The Renaissance of India’s businesses
Michelangelo's fresco "The Creation of Adam" with the image of nearly touching hands of God and man is based on the narrative of creation from the Book of Genesis. It is one of the most replicated paintings ever.
India has a long history of business—from its old trader classes in the centuries gone by, to the transition to commerce with the coming of the first invaders over the Khyber Pass. And to the more modern mercantilist twist—or the ‘Anarchy’ (as William Dalrymple would put it) of The East India Company. It further extends to the modern republic that India is today—marked by shifts in its economic models and the changing emphasis and role of the government, to liberalisation and opening up to the world. Across this economic epoch, Indian business traditions, and some businesses, have held their ground. A few have prospered.

But these journeys—of India, its capital classes and individual businesses—have not been fairy tales. In fact, today’s challenging environment—with businesses roiled by bankruptcy and leverage, and, in some cases, left with little purpose or market share—is telling. There are reasons. The world order is changing: technology, politics, regulations, capital flows and the ambitions of businesses themselves. Or as the immortal expression goes, ‘the old order changeth’—as it has for India and its businesses.

This though has meant only a few businesses have been able to navigate the canals of change; many have sunk in the rip currents while a few have just ebbed away. A few though have swum against the tide and fought their way back—from the brink many a time. A rebirth of sorts, or as the French would say, a ‘Renaissance.’

But what exactly was the Renaissance? One of the more popular ways to define it is by chronology, geography and sphere of influence. Or by the period between AD 1450 and 1700 in Europe, originating in Florence (Italy) and transitioning beyond to most of Western Europe, encompassing Great Britain. This was an era of fervent change—in thinking, expressions, ideology, commerce and, most vividly, arts.
The Renaissance is also seen as the transition from what is known as the Dark Ages (AD 300–1400) to the Age of Enlightenment (beyond AD 1700). The Dark Ages are seen to be an almost thousand years of strife, wars and territorial obsessions, with little human advancement—in science, arts, religion, political thinking and commerce.

In contrast, the Enlightenment marks the beginning of the modern age—of nation states, science, travel, trade and business expansion, apart from the safer and more prosperous times for the citizenry.

Also known as the pre-modern era, the Renaissance, beyond its conventional understanding, is seen as the origin and entrenchment of many modern phenomena that define life, and business, as it is today. Acts of course, but, more importantly, business, and also science, voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education. The Renaissance was also characterised and defined by an evolution in thinking, and man-society-voyaging, mass communications and education.
Hindalco

Hindalco was the world’s lowest-cost aluminum producer for long and a much admired company, until its zero-cost coal advantage was terminated overnight—through a regulatory fiat. This shook the company’s basis for business, its resource advantage. Very high leverage in the wake of aggressive global expansion and a dramatic drop in commodity prices compounded the challenge. This needed to be stemmed and turned around. The fightback started with a fundamental approach—from a resource-based advantage to an efficient, diversified and integrated business model. It was mine-to-mine and plant-to-asset, and the dividends are coming through—Hindalco’s business model is more global and largely hedged for commodity prices while its assets that landed in trouble because of resource cancellations are standing profitably on their own feet. The company has made another global acquisition, hedging itself further, and is targeting global leadership in sustainability and ESG.

Britannia

A more-than-100-year-old bakery brand, Britannia has been a long-time favourite of the Indian consumer. But history is not enough, and Britannia soon found that it had lost the taste for changing preference while consumers lost appetite for its products. Poor distribution was at fault. Its growth rates started lagging the industry quite sharply and margins dropped dramatically to less than half. Britannia fought back: a new manager that made it a people-first company tamed costs and progressively transitioned the board to a new way of thinking. And it’s not done yet. Industry beating growth and profitability, Britannia is flourishing its way forward from being biscuits-heavy to a ‘maverick total foods’ company.

Cipla

Cipla changed the world in the early 2000s: with its USD1 a day HIV vaccine, at the peak of the global AIDS crisis. A company with a ‘soul’ purpose. One can make history and get to the very top, but it can only go downhill from there. That’s what happened to the company with a conscience, do-good philosophy, and substantial profits in the aftermath of its successful fight against AIDS. It was at a crossroads: falling sales and funding for AIDS, missed opportunities on account of the AIDS focus, and a reactive and overly aggressive European expansion. The fight for meaningful survival—this time for itself—started with Cipla’s legendary promoter Dr. Yusuf Hamied, who brought in a professional CEO—fairly unique in India’s corporate annals—and backed the CEO to pull back from certain expansions, cutting costs, and setting it on a more measured and outwardly looking expansion. It’s still a work in progress—but with the guiding principle that Cipla was born to make a difference, this is Renaissance’s science and humanism in its truest spirit.

Bharat Forge

Bharat Forge is a pre-eminent precision engineering firm with best-in-class capabilities in high-end auto and industrial products. It is one of India’s largest precision engineering companies. The company has made several acquisitions, including assets in Europe, and is looking to consolidate its position in the global foundry chain. The sciences and voyaging—both originated in and are rich legacies of the Renaissance—are forging Bharat Forge’s future.
The Renaissance is the ‘rebirth’, and we capture the essence of a few prominent businesses that, we believe, have experienced just that. It’s also a message to India’s businesses, particularly those facing challenges—within and outside—an economic environment that has disappointed: that there can be a very different and prosperous life beyond. But it calls for transitional change; just like the Renaissance was the harbinger of quite literally a new world order, there are companies and people that are showing the way.

