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GODREJ 2.0

ADI GODREJ OUTLINES GROUP GROWTH ROADMAP, STRATEGY
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INTERVIEW:
HASMUKH ADHIA
"GST not to stoke food inflation"



INTERVIEW:
AJAY SHRIRAM
"Competence alone will drive family businesses"



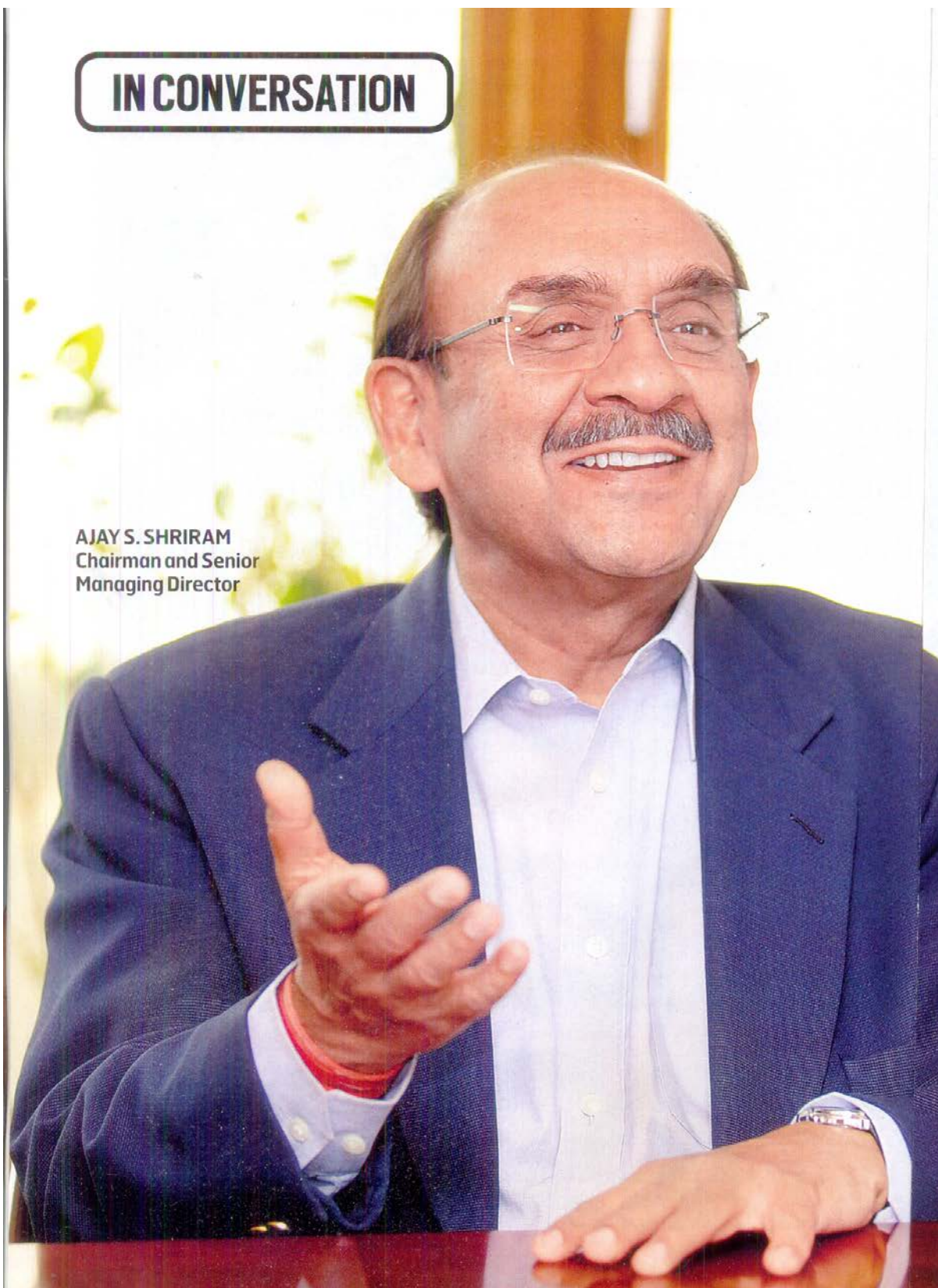
Kalyan Krishnamurthy
"100% of big innovations here have come from us"



