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OUTLOOK Business

102 Father-Son Prism

Adi and Pirojsha Godrej, Onkar and Neeraj Kanwar and Anji and Satish Reddy on India before and after 1991.

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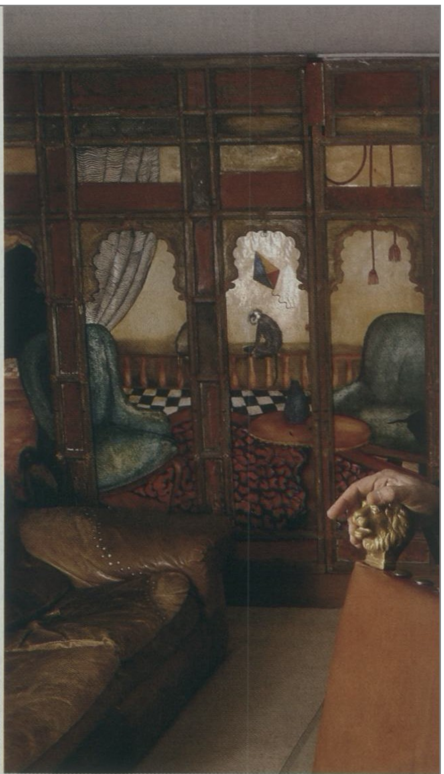
Passing Down The Wisdom

THREE FATHER-SON DUOS OF VENERABLE BUSINESS FAMILIES SHARE LESSONS LEARNT FROM THE LIBERALISATION ERA.



ABHIJEET BHATLEKAR

Aiming For The Sky

The father laments over the slow pace of reforms, while the son is confidence personified.

Adi and Pirojsha Godrej couldn't be more unlike each other. The father measures his words carefully before speaking. The son speaks in staccato sentences. One honed his business skills in the suffocating environment that was the Licence Raj and learnt the importance of patience. The other has cut his business teeth in post-liberalisation India, and he's a man in a hurry. But both are single-minded in their desire to take the Godrej Group places.

For Adi Godrej, the new India is like a breath of fresh air. He recalls how it used to be back in his day: "Pre-liberalisation, the growth rate was low, at about 3% to 5%, and population growth was high. So, per capita income remained low." The Licence Raj was a major dampener on industrial growth. And the socialism bug ate into the competitive spirit of Indian industry. In particular, the Monopolies and Restrictive Trade Practices Act, 1969, was a dreamkiller. "Companies with a turnover of ₹20 crore were not allowed to grow more!"

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“FIRMS WITH A TURNOVER OF ₹20 CRORE WERE NOT ALLOWED TO GROW MORE!

—ADI GODREJ
CHAIRMAN, GODREJ GROUP

“YOU JUST NEED A GOOD PRODUCT AND A GOOD BUSINESS MODEL.

—PIROJSHA GODREJ
ED, GODREJ PROPERTIES

PRIYAM DHAR

It was a time of waiting periods and trunk calls. Communicating with the company's Delhi office alone was a complicated affair, recalls the elder Godrej. He quotes Winston Churchill to summarise the way things were: “The inherent vice of capitalism is the unequal sharing of blessings; the inherent virtue of socialism is the equal sharing of miseries”. The Godrej Chairman elaborates further by drawing a comparison with the two superpowers of the day: “The Indian economy was so depressing that every time we came back from the US, we would wonder why India could not be like the US. However, when we returned from the [erstwhile] USSR, we would thank God that we were not like them!”

Pirojsha, fortunately, didn't have to experience the socialist era, having come of age in post-liberalisation India. That perhaps explains his exuberance. A business can do really well “if you have a good product

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and a good business model," he declares.

In the old days, continues the father, Indian businessmen could only dream of doing business overseas. In the last 20 years, the world has turned upside down. Now, he says, any company planning to expand globally receives the necessary clearances quickly. And that's seen Indian companies make their presence felt on the world stage.

But Godrej Sr is not happy with the pace at which liberalisation is proceeding. The loss of momentum has proved costly, he says, pointing out that India's gross domestic product was higher than that of China and Korea in 1947. Now, Korea is a developed country and China is on a high-growth trajectory, while liberalisation in India has hit a plateau, he laments.

Among the changes he thinks are still needed is the implementation of Goods and Services Tax (GST). "The GST will solve lots of problems. There will be a cascading effect—it will bring down inflation and reduce the fiscal deficit. It will also result in a GDP increase of 1.5% to 2%," says the father. The strange part is that the very political parties that support GST when in power, oppose it when out of government, he adds, with a wry smile.

Apart from liberalisation, the most important item on the government's agenda should be education, he insists. He wants emphasis on technical skills too and not just university education. "There is no unemployment in the country, only unemployability," he opines.

