be some people who take more risk and some who take less risk.

Difficult to plan beyond three years

How far ahead do you plan and forecast. One year? Three years? 10 years?

In all honesty the next 12 months is all we can plan for and forecast. The rest are all aspirations and dreams of where we want to be.

Also, all the decision are evolving - so it's difficult to plan for the long term. When we cross some basic milestones, only then can we plan for the future.

But for the next 12 months, we have a fairly strong degree of conviction on our plans and projections. We have detailed projections of cashflows, investments, returns and profits. For the next three years we have a reasonably broad sense of where we are. But beyond that, it's difficult to plan.

Never faced pressure from industrialists

In this media business lot of people put pressure on you – of various kinds to do various kinds of things. How do you handle this?

In this media business, it is how you conduct yourself. In this last ten years, I did not have any pressure; I am not saying this with any sense of false bravado. I am not trying to be sensational. No industrialist has ever picked up the phone to tell me that what you are doing is not right and that I should drop it. Its one of those things I keep reading about advertising pressure – nobody has done it. Maybe I do not meet them at parties, maybe I am too reclusive, maybe they understand that there's no point.

Young generation is getting more aggressive

It is said that Indian entrepreneurs don't think big and get satisfied quite easily. What are your views?

Culturally you might have a point. The same question I asked myself, why do we get satisfied too quickly? I haven't yet come to a full answer, maybe we do. Maybe we are self limiting in our ambition.

Also may be, we are coming from years of control. Unfortunately, our business is still so much in control. There are regulatory approvals required for everything.

Money is raw material for further growth

On the other hand, we do see that our children are much more aggressive because they have been a part of free enterprise India & they will have bigger and unlimited dreams.

What motivates you?

Money is certainly needed, but only up to a threshold level; money is the raw material for further growth. I am very reclusive person socially - I don't have much needs. But, I do like to live well and I am not a saint in that sense.

However, it's never been that if I come to office I don't have a new project in my mind. If I don't have any new project in my mind, then it's very boring to come to office.

What is your role in the organisation?

I wear two hats - as an editor I am very online and operational. I like to do it because I believe I do it well - that is my operative role. The other is entrepreneur in the company, which is entirely strategy, finance, and communication to the world.

So firstly, I have an editorial operating job, which could have been done by someone else but I do it because I like to do it and I believe I am good at it. Nothing goes through me, but as a friend/philosopher/guide/mentor I just keep a watch on it.

I believe I bring little value to other commercial operations in the company. I am zero at brand building & marketing and leading commercial operations. Our CEO is better than I am.

Surround yourself with the best people and set them free

Who are your role models, if any?

The one role model that motivates me is the line I came across while reading the life of JRD Tata. He was asked how do you manage so many businesses, he said I have just one philosophy - "I just surround myself with the best people and set them free" - that line has stayed with me. He said that's how so many business have come up otherwise I could not have done it alone. That line is a role model line for me.

There are plenty of role models, like Narayana Murthy is a role model for a lot of people - just the amount of wealth he has created. And Dhirubhai Ambani. I don't think the world has seen an entrepreneur better than him, and I think, nobody has said a bad thing about him - from a vendor, to a supplier, to the shareholders.

Do you read books?

Very few. I used to read a lot when I was in college. I have started reading them again. But now I like to read nice, light, pulp fiction. I like watching Amitabh Bacchan and variety of Hindi films - nothing heavy right now.

If you had to change one decision that you have taken in the past ten years, what would that be?

I would have seriously structured the capital of this company much better. I am struggling with the fact that I have 26 to 30% of this company. At this stage, increasing the share holding is much more difficult.

Notes





Rajiv Bajaj, Bajaj Auto

Challenging the traditional

- ❑ All I did is to move one big-group from coming in the way of the small-group. And Bajaj Auto transformed.
- ❑ The best way of management is layer-by-layer management.
- ❑ I am not under any illusion that I can talk to 1,000 workers and motivate them. I concentrated on the people around me.
- ❑ Our motto has been – doing what’s doable; then doing what’s unexpected and finally doing what’s necessary.
- ❑ I don’t read many management books. I think there is sinister plot by a group of people to create jargon, concepts and strategies to distract people.
- ❑ I am not a dreamer, I am a learner.

Driving force behind transformation of Bajaj

“All I did was to move one big group from coming in the way of a small group”, is how Rajiv Bajaj sums up his achievement of transformation at Bajaj. Bajaj Auto is a classic example where a paradigm change in an industry (from scooters to motorcycles) caught the company napping and resulted in a significant market share loss. Rajiv joined Bajaj in early 1990s focusing on R&D, production and design areas, while younger brother Sanjiv took over the reins of the finance function. The band of brothers is clearly the driving force behind the change at Bajaj Auto, transforming its image and helping it to regain credibility in the market. With the duo at the helm, Bajaj has tasted victory with the success of its new models.

Rajiv cites an interesting experience from his training days at Tata Motors, which led to a change in Rajiv’s perception of Bajaj. During a programme, one of Tata Motors departmental heads praised Bajaj about its low-cost production and requested Rajiv to organise a plant visit for them. After the plant visit the departmental head commented that “Bajaj is same as Tata Motors – same amount of wastages and inefficiencies”. This shattered Rajiv’s illusion of Bajaj being an efficient company.

Rajiv joined Bajaj when Indian two-wheeler industry was undergoing a transformation

After finishing his Masters in Manufacturing Systems Engineering from the University of Warwick, Rajiv came back to Bajaj at a time when the winds of change were blowing hard on the Indian two-wheeler industry. Led by fuel-efficient and trendy four-stroke motorcycles, the scooter segment – Bajaj’s stronghold – was seeing a steady deterioration in demand. While, Bajaj did have a presence in the motorcycle segment, its product quality was not perceived to be on par with the market leader Hero Honda, as well as with Japanese majors - Yamaha and Suzuki. It was during these times that Rajiv, and later Sanjiv, completed their studies and joined the company.

A year of training on the shop-floor

Background

Rajiv grew up and completed his schooling in Pune. He studied engineering at the College of Engineering, Pune where he went through a ‘sandwich’ course which involves a year of training on the shop-floor. He did his shop floor training at Tata Motors. Rajiv then went on to do his Masters in Manufacturing Systems Engineering from the University of Warwick and joined Bajaj Auto in 1990. He has one son, aged seven years.

Scope of improvement in most areas initially

Needless to say, Rajiv faced numerous challenges when he came back to join the company. After a near monopoly in the 2-wheeler market, the business paradigm was changing. Both the brothers faced tremendous challenges in changing systems which had been set for decades. It didn't help that a couple of 30-year olds were trying to tell 50-year olds about how to do things in a different way. "Productivity was so abysmally low at Bajaj that one could find ways to improve productivity in almost all areas".

Credit Bajaj's turnaround to his team

"The story of turnaround at Bajaj is really the story of a handful of people, that I was fortunate to get associated with. People like Joe in R&D, Pradeep in engineering, Ravi in business development and recently, Srini in HR". Clearly, the task was a team effort. "There was a huge group of people with a certain mindset and a small group of people who were totally world-class. But this small group did not have the room to move. And the only thing I did was to get the big group out of the way of the small group". Bajaj Auto underwent a complete transformation across almost every aspect including production systems, costing, model portfolio, finances, R&D, etc.

Maintaining focus on two-wheelers and associated opportunities

Post the late nineties, new industries emerged and industrial houses attempted to diversify into these new vistas like IT/BPO, etc. However, "focus" was at the centre-point of Bajaj Auto. Rajiv did not think of diversifying or starting any new business, choosing instead to focus single-mindedly on the automobile sector. "We have not yet explored many associated opportunities –the export market which we did not focus initially; expanding the product portfolio beyond three-wheelers; the automotive engines business; different ways of retailing – so there are many different dimensions of business which we have not lived and I will try to explore and expand the company around these areas".

Pulsar sales 3x of Honda's Unicorn

As per Rajiv, "Bajaj's theory of innovation revolves around taking compromise as an indicator of opportunity to do some innovation and break the compromise." For example when faced with the trade-off between power and efficiency for customers, Bajaj developed the *Pulsar* DTSI which delivered on both, thereby cracking a market that both Hero Honda and TVS had unsuccessfully tried to in the past. The bike's success is evident from the fact that it is a market leader in the 150cc category and sells about three times more than its nearest competition – Honda's *Unicorn*. In itself, this is testimony to Bajaj's R&D capabilities, given that Honda is renowned worldwide for its technological strengths.

Probiking – solution to dealer unwillingness to sell high priced, low volume bikes

Another example of a similar situation was Bajaj's *Pulsar180*, which initially didn't do as well as its more illustrious twin, the 150cc variant. In fact, less-enthusiastic dealers were also pushing this higher-selling variant over the 180cc. With customers willing to pay for a high-end bike, Bajaj was faced with compromising them with the *Pulsar's* lower-powered *Pulsar150*. Bajaj's strategy? Open "probiking" outlets to focus solely on high-end models like the 180cc *Pulsar* and more recently the *Avenger*. The result? The *Pulsar* 180cc now sells about 2,000 bikes a month as against less than 1,000 earlier. The *Avenger* – born from Bajaj's earlier cruiser, the *Eliminator* (which sold less than 100/month) – sells another 2,000 bikes/month.

"Probiking", which is the first part of Bajaj's new three-pronged marketing strategy, centres around the belief that as a customer moves to a higher-end product, the selling effort moves from dealer "push" to consumer "pull". Margins in this business can be as high as 10% given that they do not require sales promotion, marketing, etc.



The 'probiking' concept – Aimed at bike enthusiasts, the probiking showroom will offer prospective buyers with a hi-tech "experience" of Bajaj's premium motorcycles like the *Avenger* and *Pulsar 180*. With this idea, Bajaj hopes to feel the pulse and reach directly to customers interested in its higher end models. The showrooms, devoid of pushy salesmen, are even equipped with indoor facilities for static test rides. The first showroom in the high street Bund Garden area of Pune has already attracted hordes of young executives working in nearby tech companies and BPOs even before its formal launch.

Urban and rural markets as two distinct areas form the other aspects of Bajaj's strategy. As Rajiv says, while it seemed obvious that the needs of the urban customer are different from a rural one, Bajaj took time to understand this. Bajaj's new approach is also in some ways, a breakaway from the traditional approach of setting up dealerships in main cities and sub-dealerships in nearby townships. Under the new model, dealers in urban and rural areas would have different modes of marketing, servicing, financing operations, etc. shaped around customer needs.

DTSI – both superior power and superior fuel efficiency

Success of the *Pulsar*

Bajaj's efforts at proving its technological capabilities have paid off with the success of the *Pulsar*, the first bike with Bajaj's indigenously developed Dual Twin Spark Ignition (DTSI), which provides for faster and better combustion. Conventional two-wheeler engines use one spark plug at one end of the combustion chamber. The disadvantage of the single spark engine is that the flame front takes some time to reach the farthest portion of the combustion chamber. This leads to slower burning of the air-fuel mixture and creates limitations in optimizing the combustion chamber characteristics. Hence, two spark plugs at either ends of the combustion chamber help in faster and better combustion. This superior combustion offers both superior power and superior fuel efficiency besides reducing emissions. It's interesting to note that in July last year, Honda's President, while laying out the company's three year business plan stated that Honda's low friction engine for the 100-125cc bikes, would have two spark plugs to improve combustion efficiency.

Even as Rajiv talks about yoga and 4-hour workdays, the internal targets that the company has set are quite aggressive – sales targets of reaching 5m/year in the next three years. "It's still smaller than total opportunity that is there in the market" and he believes this is easily achievable even if they meet a reasonable degree of success in their planned forays in China and Indonesia.

"Our target is to be in the top two in every market that we enter. And that is possible because when we compare our products with any other player in the world, our products can match and better others. So this global dream is achievable".

Made a lot of mistakes, but made them quickly

Rajiv is not averse to accepting his mistakes, a trait not commonly visible among business leaders. "I would not count any big failures but I have made a lot of mistakes. We had a steep learning curve to climb. We dragged our feet on pursuing 4-stroke motorcycles; we tried to push dealers for sales; we poured money in advertising when it was quality that needed to be fixed; we made all the mistakes but we made them quickly. Fortunately we did not make any mistakes big enough to kill ourselves."

Dramatic turnaround

In FY01, Bajaj's entire two-wheeler portfolio made a loss. Bajaj's lesson was that "doing a few big things well is what makes the industry work". Since then, Bajaj's profits have risen five-fold. From a price warrior, Bajaj is now a price leader. This is especially evident in the luxury motorcycle category (bikes priced at Rs50,000+) where Bajaj's *Pulsar* has a dominating 60%+ market share. Models from competition, including Hero Honda and Honda Motorcycles and Scooters India (HMSI-Honda's 100% subsidiary), have yet to make a dent on Bajaj's share and '*Pulsar*' even commands a price premium over HMSI's *Unicorn*. In fact, variants of the *Pulsar* (with facelifts, alloy wheels, new suspension) have also been successful as is evident in the 2-3x rise in *Pulsar* sales since its first launch in 2001.

Figure 15

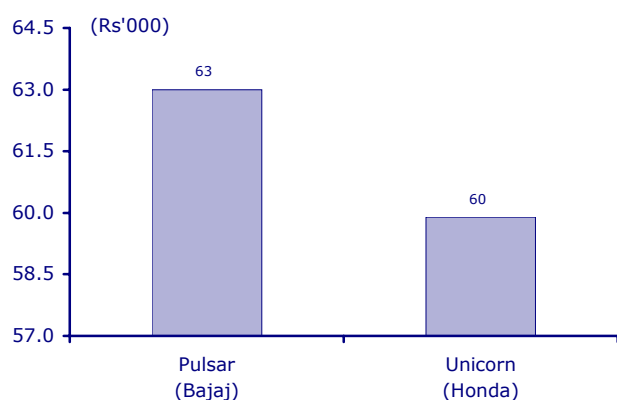
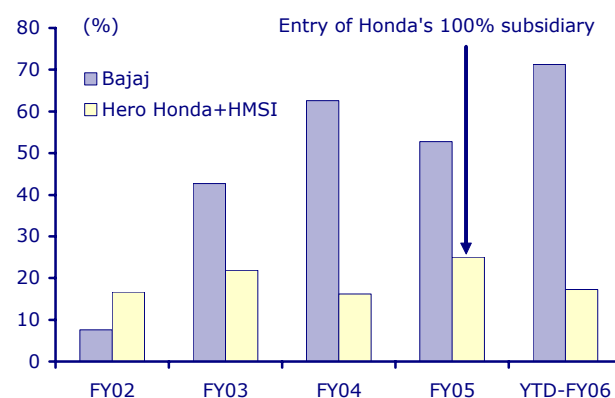
Premium segment prices

Figure 16

Beating Honda – Share of 125-150cc motorcycle sales

Source: Industry, SIAM, CLSA Asia-Pacific Market

Rajiv has many other passions

Team effort is extremely important. Rajiv gives an example of conceptualisation of a bike upgrade which was done while driving in a car. The concept that Rajiv had in mind was conveyed to Bajaj's R&D and within 30 days the bike was ready. It is an upgrade of *Pulsar* which was unveiled at Auto Expo in India. "When people can connect this way, success is bound to come".

Rajiv has many other passions. He follows Gururji Iyengar's yoga practices and with a recent interest in homeopathy, he is following the teachings of an American homeopath who has spent 35 years in the Himalayas. "There is a connection between homeopathy, yoga and Gita." Rajiv also believes that concepts of homeopathy can even be applied to management.

CEO chat – Rajiv Bajaj

Bajaj has gone through a very impressive transformation from the late 90s. How did it happen and what do you attribute the biggest success to?