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IN CONVERSATION

AJAY S. SHRIRAM
Chairman and Senior
Managing Director



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The three leading lights of the Rs 6,050-crore DCM Shriram Group — **Ajay S. Shriram** (Chairman and Senior Managing Director), **Vikram S. Shriram** (Vice-Chairman and Managing Director), and **Ajit S. Shriram** (Joint Managing Director), in a freewheeling conversation with **Suman K. Jha**, open up about their various businesses, the future of family-owned businesses and the succession plan, among other matters. Excerpts:

'COMPETENCE (ALONE) WILL BE THE DRIVER FOR FAMILY-OWNED BUSINESSES'

There has been expansion in all the verticals you have. What are you doing to regain the pre-eminent position you once occupied?

Ajay Shriram: We have to go back in history. In the 70s, the DCM group and the Shriram family were among the top 10. Around 1980s, between '87 and '89, we went through a bit of problem within the family. In '88, the restructuring of DCM into four companies started. It was done in the most dignified, harmonious and cooperative manner.

It coincided with the time the P. V. Narasimha Rao and Manmohan Singh-government brought about a change in Indian economy in 1991.

We were under lot of stress. We had Swatantra Bharat Mills in Delhi that was losing Rs 20 crore a year, for the last seven, eight years, with a workforce of over 7,000 people.

In our Kota complex, the cash flow was so tight, we had to stop the operation of the fertiliser plant because we didn't have money to buy naphtha at that time.

For the first five-six years, we spent time in terms of moderating how we could actually get our group together. The textiles business was taken care of, cash flow issues were addressed, and we went stage by stage.

You are talking about the 1990s. The '91-'96 period...

Ajay Shriram: Within this period, two, three learnings came. One, that we were not in any rat race, and so, we decided to run a stable, sound-operating company. Second, we realised the interest meter never stops ticking. We wanted to do things at our pace and what we were comfortable with. Where we could build our credibility, trust and reputation. As they say, top line is vanity and bottom line is reality; it is our philosophy. So from the point we started operating, we have been through a 25 year journey. We have our learning experiences. We have taken the issues of starting new businesses and closing them, as part of the learning manage-

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ment. And I think, as a group, our top management team, along with our family, we have taken decisions that are in the best interest of all stakeholders.

We started Haryali Kisan Bazaar — the first organised rural retail setup. We had almost 300 outlets. We were paying over Rs 10 crore a year to buy diesel to run diesel generators to have power in our outlets, so our computer systems could work. Our entire billing and pricing was done on the computer. Nothing was done by hand. Now Rs 10 crore was going there, plus there were logistic problems. So we decided to take it to the board. After a long debate, we said, let's shut down the business. We were losing money for two-three years. So I think we keep reviewing where we stand and move on a consistent path of growth.

Vikram Shriram: In the last 25 years, our growth statistics show that we started with Rs 6 crore and our CAGR has been between 17 and 18 per cent. We started with a net equity of 7:1; that was our first balance sheet to the bank. People were not willing to touch us. Today, thankfully, we are well below 0.5:1 and that is our total debt. So basically, times have changed and norms have changed too. But from our first four-five years, we have learnt that when in a tight position, it is better to gain growth, respect and take things step by step. It is not wise to say I want to be no.1, or 2 in all situations. So being relatively conservative and maintaining solid cash flow, maintaining solid balance sheets, accounts, businesses to enable cash flow in the business is good.