The Renaissance is as much about history as the future. It’s time for yours, your business’s and the country’s.

**JSPL** had its day in the sun: robust growth in steel and power businesses, captive coal mines in an era of booming commodities, and a large market cap. Very rosy, but it boomeranged—with its mining licences cancelled in a politically-vitiated environment, leverage on aggressive capex, and sharply falling commodity prices, to boot. Apart from credibility, the company’s financial survival was at stake. Management responded by making survival a non-negotiable. This meant moderating expansion, focusing on a few assets only, micro-managing cash flow and alleviating growth, and becoming very efficient. The driving principle—promoters’ leadership from the plant, decision-making (no meeting without a decision), and an eight-member council—and an eight-member council; and its cash flow and allocations, and becoming very efficient. The driving principle—promoters’ leadership from the plant, decision-making (no meeting without a decision), and an eight-member council; and no bail-outs. JSPL now competes on efficiencies—lowest-cost steel producer, though it still has a way to go. A survival story—but along the business renaissance, JSPL has humanism written all over—not an employee released, sustained investments in the community, and a country-first approach that makes the company a lead bearer of the national flag.

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**Jindal Steel & Power**

IndusInd Bank

Induced was just another small bank, slipping away from sight, and potentially into solvent liquidation. The promoters backed an opportunistic group of foreign bankers to lead and seed a revival. It was a new and low start. But the build-up was brick-by-brick, hard work over hype, and ATM to AI. The template was laid out; the leadership was moving with three-year planning cycles—never more nor less—and working with a group of five leaders in parallel. The progress was strong, the board’s confidence rising with every landmark, and the pace occasionally accelerated by acquisitions. IndusInd is now in its fifth three-year planning cycle—the scale, the same, the pace accelerated, and the positioning high on the Indian banking leaderboard. The Renaissance itself can be traced back to the influential Italian banking family, Medici—it’s only fitting that global finance and trade rule the world today, and IndusInd sits at the centre of it all in India.

**Jindal Steel & Power**

**IndusInd Bank**

**VIP Industries**

A 50%-plus market leader, this 50-year young brand defined travel in India, and with a management culture that attracted the brightest from India’s best business schools; an icon of India. But such dominance, and a changing environment led to challenges: protection and tax efficiencies for small businesses, the entry of Samsonite—the global leader with dominant market shares in every country it has targeted—and consistent poaching of its managers by entrants into India. The promoter got his act together fast: a quick entry into soft bags—a new market, and a more hands-on management approach, and going global—initially for sourcing, and increasingly for markets. VIP’s beaten back the best. A rare company that has transitioned market leadership, without, and with competition from the world’s biggest, and product evolution—and continues to define travel for a swathe of modern India. The Renaissance was almost defined by voyaging and travel—in fact, India was ‘discovered’ by the West during the Renaissance. VIP defines it, but it is also unique in having successfully straddled India’s pre- and post-liberalisation eras.

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Welcome to the 15th Edelweiss India Conference! India is many. A large and modern democracy. A geographic expansion that touches skies and plumbs blue oceanic depths. An economic juggernaut that has a momentum of its own, even in its recent sways. An economic character that has history behind it, a future that most would envy, and a way of doing business that challenges but fosters great companies and leaders. India is also a market that does its own thing—usually loved, occasionally doubted and almost always discussed. And it is an economy in the throes of change—in its perils, potential and the path to 2025 and beyond.

We have tried to capture some of this over our last couple of conferences. In 2018, we explored India 2025: Another Tryst With Destiny, arguing how India could become a USD5 trillion economy. That’s a number that has caught the ecosystem’s attention since, although it’s up for much debate, and some skepticism, today. We shifted our focus in 2019 to what India’s growth would need to look like in India 2025: Seeking Growth - The ESG Way. This is a theme that is becoming progressively pervasive—among businesses and investors, and in its broader visibility. And even as it mainstreams, it remains non-contentious, and likely to only accelerate beyond 2025.

But, India is not easy. Its bright red-coloured GDP direction, banking black holes, regulatory riffs and indebted industries tell very different and, in many cases, very difficult tales. In fact, India has never been easy—for the practitioner, the participant or the people. This stretches economic eras—the pre-liberalisation one when growth was slow and hope low, to the boom years of the 2000s when there wasn’t enough room to capture the bloom. And to now—when hope seems more like a tight rope: tense, risky and swaying with trepidation. It’s been tough, particularly for some of India’s businesses that have harboured ambitions and invested in India’s potential, but struggled with its operating and competitive reality.

These ups and downs of India’s businesses and the environment have martyred and maimed many of them. And it’s likely not over. But we also believe that more than a few companies have stood up, taken big hits on the chin, and reinvented themselves. Or, we would argue, have had a ‘rebirth’ of sorts. These businesses—many unique, of scale, and distinguished—have come back from setbacks, near-death in some cases, and reinvented their cores. They have also done it so differently: strong leadership, guiding principles, a sense of purpose—invulnerably with a stroke or two of luck. But importantly, they are carrying these principles and learnings, as they seek out and settle into a new and changing future. We follow nine of these stories—their histories, glories and obstacles—and how they revived themselves. These are unique corporate India tales—not exhaustive, but telling, inspirational and picturesque.