The story of turnaround of Bajaj is the story of a handful of people. I was fortunate to be working with some good and world class people, such as Joe in R&D, Pradeep in engineering, Ravi in business development and recently, Sridini in H.R. These are the guys who have been there almost from the beginning, especially the R&D and engineering side. These and a number of others are the backbone of the company.

Enabling change

A lot of people do ask me what I did when I joined Bajaj. I tell them that there were two groups of people here. One was a huge group of people with a certain mindset, and there was a small group of people who were world class

Did simple things first . . .

with no room to move. The only thing I have done is to get the first group out of the way of this smaller group. That's the story of the transformation of Bajaj. There is nothing more invigorating than the company of people who are excellent. When you are in the company of excellence, you learn and you contribute; they bring out the best in you.

The success of Bajaj is really attributed to simply different way of thinking. Our main focus was one single dream. Just motorcycles. The strategy was also very simple. In three parts, first - do what is doable. What was doable was taking the 4S *Champion* and putting it in the market. That didn't take more than 3 days, but wasn't sustainable in the long term. But, that was the filter between our scooter and the *Splendor*. That put a lot of bikes on the road. At least people started saying that it's a Bajaj motorcycle. So, that's much more than what any advertising could have done. The only problem was the quality. So, there were a lot of bikes, and a lot of problems to pick from.

Doing what was unexpected was the second part of our strategy. Even when people said things like - "We have screwed up our Kawasaki bikes, and we can't make 100cc bikes. We have so many facilities but we still can't get it right." We still went ahead and made a new sports bike - a big and expensive one, and did it all by ourselves. If people didn't want to buy a cheap Bajaj motorcycle, why would they buy an expensive one? So, *Pulsar* happened like that. That was quite unexpected. But, that made a point without any brand-ambassador that this company can make smart bikes. So, after one foot firmly in doing what is do-able and one foot firmly in doing the unexpected, we closed the gap in between. Fortunately, the competition gave us time. Everybody said that this *Boxer* strategy is fine but, it won't work much. Today, everybody wants to compete there.

. . . and obvious things last

So, doing what is doable, doing what is unexpected and finally, doing what is necessary instead of starting with what is obvious was our way.

Huge opportunities inside Bajaj**Why did you join Bajaj and not start something on your own? A lot of new industries developed in India during 1990s, did you not think of starting up your own venture?**

I was too young to think on those lines. I didn't have that kind of imagination at that young age. Joining Bajaj seemed a smart thing to do. I gave it a shot and I enjoyed it. Also, there are so many aspects that were unexplored within this company. The most obvious was the move from scooters to motorcycles. It was a whole new market. Today, it has ended up replacing the original market. We missed the whole business opportunity there and tried to catch up with it. Now, the focus is increasingly the export market. That's the business that we have lost out on. Expanding our portfolio beyond 3-wheelers is an opportunity we have not done justice to so far. Going the other way, in the engine business, automotive engines can be a big business. Then there is retailing. So, there are many different dimensions to this business that we have not yet lived. So, I'll prefer to explore and expand the company along these different axes instead of starting something on my own.

Are you open to areas like retailing? How did the probiking idea come about?

Yes, that's why we started with probiking in Pune. We are trying to set up 10 shops very quickly and move on from there.

Understanding dealer mindset – exploring new sales channels

Initially, the idea came from difference in sales of the *Pulsar* 150 and *Pulsar* 180. We asked the dealers and marketing people why the *Pulsar*-150 sells 19,000 a month and *Pulsar*-180 only 500 a month. Dealers kept coming up with different reasons as to why *Pulsar* 150 sells so much more. We realized that the dealer is always going to be pre-occupied with rotating his working capital. The company's need to enhance the brand is very different from the dealer's need to sell and maximise profits. So, we set up a different sales channel. It's stupid to try and sell a Rs60,000 product which can do no more than 2-3,000 through the same channel that sells a Rs20,000 product in hundred thousand numbers.

That kind of specialization had already happened in FMCG and so many other industries but has somehow not happened in the automotive industry. So we brought in three different sales channels which are being led by consumer segments. The high-end, the urban and the rural. For high-end, we have just 50 pro-biking dealerships where the combination of sales margin, finance margin etc can be as much as 10%, if not more at the front end. There is cost of establishment, management and others, but there are no great marketing costs involved. The moment we collapsed to 50 dealerships, everybody wanted to be a dealer. So, we are now selling 2,000 *Pulsar*-150 and 2,000 *Pulsar* 180s – that's around 4-5000 hi-end bikes a month through 50 dealers. So, that's how pro-biking happened.

Pro-biking generates consumer pull

The entrepreneurial ability of the dealer to sell is not important because the consumer comes anyway and you have to satisfy him. So, the company can do a better job than the dealer.

If you have to see Bajaj 5-10 years down the line, what would be the targets in your mind?

We have told ourselves to sell 3m, 4m and 5m bikes over the next three years. That's a very achievable target. These are still much smaller than the total opportunity that is there and that is to be mainly worked at in China and Indonesia. So, unless those two markets are cracked, it will be hard to grow any faster. But, without China, Indonesia and South America, we are only in 25% of the potential market. If we are really successful to break into China in a big way then, we can do much better. So, the opportunity for Bajaj to be four times its size is already there.

Bajaj – a leader in technology innovations

When we said 3m, 4m and 5m, our basic target was to be in the top two in every major market. I think we can do that because, when we benchmark with the best products anywhere in the world. In the same capacity range from any manufacturer, we find our products to be equally good, if not better. I think it was in June or July that the Honda President announced its ninth three-year plan and when it came to smaller motorcycles as a business, he said that Honda has decided worldwide that from 2006, to adopt the twin spark engine in their products. So, this shows that they will be doing exactly what we have been doing for the last three years.

It is up to Sanjiv to take this winning formula to 3-4 overseas markets, because most other markets are reasonably small. Distributing it to half a dozen markets that are really big and if we can apply ourselves to those, then sky is the limit.

Winning products,
satisfied customers and
lean operations

Beyond these five-year plans, how do you look forward? Do you have a 10-year vision for the company? What is your dream or aspiration for Bajaj?

We always tell ourselves that the way to compete in the future and grow profitably is through innovation and quality. We have three themes. One is what we call winning products, second is satisfied customers and the third one is lean operations. These are cross-functional themes. We benchmark ourselves with what we consider to be the level of excellence in the definition and development of winning product; in the way sales and service operations should satisfy consumers and obviously cost effectiveness. Our focus over a five or ten-year perspective is to pursue such ideas of development and quality of development because if we seriously pursue this qualitative excellence theme, the numbers will come automatically. Winning products may not be just the next year's motorcycle, but there can be a different concept of a 4-wheeler - all in terms of satisfied customers in a not very clichéd sense.

When we introduced technologies like DTSI, SNS suspension and Exhaustec, the incremental benefit these technologies provide to the customer is far more than the incremental cost he has to pay for these innovations. So, these are very broad themes that we have tried to pursue and that's what is going to be the foundation for the future.

In these past 10 years, what is the biggest challenge that you have faced?

The biggest challenge was to get the big group out of the way of the small group.

Was the age factor the difference between the two groups?

The difference in the groups was not the age. Our former Executive Director R A Jain, one of the oldest members of the company, at 73, is a member of the young group. We are a still culturally a mixed bag.

What would you call as your biggest failure / mistakes in this process of transformation?

I won't count any failure. There have been lots of mistakes. We have dragged our feet on pursuing 4 stroke motorcycles. We tried to push dealers thinking that it brings sales, poured money in advertising. We have put our products on many ends like it was on trees. We played the price game. So, we have made all the mistakes but, we have corrected them quickly. Now we know what works and what doesn't.

One thing we did was that we said to ourselves, around 1995-97, that we want to be a motorcycle company. We are going to change the rules of the game. We are going to try and not get upset on issues like - "why not scooters?" We are not going to try to collaborate with somebody and make cars. We are not going to let anything distract us. We will get this (motorcycles) right.

Doing a few big things
really well is critical

If we had not made the move with *Pulsar* then, may be we would have never made it. It was in financial year 2000 or 2001 that the entire 2-wheeler portfolio at Bajaj made a loss that year. We didn't make any money on 2-wheelers. We made money on 3-wheelers though. So, we have hit that bottom. We have made no money on 2-wheelers and we have come back from there just because we have got one thing right. We learnt a lesson that doing a few big things really well is what makes the industry work.

Most things can be quantified for analysis

Work pressure has reduced as things fell in place

How do you handle people during change? How do you drive them? How do you motivate them?

I learnt that the best way of management is layer-by-layer management. I was not under any illusion that I will go and speak to 1,000 workers and motivate them to change; speak to 500 engineers and motivate them to work. I have focused on building around myself a very good team and almost all the people of that team were already present in Bajaj. So, we didn't have to really hunt for them.

Do you have any role-models?

Yes, Soichiro Honda.

How much has gut played in your decision-making?

Not much. We always challenge ourselves. We are able to articulate and quantify everything. That's really been where the application of IT has been very important for us. We put together a process called 5P and use it to research consumers and we challenged ourselves by going to Indonesia with that. We proved to ourselves, how this way of understanding works better than traditional market research.

Whether we are talking about sales going up or down, consumers not getting mileage that we are expecting them to, fit and finish not looking good - nearly everything can be quantified. It's just a measure of right instruments, right terms and terminologies. So, instinct, judgment, 6th sense is a part of evolution but to rely on that only is very dangerous.

How long do you work everyday?

Four hours a day! Typically, I come at 9:30 or so and work till lunch time. For the first 13-14 years, I did my 11 hours or more than that. But I suddenly found from last year that things are falling into place. Big blocks broke into pieces and fell into place. And I suddenly found that I don't have more than three or four hours work. Then, I had to make a choice whether I have to fill up the time with work or do I just get lucky for a couple of years till the burden builds up again. I had always wanted to pursue two things - yoga and understanding of homeopathy. So, I do a lot of reading on homeopathy. I spend 2-3 hours on yoga and homeopathy every day. It just tells me that I have a good team around me.



Rajiv Mody, Sasken Communications

A techie at heart

- ❑ When I did not get a job after completing a Masters in computer science, that is when I decided to take charge of things rather than leaving them to fate.
- ❑ I enjoy meeting people.
- ❑ In the early 90s, India was not a known entity and there was defensiveness when we spoke to western companies. So the only way to eliminate this was to talk leading-edge technology. Ultimately it was the technology that was a leveller between the western world and us.
- ❑ My aim and objective is not just making money for shareholders, but to create an institution.
- ❑ I can connect the dots. My biggest strength is when I am out meeting people and talk to companies; I have the ability to connect various things. I can always assign responsibilities to my juniors. They can execute it.

Gujaratis are well oriented towards business

Before Gujarat became famous as the hub of the global diamond and gold finishing trade, and one of India's most industrialised provinces, it was known as the birth-state of Mahatma Gandhi. Gujaratis are well oriented towards business, trading and of course, stock broking.

Thus, in the late 1970s/80s, it would have been quite uncommon for a traditional Gujarati boy to (a) not join his family business, (b) pursue an engineering career, (c) go to the US for higher studies, and (d) take an employment in US. If anything, all of these happening together to the same person would certainly be rare. Rajiv Mody, now Chairman of Sasken Communications, has done all this and more. As he puts it, with characteristic modesty, "Love for computer science engineering was not intentional. I had no plans or inclination- it happened by chance. However, once you get into a field then one realises the potential that the field offers and then you work on it."

Rajiv Mody could not get a job

Perhaps adversity brought the best of the Gujarati business acumen out of Rajiv, after all. After completing a Masters in computer science engineering, Rajiv Mody could not get a job! "It was a recessionary period in the 1980s, and I could not get a job and I felt really bad about it. I thought that at least I should get a job, however bad the situation is. And it is then that I started taking charge of things rather than leaving them to fate."

Planned to do a PhD before landing a job

Background

Rajiv Mody was born and raised in Rajkot, Gujarat. He did his schooling there before going on to do an engineering course at Baroda. After an MS in computer science from New York (1980-82), and with no job offers in sight, Rajiv registered for a PhD in the same university where he was also a teaching assistant. In 1983, he (finally) landed a job at AMD, moving on from there in 1985 to work at Seattle Silicon and finally VLSI Design in 1987.

Rajiv's father was a stock broker/investor, had a transportation business and was also a chemicals distributor for the Birlas. Rajiv's uncle, JB Mody, is the promoter and chairman of JB Chemicals and Pharmaceuticals (revenue of Rs3.7bn).

Perhaps it was teaching that made Rajiv more confident

Initially, Rajiv started with teaching assistanceship: "I expected that I would be involved in checking exam papers but I ended up teaching. I had to teach a group of kids the CS101 (an introductory computer science course, often the most challenging to teach). This taught me: a) an ability to deal with uncertainty; B) ability to face a crowd; C) and I had to learn before I taught and that is when I actually learned for the first time. Also one had to take questions on the fly as you may not have been prepared for all questions."

Perhaps it was the teaching experience that made Rajiv more confident of handling public situations, and uncertainties. Or maybe there was always the hidden risk-taker within him, but within two years at AMD, California, Rajiv was ready for headier stuff. In 1985, he joined Seattle Silicon, a start-up located in a city where he knew no one. "I realised that I was stagnating at AMD. Often, most of us get into comfort zones in the Silicon Valley. That is when I decided to join a start-up in Seattle for two reasons. First, it was a start up where you learn a lot. Secondly, I did not know a single soul in Seattle. I told myself: let me try to live in a place where one does not know anyone".

TI opening a R&D centre triggered Rajiv's interest in India

While Rajiv did not have a clear intent of becoming an entrepreneur, the thought of returning to India someday was always there. What was the trigger? Says Rajiv, "In 1986, Texas Instruments decided to set up something in India (there was an article in US press to that effect). I contacted the people at TI and even visited Bangalore to check things out". So by his third job (VLSI), the germ had been planted. As Rajiv says, "I also found other colleagues at VLSI who had similar thoughts".

Finally, the plunge happened in 1989 when Rajiv and two others decided to move to the Indian Silicon Valley, Bangalore, to set up Silicon Automation Systems, with a total capital of US\$200k (of which Rajiv put in his entire six years of savings of US\$ 35k). They managed to get couple of orders from NTT, Japan (~US\$ 50k) and Bell Northern Research (US\$ 40k) to start operations.

The initial few years were the toughest for Rajiv. Staying away from family, getting all the governmental clearances and travelling frequently to develop client relationships further took the most out of Rajiv in the initial years. Looking back, Rajiv gives credit to his wife for being extremely supportive and understanding.

Rajiv went whole hog for a project based only on "letter of intent"

Entrepreneurs often take bets based on no more than a gut feel. In Rajiv's case, he went whole hog for a project where he received only a "letter of intent" from the client. The big break for Rajiv came in when he was able to convince BNR to fund and help develop a Verilog compatible simulator. So the simulator was partly funded by BNR and the total order was US\$ 0.5 m. This is when Rajiv decided to lean back on his family for funds and raised Rs5m from friends and family and set up the lab, based on letter of intent from BNR and not a firm order.

Rajiv also had interesting contacts who helped in his initial success. For example he had met Muneyoshi Samejima. He invested in the company as well as helped us in market access in Japan (starting with NTT). He was introduced to Rajiv by a common friend.

Following innocuous leads in search of talent

Telecom and technology domain has both positives and negatives. While on one hand there is less competition, the skill availability is tough to find. Rajiv therefore decided to take a fundamental approach to hire talent and went and

met the Electrical and Computer Science department people at IIT Mumbai – one of the premier engineering and technology institutes in India - and met up with professors and students.