Ajay Shriram: To add to this, I will give you examples from the early '90s. Swatantra Bharat came from DCM. They had debt with the bank. After the split, it came to us. At that time, it was losing Rs 20 crore a year. The bankers we met, we gave them our plan of working on a restructuring 2 year plan

for textiles. We told them we will be happy if you come over every quarter, study our plan, see how we are going viz-a-viz our plan, and we will share exactly where we are and what is the position of our plan. So they know exactly what's happening because we didn't want to build the reputation by keeping someone else's money. We said "you please come". They came. They were coming to us every quarter, having discussions, looking at our plants, books, looking at the way things were proceeding. After that, in three-four years everything was settled. They came back to us and said they will give us more money, that's important.

Second example is Swatantra Bharat Mills again. We had 7000 people and 13 unions. We were the largest employer in Delhi. Every shift 2,000 people were working around in the factory. When we started losing money, we started a dialogue with all unions. We met all the unions and put the facts on the table. This is the position, this is the condition, and unless we jointly come to a solution, we cannot sort things out. You will not get paid. We won't like that to happen, but we don't have a choice. We showed the account books of last five years. We went and met Madan Lal Khurana, the then chief minister of state, and other political parties and said this is the fact, let's work jointly.

We started with a net equity of 7:1. People were not willing to touch us. Today, we are well below 0.5:1