We, in fact, go a step further, and liken their ‘rebirths’ to the ‘Renaissance period’. Set in AD 1450–1700 in Europe, the Renaissance was a time of great, almost civilisational, change—including, but going well beyond just business. This is often seen as the pre-modern era… with revolutionary changes in sciences, arts, voyaging, communication, business and much more. It changed the way life was lived, defined a new world order, and generated some of the most dramatic advances in various fields of life. We believe what we are seeing today of India, and a lot of its businesses, is a new Renaissance. A fundamental change in the way the economy runs, businesses think and function, and markets absorb.

We juxtapose these business stories with the Renaissance movement; they have a bit of imagination, lots of colors, many classics, some history and, hopefully, a lot of learning. We do hope you enjoy these corporate histories, their representation and the context, and take home a copy for your bookshelf, if not the coffee table.

We look forward to your presence, and hope you have great learning, and an efficient and enjoyable conference.

Shiv Sehgal
President & Deputy CEO
Edelweiss Global Investment Advisors

Aditya Narain
Head of Research
Edelweiss Global Investment Advisors
SpiceJet's story is truly, and quite literally, a blue sky one! The airline was born during the so-called second phase of the liberalisation of the aviation sector when the shakeout had removed early exuberance, brought some consolidation with it, and set the stage for a more measured and profitable growth. It soared, and then swerved down as ownership changed hands, but again took off piloted by the original promoter himself. The undying human spirit of the Renaissance in SpiceJet’s roller coaster of a flight is unmissable. Fasten the seat belt.

Born in Italy, Leonardo da Vinci was not only a remarkable artist, but also an inventor. Inspired by birds and flight, he had sketched various mechanical devices such as parachutes, hang gliders, ornithopter and the wind speed gauge. Despite being one of the early inventors that leaned on the principles of aerodynamics from the 15th century until 1505, Da Vinci’s work remained unknown for almost 300 years until 1797. The thousands of pages of his writings and drawings are today known as Leonardo’s codices.
SpiceJet was built on the remains of ModiLuft—among the airlines that came into being in the first flush of the opening of the aviation sector soon after 1991, but had to be wound down, like a few others. The operating licence was picked up by a UK-based investor (Lufthansa), as a relatively dormant investment. Things started to change when Ajay Singh, an India-based entrepreneur, stepped in as an operating partner and co-investor to revive the airline.

Singh, the CEO, started without any aviation experience, but a strong sense of opportunity, and the financial backing of a large US investor (Wilbur Ross). He set about rebuilding the business. And he did it well. By 2008, SpiceJet had become India’s third-largest private airline (after Air Deccan and IndiGo) with a market share of 9%, and was sitting on a healthy cash balance. It was a revival gone right—refreshing energy, a new promoter and manager, market share and profits.

…And the Second Tale

Aviation is a tough, hands-on and competitive business, and the Marans—who were seeking to operate the business with professionals rather than through an ownership model—realised this rather quickly. There was a material industry challenge: a significant flare-up in fuel prices (two-fifths of operating costs), a sharp weakening of the currency and cut-throat competition, which pushed back almost the entire sector—most taking losses, but all challenged.

SpiceJet’s problems went beyond—in a very short span of 18 months since the Marans took over the business, SpiceJet found itself in a lot of trouble. It started making losses, then discounting aggressively to keep generating cash to keep itself afloat, and kept getting into a corner. Meanwhile, it started facing pressures from the lessors too with its visible troubles, and with flights getting cancelled, consumer confidence started plummeting, and SpiceJet found itself in a downward spiral.

Consumers wanted their moneys back and lessors their planes, and oil companies began pulling back from fuel supplies. The regulator—in its efforts to protect consumers—compounded the problems for SpiceJet by not allowing it to book tickets beyond a month. And its troubles became more acute; there was a strong backlash from consumers against employees, which made working conditions very tough and dented their morale to abysmal levels. Effectively, SpiceJet had more or less gone bust, and operations were almost entirely stopped.

Its First Success…

SpiceJet’s success, the large value it had created for early investors, and its high visibility—as airlines typically are—attracted suitors. The leader among them was the Maran group—a large and politically connected media group—with dominance in the south Indian media markets. They offered a sweet deal and the investors sold the business, lock, stock and barrel for about INR 3bn, a massive 10x over the initial investments.

SpiceJet moved to the Marans, a strong group, but without any experience in the aviation business. Singh too moved out.

Every minute was crucial; Ajay Singh got into reviving SpiceJet even before the paperwork was done—if the airline was entirely grounded, restarting it may well have been impossible.

Leonardo da Vinci created almost 500 sketches on topics related to flying machines. One of his codices is called the Codice sul volo degli uccelli (Codex on the Flight of Birds) which was created during the period 1505–1506.

Ajay Singh
Chairman and Managing Director

Ajay Singh took charge and went about rebuilding the business like a start-up similar to his first stint—with verve and a keen sense of ownership, and inspiring a can-do attitude among employees.

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This is when Singh stepped back in. He had been busying himself with other entrepreneurial ventures, when he saw the opportunity, and need, to step right in. Mounting public pressure to keep the airline going—with Kingfisher’s demise still fresh in memories—played a role. Kingfisher had gone under, thereby taking out sizable aircraft capacity, writing down creditors, and very visibly, resulting in massive job losses. No one wanted a repeat of the crisis—neither the regulator, nor the lenders or the Marans (who had a reputation to protect), or Ajay Singh (who had built the airline from scratch).