His ability to follow innocuous leads is also amazing: "I read about GV and Sherlekar having written about hardware description language in IEEE and therefore I knew that there was some work going on in this field and I came to Mumbai and met up with them". This is how Rajiv met professor G Venkatesh (an IIT Chennai alumnus) in the 1990s. Once Rajiv realised the quality of talent available at IIT Mumbai, his confidence about his business further went up. (Important to note that G Venkatesh is still with the company and now a member of the board). "Those bright students do not want to move to US but lack of opportunities in India forces them to. The quality of talent was so good that I thought, if we can give them a platform to succeed, then lot of work can be done. "

Why not services?

For Rajiv, proactively investing in new technology has been the key challenge. For example, in the mid 1990s the company invested in digital signal processing (DSP). DSP has applications both in multimedia as well as telecom. The company now says that investment in DSP was one of the key risks taken at that time, a decision which worked to company's advantage.

Y2K as an entry strategy was a missed opportunity

On the other hand, Rajiv admits that services and Y2K as opportunity was undermined by him. "We did not believe that there would be life beyond Y2K and that Y2K can be effectively used as an entry strategy".

Work content, environment and fairness are key to employee motivation

Some personal facts

Rajiv has a very hard working schedule. "I have a pact with the family that for five and a half days, I am not there". However Rajiv spends his time with the family from Saturday afternoon onwards.

Rajiv understands what keeps his employees motivated – "Only three things can motivate an individual. One is work content and the second is the environment – you have to be fair to the individual; and third is compensation. We strive to find and offer the best work content. To make sure that people are not treated as commodities."

Rajiv mentions Mahatma Gandhi as a big role model. "Overall I appreciate how much an individual can achieve in his lifetime". On business leaders there are many individuals that Rajiv respects - Andy Grove, Dave Packard, Bill Hewlett, Gordon Moore, and Warren Buffet among others. Indian values and ethics are still at the core for Rajiv.

CEO chat – Rajiv Mody

Why did you get into computer science engineering? What were your initial experiences at the job?

When I look back to it, it was probably a mistake. I thought it would be interesting. But when I landed in the US, things were different. I hadn't seen a computer before in my life. So initially you had to go through those pains and struggles. You have to overcome the fear. But once you choose a subject, it definitely grows on you.

Way back in 82, I was already done with my education and I went to Silicon Valley looking for a job and I couldn't get it. And I felt really bad about it that - I could not even get a job. It was a good inflection point. That is when I

Computer science engineering was not a planned move

"Teaching was a fantastic learning for me"

Ability to connect dots – following TI lead into India

We realised that technology is the leveller

decided and I started taking 'charge' of things, rather just leaving it to fate. Luckily I got a job as a teaching assistant while working towards a PhD.

How did your experience as a teaching assistant (TA) help?

There were a number of learning's from TA. I got the ability to deal with uncertainties; and ability to face a crowd. Questions can come in from anywhere. Maybe you are not prepared. You have to think on the fly to be able to answer. So that was a fantastic learning for me.

During the first few weeks, the students even told the Head of Department that I should be going more into details. And you have to learn before you could teach. Teaching undergraduate students in assembly language programming was interesting. That is when I discovered my love for language and programming. After that I didn't receive complaints from there on.

Why did you join AMD and later quit that to join a start-up?

In 1983 I had a job in AMD. I decided that I wanted to do something with silicon. I had no thought of starting something on my own at that time. Then after some time I realized that I was stagnating in AMD. What they were doing was not innovative in software design. Then I went to a start-up in Seattle.

One reason, because it was start-up and second because I didn't know anyone in Seattle. I wanted to go out of the comfort zone. It was an interesting experience. I enjoyed going to a town where you don't know anyone. The environment was very conducive for learning.

What made you interested in India?

In 1986 Texas Instruments announced that they were launching a development centre in India. I had read an article in IEEE magazine. I called up the senior vice president asking more about it. He asked me to go Bangalore and talk to the guys over there. So I came to India in 1986 and went to meet TI in Bangalore. Since then I got the kick and got interested that there is something to be done in India.

What made you come to IIT at that time?

I read in the IEEE magazine about hardware description language. So I knew there was some work going on in IIT Bombay. I spoke to them. That got me interested.

Then we came across students with extremely high calibre. The quality was fantastic. I thought of doing something with them. They didn't want to migrate to the US. If we could provide them with a platform to succeed, it would be a fantastic thing to do. That's how we got GV and Sherlekar into the company.

What was the initial investment in Sasken?

Of the US\$200,000, I put in US\$35,000, which I'd saved over the past 6-7 years.

What have been the key challenges and decisions you have taken?

Ultimately we realised that technology is the leveller. In those days, India wasn't a known entity. There was a bit of defensiveness. Only way we could face it was to talk leading edge technology. Once you start speaking technology, things became simpler to explain.

Technology provides a level playing field

The biggest challenges were proactively going and investing in newer technologies. Way back in 95 we decided to develop technology around signal processing. Again going by the thesis that technology is the way to go if you want to be at a level playing field. So signal processing leads to modems and then multimedia, which is the core to our business even today. That is one key decision that was tough one but right one.

Y2K was an important missed opportunity

What events or decisions would you rate as the biggest challenges or failures?

We never believed that there could be the world beyond Y2K. We never thought of it as a method of getting into business relationships. We never got into Y2K. There were some things in the hindsight, which may seem like wrong decisions.

Focusing on core competencies

Another inflection point that I can remember was letting go of our business in design tool. We had started with it and telecom. In 2000 we let go of it. And simple reason was that it was a small market and there was a lot of struggle as compared to the returns we would get. It also took a lot of management bandwidth. We set up people who wanted to continue with it in a separate company and we continued with them for a year. The customer relationships were maintained so that the customers don't feel insecure. I guess it was a right decision. That created a strong focus in wireless.

Not getting into Y2K, was your decision or the management team's?

It was basically management team sitting out of Bangalore. It was the attitude of not getting into whatever that was low-tech. So in some ways the attitude was prevailing for right or wrong reasons.

Do you believe in detailed planning or going by the big picture?

I am of the second kind. I can connect the dots. My biggest strength is when I meet people and talk to companies; the ability to connect dots. I can always assign the execution responsibilities to my juniors. They can take and execute it. My biggest strength is connecting the dots.

How do you rate your performance over the past 7-8 years?

Average or below average. I am not doing many things that I should have done or can do. There is a lot more which I can do, which I am not doing.

What are the main reasons? Is it the environment?

No, environment is not the reason. Maybe it takes time for things to happen. But I am a little impatient. But I don't regret anything in the past. We are on the right track now.

People are not treated as commodities

Bangalore is extremely competitive in terms of availability of employees. How do you keep up the motivation of your employees?

Only three things can motivate an individual. One is work content and the second is the environment – you have to be fair to the individual. And third of course is compensation. We strive to find and give the best work content. To make sure that people are not treated as commodities. People are people – they can't be switched off, switched on. These things become important during tough times.

We have experienced that during the downturn – the way we treated our people. Yet, there are scars on which we need to work on, which include salary cuts, etc.

Salary raises without a relevant productivity increase is not sustainable

"Selling out is the easiest thing to do"

Whatever has happened to US today can happen anywhere. When there is an imbalance between the compensation and lifestyle, then these things are bound to happen. Until now US IT industry was protected because it was believed that you couldn't do it at any other location. But India emerged as a place where you could get it done. Similarly India and Indians need to be worried about it. Employee's expectations are scary. The expectations of 20-25% increases without relevant productivity increases are not sustainable.

What kind of goals do you set for yourself?

Primarily annual goals. Over the time I have become more disciplined. A few years ago, I was impulsive. However now, I have become more systematic and organised and hence set annual goals on business front. On the personal front also I try and push myself to see if I can accomplish my set goals.

Where do you see yourself five years hence?

Top telecom player in the market place from India.

What if a US company offers you 200% of today's market price to buy you out?

My aim and objective is not just making money for shareholders, but to create an institution. I am not interested in selling out and I have talked to major shareholders. They are also not interested. Selling out is the easiest thing to do. What I find challenging is building an organisation and motivating and growing people; and technology excites me.

Who are your role models?

Mahatma Gandhi. In all ways - value system, practicing values, resolving conflicts, management and overall as to how much an individual can achieve.

I also admire Andy Grove for his operational excellence and his ability to cut through and separate the softer people aspects from the hard achievement orientation. Intel under Andy Grove was a different Intel. He is a pure genius.

The creators like Date Packard, Bill Hewlett and Gordon More, people who have gone beyond their own business.

What would be your advice to young entrepreneurs?

Follow your dreams. Be as free as you possibly can. Get the right people and treat them with respect. They are your assets. Just do it. Don't get into analysis etc.

Do you read books? Fiction/management books?

Yes a lot. I read a lot of biographies and some on philosophy. Steinbeck is my favourite author, others are Leo Tolstoy, Feirido etc.

Management books – yes, but they should be deeper. Not just skim and scan. What I find interesting in the management books is your ability to influence and practice rather than just read.



Sanjay Labroo, Asahi India Glass Glasnost!

- ❑ We are at this juncture because the market leader became complacent and arrogant. Today we are the market leaders and we are extremely careful about this risk.
- ❑ The biggest challenge today is to remain where we are.
- ❑ I want to build an organisation that lasts longer than me.

Spotted opportunity in auto ancillary business in 1980s

Passion about glass! Sanjay Labroo, MD and CEO of Asahi Glass can talk about glass for hours. Glass has been his only agenda for the past 15 years and he sees this unlikely to change.

Unlike most other entrepreneurs, who hit upon their business by serendipity, Sanjay Labroo had an entrepreneurial bug early in his life - an inheritance from his father who is a first generation entrepreneur.

Post his schooling from the Doon School in Dehradun, Sanjay wanted to embark on his entrepreneurial journey as soon as possible. He therefore chose a Bachelors degree in management from Wharton (quite forward thinking for his times in early 80s). On his return in 1984, without wasting any time scouting for a job he explored options for setting his own venture. "I saw four sectors where opportunity existed in India and which could become big in India over the next decade – Software, television, automobiles and financial services." Auto-components was a great proxy for looming automobile boom and Maruti, which was being set-up then was looking for ancillary partners. Thus, Sanjay choose this field.

Sanjay wanted to create something on his own

Sanjay spent almost a year exploring and researching various options before narrowing down to this opportunity. Maruti Suzuki had just begun operations in India and they were looking to develop ancillaries. The existing glass producers were not ready to invest and set up capacities and thus Sanjay found his business opportunity. However, he does not take credit of identifying anything great. "I am a first generation entrepreneur who was present at the right place at the right time." Even though his father had a reasonable business, Sanjay was very clear that he did not want to join him. According to him, "I wanted to create something of my own." Coming from a business family, he did not have acute limitation of capital as most other entrepreneurs did, his parents and friends contributed to Rs4.4m out of total funding of Rs18.5m (US\$1m at that time).

An avid football fan

Background

Sanjay Labroo was educated at Doon School at Dehradun. He completed his studies in 1980 and went to the US for higher education at Wharton. After completing his BBA, he returned to India. He appears to have inherited his parent's flair for entrepreneurship and right after his return looked for opportunities to set up his own business.

Kashmiri by background, Sanjay Labroo's parents were educated to Masters degree level in political science and chemistry. They came down to Dehradun and started a malt extraction company.

Sanjay is an avid football fan and even plays regularly with his two daughters (14 and 17 years old). He has one brother and one sister who are based in the US and UK, respectively.

Market leader was complacent

Focused on maintaining a track record of shareholder value creation

Dependence on Maruti has reduced since inception

Investing in technology ahead of demand and competition

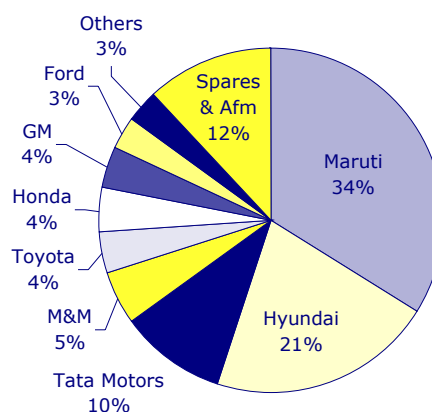
Sanjay's approach, even at that time was very methodical. Maruti wanted partners to invest and manufacture components in six areas. In glass, Sanjay found out that the then market leader (Hindustan Safety Glass with 95% market share) did not share Maruti's vision of growth in the Indian automobile arena and believed that they already had adequate capacity. Backed by his own research and trusting Maruti's growth projections, he explored the potential of technology tie-ups and finally froze upon a three-way joint venture with Asahi and Maruti to set up automobile glass manufacturing operations.

Since then he has never looked back. His company has delivered over 45% returns over the past 15 + years. "I am thinking about how to maintain these returns in the future." Even in our conversations, he seems keen on sustaining these growth rates and track record for shareholder value creation.

Sanjay has built this business in a methodical, textbook-like fashion. After being successfully entrenched with Maruti, he decided to diversify to other auto manufacturers. As he slowly gained access and market share with other suppliers, he also went into the replacement market. While his entry into Japanese manufacturers could be attributed to Asahi's excellent relationships, he gained entry into other multinational players like Hyundai as well as domestic manufacturers like Tata Motors and Mahindra on account of his high efficiency, cost and delivery standards. "We have a unique positioning of supplying to each and every player in the country". Soon he accounted for 100% of market share of Maruti as well as majority market share in most other car manufacturers. AIS now has a 90% share of the automobile glass market in India. As the company has been willing to invest ahead in capacity and technology, the launch of higher-end cars and strong growth of the car market only helped the company.

Figure 17

Customer mix for Asahi's automotive glass business unit (2005)



Source: CLSA Asia-Pacific Markets

AIS's 80-90% market share in the highly competitive Indian market is not accidental. Thinking and spending ahead of times has paid off handsomely. An example of this is its investment in laminated glass. Even though in 1993 the government indicated a move to 100% laminated glass by 1996, none of the automobile glass manufacturers took it seriously and invested. AIS, however started investing in technology (Rs130m investment) and plant as early as 1994 and this paid rich dividends later.

Sanjay's interests are completely aligned to AIS

His journey, like all entrepreneurs, has been filled with many challenges and opportunities. In the early 2000's, Asahi, Japan wanted to salvage its float glass business in India – which has been incurring losses since inception in 1995. All of Asahi's ventures in India with the exception of the one in collaboration with Sanjay Labroo had failed, therefore Asahi offered Sanjay Labroo to take over this company. To keep all his interests aligned with AIS, Sanjay accepted this offer but took the float glass venture within the folds of AIS.

While, the move into float glass manufacturing was a step-down in the glass value chain, it was a great opportunity for backward integration. So Sanjay decided to take on a task that Asahi's earlier trusted Japanese managers were unable to do. He then successfully turned around this float glass company and merged it with AIS.

AIS did not pay anything for the 75% stake of Asahi in Floatglass India (FGI) that it acquired. However, AIS inherited the debt burden of Rs4.5bn of FGI, a large chunk of which was from Asahi Japan. The Japanese company wrote off a portion, which brought down Floatglass' debt to Rs2.2bn. This company was soon merged with AIS to avail tax benefits of the Rs.3bn of accumulated losses on its books.

Impressive turnaround

FGI business was ailing not just on account of its financial worries but even operationally the company was very weak. The new management moved fast to streamline production. Plant's production rose from 22m sq metres to 32m sq metres. Operating margins of this plant have now risen to over 25%.

Branding glass

FGI operations were also plagued by weak marketing. AIS initially had to sell its floatglass at a 2%-5% discount to competition. This led to Labroo unveiling a common corporate brand, AIS and a high decibel corporate campaign. Benefits of this are visible now as all discounts have been stopped.

Sharing credit with team

The success of the FGI turnaround is highlighted by the fact that these capacities are now being expanded as domestic demand of floatglass continues to grow. Sanjay credits PL Safaya as the key person behind this turnaround. Safaya continues to be with the company in the position of director & chief operating officer (float).