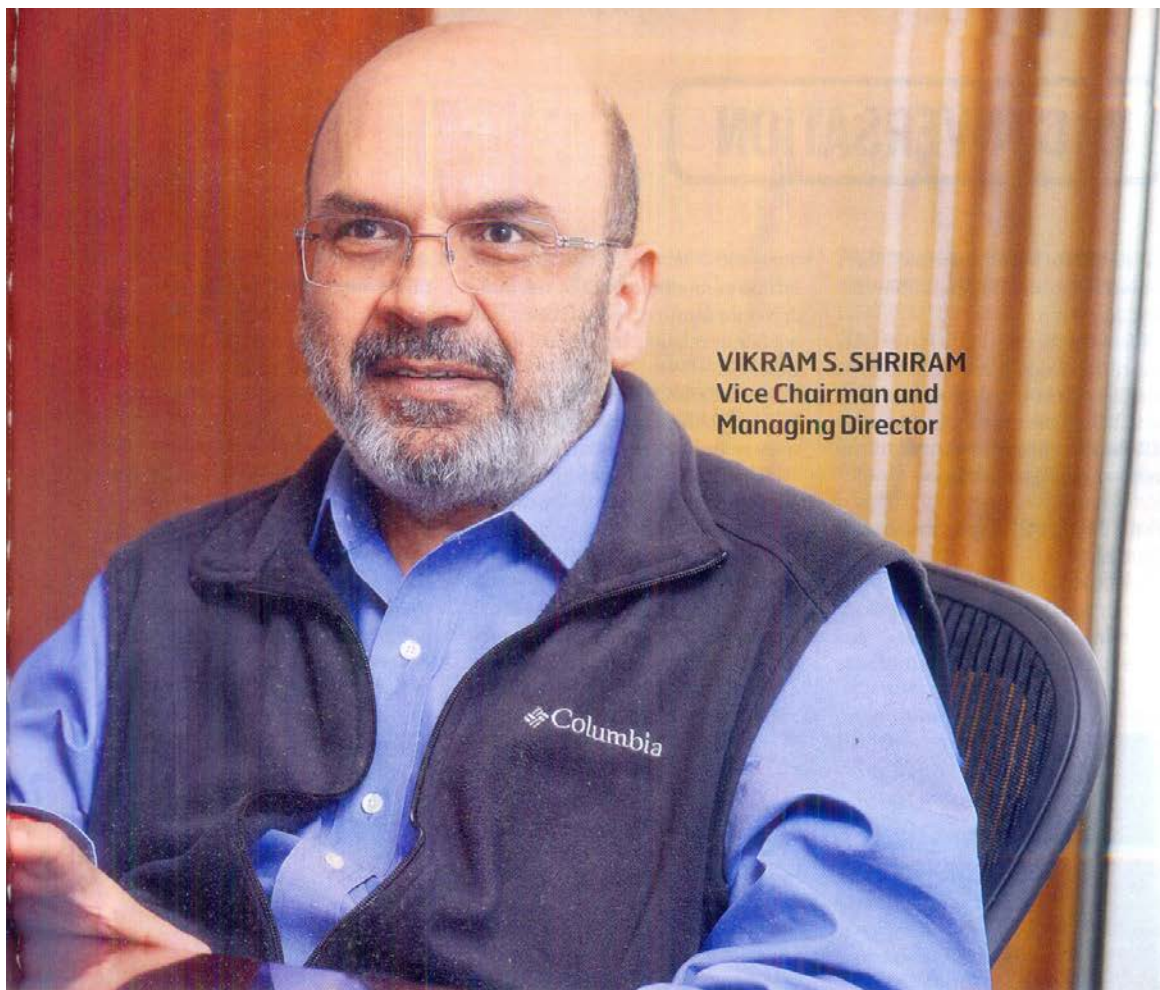


Union leaders agreed with us and came out with suggestions of how to have various types of schemes for people to cope. We are happy with the way things have moved.

As we say, if you don't make mistakes, you don't learn. Let's be honest, I don't think there is anyone in the management who has not made mistakes in the course of their careers. Don't mistake it for stupidity.

I think the approach has been that how do we move towards a structured, strong, ethical, and financially-sound company with good people. Our key is people. The old people came out with the textile restructuring plan, not the new people. All turnaround was done by the old teams, same people who were in the company for the past 20 years. They helped us turnaround

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VIKRAM S. SHRIRAM
Vice Chairman and
Managing Director

Swantara Bharat Mills and carry the group forward, which at that time was SBM and SFC Kota. Carrying the group from a very marginal and a very tight financial position to a stable position and growth thereafter.

You are into fertilisers, sugar, cement, and chemicals. What's next and how do you make it a new age company?

Ajay Shriram: I think there are two things. One is our way of management, what we call a corporate management board, which has all the business heads plus corporate finance, HR, internal audit, IT etc. We have got a very structured vertical for each of our businesses headed by business heads. It is moving quite well, as they have authority; delegating well our budgeting and our growth plans. Each of these people

making the group plans, they discuss with us our philosophy again. Vikram just said, in terms of our growth, you know it has moved. So our structuring makes us a professionally-run family business as our directors have as much authority as we do.

Our business heads have the delegating authority to take decisions. In CAPEX, naturally, we have got limitations. Even we ask the board. But at the same time, I think in terms of being world class, whether its technology, processes, systems and procedures, skilling, or IT systems, we are already world class.

Ajit Shriram: We were amongst the first companies in the country to implement SAP/4 HANA. We made a decision. A couple of companies gave their

quotes, plus SAP did. Others quoted less and SAP was much higher. We went to the board, we put forward all the quotes. We were grilled — why do you want to spend more? Because we want world class, world class, world class. Then we implemented SAP R 3 in 1997. Earlier, when we implemented SAP, geographically we were essentially in Kota and in Delhi. But since then we have grown in India and South East Asia, as well as Vietnam, Philippines and Indonesia. Now we thought, there is a need to upgrade to the next level. So we went for a SAP conference in Orlando, USA. There we saw this new product S/4 HANA, which is a cloud-based software. We first thought we will do a simple upgrade, but once we came back and discussed with our people, we felt it

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is desirable to be moved to next level of platform which will be with us for next 20 years.

We went live with S/4HANA on 1 April 2016, and made a roll back of modules over two or three years. Next, we will be implementing the CLR and HR module, which will basically come more on mobiles, and tablets.

What is the future of family-run businesses in this country?

Ajay Shriram: I think it is solid. Only difference is, I think the roles are likely to undergo change because of specialisation, competition, and because

the world-level operation is evolving. I think competence will be the main driver for family-run businesses, and not family relationships — that is very clear.