With the widespread belief that the airline should survive, and through what were negotiations among all parties, Ajay Singh got himself the mandate to revive the airline with a nearly 60% stake for what is believed to be a rather modest equity amount of INR2, in addition to INR30 billion in liabilities.

Singh was on the job even before the paperwork was done—it was a crisis and every minute counted; if the airline was entirely grounded, reviving it could well have been an impossibility. It was firefighting to begin with—get the planes flying, give consumers the confidence to get back to flying and booking tickets again, and work with creditors (fuel suppliers, airports, lessors, etc) to seek some flexibility, more time and, in cases, more credit. Support and cooperation were sought with the promise that everyone would be repaid in their entirety in a defined and phased manner. But most importantly, it was to get the employees back on their feet, back on the job and with their heads held high. This is what the airline business is about, and it was necessary to start with them. And of course, hope and pray.

SpiceJet took off again, brilliantly. In a matter of months—December 2014 when Ajay Singh stepped in to May 2015—the airline reversed back from the brink to profitability. From two flights a day to eight, from almost no load to 90% occupancy. And it has not looked back since.

Leonardo’s journals also contain detailed notes on the flight of birds, which he is assumed to have created through the study of bats. It inspired him to design many man powered flying machines with mechanical wings.

His second task was to get the customer back—by restoring confidence that the planes would fly, that they would be safe and the recent bad experiences (cancellations, delays, little information and the risk of tickets going down the drain) were past. That also happened.
While the airline was back on its feet, the harder of its flight lay ahead. While the airline was back air-borne, the harder of its flight lay ahead. AnD THE LONG-HAUL FLIGHT BACK UP

Most employees that had started with Singh and had seen success were seeking leadership giving the relative demobilisation over recent months as the airline had faltered. With him again leading the charge—whether doing overnights or heading out to the front offices and airports—and taking people along, there was a huge willingness and desire to be bail. For pride, but also out of the fear of their jobs and livelihood, and the uncertainty that goes with a workplace in a downward spiral.

And then it was the creditors. Without almost any money to offer them, it was the goodwill from Singh’s previous stint, an ecosystem that wanted SpiceJet to survive, a likely tug from the government—its oil companies provided the backstop. It was partly their own need; it could well have been behind what eventually turned out to be bad. It was the ecosystem that had been built the first-time round. This was combined with people and the airports. The ecosystem had suffered the collapse of Kingfisher in August 2014—then one of the world’s largest airlines. The ecosystem had suffered the collapse of Kingfisher in August 2014—then one of the world’s largest airlines. And there was the slice of luck, that any such sharp turnaround will need. Oil prices turned; that gushes straight to bottom line, opening a flush of cash needed to keep the company going, not to mention lower ticket prices that spurred the growth needed to keep the business going.

Spicet had just survived — it also thrived. Its seems to have got the survivor and aggressor tag. While its survival story in itself was significant, it has shown great acrality in capturing opportunities. And then there was the skeleton of stake, that any such sharp turnaround will need. Oil prices turned; that gushes straight to bottom line, opening a flush of cash needed to keep the company going, not to mention lower ticket prices that spurred the growth needed to keep the business going.

Spicet had started with a relatively clear idea and positioning. That changed once the airline had been sold initially, and management had tried to expand aggressively, and possibly a little recklessly. These, almost more than anything else, needed a rework. But these are time-consuming—and there are exit and transition costs. They continue to be fixed—and are a potential source of continued turbulent, but gains have been gradual—though more critical, once the crisis had been averted. These gains continue to accrue.

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FLYING OUT OF TURBULENCE

SpiceJet came back brilliantly. In a matter of four months: over December 2014 when Ajay Singh stepped in to May 2015. From nearly zero flights a day to more than 200 a day, and almost no load to a PLF of 90%. And it has not looked back since. The fleet has grown to 115 planes, about 2x its original peak and the airline has continued to operate at a PLF of 90%-plus (not a single month when it’s been lower). No wonder, it’s today India’s second-largest airline. SpiceJet’s not just been a revival; it’s saga of a resilient comeback to higher share and a stronger position than its previous peak. It’s also been profitable.

AND IT’S SETTING ITSELF FOR THE FUTURE

SpiceJet did not just survive; it is thriving. And seems to have got the survivor and aggressor tag. While its survival story in itself is awe-inspiring, the great alacrity it has shown in capturing opportunities is worth a special mention too. The relatively recent implosion of Jet Airways served an opportunity to grab share, and SpiceJet did so aggressively. It not only got itself the lion’s share of landing rights that opened up, but hired their staff, filled up the markets vacuum, and positioned itself better. It’s also placed great orders for aircraft—200 to be received over ten years, which should ensure that it not only captures a greater slice of the market, but importantly, bolsters profitability. But it has most recently been under pressure because of technical issues with the aircraft (Boeing 737 MAX); has held it back, but in the quintessential SpiceJet style, there’s an opportunity to renegotiate these contracts given its vantage point as a buyer—one that could lead to delays, but potentially deliver better economics and leverage.

Invented by Johann Gutenberg in 1440, the printing press enabled rapid progress by fostering the spirit of learning in society. It brought about a lot of cultural awareness and helped propagate radical thought and ideas as it enabled people to print and circulate documents written by leading lights of the Renaissance period.

IS THE RENAISSANCE OVER?