Working with the next generation has been a learning experience for him. "I get more insights from my children, who have grown up in a liberalised milieu," says the patriarch. By the time his grandchildren are in their 40s, they will be in an affluent India, he feels. "My father is thrilled to be still leading the company now. He wishes he was younger," adds Pirojsha with a smile. Pirojsha has honed his business acumen under his father's careful tutelage. The latter, in turn, has opened up to softer skills like marketing and appealing to a younger demographic under the influence of his children. With their combination of youth and experience, they hope to take Godrej to the top of India Inc. As Pirojsha says: "Now, the sky is the limit"

—Ajita Shashidhar and Michael Correya

Rolling Across The World

The firm changed its product mix and focused on indigenous technologies.

The fortunes of the tyre industry are inextricably linked to those of the automobile sector. For decades, both stuttered along in India. But liberalisation saw the auto sector take off, recording stellar growth year after year. The tyre industry rode happily on that demand, helped by the easing of controls by the government. Liberalisation also led to Indian tyre companies spreading their tentacles overseas.

Apollo Tyres is one Indian tyre company that has made the most of liberalisation. It has come a long way under the stewardship of Onkar Kanwar and his son Neeraj Kanwar, who have seen the transformation of the sector up close. The father steered the company through the pre-liberalisation days and later masterminded the acquisition of sick PSU tyremaker Premier Tyres. "Premier was right next to us [in Kochi], so I thought I can't let anyone invade my own area. We had to fight with Ceat for over four years to get Premier," he recalls.

Son Neeraj has been helping the company take on competition from global tyremakers such as Bridgestone, Continental and Goodyear in overseas markets. M&As are much easier now, he says. "To invest in companies outside is much easier because of the relaxed government policies." Under his direction, the company acquired Dunlop South Africa in 2006 and Dutch tyremaker Vredestein in 2009. "We are competing with the biggest tyremakers in the world."

> "THERE WAS ALMOST NO MARKET FOR CAR TYRES. EVERYTHING WAS RATIONED.
>
> —ONKAR KANWAR
> CHAIRMAN, APOLLO TYRES

From just one plant in the 1980s, Apollo today has eight manufacturing plants in three countries. It has approximately 16,000 employees in India, South Africa and Europe. About 40% of its revenues come from outside India. The product mix of the company has seen an overhaul after liberalisation set in. "Back in the 1980s we decided to concentrate only on commercial vehicle and agri tyres. There was almost no market for passenger car or scooter tyres. Everything was rationed, India was making only 50,000 passengers cars," says Onkar Kanwar, reminiscing.

Since the economy opened up, the company has also been making car and truck tyres. "New cars came in requiring radial tyres. We started making radial tyres for cars in 1995 and for trucks in 2005," says Neeraj.

On the technology front, the father was a champion of indigenous technology. "We had tied up with General Tires (an American company) for technology. But we realised their technology was suited for the US and not for India. So, we developed our own R&D," he explains.

On the other hand, the son has been leveraging the Vredestein ac-

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quisition. "We produce high-end winter tyres for Europe, so that technology is available from Vredestein," says Neeraj.

Onkar Kanwar is now also eyeing the healthcare sector, having set up Artemis Health Sciences. Neeraj, though, is not looking beyond tyres at the moment.

Currently, Apollo is a $2 billion company and the world's 17th largest tyre maker. "By 2015, we want to take turnover to $6 billion and be among the top 10 tyre makers globally. So, I am not looking at anything other than tyres," he declares. In that quest, he is looking at inorganic growth in overseas markets.

—Deepak Goel

Such A Long Journey

Dr Reddy's began as a bulk drugmaker. Today, it straddles the entire pharma value-chain. The Reddys look back.

Dr K Anji Reddy's first brush with entrepreneurship—he had just left state-owned IDPL and started Uniloids—began well before India embraced liberalisation. It was a time when raising capital and red-tapism were the biggest challenges for an entrepreneur. "Financial institutions would queue up to fund large industrial houses but funding small entrepreneurs was practically unheard of. It was only government institutions like IDBI, APSFC and APIDC that were willing to bet on ideas and startups," he notes.

When he approached IDBI for funding, Reddy had high hopes as the government had just introduced the concept of the 'technocrat entrepreneur'. After being tested by IDBI's ad-hoc committee, he was sure things would go well. He couldn't have been more wrong. "I would go to the IDBI office in Chennai and wait from morning to noon, answering questions that the officer concerned would post, come back at 3 pm and repeat the same exercise. And this continued for a few days until I was fed up and reported the matter to the general manager and got things done finally," recalls Reddy.

All that changed once the economy opened up. Today, millions of dollars are waiting to be invested given the right opportunity. So much so that it is impossible to imagine a company without a global presence. Son Satish Reddy says companies today also have access to overseas capital.