Secondly, the experience of people. All three of us, in our career we have spent years in three to four businesses. That rotation of work is a great learning experience. We are doing that for our children also. So I think, down the line, responsibilities have to be taken much more seriously.

The younger generation is much more ambitious, much more result-driven, target-oriented and much

smarter in today's digital age. We say this openly in the company. We do not have a monopoly on ideas. There are people better equipped than us. Our job is to find the right person for the right job at the right time and put him/her in charge.

Vikram Shriram: Basically, an understanding over time has developed that ownership, governance and management are all separate things. Ownership may be with family, but management has to be in best interest and governance has to be based on world-class standards.



AJIT S. SHRIRAM
Joint Managing Director

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Ajit Shriram: I think in the olden days, families were much more hands-on; that is changing now. I think professionalism is the key to running a business in the most optimised way. By having the right person who knows his job, his environment and can best run the business. As far as family is concerned, there is this issue of management, ownership and governance; that is one aspect. Another aspect is having a family constitution. So what we have been working on is building a family constitution for our entire family, which includes our mother, all of us, our wives our kids and so on and that's for the future as well. So that lays

Other than communication & trust, the fact that none of us manage our businesses ourselves helps

down the guiding principles for how a family is to be governed in a long business sphere.

You are a well-knit family. You even go for vacations together. How do you manage to stay so close while running the business? What's the secret?

Ajay Shriram: In 1994-95, we felt the team work in the company was not adequate. The high lows were distinct at very senior levels; the relationship between executive directors and presidents were not that cordial, we thought. For our first team exercise in 1994-95, we went for five days to Agra with 12 to 13 of our senior people and a consultant, who made us write our life history and share our experiences. We realised sharing and communication is the key to relationship building.

We have to share more, think more and talk more. We do it once a year religiously where we have one to three days. It helps remove all cobwebs from our minds.

Vikram Shriram: The whole issue is communication and trust. Core of the issue is having 100 per cent trust and open communication. Going for an offsite with a facilitator for four days a year is developed into such a good method of being able to keep the communication open, actually taking the communication to the next level. In the early years, we may have been hesitant, but as the years passed, we can now discuss anything under the sun with each other.

Ajit Shriram: Other than communication and trust, the fact that none of us manage our businesses ourselves helps. So we do not have any bias to any business. As mentioned earlier, we have executive directors, professionals, and presidents for managing businesses. Also, the three of us have lunch together every day in office. So if we have any common issue to discuss, we discuss during lunch.

When shall we see the children assume key roles at the company? We have not heard much about the children taking over...

Ajay Shriram: It is happening at its own pace.

From the next generation, three members are already in the business. My two sons Aditya and Anand, and Vikram's son Pranav, who has just finished his education in UK and joined four months ago. Aditya is the president of the chemical business. Anand is working with Fenesta. He is learning and getting into various responsibilities over there. Similarly, Vikram's son Pranav is also going through the induction, going through the training programme. We are discussing how the youngsters should be inducted in the future. Ajit's son is studying in America, he is going to come back after two years.

What more we can expect in the near future?

Ajay Shriram: If we take the last two years and the next two years, I think capital expenditure for the group will be in the range of Rs 400-1,500 crore. We spent Rs 700 crore in our chemical and power plants, we have put up a sugar plant, and we are investing more in Kota.

We spend about Rs 100-120 crore a year in totality going for technology upgradation, mechanisation, marginal changes and whatever is to be done to keep us on the cutting edge, for all the businesses.

Shriram Alkali Chemicals in Bhadrach, Gujarat, is the largest single chlor-alkali plant in the country, and we are no.2 in all India (in terms of production).

We are putting up a distillery, some more chlorine-based plants, and we are also looking at technology upgradation at Kota, so it's an ongoing thing. **BW**

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For the complete interview, visit www.businessworld.in