Gut supported by research and facts

Unlike some of the other entrepreneurs in this report, Sanjay is not only a big picture guy. He believes in his gut, however, he wants his gut to be supported by research, facts and probabilities. When he started and set up this business, he went into every minute detail, a trait which is slowly changing.

Figure 18

Corporate milestones

Year	Milestone
1984-86	Incorporated as public limited company. Commenced construction of Auto glass plant in Rewari (North India).
1986-88	Commenced production/ sales of automotive glass (installed capacity: 0.26msqm). Recorded sales of Rs115m to its sole customer (Maruti). Equity IPO oversubscribed by ~7x.
1988-90	Toughened glass capacity expanded by 70% (to 0.44msqm).
1993-94	Set up laminated safety glass plant (capacity: 70,000 units).
1994-95	Expanded toughened glass capacity by 67% (to 0.74msqm).
1995-96	Laminated windshields capacity expanded to produce 0.75m units.
1996-97	Turnover crossed the Rs1bn mark. Toughened glass capacity increased to 1.14msqm.
1999-00	Sales turnover crossed the Rs. 2bn mark. Toughened glass capacity hiked to 2.1msqm.
2000-01	Laminated windshield capacity enhanced to 1.2m units.
2001-02	Asahi (Japan) transferred Floatglass India Ltd. (FGI) to Asahi India and post subsequent 'open offer', FGI became a subsidiary of AIS with 79.6% equity stake.
2002-03	Emerged as the largest glass company in India, with the merger of Floatglass India Ltd. becoming effective from Apr-02. Achieved turnover of close to Rs5bn.
2004-05	Completed scheduled expansion and commenced commercial production at the Automotive Glass Plant at Chennai. Enhanced capacity for tempered glass at Automotive Glass Plant in Rewari. Completed scheduled expansion and commenced commercial production at the Architectural Processing Unit at Taloja (Mumbai). Set up AIS Glass Solutions Ltd. to capture the value chain in architectural glass.
2005-06	The company is in the process of setting up a float glass unit with a production capacity of 700MT/ day at Roorkee (North India).

Source: CLSA Asia-Pacific Markets

Delegating responsibility

Sanjay believes in delegation. "I now have only nine people reporting to me and all of them are empowered to take 90% of decisions on their own. They come to me only for 10% of the decisions and in 90% of such cases, I agree with their decision. Thus only 1% of the decisions is where I override them." This according to Sanjay not only provides time to strategise and think but also empowers and motivates the business managers. This has been one of the primary reasons for his ability to retain talent.

Focused on glass

Glass has been the only focus area for Sanjay. He did not think of diversifying into any other auto component. He believes that there are enough opportunities in glass for him to continue to focus in his lifetime.

The acquisition of float glass business has provided an opportunity for Sanjay to further his ambitions in the Indian glass market. Glass penetration in India is low with per capita float glass usage 0.56 kg per annum, one-seventh of China, one-tenth of Thailand and one-twenty eighth of the developed countries.

With the ongoing construction boom in the country, float glass demand is also growing in double digits. Sanjay is not satisfied with this and is propagating increased use of glass in construction, residences and offices. He wants to dispel all the myths surrounding glass about its safety, energy consumption, heat/noise insulation levels that have limited the use of this material.

He has set up glass-processing capacities to deliver multiple varieties of glass, most of which are novel for the Indian market. He has also set-up a design company that is promoting and developing new uses of these products.

International quality, Chinese prices

He acknowledges that while he has been successful in the OEM as well as penetrating the market for replacement demand, exports has been a relatively weak area. This is primarily because of potential conflict of interest with Asahi. This too, he intends to correct. He recently got an order for

Ability to identify opportunities ahead of their time

Rs300m from Europe. "We can compete with most of the players in the world. Our costs are lower than most developed countries and can match the Chinese. Whereas our quality is comparable to the best in the world, and is much superior to the Chinese."

Sanjay is one of the most avid readers in our select group of entrepreneurs – "I read five newspapers a day, six magazines and about 60 books a year". He seems to have read a whole range of books from Greek history to fiction to management.

Sanjay does find time for his family. He enjoys playing football with his two daughters at the flood-lit courts at his bungalow.

CEO chat – Sanjay Labroo

Why did you not decide to join and grow your family business? How did the idea of automotive glass come about?

I wanted to do something on my own. That was very clear. So after my education, I started exploring areas and did a lot of study. To me it seemed, in 1984 that there were opportunities in four sectors in India. Automotive, Financial services, television and software. I had been living in America and could see what television could do and I thought financial services, basics like bill discounting etc because the banks were too constrained.

I ruled myself out of most as I did not have the proprietary knowledge or I didn't have capital. So in finding a proxy for these sectors, the area that looked really good was auto components because if you forecast the demand based on projections of car sales made by Maruti going up from 20 to a 100 thousand pa. Obviously you would need a massive scale up in capacity and in technology. There were areas where the existing leaders were just not responding.

So I did some research and I found out that in glass, the leader which had 95% market share was refusing to invest in technology or capacity and his view was that you will never need more than 10k units for which they have enough capacity. It was like a vacuum. So we stepped in and did a lot of research and we got to know that Asahi, which is world's largest glass company was also keen to come to India. We had a three party meeting and we made a deal that Asahi will provide the technology and the management will be provided by Sanjay Labroo. That's how the genesis of this thing started. We started in a very small way with Rs18.5 million equity – Rs4.4m of ours, Rs4.4m of Asahi, Rs2.2m of Maruti plus we went public and we took 5:1 debt equity and we started by just supplying to Maruti. That was how it came about. Our business has grown at a Cagr of 26% p.a. since 87-88.

What initial capital did you start with?

The requirement was Rs 4.4m for our part of the contribution, out of which half was put in by my parents and half by other friends and relatives.

What were the challenges that you faced on your initial journey?

There are phases in our journey. The first phase was to become a high quality, reliable supplier to Maruti, which we did very quickly. We displaced all the existing suppliers. This is a lesson in itself that if you have very high market share, don't take anything for granted. I keep telling people, we exist today because a 95% owner of the market became arrogant and complacent. We today have 85% share. Don't ever get complacent. Think beyond. Think what the customer might want two years from now and give it to him, today.

Diversified customer base beyond Maruti

Then government opened foreign investment in 1991. We took a conscious decision that we will cast our net wide and we don't know who the winner or loser will be, we might lose some but we will also get the winners. As the new players started coming in, first it was LCV makers, then it was some carmakers. We went to everyone and in every case we got the orders and some faltered and have disappeared which caused us huge losses. But some have really thrived including our existing customers like Mahindra, Tata and new customers like Hyundai, Toyota, Honda and GM. We are pretty much 100% to them – till today. So that was the next challenge - to go beyond Maruti and establish ourselves as nationwide OEM.

Investing in technology ahead of competition

Then the next challenge was a major technology shift because of the new CMVR, which became effective in 1996, which was to make laminated glass, which is a more difficult, more value added and more complex glass, which was mandatory for the wind shield. They gave a fair warning of it in 1993 and nobody responded again. We are the people who invested in 1994 to give us the learning curve. So in 1996, we were the only guys with laminated glass capability. So everybody came to us. That was the next big thing.

Asahi India was the only successful venture of Asahi Japan in India
What is the background of Asahi's takeover of Float glass?

Asahi by themselves came into India and did a joint venture with Tatas. It started in 1995 and it faltered and by 2001 it had lost Rs3bn. They came to us. We never went to them and they said –“We've had three ventures in India since 1956. Indo Asahi, Asahi India and Float glass. All have failed except Asahi India. So we figured out that this is a management issue and will you please take it over.”

We did a due diligence and felt that the asset quality is really good; it is just not being run properly. We could easily improve and we felt that it would be a really good backward integration for us because float glass is a key raw material into auto. As the environment became more competitive, if we didn't have our own float supply, we could be put under severe strain. At the same time there was this nervousness – “What if this thing doesn't work”, and how can we afford it because this company was as big as us.

Finally after the acquisition, we raised output from 22m to 32m. We raised prices, we raised quality, so over a five-year period, our sales went up 62%, and cash profit went up 400%.

Compared to the competition, what factors do you attribute to your success?

It is our customers who are the best judge. Customers evaluate us on quality, cost, delivery, development, management and rate us highly. Our costs are lower, our quality is better, and we do new models much better and quicker. Our management is much more responsive. People prefer to be with us because they are very satisfied and they feel very safe.

Customer service is key to Asahi's success

For example during the time of the truck strike, we spent Rs100m on air freighting material to our customers so that their line never stops. They realize and appreciate this. We could have turned around and said that we have a problem and you go and get it from Korea or Japan and they might have spent Rs800m doing that. What is far more important is that on a day to day basis, you meet the customer's requirements – you are just 1.5% of his cost.

Maintain focus on glass
Glass was an obvious beginning for you, but you identified auto as a theme. You never thought of getting into other areas of auto?

No, we never tried anything. I believe you should never outpace your capability. I am not an industrialist like Ratan Tata who can do 40 different things. I am a first-generation entrepreneur and I'm trying to build an organisation, which will last much longer than me. I really believe that it should outlive a single individual. I don't think I felt that I had the capability or the time or resources to look beyond what I'm doing right now. When I look at the next four years, I'm overwhelmed by the amount of work we have to do. I'm under pressure to deliver this. I don't want to dilute my resources or focus by looking elsewhere. One of my competitive advantages is focus that I can bring to this one small thing called glass. Maybe 40 years from now, they can look at other things.

Money is no longer a driving force for Sanjay
What if Asahi offers you a 100% premium to buy out?

I wouldn't sell it at 300% premium. My problem is that I don't have any monetary aspirations. I have very high needs, but my needs were met 7 years ago. I don't want anything else. For me the thrill that every morning I get up, I'm excited about this. I think we have a glorious opportunity, not because of Asahi, because of the country we are in. To do something for which we will be remembered for years. In our area we can create excellence. India is taking off. We have all those elements for success.

If I was to sell out at this time and get a lot of money what am I going to do? I might as well devote all my energy as long as I am still contributing. The day I become a negative to this organization I will walk out. It doesn't excite me to have certain large amount of bank balance.

High level of delegation
Are you a detailed planner or a dreamer? How is the decision making in your organisation – centralised or decentralised?

I was a very detailed, nuts and bolts man but I'm trying to make a transition because it is very important for the organization to have depth in management and massive amount of delegation of power. In our organization, I'm the CEO; I've three main COOs, which are Safaya, Arvind Singh of auto and Kunwar Narayan of Glass solutions and three more in the smaller companies. I have a few corporate function heads who report to me. These 10 people report to me. They have all the power except one small list, which is my reserved authority - Interaction with the customer beyond a certain level, certain legal issues or talking to the press or some change in employee policy or expenditure beyond a certain amount. 90% of the time they don't have to ask me to take any decision. 10% of the time they ask me and 90% times I agree with them. There is just 1% chance where I will say something different and I'll override. It makes people feel and act like owners.

Performance appraisal is fair and objective
How is target setting and performance evaluation done in your organisation? How do you keep people motivated?

The CEO sets the target based on whatever knowledge of the market he has. These targets are passed on to each COO who passes on the department heads and the whole organization gets integrated to these targets and they are broken down into contracts with each person. It is divided into two parts. What are you going to do on a daily basis and what are you going to do for a breakthrough. These things are evaluated every quarter. The employee sits across and knows how he is doing and he himself has formed those targets. At the end of the year he knows what he did right and what he did wrong and that the reward that he got was based purely on merit.

Sanjay has built a lot of camaraderie in Asahi

There is a sense, which prevails, that this is a fair organization. Everything is related to performance. There is a lot of camaraderie here right from the first day because I'm from Doon. I have institutionalised sports. People bond with each other. We wear the same uniform, same canteen. Not because of Japanese management, it's because of Doon school. Doon school was a great place for culture and equality and that is the atmosphere we are trying to create and I know many of them can get a job offer double their salary, as they are so capable, but they won't take it. Because they know eventually they'll earn more here as time goes by.

What is the biggest mistake you think you made?

The one mistake I made is that I didn't strengthen the organisation 2-3 years before. The structure that I described, I started late and because of that some people were ill prepared and they did not deliver on some milestones. I think it was an HR failure because of me. I think that is one mistake.

Gut feel should be backed by research

What is the importance of gut feel for you?

It is good for the start of an idea. I've a big problem about gut feeling beyond an idea. Sometimes when you don't have facts then you can go for it, but when people keep saying that my gut feeling is this or that, I lose my temper. Take a gut feel, give it a lot of importance, and research and come back with a plan. Then I'll respect you. If it is something totally new, it is ok to go with the gut feeling.

What books do you read?

I am a voracious reader. I read five newspapers a day - four Indian and one international. Two are business papers and two others. I read about six magazines a week. *The Economist*, *Business Week*, *Business Today*, *Business World* and *India Today* - and I read over 60 books a year.

I like reading fiction based on facts which are historical. I started reading Drucker again recently and some of his books are excellent. I've read a lot of Warren Buffett - I really admire him.

My Sunday is reserved for my family

How do you balance between family life and work life?

It is a problem. I don't touch my Sunday. My Sunday is reserved for my family unless it is a crisis. I forego many things so that I have time with my family. I don't go out, as much as I could whether it is business or socially. I try to keep as many evenings with my family. I restrict myself. That carves out space for me for my family, my parents and my friends.

My daughters have played soccer for Delhi State. I'm their soccer coach. I also have built a mini soccer pitch in my house with floodlights so that even at 9pm. I can play with them. I had the luxury to make these changes to give me the time. So whenever these soccer matches are there I will go if I'm in town. I make a huge effort and I enjoy every moment of it. Anything in life is not worth it if you are going to sacrifice your family for it.



Sanjiv Bajaj, Bajaj Auto

The best is yet to come

- ❑ The future belongs to those who dare – to consistently create value for all stakeholders through innovation, efficiency and customer delight – Bajaj aims to be one such company.
- ❑ It's still early to talk about my achievements. I have not achieved much till now.
- ❑ The only thing I missed doing is to learn to fly.
- ❑ The biggest challenge while driving change is how to create a belief within the team driving the change – this builds the right spirit and makes the process self-sustaining.
- ❑ We may not be able to predict market changes every time; however, our ability to react has become much faster.

Risk minimiser and a methodical planner is how one could describe Sanjiv Bajaj. At 36, Sanjiv is not a dreamer and focuses more on detailed information, analysis, and planning to minimise risk. That doesn't mean he's risk-averse. He is a strong believer in gut and risk-taking ability as key qualities for success. "It's still one third 'gut' but two thirds of information, data and discussions. When decision is backed up with sound data and analysis, you can take much bigger risks".

Despite his background, Sanjiv had a strict and disciplined upbringing, similar to any middle-class family. "My mother made sure that we had our feet firmly on the ground while my father used to tell us to be the best in whatever you do". Sanjiv was clear at a young age that he wanted to enter business rather than a typical 9-to-5 job.

Rapid change in India and Bajaj – huge opportunities

Sanjiv attributes a lot of his knowledge to the business fundamentals he learnt while doing his MBA at Harvard. "It (Harvard) teaches you to think, one learns from fellow students and is simultaneously exposed to different business scenarios through the case study method." After completing his MBA in 1997, even though Sanjiv toyed with the idea of taking up a large US-based venture capital firm's job offer, he was always keen on getting back to Bajaj.