Three years is too short a period. The market and the aviation business are very dynamic, and we believe there probably is a lot to be done. The most telling of these is the management structure and institutionalisation of the business. It’s still a business that is heavily driven and managed by one man, and that’s not the recipe for longevity. We believe SpiceJet’s renaissance, to be more meaningful and to actually be one, needs that transition. Singh realises it; let’s see if he can go the whole hog, for the renaissance and the canvas to be a truly lasting one.
The iconic Taj Mahal Palace engulfed in an inferno is a moment etched in India’s history. In November 2008, the world looked on aghast as the army, police, and hotel staff struggled to free the Taj from terrorists. The hotel staff helped guests out of the building not thinking for a moment about their own survival. This exemplary customer-first ethos held the company in good stead then, during the recent economic slowdown, and in many an uncertain moment since its inception in 1903. The Taj DNA knows how to defend and fight, and what its tradition stands for.

Born in the Republic of Florence, Filippo Brunelleschi was not only an Italian architect, but also a designer. Considered to be the founding father of Renaissance Architecture, his first major architectural commission was the enormous brick dome of Florence Cathedral, which is described as the first building of the Renaissance. It was designed by Arnolfo di Cambio in the 14th century but left unroofed. The pointed Gothic arch and rib which were apparently planned by Arnolfo, were utilized by Brunelleschi and incorporated into the final structure.
GLORY IN THE NEW MILLENNIUM

As economic growth lifted foreign tourist arrivals in the beginning of the millennium, major Indian hotel chains had a dream run for the first time in their six-decade existence. The sector recorded its strongest growth ever with average room rates doubling over 2005 to 2008. Most companies saw a massive jump in business, cash flow and profitability.

Indian Hotels (IHCL) benefited from this, but it too fell prey to euphoria that led hoteliers into announcing expansion. Global aspirations started to take wing, partially inspired by the shared group vision of a global presence (a la Tata Steel's and Tata Motors'). Management set out to position itself as a luxury hotel chain in the US, hunting for a five-star property. It made a string of foreign investments worth INR18 billion between 2004 and 2008. IHCL also invested in the equity of Orient Express, a US-based hospitality chain.

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LODGED OUT OF EUPHORIA

The exuberance of the last phase saw IHCL not only focus on international inorganic expansion, but it committed to a significant pipeline ahead too (capital expenditure of INR20 billion over 2009–12). However, as the cycle turned, margins contracted and cash flows evaporated, which coincided with the company’s pending capex commitments. Furthermore, the terrorist attack in November 2008 (at IHCL’s flagship property – Taj Mahal Palace, Colaba) was another setback. By 2010, the situation had aggravated. Despite the INR9 billion in equity raised in 2009 necessitated by capex commitments, interest outgo was heavy and precluded any possibility of a real change.

DEALING WITH DISCOMFORT

In its history of more than a century, IHCL has seen its share of conflicts and challenges. The aftermath of the global financial crisis was one such time. With its back against the wall, the formidable Tata spirit forged IHCL’s steely resolve when other players were crumbling under the weight of a sudden reversal of demand and heady leveraged expansion.

IHCL managed to navigate the gloom and doom with equity infusions aggregating about INR10 billion over 2010–13. Capital outlay moderated over 2013–15 as pending expansion commitments were completed and with the industry cycle also stabilising, IHCL’s situation improved. Debt still increased as the bulk of cash flows were utilized for interest payments. The situation was stabilising and debt was getting under control. However, the consolidation of Lands End Properties—the investment in Sea Rock Hotel in Mumbai—led to a spike in debt again without any commensurate cash flows, again bringing Indian Hotels back to square one.

The Taj DNA knows how to defend, how to fight, and what its century long tradition stands for.

Exemplary customer-first ethos displayed by the hotel staff during the 26/11 crisis held the company in good stead then, during the more recent economic slowdown now and in many an uncertain moment since its inception in 1903.

Ratan Tata
Chairman Emeritus, Tata Sons

The Temple of Vesta is an ancient edifice located in Rome, Italy and is considered one of the most sacred sites of ancient Rome. It has all the features of a Greek architectural building such as Corinthian columns, marble and a central cella. However, its most recognisable feature is its circular footprint. It was demolished during the Renaissance period and its marble was reused in the construction of churches and papal palaces.
A NEW CAPTAIN WITH NEW ETHOS

The new captain of the hotel group—Puneet Chhatwal— with a reputation for efficiency and growth took a hard look at the business as soon as he joined in November 2017. Soon enough, he formulated IHCL’s five-year blueprint called ‘Aspiration 2022’ based on a three-pronged strategy of restructuring, re-engineering and re-imagining the company’s portfolio, which rested on the key pillars of improvement in profitability and harnessing the diverse brands to drive asset-light growth through management contracts.

IHCL started the practice of holding an annual business conference—not just for general managers, but also owners and partners—to forge renewed focus across the chain and ensure right messaging of the new blueprint. Also, IHCL re-engineered the organisational structure with an aim to enhance collaboration, empower the workforce and infuse agility into the organisation through a well-defined authority matrix.