Earlier, companies could raise capital either through local financial institutions or the Indian public market. As the economy opened up, companies started tapping the European financial markets and then the US capital markets. "Indian firms now have a global investor base. This has

"INDIAN COMPANIES NOW HAVE A GLOBAL INVESTOR BASE.

—SATISH REDDY
MD AND COO, DR REDDY'S LAB

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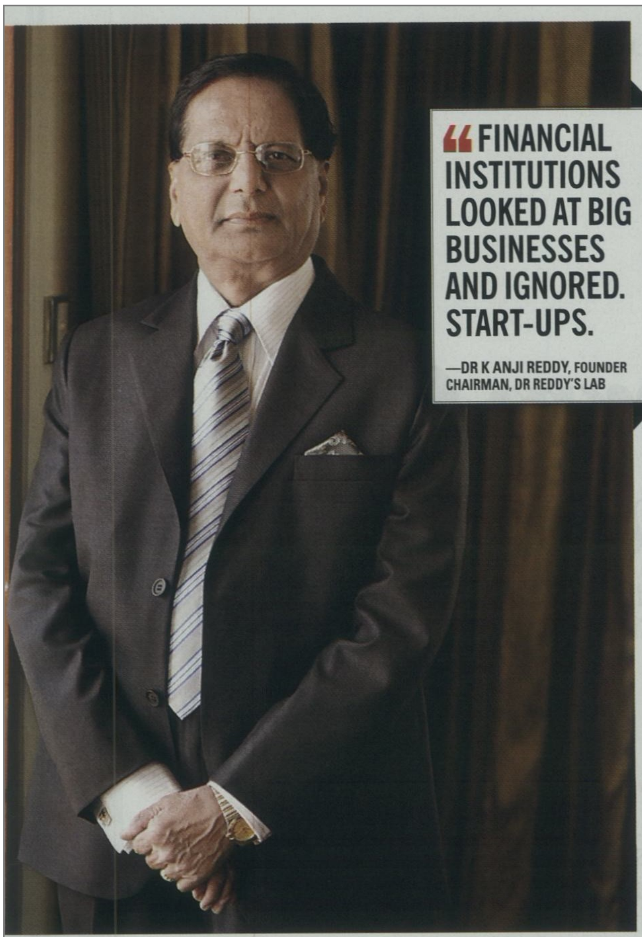

"FINANCIAL INSTITUTIONS LOOKED AT BIG BUSINESSES AND IGNORED. START-UPS.

—DR K ANJI REDDY, FOUNDER CHAIRMAN, DR REDDY'S LAB

meant greater visibility globally and the ability to raise funds at a lower rate and from a broader base than in the past," explains Reddy junior.

Dr Reddy's Laboratories' GDR issue in 1994 allowed it to tap into foreign funds in Europe. This was followed by the listing on NYSE in 2001, the first by an Asian pharma company outside Japan. The reforms process not only helped Indian companies go global for funding but also to sell products.

Satish Reddy says pre-liberalisation, Indian firms were inward looking, tapping opportunities that existed in the domestic market. International markets were not on their radar. But abolishing controls as part of the reforms process and the introduction of various schemes to encourage exports had led to Indian companies going global.

This had a huge impact on the pharma sector as well. "We first started looking at the developing markets where the patent laws allowed us to sell products and subsequently entered the highly regulated and developed markets of North America and Europe. Our revenues from international operations went up from 40% in 2000 to over 80% now," says Satish.

He adds that going global also helped dispel the perception that 'Made in India' products were cheap and of low quality. "Exporting to developed markets and conforming to their high regulatory standards elevated the image of 'Made in India' products. Today, India is considered a global hub of high-quality, affordable pharmaceutical products," he asserts.

For the elder Reddy, quality was always the top priority, even in the pre-liberalisation years. "Very early on we started supplying Merck and that was the biggest certification of our quality. They would not have touched our product if it did not equal their standards," he says. This gave the company the confidence to go in for a USFDA certification in 1987, paving the way for it to start selling in the US.

Changes made in India's patent laws in the 1970s by then prime minister Indira Gandhi's government helped the domestic pharma industry make low-cost, high-quality drugs and put medicine within the reach of the poor. Says Dr Reddy: "I remember we launched the blood pressure tablet 'Enam' at ₹1.20. It was sold at $1.20 in the US and we could have priced it at ₹12. But who could have afforded it?" Today, the man has another dream—of seeing new drugs being developed out of India.

For Dr Anji Reddy, the sight of a Japanese ice-making machine in one of his labs symbolises liberalisation like nothing else. It was practically impossible to import one in the old days, he explains. "I started our discovery research programme in November 1993 and was surprised to spot one being put to use by my scientists."

As for the younger Reddy, it's a date—April 11, 2001—that's symbolic. "That was the day our founder rang the opening bell on the NYSE." It marked the evolution of a company that started as a bulk drug producer and went on to expand across the entire pharma value-chain.

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