Two terms training at Tata Motors shop floor

Background

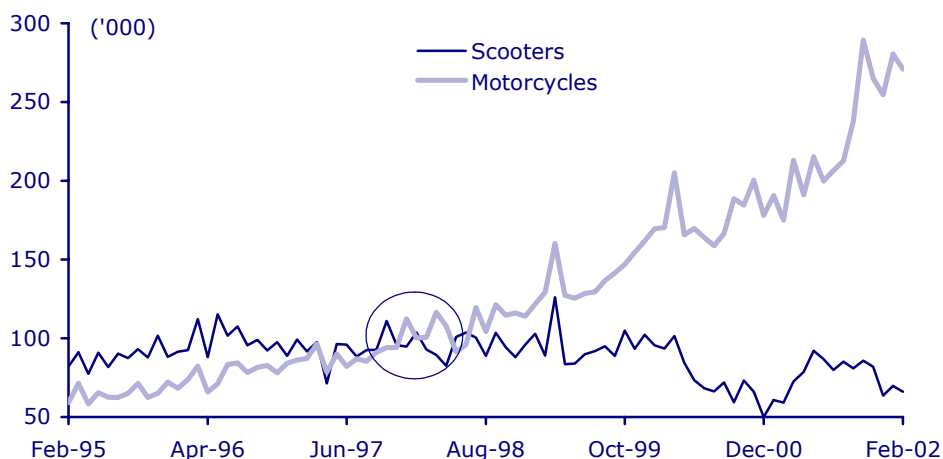
Sanjiv finished his school and graduate education in Pune. He completed his Bachelors degree in mechanical engineering (finishing eighth in Pune University) from College of Engineering, Pune, which included a one year "sandwich" course (shop floor training). Like elder brother Rajiv three years before him, Sanjiv spent two terms training at Tata Motors shop floor. After finishing his bachelor's degree, Sanjiv spent a year as a trainee in Bajaj before leaving for the UK to pursue a Master's degree in engineering and graduated with distinction. Sanjiv returned again to Bajaj to work in the operations team for almost two years and in 1995 went to Harvard for his MBA.

He has two children aged 7 and 4. His mother and wife are Maharashtrian and Father a Marwari. Sanjiv believes in God, but is "not so religious". Currently Sanjiv practices *pranayam* and also works out in his gym. While not an avid reader, Sanjiv is currently reading *The world is flat* by Thomas Friedman.

"There was so much change happening in India and I found that Bajaj Auto was in a situation that was changing very rapidly. I saw that there were tremendous opportunities to build Bajaj Auto from where it was then. Of course I missed out on the fun of living a life in New York but then it doesn't matter; you have to give up something to get something else."

By the time Sanjiv returned to join Bajaj, the Indian two-wheeler industry was in the throes of change as consumer preference was shifting rapidly towards motorcycles and Bajaj was caught napping. Sanjiv quickly joined Rajiv, and both brothers began the process of transforming Bajaj. While Rajiv was working on the production and R&D areas of Bajaj, Sanjiv took up the costing and financial aspects of the business. Changing decade-old systems was a key challenge, as was the prospect of two 30-year olds telling people almost twice their age to do things in a different way. Sanjiv cites costing as an example of the challenge.

Figure 19

Scooter vs motorcycle sales

Source: SIAM, CLSA Asia-Pacific Markets

Change is one of the most difficult tasks and both brothers scored well in awakening the sleeping giant. However, change was not forced on people. Sanjiv believes that the challenge in bringing about change is spreading the belief within the larger group involved thus, making any change more sustainable.

Sanjiv believes in focus. So during the tech boom, while many industrial houses diversified into IT/BPO space, Bajaj did not try anything direct in the IT/ BPO space. The only external initiative on the technology front for Sanjiv was to set up an Auto Exchange – along with Tata Motors, Maruti, M&M and others. However, they quickly realised the conflict of interests and gave up the idea. "To me it is not exciting to have five average companies; I would rather have two excellent companies."

Bajaj Auto went through a complete transformation in R&D, products, quality, and costs. It embarked onto a profitable growth trajectory with a firm focus on delivering customer delight. Sanjiv currently drives Finance, IT and the international foray of Bajaj Auto.

Bajaj largely missed out on the initial pick-up in motorcycle sales

Not exciting to have 5 average companies

**Bringing about a change
in Bajaj Auto****Background**

"Cost was an extremely confidential subject in Bajaj Auto. Every 'cost' file was marked CONFIDENTIAL and it was only shared with top management. However, I questioned the basics – if costs are incurred by people on the shop floor and they don't know the costs they are incurring, then how are they going to reduce it? So we created a system for capturing, analysing and controlling costs on the shop floor by the people there.

As a typical example, a drilling machine was breaking 10 drills a week. When this was discussed with the relevant worker and he realised that each drill costs Rs10,000 (his monthly salary!), he studied the problem, identified and corrected the play in the drill guide that was causing the tool breakage. Eventually from ten drills a week, we came to less than ten drills a month. Today a third of people in the costing department are engineers."

**Aggressive
international plans**

Bajaj's strategy of international expansion is among the most aggressive in the Indian Auto industry. "Why should the Bajaj brand not be as well known as the Honda brand? After all, we are the fourth-largest two-wheeler manufacturer in the world with a 5% global market share". While Bajaj is still No.2 in the Indian motorcycle market, their product positioning has improved significantly over the past. In the luxury segment (bikes priced at over Rs50,000), Bajaj's *Pulsar* is the market leader. The bikes contemporary design and efficient technology have been a hit among its target segment of India's fast-growing youth. *Pulsar's* subsequent variants have also done well (sales up 2-3x since launch), despite competition from Hero Honda and HMSI, indicating the popularity of the brand.

As part of a plan to establish a global footprint, Sanjiv's strategy is to initially focus on Indonesia – the third largest motorcycle market in the world after China and India. Bajaj will then follow this up with forays in other key Asean markets like Thailand and Vietnam. Bajaj has hired an ex-BMW Asian head, to spearhead its Indonesian foray. Simultaneously a foray is underway in Nigeria. The next step is to focus on Brazil and then China. 'In five years we should be in every large 2-wheeler market with a global market share of 10%' – says Sanjiv.

Sanjiv is modest to say that he has not much to talk about his achievements. "I do not have any significant achievements till date. Maybe in five years I will have something to talk about".

**Strict, middle class
upbringing****CEO chat – Sanjiv Bajaj****Can you tell us about your childhood?**

We were born in Bombay but grew up in Pune. We had a very strict and middle-class upbringing at school. The school we went to, and the colony where we stayed was next to the factory 25 km outside of Pune in Akurdi village. A lot of people from the top management from Bajaj stayed in the city because they wanted to send their children to more elitist schools or they found Pune city more comfortable. However, my father decided to stay next to the factory and we went to school with children of our workers and staff across all income levels.

So growing in such an atmosphere, it did not even strike us till the age of 14 or 15 who we were – and even then it meant nothing - we were still treated (and punished!) in school like everyone else.

Try to be best at what you do

My mother mostly brought me up since my father was travelling most of the time. Their only expectation from me was 'to be the best at what you do'. That was something I grew up with and I remember whenever there was an exam I tried either to get an A+ which was 90% or come first. Even if I came second or third that didn't matter - so it was not putting you down, it was charging you up every time to try and do your best.

You were always interested in working with Bajaj Auto?

We never had an explicit discussion during childhood about working in Bajaj Auto. It was quite the contrary; there was neither any expectation nor any assumption that just because you are the owner's son and from Bajaj family, you will automatically get into Bajaj Auto.

The flip side of it was that my father loved to talk about business and we enjoyed discussing it as well, so discussions often would be about business and politics and so we grew up in that atmosphere.

Wanted to be in business since 12

From the age of 12 I knew I wanted to get into business. I did not want to get into medicine because I hated cutting frogs in school; I also never wanted to do any artistic thing. The only thing I missed doing and want to do is to learn to fly.

Achievements based on merit

Where were you educated? What was your first role in Bajaj?

In 12th standard I had 92% in PCM & and with that I was just on the borderline of getting into College of Engineering, Pune in the Mechanical engineering field. I asked my father to talk to someone to help me get the admission. My father said that "I can talk, but I won't talk - whatever you get should be on your own merit". Well I missed getting into mechanical engineering but instead got into metallurgical engineering. The first year course is the same and there were five seats available at year end to switch to mechanical engineering. There were many students trying to switch but this time with a distinction in the first year I managed to switch.

I did my bachelor in mechanical engineering and stood eight in Pune University. As part of the four year course, one year ("sandwich training") of the course was actual factory experience at Tata Motors working in design and on the shop floor. After my degree I came to Bajaj Auto and started as a trainee here. I worked on the shop floor for about a year and went to England to do my masters in manufacturing systems engineering, graduated with a distinction and came back and again worked for a couple of years at Bajaj Auto before leaving for my MBA.

Rajiv did exactly the same thing three years before me

Rajiv did exactly the same thing three years before me. He came back from England and started a change process on the shop floor. He got a bunch of fresh engineers and put together a small group called the *streamlined manufacturing systems* group. Step-by-step they shifted the plant from a process based layout to a product based layout - cellular manufacturing, implementing lean manufacturing practices like JIT etc.

Then he moved on to something else and when I came I spent a couple of years managing this change, and essentially bringing focus to the cellular concept, reducing waste, and improving productivity. After that I went to Harvard in 1995-1997 and did my MBA.

Ability to think quickly
How was your experience at Harvard?

The main thing that Harvard teaches you is how to think. You do two or three case studies daily and most cases have no correct answer. Two people with completely different views can both end up doing equally well if they have thought through the case properly and presented their findings accordingly. Also, because of the amount of work load they give you, you have to think fast. You learn to decide what information to skip and what to focus on - it mimics real business situations quite well.

Breadth of exposure

The second benefit is that you learn from your fellow students and from your interactions over the two years because of the fantastic spread of capabilities. We had guys from consulting, manufacturing, and service companies, those that had come from fields as distinct as art and politics, we had fighter pilots, - and so the breadth of exposure you get is immense.

Large network

And the third benefit is that you become a part of one of the largest, influential and helpful alumni networks.

When I returned back to Bajaj Auto, Rajiv was well settled on the manufacturing and engineering side. So I decided to target the finance side, but from an engineering perspective - how can finance catalyse operational efficiencies and spur business growth, so that it is not treated only as an accounting tool.

After engineering or after Harvard why you did not start something of your own?

The time was 1996/97 - I did some job interviews on campus and got an informal offer from a consulting company and a venture capital fund. At that time I had to take a call since I was blocking jobs that many other students were trying for.

I wanted to be a part of the change at Bajaj

But I found so much change happening in India and at such a rapid pace that I decided to return and be a part of this change that was already on at Bajaj Auto.

I think I took the right decision overall. Living and working in New York would have been fun, but you always have to give up something to get something. When I came back Bajaj Auto was transforming itself from a scooter to a motorcycle company and there was an opportunity for me to play a role here. That's why I got into Bajaj Auto instead of doing something else in India. However, I moved away from my past engineering role and got into a very different one - finance.

What changes did you bring about at Bajaj?

In the first year I focused on cost management. We were measuring costs in the traditional way where the costing guy sitting in his office ran his spreadsheets and determined plant costs - completely theoretical. Every costing note was marked confidential and cost was something that only senior management discussed.

Brought cost control to the shop floor level

I found that completely odd since most costs occur on the shop floor and yet the manufacturing people were kept out of the costing process. If they weren't aware of their costs how were we going to reduce it? So we took a bunch of people from manufacturing and said let's talk about costs occurring on the shop floor.

Costs captured at the product level

We created a system for capturing and analyzing the major manufacturing costs like materials, tools, oils, power, and other consumables at the individual cell level where they actually occurred. Quarterly targets were set for each manufacturing cell to reduce the same and I monitored this across our Waluj and Akurdi plants monthly. We had a number of cost reduction projects going on simultaneously on the shop floor and a visual set of graphs displayed progress at each cell. We then institutionalised the process by creating a *cell-level cost management (CCM)* system. If you go to any of our plants you will see the cell members proudly explaining their cost reduction projects side-by-side with others relating to quality and productivity improvement.

For the first two years we actually built this system from scratch. We brought costing down from the office to the shop floor. Today one third of our costing department is made up of engineers who can relate to cost in engineering terms as well as in financial terms. This was one big change which we brought about.

The CCM process got integrated into our TPM system where cost is one of the major focus areas.

Again, at that time our product costing and profitability was focused on using basic accounting principles where you allocate costs rather than trying to capture them where they occur. With my finance colleagues we changed this and shifted to activity based costing that changed focus from the process to the activity and product.

It made product pricing more transparent and easily understood. We could now focus on individual product profitability which created strong focus on cost reduction and flexibility in pricing decisions.

I was also involved in changing our legacy IT systems to SAP, that is internet enabled for our dealers, suppliers – both domestic and international and our employees. The implementation was one of the quickest in India and we commissioned the new IT system exactly on the date planned a year earlier.

Did you plan to do anything in the tech sector during the late 90's and early 2000s?

We have always believed in focus. We should first become the best in what we do and then look at expanding from a position of strength.

We believe the opportunity for Bajaj Auto itself is tremendous – not only in 1999 but even today. What is Bajaj Auto outside of India? Other than in a few markets it is not known abroad - why should the Bajaj brand not be recognised and respected as well as Honda is today?

There is such a big opportunity to grow outside India – but for that we have to build world class products of impeccable quality and at competitive costs. If we lose focus we would become another average company. For me it is not exciting to have five average companies. I would rather have two excellent companies. This kept the distractions away.

What is the biggest challenge that you faced?

The biggest challenge is that when you are trying to drive change – to try and balance between doing what you believe, with speed, and building a movement that can translate the belief to a larger group of people to

Focus and growing from a position of strength

Making people understand and believe in change

implement. Today in a way our positions are enviable; we can push and get things done.

So sometimes we get impatient – the solution looks so obvious but others don't seem to get it. However, rather than force change I prefer to involve people in discussing, understanding and believing in the same - this process is slower initially but I believe more sustainable in the long run.

There are times of urgencies when you have to take your bet. But the risk is that the team may not be in it with you whole heartedly, till they actually see results. At such times the speed of implementation is key to success.

So, having the belief to do something is very important and yet that is not enough, you need to find a way to take the team with you.

At Bajaj Auto, many aspects of work were ready for change, but bringing that change was tough. Some people were coming in the way – not because they were negative, but because they were helpless – they were a victim of their past habits and unable to change.

There was a period you had to cut the vendors, people - so personally how challenging was it?

While I as part of the team involved, the main driving force for the people and vendor reduction was Rajiv. The first time we did it was difficult because I was 27 and he was 30-years-old.

I was not used to people coming and crying and saying that their family will go to the dogs. You could not tell them that their quality and costs had gone to the dogs. It was stressful initially, but in due course of time it became mechanical.

I work out in my gym, swim a bit**How do you spend your free time?**

I used to play basketball and even played for Pune University at the all-India nationals. Now, I work out in my gym, swim a bit, and am currently teaching my kids to skate and ride a bicycle!

Notes



Tulsi Tanti, Suzlon Energy

Riding the winds

- ❑ We do not aim to be number one. Once you are number one you are under constant pressure to maintain that position which leads to business mistakes. We would be happy with number two or three position.
- ❑ At Suzlon we think like Reliance, work like Tatas and strive to create values like Infosys. We work out the potential developments over next few years and start preparing for them now. We maintain a high degree of professionalism and ethics in our work.
- ❑ Think thrice if you need to, but once you are convinced about an idea go after it with a fire. I do not like to go step-by-step.

Tulsi Tanti's journey from an ordinary citizen to the fourth richest Indian, from owning a small textile company to the world's largest wind turbine company by market capitalisation exemplifies his dislike for the step by step approach. His rise has been in leaps and bounds and it took him less than ten years to reach where he is today – making it one of the fastest success stories in corporate India.