IHCL navigated this phase too. The conversion of debt (INR10 billion) along with sale of Orient-Express shares (USD154mn, INR1.6 billion) and Taj Boston (USD125mn, INR1.1 billion) helped the company keep debt under control. Over 2010–18, a total of INR23 billion was infused, which helped IHCL overcome the debt pangs, unlike many other hotel companies where debt servicing impacted operations (due to promoters’ limited capital infusion capacity). While this helped keep the company afloat, regular requirement of external cash flows (that diluted equity) was impacting shareholder value creation. For the brands that IHCL had built, the business performance was not commensurate.

Though IHCL managed to stabilise operations and resolve debt issues, growth took a backseat. Most importantly, the company had still not harnessed the equity of the ‘TAJ’ brand built over more than a century, and possibly needed someone to appreciate the strength of the brand.

Cost Optimisation, But Customer Service Untainted

Having worked around the globe, mostly in Europe—known for its efficient management of properties—brought the right set of attributes to the table. Under his stewardship, new management focused on re-engineering existing operations and simultaneously creating an extensive monitoring mechanism to achieve targets. He set out to institutionalise a culture of operational excellence and performance.

But since the hotel industry is customer-centric, the real challenge in executing the new 3R strategy—Restructure, Re-engineer and Re-imagine—without impinging on or compromising customer service. This was important since the TATA brand is synonymous with excellence. Non-customer-facing/support-related employee costs were tackled first. Besides, hotel general managers were tasked with increasing efficiencies of their respective properties. Similarly, power & fuel costs were pruned. Commendably, such costs have been constant for four years. And on the anvil are shared services for IHCL’s properties in main cities (Mumbai, Bengaluru and Chennai) to keep overheads in check.

Exemplary customer-first ethos displayed by the hotel staff during the 26/11 crisis held the company in good stead then, during the more recent economic slowdown now and many an uncertain moment since its inception in 1903.
Edelweiss Securities Limited

The new captain of the hotel group with a reputation for efficiency – Puneet Chhatwal – took a hard look at the business as soon as he joined in November 2017. A business conference – not just for general managers, but also owners and partners – was held to forge renewed focus across the chain based on its five-year blueprint called ‘Aspiration 2022’.

Another pillar of profitability has been IHCL’s focus on improving its international operations, the company’s Achilles’ heel, particularly US operations, which have been turning in operating losses since acquisition. The global financial crisis unfolded after its acquisitions and dented the performance, from which its US operations are yet to recover. Though the earlier plans centred on selling those operations, new management revitalised the plans and is now identifying issues at each property. While the improvement in market has helped, IHCL has put in special efforts to renovate its UK properties, whose performance improved significantly. Since last year, the US operations too have seen an improvement driven by management’s focus, lease renegotiations and also uptick in the market there.

Separate pathways were chalked out for key brands – Taj, Vivanta, Ginger and (the recently launched) SeleQtions—with a firm belief in India’s heterogeneous nature that demands a focus for courses. The brand architecture meant differentiated focus on each category—e.g. luxury, business and lean luxe—by brand and service while preserving Tata’s reputable hospitality. Recently, IHCL increased the focus on ‘The Chambers’, its exclusive business club concept along with its iconic restaurants and spa. It has helped IHCL move from a branded house (only Taj) to being a house of brands.

Just like the Renaissance marks Italy’s transition (and Europe’s at large) from the Middle Ages to modernity, Indian Hotels is passionately pursuing a purposeful agenda of asset-light expansion—the new business reality for the industry with the world’s most profitable hospitality group, Marriott, running 95% of its portfolio via management contracts. This would reduce gearing and boost capital efficiency. Capital cushion, thus, created would be utilised for expansion, leveraging the Tata legacy and hospitality that somewhat shelter the company from cyclicality.

Management contracts are remodeling the portfolio and profitability mix and are the preferred strategy. This model allows IHCL to leverage and monetise its strengths such as branding, distribution, sales and marketing networks while limiting capex and boosting return ratios. The recent tie-up with GIC is also a testimony of scalability of IHCL’s brands and network. The initiatives are bearing fruit with the share of managed rooms rising from 30% a couple of years back to 42% now (target 50% by 2022). New signings remain strong too.

Designed by Donato Bramante, the Tempietto (1502) is considered ‘a perfect architectural gem’. It is one of the most sacred sites in Rome as it marks the spot where St. Peter was martyred. It is similar in style to the Temple of Vesta, which was one of the sacred sites of ancient Rome.
IS THE RENAISSANCE OVER?

Though IHCL’s journey has been a long one, and global peers are distant ahead, the company’s newfound edifice of ambition is forged in fire and tribulations, and stands firm on its more-than-a-century-old foundation. It has begun the journey to become ‘The Most Iconic and Profitable Hospitality Company’ the ultimate goal of ‘Aspiration 2022’. Tata Group founder Jamsetji Nusserwanji Tata built the Mumbai Taj, the first property of Indian Hotels, with a vision and pride for the country. This sense of pride in being the best is the fuel that drives the Indian Hotels’ DNA even today.

Management contracts are remodeling the portfolio and profitability mix, and is the preferred strategy for driving growth. This asset-light model allows IHCL to leverage and monetise its strengths such as branding, distribution, sales and marketing networks while limiting capex and boosting return ratios.