Tulsi's journey in wind power business began with a simple realisation in mid 90s. A realisation which in the hindsight appears too simple to have been ignored by big multi-national companies catering to Indian wind power market and other potential entrants in this market. However, Tulsi is clearly the only one who caught this opportunity by its neck and turned it into one of the most profitable wind power companies in the world.

Customer focus from the beginning

While installing a wind turbine for his textile company in 1993-94, to save on the ever rising power costs, Tulsi realised the high handedness of wind turbine suppliers and sheer negligence of customers needs. Tulsi was in the textile business which was highly customer oriented. In his words "When we sold one or two kilograms of yarn to our customer, we had put in plastic bags, pack it in a carton and send our person to deliver it to customer's premises. If there was any problem at the time of weaving our engineer had to go and sort out the problem. If there was a problem in dyeing the fabric we compensated the customer for it."

"My interest was engineering whereas my father's interest was in commerce"

Background

Tulsi Tanti (a Gujarati from the Patel community) hails from Rajkot in the state of Gujarat. His father used to run a cold-storage chain, cinema halls and was also into real estate. Tulsi was the eldest of four brothers. He completed Bachelor of Commerce and Engineering degrees simultaneously in four years. "In the morning from 7:30 to 10:30 I used to go to commerce college and 11:00am to 6:00pm I used to go to the engineering college. My interest was engineering, whereas my father's interest was in commerce." He decided to get into the textiles business in 1982-83. Coming from Gujarat in the 1980s Dhirubhai was the key inspiration. He started the business with Rs3m funding from his family, Rs1m from relatives and a loan from the Gujarat Industrial Investment Corporation, which he still appreciates because GIIC was willing take a risk and lend to a young entrepreneur for a new technology and for a new product. He faced significant challenges and the entire responsibility for he and his family fell on his shoulders as he lost his father in 1988. Tulsi stays in a 14-member joint family.

Spotted opportunity in poor customer service of existing wind turbine suppliers

His experience with wind power companies was an eye opener. "We were purchasing capital goods worth Rs15m but no body came to our office. Our people had to go to Chennai to negotiate. After a lot of persuading through meetings and phone calls they agreed to sell us one turbine. We had to pay up Rs5m as advance. With 30 days to go for the deadline for installation there was no progress. The supplier finally said that they would be able to supply the machine but we will have to take care of the installation ourselves. Since we had already paid up Rs5m, which was big sum for us at that time (we estimate that today Suzlon earns this amount in less than two working hours on an average), I sent some of my key people to understand the installation process. Finally we undertook the installation ourselves with the help of just one person from the supplier".

Tulsi acknowledges the support given by his wife

It was then, that Tulsi realised why wind power business was not doing well in India. On one hand, there was a need to freeze the power costs in ever increasing fuel price environment and on the other hand, there were significant incentives from the government and the tax breaks. Wind turbines could provide high double digit returns for investors with equity payback within a year or two. It was clear that wind power offered a huge untapped potential in the country - only if someone could replicate the service level offered to textile yarn buyers to wind power developers.

The realisation of the opportunity in the wind power business coincided with rising problems in the textile business. During this time Tulsi realised that even the innovative micro filament yarn business was not sustainable in the long term driven by the fact that the margins were low and power costs were extremely high and kept rising. He tried to diversify into furnishings and other associated areas of textiles. However there was no big success. During these times he used to live away from his family and travelled extensively - Surat, Pune, Mumbai and other places. He believes he did this for the family - "not only my wife but the entire family was my responsibility and therefore I had to make the sacrifice. My wife supported this completely without which no business would have been created". However, the past few years of his life have been more comfortable.

The biggest personal challenge in Tulsi Tanti's life was in 1988 after his father's demise and the responsibility of his entire family of three younger brothers as well as cousins came on his shoulder.

Not bogged down by global competition

Even after realising the big opportunity offered by the wind power business most people would have given up the idea of entering once they had realised the presence of global majors in the field, high technology barriers and the policy related risks. Global majors like Vestas, Micon, Enercon and others were all present in India during mid 1990s in this business. Also by definition, wind energy needs policy incentives - tax and others - to make business sense. Thus, state government policy is the biggest source of uncertainty in this business.

Taking calculated risks and planning is the mantra according to Tulsi Tanti - "We analyse things in great details, put down numbers and scenarios. Finally, one gets a feeling that things will be in a certain way and then I follow that feel. A lot depends on the gut feeling."

Being an Indian company with no prior experience of wind power business, Suzlon faced a major technology barrier. Tulsi was clear from the beginning that he did not want to enter into a joint venture with foreign company but

**Acquired assets of
bankrupt wind turbine
blade manufacturer
Aerpac in 2001**

wanted only technological collaborations. After a lot of search Suzlon finally got the initial technology from a small German company Sudwind. Later on the technology and people of this company were absorbed into Suzlon.

The big break came in 2001 when the world's second largest manufacturer of wind turbine blades – Aerpac from Germany went bankrupt. Tulsi Tanti saw and grabbed the opportunity and was one of the two acquirers of Aerpac's assets and technology (the other acquirer was erstwhile Enron, whose wind power business was later acquired by GE Wind).

Since then the company has not looked back. During FY02 to FY05 Suzlon's revenues have clocked a Cagr of 53% and profits a cagr of 148%. The company had started its business from the state of Maharashtra with manufacturing facilities concentrated near Western India. Over time Suzlon has spread its business in all the seven states which have conditions suitable for wind turbine installations. At the end of 2004 Suzlon was the largest wind turbine supplier in Asia and sixth largest in the world. We estimate that it would have moved up another notch or two by the now.

**Interest of costumers
– a top priority!**

"We have not made any major wrong decisions". However, the cyclone in Gujarat in 2002 was the biggest challenge faced by the company in its entire history. While wind blades can survive a speed of 230kmph, the wind speeds touched 250kmph and above during the cyclone and destructed wind mills of a number of companies. While insurance covered 85% of the amount, Tulsi decided to take up the 15% loss even though the contract did not require them to. "Move to absorb 15% loss generated tremendous goodwill and promoted the industry".

The company faced another crisis in FY03, when the Maharashtra government removed some of the incentives available for wind power. At that time Suzlon sold turbines only in Maharashtra. With the change in policy the wind power installations in the state fell from 209MW in FY02 to 2MW in FY03 and remained at low levels for next few years. However, Suzlon was able to turn around this threat into an opportunity to establish a pan-India presence and emerge as a clear market leader.

Suzlon did aggressive marketing and sales (with some turbines sold at deferred payment) to capture the market in Tamil Nadu and other states. With a good product and high customer orientation, within three years Suzlon became the number one wind power company in most states in India.

**Being No.1 promotes
complacency**

Tulsi Tanti does not dream of Suzlon becoming the largest wind-energy company in the world. "I don't want to be No.1, but No.2 or No.3 is ok. No.1 has various problems. It promotes complacency".

**R&D centres
located globally**

Globalisation is relatively a new phenomenon in India. Not many Indian entrepreneurs have thought of setting up facilities outside India. With Suzlon and Tanti, there have been multiple examples. Tulsi decided to set up its R&D facilities in Netherlands and Germany. Netherlands is the centre for development of wind turbine blade and Germany for the wind turbine generator. Tulsi decided to be close to the centre of activity to get the best talent.

<p>A very regular lifestyle</p>	<p>Habits/idiosyncrasies</p> <p>Tulsi is not a person who reads management-related books. His first preference is technical books. Next are magazines - financial as well as others. "We get 24 magazines at our office. Everyday before I go to bed, I pick up a couple and read for an hour or so".</p> <p>He is very regular in his lifestyle - wake up at 6:30/7:00, have lunch at 10:00 am, go to office after that and back home by 7 or 8pm. This is the secret of his health. "Touch wood, my health has been good, no BP, no cholesterol, etc. Our body is also a machine, a regular lifestyle and proper rest keeps it running. Also, I have learned not to take tension. If someone comes to me with a problem, I tell him to keep the problem aside and continue with what he is doing. Then the mind gets the time to think over the problem and after 2-3 hours you pick up the issue and try to solve it logically."</p>
<p>Believes Suzlon is at the beginning of the opportunity</p>	<p>In the current financial year Suzlon will launch manufacturing facilities in the US and China. Given the high cost for transporting wind-turbine blades (the blades are 33-50 metres long and thus difficult and costly to transport), it would make sense to have manufacturing facilities in the end customer's market.</p> <p>Tulsi oozes confidence and passion about this business. He says that he would not sell out even if an offer of over 100% came to him from anyone in the world. "Someone looking from outside may only see high market cap, but I can see the huge opportunity which lies in front of us and we are just at the beginning of that opportunity. Most people will find it difficult to believe the size of opportunity we see in this space."</p>
<p>Technology and R&D – focus areas</p>	<p>"India will supply over 60% of world's wind turbine requirement in next few years." Tulsi is very positive about India's role in the world wind power market. "The technology was invented in Holland, developed by Germany, commercialised by Denmark and India will play the volume game."</p> <p>When asked about his plans for Suzlon over the next 5-10 years he is clear that technology and R&D will be big focus areas for the company with focus on detailed design engineering and research on materials used for wind turbines. "We have set up only four R&D centres in Europe till now, the plan is to set up 24 over time. Today, I have some of the best technology in the world and my engineers are teaching in the US and China. It feels good".</p>
<p>Professionals to eventually run Suzon</p>	<p>Normally promoters are also involved actively in operations of the company. However, Tulsi wants to develop team of professional managers to handle operations of the company in 2-3 years and he would focus on growth strategy and supervision.</p>
<p>Doing business ethically</p>	<p>Traditional and Indian values is an attribute highly cherished by Tulsi Tanti. One of the reasons for exiting the textiles business was that with high taxes and power costs, the only way to make the profit was by improper means which Tulsi was not ready to do.</p> <p>Among his role models are Dhirubhai Ambani (for spotting the opportunities ahead of others and for thinking big), the Tata Group (for work ethics and professional approach) and Narayana Murthy (for not just making money but for creating a positive environment for employees, shareholders and others).</p>

Spotting niche opportunities

"If you just make money for yourselves without others growing then it is not good. You should also create an environment which helps others grow, which is what Narayana Murthy has done. So Suzlon in some ways is a combination of Reliance, Tata and Infosys."

CEO chat – Tulsi Tanti**Can you tell us something about your educational background?**

I was born and brought up in Rajkot. I graduated as Bachelor of Commerce and a Mechanical engineer simultaneously in Rajkot in a span of four years. My interest was in engineering but my father wanted commerce. So I did both. It has done a lot of good for me. If we are expert in just one field, then we are dependent on others. But having knowledge of both subjects has helped me.

Why did you not join your father's business?

My father was in real estate, cold storage and cinema houses. After I completed my graduation; I realized that my family business was not for me. It was only about investments. I could not have contributed much as well as utilized my engineering expertise and neither did it have growth potential.

Then I started to explore other avenues. During those years, Reliance was always a good starting point (in 1982-83). I started reading about things that Reliance was talking about - polyester, micro filament. I went to Surat to understand how the textile sector works. We understood that cotton etc was a conventional industry. Polyester was a new field. Within that also there was a niche market for synthetic fibre which is close to the natural one.

How much was your initial investment and where did it come from?

It was Rs4m initially. Rs3m was my family investment and rest from relatives. My first debt finance was Rs6.5m from GIIC (Gujarat Industrial Investment Corporation). At that time it was good amount for GIIC also to give a new entrepreneur for a new business.

What made you to change over to wind energy?

We started the textile business in 1982. We did the business for 10 yrs. The biggest disadvantage of the industry was that it was evolving fast and technological obsolescence was high. The margin was falling and was Rs5-7 per kg yarn. The power costs were high. So this was a business of low margins with high power cost. We couldn't compete globally.

Pro-actively looking for opportunities to stay competitive

And also because of the high excise and taxes, you had to do business off-track in order to make money. That was against our family values. So we wanted to back out and focus on something else that was sustainable, where we can innovate something.

Doing business off-track against family values

We started exploring ways to lower the power costs. Key objective was that power costs shouldn't go up. Then after a lot of reading, we found that wind power is most suitable. You can freeze the costs. Then I purchased 2 windmills for my textile unit from Vestas.

Even when I purchased the windmill for about Rs15m, nobody came to me to sell. My person had to go and negotiate. After the talks and the phone calls they agreed to give a machine after being paid in advance.

End-to-end solutions to drive penetration of wind energy

Customer satisfaction is primary

They promised the delivery, but backed out on installation and infrastructure. Then I had to get my team, comprising my brother, to go to the site. We commissioned the machine within 30 days. They gave one person for assistance. Then I understood why the wind power industry was not doing well in India, in spite of the fact that industries needed power. On top of that tax benefits were there. It was lucrative. That's when we decided to enter into this field.

How did you view the opportunity in wind power?

We realized that windmills were a good opportunity. I realized that if I can make my company cost effective and viable by using windmills, then why not make the whole country powered with wind energy. That was the motivation. I did a lot of study in Europe. Technology was only available in Europe. I went to at least 8-10 turbine manufacturers. We started with basic objective of getting technical collaborations. Besides Vestas, Enercon and NEPC Micon who were in India there were 7-8 companies in Europe. However, nobody was interested in giving technology.

After months and months of searching, we came across Sudwind (small company), a company run by four engineers in Germany. They had good technology and they were under financial stress. So we did a technical collaboration and we started selling the product in India. The original company went bankrupt in three years. We took them on our board and started a branch there. They are still with me since the past nine years. They are R&D heads. One is a mechanical and one is a electrical engineer.

India was not geared up for installation and post delivery works. So that became our focus area. We want to give end to end solutions.

What would you rate as your biggest failure?

Not a failure but we have been through difficulties. The Gujarat cyclone destroyed 24 of our turbines. That was a big setback for the business. It stunted the growth. We did not know if we would survive; whether people would buy windmills or not.

Normally wind turbines are designed to withstand wind speed of 220km/hr. During the cyclone, the wind speed touched 250km. No one predicted this.

Fortunately, turbines were insured and 85% of amount could be claimed from insurance companies, we bore the loss of remaining 15%, though contractually we were not required to bear any losses on behalf of our customers. But our thinking was - what if the customer loses faith in the industry and stops buying wind turbines? Company philosophy is that in an event of a loss to the customer, we have to take care of the customer and share the losses. We did it to maintain the trust and sustain the customers so that they don't run away from the industry.

Any actions or decisions that you regret?

No. Nothing like that. I am quite a proactive person. Any decision is taken based on calculated risk and only after detailed analysis. We take calculated risk. Even intuition helps.

Converting negative situations into opportunities**In the past five years, did you ever feel as if your business was at risk or you had a tremendous challenge to face? How do you handle such situations?**

Our planning includes detailed analysis of circumstances and situations. I am never stressed or under tension.

If someone comes to me with a problem, I just keep it aside. And pick it up later. Then we go through detailed analysis and solve the problem.

We have always converted negative situations into opportunities. The cyclone for instance was a negative situation. But it has given a new dimension to our business. These customers will remain with me for years.

Who is your role model?

I do not follow anyone blindly. I take the best of the best. Dhirubhai, because I too started with textile. I learnt from him the power of vision. If you see an opportunity in advance, then you can capture that. Later there would be multiple players and everyone can see the opportunity. I have tried to practice that. Second is *think big*. Don't go for small scale and small size. Think thrice if you need to but once you are convinced about an idea go after it with a fire.

I also admire the Tata group. A lot of values they have are very strong. I would want that in my company. Think like Reliance and work like Tata group.

I also admire Infosys' Narayan Murthy. He has created lots of good values for the people. He has skilled people to such a level that the world recognizes their competence. He has created very good value for the shareholders. It is a good gesture. If I want to make money only for myself, it is not real growth. Grow the environment around you. These are the three people I admire. So Suzlon is a combination of Reliance, Tata and Infosys.