Donato Bramante moved from painting to architecture and created a number of buildings in a period spanning 20 years. He was very successful because of the support he received from the papacy. The crossing and choir, which was an addition to the abbey church of Santa Maria delle Grazie, in Milan is a brick structure based on square domed baptisteries and is one of his finest achievements.
Resource advantage has deep value for a metals & mining business. It lends an unmatched competitive edge and abates cyclical vagaries of the business. The coal block de-allocation by the Supreme Court of India in September 2014 swatted this, little-feared, business assumption. Hindalco too felt the heat with its cost curve for legacy smelters Hirakud and Renukoot shooting up from the first quartile to third (due to hefty premiums). But Hindalco was not one of its ilk—it was cast in mettle. And thereby hangs a tale.

Born in the Republic of Florence, Michelangelo was not only a phenomenal sculptor, but also a talented painter and a poet. He is famous for his sculpture of David, which was originally planned as a part of a series of 12 sculptures to be placed on the buttresses of Florence Cathedral. After work started on the sculptures, due to various reasons the project was shelved and remained so for 26 years. In 1500, the marble block, also called ‘the Giant’, was raised and once again various artists of the era were called to examine it and express their opinion on how they would go about carving the statue. 26-year-old Michelangelo convinced the authorities that he could do it. The statue was placed in the Piazza della Signoria as it would not be possible to raise the statue, which weighed more than six tonnes, to the roof of the Cathedral.
The de-allocation of coal blocks was a great setback. It dented the profitability of the domestic business, a key pillar of Hindalco’s balance sheet. The company had coughed up about USD12bn to acquire Novelis as well as to expand domestic operations in the past decade—once its net worth at the time—factoring in the allocation of coal blocks (since power forms 35–40% production cost). An uncertain outlook for the domestic business was half the trouble; the need to stabilise overseas assets was the other half. And that called for renaissance.

Hindalco’s takeover of US-headquartered Novelis in 2007 counts among a few malleable moments in corporate India’s M&A history. The company made a global splash and no bones about its stretched ambitions (US$6bn takeover four times its size then). When a senior executive presented Kumar Mangalam Birla the proposal to buy Novelis in August 2006 as part of growth strategy and de-risking the portfolio, he envisioned the opportunity at once. It was Hindalco’s opportunity to break into Fortune 500 and afforded a chance for downstream integration in the aluminium value chain. That the company would join the likes of Norsk Hydro and diversify its earnings base were no less valuable. Birla took the plunge, going against the grain as China’s insatiable hunger was fueling the bull run in commodities and the consequent scramble for upstream assets. And he seemed to be up against all odds in his intention of trebling EBITDA to USD1 billion by 2010.

After the shiny five years for commodities burned by China’s insatiable appetite, the global financial crisis (GFC) of 2008 wrecked many natural resources companies. Commodity prices crashed and demand collapsed, leading to losses and cash burn across the globe. Hindalco ducked the trend. Despite aluminium caving in 33% to USD1,300/t in three months, the company’s low-cost bulwark—captive resource base—ensured it still made reasonable money. Besides, by 2010, Novelis—having suffered the GFC headwinds—was turning in three times the EBITDA it made in 2007.

Meanwhile, the traditional resource advantage—cheaper captive coal—had emboldened Hindalco’s aspirations. In 2010, the company set out to recreate itself by doubling both alumina and aluminium capacity at an investment of another USD6bn, for nothing could have gone wrong in the making of an aluminium behemoth with twin bazookas of low-cost captive power and access to quality bauxite in a country of vast demand potential. That the downstream focus on secondary operations (Novelis) had diversified the business model, mitigated the deep cyclical risk, and its success had instilled greater confidence lent credence to the expansion plan. The sanguine outlook for LME aluminium (implying greater profitability) and favourable capital markets supported the construct.

**Hindalco’s foundation is its people, process, technology and manufacturing excellence.**

**Kumar Mangalam Birla**

**Chairman**

**During the Renaissance period, sculptures were mainly created for religious needs – as ornaments for the exteriors of a Church or to cover facades, or as buttresses on the rooftops as well as public spaces such as Piazzas, near fountains. They were normally commissioned by the papacy or nobility.**

**The journey to grow big started with Novelis**

**The bulwark that withstood the crash**

**Resource advantage is not the way to build the business.**
CHANGE, THE ONLY CONSTANT

The de-allocation of coal blocks by the Supreme Court in 2014 overturned the decades-old advantage resources companies had enjoyed. Rules of the game had been revisited to their disadvantage. Naturally, it galvanised primary aluminium players into a scramble for low-cost coal, hitherto a source of unquestionable competitive edge.

This grave reality stared Hindalco in the face too. But what made the harsh reality less acute for the company was its Managing Director (designate) Satish Pai’s prescient mindset. Pai had joined Hindalco in July 2013 from oil services major Schlumberger and had at once found the company’s core strength—access to cheap coal—shaky. It also meant business continuity was essentially premised on the government granting the mining licence ad infinitum. In a flash, the Supreme Court’s de-allocation verdict turned this premise on its head.

NEW REALITY AND LABOURS

With the competitive edge gone, keeping a tight leash on costs was suddenly an existential imperative. The new harsh reality beckoned a new way of doing the business. And that called for an overhaul of inner workings, putting into focus the need for ruthless operating efficiency. It particularly marked a step change for the company that had all along taken pride in being one of the lowest-cost primary aluminium producers due to its backward integration, particularly in coal.

The SC diktat had also raised concerns that the spike in raw material prices in a free market economy would deter investments in aluminium smelters or greenfield steel plants of huge capacity in India as internal rates of return (IRRs) would change drastically. Worse still, existing smelters lost their cost edge. For instance, Hindalco’s Hirakud smelter was pushed down to the third quartile of the global cost curve based on the revised bought coal price.