Do you have strong gut feeling about situations which you rely for taking decision?

Yes. I do very clear analysis. I forecast the situation. How the market will be, the demand, the area, the surplus, bottlenecks etc. I do the analysis annually on my own as well as take external advice. In 2008 if I foresee something, I will go for it. Fortunately my gut feeling has not gone wrong. Personal experience and feeling also helps.

What do you attribute your success to?

Highest contributor is analysis. We think through various scenarios and market conditions, analyse where the opportunities are, where the opportunities likely to be and where will the gaps be. I am very strong at this. I convert them into numbers and commercialise it. Anybody can dream. But you have to convert the dreams into reality. After the calculation and after applying various discounts, it becomes a zero risk and then I go for it.

What is your message to young entrepreneurs?

I notice that today's younger generation wants to do things quickly, they want fast money. I believe rather than just focusing on fast money, focus on fast growth is better. They should put in hard effort with good ethics and values.

Properly analysed decisions are almost zero risk

Constraints as opportunities

They should not get diverted very easily. If you believe in one target and feel that it will work out, then even if it is going to take 10 years, its worth going after it, rather than diversifying and going with fast money expectations. That also creates personal dissatisfaction.

This would even be a problem even with your employees? How do you manage? How do you motivate them?

In India, we believe that our real wealth is our people. Because that is a key resource for growth. We have excellent talent in our country.

I treat my employees as family members, rather than employees. I try to give them some knowledge base and some directions when they need. Take care of their families as a whole than just them as employees. They are your organisation's family.

What do you see ahead? What is your biggest challenge?

India's power demand is rising at a rapid pace. While we have been falling short of our targets for adding conventional power, the addition of non-conventional power has become significant (1200 MW in 2005). It proves that Wind power has becoming parallel to main source of power and wind sector is contributing to growth of Indian power sector.

The size and scale of the business is going to be big in India. However, there are a lot of constraints in our country. For us these constraints could actually turnout to be opportunities. If a competitor is not able to operate efficiently because of some problems, we see this as an opportunity.

We are excellent in crisis management. Any situation that others think is non-achievable; our team is successful in achieving it. We may not be good at a 'normal' situation where there is lot of time available, to achieve results.

Human resources – a challenge

For the business that is growing, you can build the products and facilities. But you also need to grow people who will manage it. For bigger and bigger plants, you need more an experienced people. This industry does not exist in India. So we have to train the people. Knowledge is not available and not taught in colleges and books. So we are investing a lot of time in growing people. It is time consuming process. It is not like producing 1,000 engineers in a machine.

Finding and training the right people is a challenge. We can manage everything else. The only challenge is to grow the people at the same rate. Last year our employee strength was 2,200 and today is 4,500. By March it should be 6,000 and next year 12,000.

At this rate, you could become the world's leading wind energy company?

We are not interested in the No.1 position. Maybe being the second and third is better. It is risky being number one. You have to maintain the position. The stress and pressure drives you to make mistakes. When you are at the top, how far can you go? There are no targets.

If you want to sustain a growth for longer term then second and third position is best. If you are on the second position you have a drive.

It is risky being number one

Confidence in product capabilities**Where do you see your company in the next five years?**

India's growth will slow down. Infrastructure is the key limitation here. We have to do integrated projects in India. Our major focus is to develop strong, reliable and highly cost competitive technologies. In Europe, we expect to have 12 R&D centres. Today we have four. We are doing micro level engineering, composite and raw material and process engineering- not just turbine designing. We are integrating other industries technologies with ours. I want to put Suzlon on the map of the world. Within a few years I want to see the best turbines coming from India.

Why not set up the R&D centres in India?

The expertise is not available. Whatever composite material India is using, it is different. We do have right kind of engineering talent in India for our needs. We have 150 engineers. But a lot of knowledge exists outside India.

Are the European and other players ahead of you in technology?

No. As of today, no one. None of the companies have better products than us.

What is your typical schedule of a day?

I wake up between 6:30 am in the morning. I don't have any breakfast and straightaway have lunch at 10:00 or 10:30. Then I go to the office and come back by 7-8pm and then dinner. The past five years the systems and processes have fallen in place, which has made managing things a bit easier.

Notes



Vijay Mallya, UB Group

King of good times

- ❑ I run my own world because I very firmly believe that my destiny, my future is in my hands, and I don't want to blame anybody else for the path that I take.
- ❑ On being asked if he would like to be called the Richard Branson of India, his response was he would like if Richard is called the Vijay Mallya of UK.
- ❑ Vision should be practical, it should not be a pipe dream, it should reflect the highest of aspirations, yet it should be firmly grounded in reality.
- ❑ Many people get frustrated in a regulated environment. However, we have mastered the art of being successful in a highly regulated regime.
- ❑ I am a taskmaster with a heart.

Thrives in an overly-regulated environment

"You can do many more things in a lifetime" says Vijay Mallya. And justifiably so – after having worked at American Hoechst Corp (now Aventis) in US and Jenson and Nicholson in UK, Vijay Mallya worked through the extreme regulatory environment to create the second largest spirits company in the world, and also recently launched the airlines business. Vijay Mallya is also the Chairman of Aventis India as well as Bayer CropSciences India. He was also elected as Member of Parliament in 2002. Other than profit organisations, Mallya has also promoted – Mallya Hospital, Mallya-Aditi school, Vittal Mallya Scientific Research Foundation Bangalore. You indeed can do many things in a lifetime.

During this journey, Vijay Mallya has gone through various M&As – some of which have been successful and others which have not been (Best and Crompton). Working in a highly regulated market is not easy however, Mallya has his way of doing things "The liquor industry in India is heavily regulated and politically intertwined. I have always come out on top. I have built relationships over the years. I know how to thrive in an overly-regulated environment".

"Flamboyant" is an understatement for Vijay Mallya with Paintings (a 1969 Picasso hung in his drawing room in the house), Antiques (Vijay Mallya was recently in news for buying Tipu Sultan's sword for Rs10.6m), horse racing, Kingfisher calendar, yachts being his lifestyle trademarks.

Elected chairman of United Breweries at the age of 28

Background

Vijay Mallya spent his initial days and schooling at Calcutta. He graduated from St Xavier's college in Calcutta in commerce. He worked for American Hoechst Corporation (now Aventis) in the US and with Jenson & Nicholson in the UK. Since 1980, he assisted his father, then chairman of the UB Group in managing the important brewing and spirits divisions and in re-launching the Kingfisher brand of beer. Vijay Mallya was elected chairman of United Breweries at the age of 28 following the demise of his father in 1983. Vijay Mallya is also the chairman of Aventis Pharma India as well as the chairman of Bayer CropScience in India for over 20 years, in addition to his chairmanship of several other corporations. Vijay Mallya was conferred a Doctorate of Philosophy in Business Administration, by the Southern California University, Irvine.

He has three children and launched Kingfisher Airlines on his eldest son's 18th birthday.

Though his lifestyle has always remained flamboyant, success has not been easy for Vijay Mallya. Liquor is a dirty word in India and is subject to extreme and sometime irrational regulation – primarily state subject with each of the 29 states having different regulation for the industry. Added to this was the fact that UB group was involved in many businesses from liquor to engineering, each of which had its own set of problem. Vijaya Mallya was also facing intense pressure from his corporate rivals and was pulled into various legal battles.

Mallya's biggest achievement till date is to keep up the "spirits" when the business was going through these challenging times. Vijaya Mallya went through a series of mergers/de-mergers and divestures to restructured UB group in more focused entities.

Vision – firmly grounded in reality

Vijay Mallya believes in dreaming big. However, he thinks "Vision should be practical, it should not be a pipe dream, it should reflect the highest of aspirations, yet it should be firmly grounded in reality."

Focus on changing needs of the consumer

Focus on consumer and his needs have been central for Vijay Mallya in all the businesses that he is in. Even in a product market where dealing with regulation and distribution were the success factors, Vijay has never taken his eye off the consumer. "I am in the FMCG market. I have taken pains to understand my product and the relationship with the consumer." Vijay believes that one of the most important reasons for failure of consumer companies is not focusing on the changing needs of the consumer. "Consumer needs are continuously changing and evolving. We have a continuous programme of understanding the consumer. We monitor the evolution of products and match it with evolution of the consumer and his needs."

A firm believer in innovation

Vijay is a firm believer in innovation and strives to achieve differentiation through innovation. Innovation in packaging, brand equity and consumer pull, trade push, quality, product etc. "One of the important components of vision is Innovation. You should create an innovative differentiator which others cannot copy".

Full service airline at true value

Vijay's Mallya's vision about airlines is unique. His vision is to offer consumers brand new aircraft to fly, in-flight experience that they have never experienced before, frequency, routes, connectivity etc and using technology to offer affordable fares. Though UB Air was originally launched in 1992, it was shut down because the environment was not conducive to offering what Vijay had in mind. So Kingfisher Airlines is Vijay's second coming in the Airlines business and this time the airlines is exactly what Vijay Mallya had in mind. And this objective was to offer something that cannot be replicated and what consumers want, ie "a full service airlines at true value".

Taskmaster with a heart

Running such a complex organisation and a diverse business empire is not possible unless first, the leader is capable and second, he is supported by able managers. "I lead from the front. I don't sit in an ivory tower and make others work. I go and visit the same retailers and go on the production line. I empower my people. I let them take decisions, and forgive even if they go wrong. I am a taskmaster with a heart". And this is visible from the attrition rates. Most of the senior people in the group have been with Vijay Mallya for years.

**Involved in business
from college days**

While Vijaya Mallya had his string of successes he believes the acquisition of Best and Crompton an engineering company was a mistake. He was not able to turn around the company in the face of stiff labour-related problems. Ultimately the company was sold off.

CEO chat – Vijay Mallya

Can you tell us something about your education, and when you got into business?

I passed out of La Martinere in Calcutta after my senior year at Cambridge in 1973 and in the six months gap before results were out my father put me in the business to work as a trainee. I was sent to Bihar and UP, etc as part of the training. I then joined St. Xavier's in Calcutta for my Bcom exam. Lectures were 6am to 1030 everyday, after that I'd go straight to the office and work a full day. So, I was thrown in the deep end from a very young age.

Vision has to be practical

What do you base your vision for UB group on?

Vision is the fine balance between the practicality of a dream on one side and the reality of being able to achieve it on the other side. Vision should be practical, vision should not be a pipe dream, it should reflect the highest of aspirations yet it has to be firmly grounded in reality. Having said that, I don't mean to suggest that people should be conservative.

Vision must reflect reality, vision should be aggressive, vision should be designed principally to outperform the market and outperform the competition and at the same time should be achievable.

**Vision is based on
consumer understanding**

I am in the fast-moving consumer product business. I have taken a lot of pain to understand my product and my product's relationship with the consumer of my product. This is not a matter of just buying and selling or just vanilla marketing. I look at a consumer product, particularly a product that is consumed, as having a relationship with the person consuming that product. I therefore believe that brands are not things that are inanimate; I think that brands are like animals, brands have life. It is important therefore to constantly reinforce the relationship between the brand and the target group. Once you have succeeded in establishing a relationship between the brand and the target group, you can then look at various other research led numbers to see how your target group will expand, how consumption patterns will evolve and therefore you can sit back with all these different ingredients and say I have a vision.

How does your brand strategy evolve?

We have a continuous program of understanding the consumers because those who do not focus on understanding the consumer will never get it right. Consumer's needs are often changing and evolving which immediately puts pressure on any company manufacturing FMCG products to change with the evolution of the consumer's needs.

**Vision evolves with
changing consumer
expectations**

In my group, we trace the evolution of my own products and I evaluate them against the evolution of the consumers needs. What was ten years ago will never be ten years hence. Indeed what was ten years ago is very different from what is today. Just yesterday I was reviewing one aspect of my brand portfolio and I looked at that same brand what it was 20 years ago, ten years ago, what it is today and what we are doing today to revamp the brand, to cater to the changing expectations of the consumers for the next ten years, this is the process of evolution and change.

A-380: Innovative way of solving parking problems
People are the most precious asset
Stable senior management – truly empowered
Task master with a heart
Leading by example
How important is innovation in your business?

What is it that differentiates us from others? I believe one critical element of vision is innovation and I am a very firm believer of innovation whether it is innovation in packaging, in brand equity and consumer pull, in generating trade push, in the product itself and quality of the product.

The airline, of course, has a bit of history. I was the first to launch an airline called UB Air, but I shut it down because the environment was not conducive.

But it is not a foolhardy business any longer with 27% growth in passenger traffic in one year. Yes, it is capital intensive but it is the only business where the assets are moveable. If an aircraft is not flying in India, it can fly in Australia. It makes for a good business case.

My vision was brand new aircraft, a never seen before in flight experience, connectivity, frequency, all this and use of the modern technology to cut costs and be more efficient. Never before in the history of Indian aviation history has any airline offered an in flight entertainment system for every passenger on board, there are individual TV screens for everybody.

Kingfisher ordered a number of A-380s, where will it land in India?

A-380s are not only going to land but the Airport authority of India has actually built five dedicated parking spaces for A-380s, two in Mumbai, three in Delhi which are going to be ready by June 06. I have applied for all the five parking spaces, I have five 380s. Ours is the only Indian airline that has ordered A380s and now I don't have parking problems also.

Your level of responsibility is quite large from the number of companies you handle; so the employees become a very important factor in terms of running businesses. What is the most important factor in keeping them motivated?

I have publicly stated on many occasions and I continue to state that people are our most precious asset. You may have the best technology, the best hardware, best software, all the money in the bank, but if you don't have good people, you are stuck. So I have focused on people a lot over the last 20 years. I am very happy to say to you that senior management-wise, UB has perhaps no attrition, or the lowest attrition among any company in India.

You take all the people, who are heading our big businesses, they have all been with UB group 20 years plus, reporting to me. I give them the ability to make judgements, to make decisions, and I empower them truly. I encourage them to take decisions, I guide them and forgive them if they take a wrong decision, in other words I have removed the fear out of them and have empowered them.

The second thing is that I have given huge rewards for performance and the third thing is that they know that I am a very hard task master but a task master with a heart.

Do you have a hands-on approach to managing your businesses?

I lead from the front. I don't sit in an ivory tower in my office and make others work, I lead from the front. I go down to the streets, I go and visit the same retailers to do what the salesman is doing, I will go to the same manufacturing unit and sit on the same production line as somebody else is doing. I also have some rules - I don't keep a piece of paper on my table for

"I became the biggest brand ambassador"

more than 24 hours - so whatever be my work load - I will sit in the office and clear the whole bunch before I go to sleep. And people have come to appreciate this that if I make them work hard, I work hard as well.

You are often perceived as having a larger than life image because of your flamboyant lifestyle?

I could not advertise, I had restraints and constraints and over-regulation everywhere so at the end of the day I lived the brand, I became the biggest brand ambassador myself and that was exciting. To be able to build a brand that denotes lifestyle and today lifestyle is very relevant for modern India. All youngsters today want lifestyle, they want to wear good clothes, they want to spend on food, drink, entertainment - so a lifestyle brand like Kingfisher is all the more relevant. What I started 25 years ago will be far more relevant for the next 25 years.

Looking back, what is one mistake you made which you shouldn't have, or a decision which could have been taken otherwise?

When I acquired Best & Crompton Engineering. That was one acquisition that I couldn't make work because of the culture of the people in that company and the diversity of the business was so complex that I couldn't make it work.

Ultimately performance counts

What were the key challenges you have faced over the years?

When I took over UB after my father died, I was a youngster. I lived like a youngster - I liked fast cars; I liked to go to horse races, etc. I did things which other people never did; they were lot more conservative so whole press campaigns started about me being a playboy, partying too much, etc. and that I would drive UB bankrupt. As a result, the banks got very nervous so UB could not access funds very easily, it became a big problem. I tried to be as convincing as I could but the bottom line is that the company performance spoke for itself. As much as the media used to bash me and try to put me down as a playboy, the company's performance kept growing better and better. Ultimately performance counts, so that is where I have been focusing.

"Work is what keeps me going"

How do you manage your time between work and family?

Everybody around me realises that my work is what keeps me going, that is the single most important part of my life, so I have enough space, nobody bothers me. My eldest son is at a university in England, my daughters are in America. They are growing up - so I like to see them but the good point is that for three months in the year during summer they come to India so I try to spend as much time with them. It is easier for me, otherwise travelling back and forth to the US takes a lot of time so I now try to go once a month to see them and during that time I also have a look at the US business.

Apart from business, you have political interests as well. Do you think it is wise to mix business and politics?

I really wish for the sake of India that many more youngsters, many more people from business would get into politics, that's when you will really start seeing big changes in this country. The trouble with career politicians is that most tend to be corrupt because their only means of livelihood is politics. Somebody like me needs nothing, I have my business and everything so I will not take anything out of politics or take advantage of being in parliament.

Appendix 1

Market capitalisation in India is spread across over 15 sectors

Name	Market cap (US\$m)	FY07 PE (x)	Name	Market cap (US\$m)	FY07 PE (x)
Autos	24,678	17.1	Petrochemicals	23,594	10.5
Tata Motors Ltd	5,609	16.7	Reliance Ind.	22,157	10.6
Bajaj Auto	4,739	18.1	IPCL	1,437	9.6
Maruti	4,620	16.9	Pharmaceuticals	16,494	21
Hero Honda	3,824	16.1	Sun Pharma	3,129	21.1
M & M	2,753	19.5	Ranbaxy	3,209	21.9
Bharat Forge	1,987	31.6	Cipla	2,983	21.4
Ashok Leyland	829	12.8	Glaxosmithkline	2,301	25.6
Punjab Tractors	317	12.6	Dr Reddy's	1,779	20.5
Banks/financials	48,253	11.7	Wockhardt	1,140	18.1
ICICI Bank	11,665	15.8	Biocon Ltd	1,068	16
State Bank	10,782	9.3	Aventis	885	22.4
HDFC	7,041	20.2	Power	5,357	16.9
HDFC Bank	5,080	20.2	NTPC	20,961	14.4
PNB	3,204	7.2	Reliance Energy	2,859	20.4
Canara Bank	2,079	5.8	Tata Power	2,026	17.7
IDFC	1,753	17.9	CESC	473	10.7
UTI Bank	2,086	15	Software	66,473	22.5
Bank of Baroda	1,585	7.7	TCS	17,812	23.3
OBC	1,467	7.4	Infosys	17,284	23.5
Corp. Bank	1,137	8	Wipro	15,927	26.1
LIC Housing	375	7.8	Satyam	5,433	18.8
Cement	9,432	15.7	HCL Tech.	4,373	21.6
Grasim	2,977	11.4	I-Flex	1,931	25.7
Gujarat Ambuja	2,754	19.5	Patni	1,337	15.4
ACC	2,265	15.5	HCL Info	918	11.7
UltraTech	1,437	27.3	Mphasis-BFL	596	13.4
Capital goods	17,234	20.7	Hexaware	349	12.8
BHEL	8,750	18.6	Polaris Software	300	14.2
L&T	5,585	24.6	Mastek	211	12
ABB India	2,155	28	Telecom	19,084	18.9
Cummins Ind.	743	16.7	Bharti	14,584	19.1
Consumer	27,118	22.9	VSNL	2,458	22.8
ITC	12,433	21.5	MTNL	2,042	13.7
HLL	9,258	25.9	Media	1,479	18.6
Nestle India	2,084	23.6	Zee Telefilms	1,479	18.6
Asian Paints	1,281	23.4	Others	5,816	15
Tata Tea	1,190	18.3	Jet Airways	2,196	17.4
Colgate	872	20.9	Concor	1,938	14.3
Metals	12,135	8.4	Pantaloon Retail	794	36.5
Tisco	4,538	7.7	Arvind Mills	440	9.2
Hindalco	4,139	9.1	Ballarpur Ind.	448	10.1
Nalco	3,458	8.7			
Oil & Gas	66,484	9.2			
ONGC	40,161	9			
IOC	14,425	9.2			
Gail	5,366	11.5			
BPCL	2,993	8.2			
HPCL	2,432	8.6			
Castrol	686	17.2			
Gujarat Gas	420	19.1			

Note: CLSA Coverage. Source: CLSA Asia-Pacific Markets

Other sectors

Housing material/inputs	Tyres
Hindustan Sanitaryware	MRF
EID Parry	Apollo
Cera	CEAT
Kajaria Ceramics	JK Industries
Murudeshwar	Balkrishna
Property development	Power Cables
Unitech	Finolex
Ansal Property	Nicco Corp
Mahindra Gesco	KEI
Fertilisers	Agro Chemicals
Tata Chemicals	Monsanto
Zuari Agro	Syngenta
Chambal Fertilisers	Bayer CropSchice
Indo Gulf	Excel CropCare
Construction	Textile Machinery
Valecha	Lakshmi Machine Works
Era	India Card Clothing
Shipping and related	Gems and Jewellery
SCI	Goldiam
Bharati Shipyard	Rajesh Export
Dredging Corp	Vaibhav Gems
Consumer Durables	
MIRC Electronics	
Whirlpool	
Hitachi India	
Sharp India	

Source: CLSA Asia-Pacific Markets

Appendix 2

Brief snapshot of companies covered in this report

Company	Started by/ current promoters	Year of incorporation	Promoter holding %	Current mkt cap (US\$m)	Promoter net worth (US\$m)	5-year sales Cagr (%)	5-year profit Cagr (%)
M&M	Anand Mahindra	1945	24.2	2,643	639	13.4	13.6
Vedanta Resources / Sterlite	Anil Agarwal	1979	79.7	2,557	2,038	23.4	25.8
Reliance	Dhirubhai Ambani	1966	46.8	27,550	12,879	37.5	26.2
Sun Pharma	Dilip Shanghvi	1983	71.8	2,812	2,019	21.7	34.3
Balaji Telefilms	Ekta Kapoor	2000	41.8	235	98	57.8	56.0
Crompton Greaves	Gautam Thapar	1937	38.1	897	342	5.7	na
BILT	Gautam Thapar	1945	38.9	405	157	6.0	20.8
Financial Technologies	Jignesh Shah	1995	47.7	1,272	607	161.4	na
Biocon	Kiran Mazumder	1978	65.3	1,097	716	58.9	101.1
Pantaloen	Kishore Biyani	1987	43.1	1,013	436	51.6	32.1
Infosys	Narayana Murthy	1981	19.7	18,230	3,593	51.9	45.2
TV 18	Raghav Bahl	1993	28.6	182	52	25.5	19.2
Sasken	Rajiv Mody	1989	24.8	232	57	26.1	8.8
Asahi India	Sanjay Labroo	1988	55.5	321	179	25.7	52.9
Bajaj Auto	Rajiv/Sanjiv Bajaj	1945	29.8	4,499	1,340	13.2	4.9
Suzlon	Tulsi Tanti	1995	69.8	5,715	3,988	65.8	64.1
UB Group	Vijay Mallya	1952	40.0	1,198	479	21.9	na

Source: CLSA Asia-Pacific Markets

Appendix 3

Theory of entrepreneurship

There are two theories about how entrepreneurs develop – One theory suggests that entrepreneurs are born, not made - certain people have the personality traits that make a good entrepreneur. Several research studies have shown that entrepreneurs are convinced that they can command their own destinies, or in the jargon of behavioural scientists, the "locus of control" of the entrepreneur lies within himself. This leads to entrepreneurial success.

On the other hand, another theory suggests that entrepreneurs emerge out of the combination of entrepreneurial opportunities and people who are well-positioned to take advantage of them. Thus, anyone who encounters the right conditions might become an entrepreneur, if they find themselves in a position where they find a valuable problem that they alone can solve.

Entrepreneurship is innovation applied to a business context

What is an entrepreneur?

According to Joseph Schumpeter, the renowned economist of the early 1900s, an entrepreneur is the innovator who implements change within markets through the carrying out of new combinations. The carrying out of new combinations can take several forms:

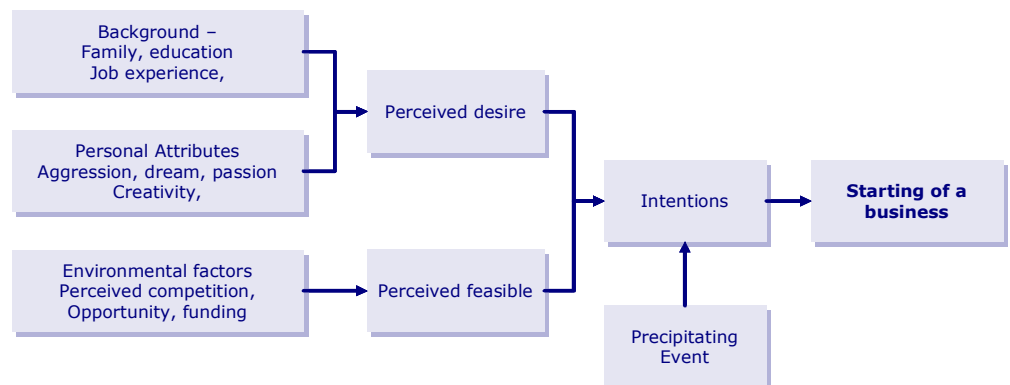
- ❑ the introduction of a new product or quality,
- ❑ the introduction of a new method of production,
- ❑ the opening of a new market,
- ❑ the conquest of a new source of supply of new materials or parts,
- ❑ the carrying out of the new organisation of any industry.

Schumpeter equated entrepreneurship with the concept of innovation applied to a business context. As such, the entrepreneur moves the market away from equilibrium. Schumpeter's definition also emphasized the combination of resources.

Precipitating event critical for starting of a business

While it's difficult to devise a framework which explains all aspects of entrepreneurship, various research papers broadly outline factors which contribute to the start of a business.

From intention to action – A conceptual framework for entrepreneurship



Source: CLSA Asia-Pacific Markets

A high level of drive and energy**Various qualities that entrepreneurs typically possess:**

1. A high level of drive and energy with passion for what you do
2. Enough self-confidence to take carefully calculated, moderate risks
3. The ability to get others to work with you and for you productively
4. High but realistic, achievable goals
5. The belief that you can control your own destiny
6. Readiness to learn from your own mistakes and failures
7. A long-term vision of the future of your business
8. Intense competitive urge, with self-imposed standards

Environmental factors are important contributors to business success . . .

While these are personal attributes which definitely increase the chances of success for an entrepreneur, various environment factors also play an important role contributing to the success of a business.

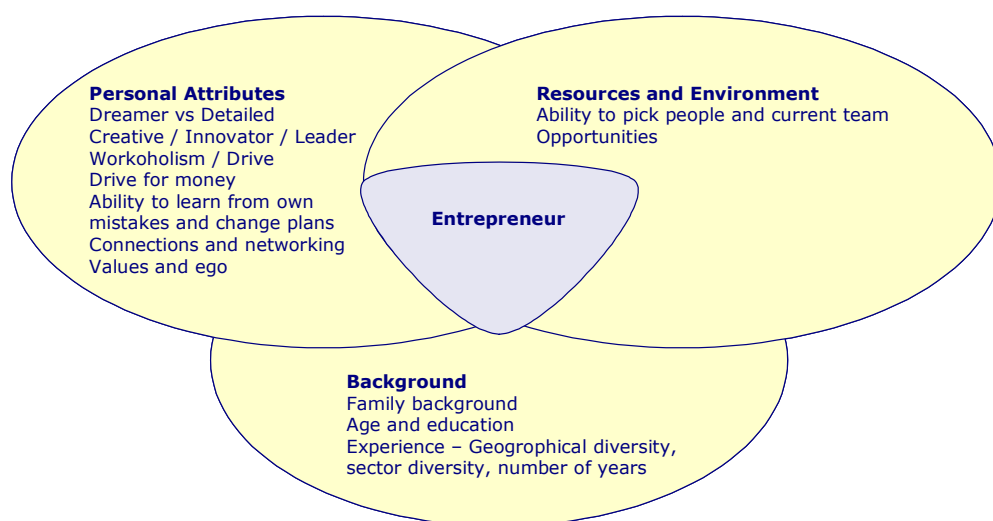
Thus in India while there could have been many businessmen with the right background as well as personal attributes, environmental factors such government regulation, competition, policy, and product changes may have led to these businesses not being successful.

. . . but personal attributes make the difference

On the other hand, environment may have been conducive and the entrepreneurs may have got an excellent background, however, the businesses still were not successful. Which implies that the only difference were in personal attributes.

IT industry is a classical example

A classic example of the above is the Indian software industry. The environment was highly conducive for growth. India was an obvious destination for outsourcing, however, only a handful of companies have made it big – Infosys, Wipro, TCS, Satyam etc. There are hundreds of companies promoted by the best brains with the best educational background which were not successful or only moderately successful.

Multiple factors contribute to success**Factors contributing to the success of an entrepreneur**

Source: CLSA Asia-Pacific Markets

US most conducive for entrepreneurship

Among the global economies, the capitalist culture of the US is most conducive for entrepreneurship. Conducive business environment, availability of early stage funding, availability of infrastructure and support services has made the environment extremely conducive for an entrepreneur to concentrate and focus on his core competencies and outsourcing everything else.

Three companies founded by Wayne are included in the Fortune 500**The US entrepreneur**

Wayne Huizenga. The Wayne Huizenga story is one of unprecedented achievement for turning business vision into business reality. He is the only person in corporate history to be responsible for six companies listed on the New York Stock Exchange and to have founded three companies which grew to be included as in the Fortune 500 group. Wayne created the global leader in waste management, Waste Management, Inc. as well as the third largest US. waste disposal company, Republic Industries. Additionally, he created Blockbuster Entertainment, the global leader in video entertainment, created AutoNation, the country's first and world's largest public automotive dealership, and was the owner of three professional sports teams. 2005 World's Entrepreneur of the Year award by E&Y went to Wayne.

Excessive regulations and poor infrastructure limited entrepreneurship

India too has an entrepreneurial conducive environment and culture. However, several factors have limited entrepreneurship. The licence-raj before the 1990s, government regulation and interference, lack of availability of early stage funding, underdeveloped support services have been some of the factors limiting entrepreneurship.

But succesful businesses have been built despite this

This has, however, not deterred many entrepreneurs to successfully create businesses in India. Dhirubhai and Narayan Murthy are two such icons who successfully created businesses. These two individuals are icons of their field. Everyone knows the story of the petrol pump attendant who has created one of the largest single location refineries in the world – Dhirubhai Ambani; seven people who became icons of offshore services with the 'mentor' being the driving force and keeping the team charged up even when everyone else had given up – Narayana Murthy.

While Narayana Murthy had the advantage of being at the right place at the right time, however, so is true for multiple companies that were set up during similar time as Infosys. But other companies have not kept pace and are now fraction of size of Infosys. It was clear in the late 1990s that India, with all its advantages – the Y2k and internet story, had all the ingredients to become the software outsourcing hub. But only Infosys and a few other companies were able to take the full benefit.

Dhirubhai was not deterred by the licence Raj

Dhirubhai had the courage to dream big. Even when India was under the licence Raj, banks were not keen on lending to new entrepreneurs and there were no examples of Indian companies with global scale, Dhirubhai decided to build a refinery which would be among the top five in the world. Undertaking massive projects, acquiring competitors and getting the best deals became the name of the game for Reliance Industries.

Notes



Notes



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