MISFORTUNES DON’T COME SINGLY

The harsh reality of de-allocation and the grind of absorbing higher cost had barely sunk in when the commodities meltdown dealt another blow. In the past, it didn’t matter even if LME aluminium crashed to USD1,500/t because the coal price—resource advantage—was very low. Ducking the double whammy—higher cost structure and the crash in metals prices—was difficult. But it underscored the need for a diversified business model to navigate inevitable cycles that commodities businesses go through. For Hindalco, it meant focusing on global avenues, as well as downstream (Novelis in India, which somewhat insulates the business from LME volatility).

Looking Within for a Makeover…

The enormity of the challenge demanded a makeover spanning people, processes and manufacturing. A case in point is the recruitment of fresh talent straight from college campuses and the market (with no more than one–two years of experience).

Bronze was one of the metals favored by Renaissance sculptors because it was ductile, durable and also had a gilded sheen. It was mainly used for reliefs, statues, busts. Other materials which were used by Renaissance sculptors were marble and also terracotta.

One cannot run a good manufacturing process or produce a quality product without good safety culture.

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Misfortunes don’t come singly.

The city of Florence, Italy is considered as the home of Renaissance. It was revitalized in the 15th century. The new architectural style of the Renaissance found its expression in this city. It did not evolve organically from the style of the past where it went from Gothic to Renaissance. It was brought about through an approach which was scholarly, through the ideas of architects who had a vision to bring to the fore a ‘Golden Past’. Human resource is a cultural plank; to get it right, hierarchy must be shelved and the organisation flattened.

Human resource is a cultural plank; to get it right, hierarchy must be shelved and the organisation flattened.
Driving a deep change is easier said than done. Bringing up to speed the processes and systems at legacy plants—Renukoot and Hirakud on a par with the newer ones—posed a peculiar problem. The workforce thereof, older hands, understandably worked differently. Initially, many managers there were uncomfortable with younger cadre pushing the envelope. An under-appreciated aspect of venturing into downstream products is that it called for an unusual transformation—in housekeeping. To win over foreign clients—such as Japanese and Koreans—visiting the plant or shop floor, called for exacting cleanliness standards. Indeed, housekeeping at downstream operations (such as Mouda that produces food-grade foil) had to be more nuanced than smelting operations.

Right through 2013, Novelis largely remained a financial investment for six years. Many termed it a dud decision. Management, however, saw synergies in exploiting Novelis’s technical expertise (strong in autos and cans) to develop downstream operations in India, sell foils in South Korea, and cross-pollinate talents. In fact, Hindalco’s current CTO is from Novelis.

The two successive blows shook up management. Regulatory diktat stipulating coal pricing in a free market caused the operating cost structure to bloating while the commodity meltdown squeezed realisation. With both the cushions gone and the company saddled with a huge amount of debt that was raised to fund greenfield projects, net debt/EBITDA zoomed to 10x from a comfortable 3x in 2011. Hindalco survived the downturn owing to its prudent liquidity management, hedging policy and downstream business. But the travails rang alarm bells, galvanising the company into generating a stable cash flow stream from the downstream business. It also moulded the company’s thought process on paring leverage to 4–4.5x. The entire risk management exercise thus turned up the heat on restructuring debt. In 2018, Hindalco paid down INR120bn of debt, thereby reining in leverage to 3.2x.

The downstream lure was so strong that Hindalco acquired Aleris in 2018 seeking to fill out a lucrative white space—Aerospace. The value of this takeover also lay in the opportunity for backward integration in China, by far the biggest commodity market. Beyond, Hindalco now benchmarks itself to international peers. In case of upstream operations, the benchmarking is against Alcoa, Noriko Hydro and Rusal; in downstream, vis-a-vis Novelis’s South Korean plant, Constellium and Arconic.

It will not be 2015. We will survive the current downturn.

Manufacturing excellence is as much about instilling cultural change in employees.
Hindalco recognises the need to invest more in technology. Its new smelters – Aditya and Mahan – are state-of-the-art and among the best in the world. Despite the global inventory peaking in 2016, Hindalco did not face roadblocks in selling aluminum from its new smelters owing to quality output. The real challenge though is to pitchfork productivity at older (legacy) plants such as Renukoot and Hirakud (built in 1960s). This is critical as the closure of inefficient plants for good is not fathomable given India’s socioeconomic reality; few lines at Hirakud have been closed through.

Hindalco knows sustainability is a business imperative, and its purpose statement “We manufacture materials that make the world greener, stronger and smarter” acknowledges this. Beyond CSR initiatives, nearly 50% of the company’s domestic capital outlay of about INR20 billion for fiscal year 2020 pertains to environment. Pai aspires to metamorphose Hindalco into an MnC in its true sense—managers rising through the ranks, going overseas and running operations there. On this yardstick, Novelis is still a bolt-on. Operating excellence too calls for some ground to be covered vis-a-vis Korean operations. The upstream operations can be shed further, and business focus can be honed with continued emphasis on people, process and quality. This ball was set rolling three years ago and the results have been uplifting so far, more of it would serve the company well.

The Pietà, created by Michelangelo, was sculpted on a special request of the French Cardinal Jean de Bilhères, who was a representative in Rome. It is made in Carrara marble and is considered an important sculpture as it maintains the right equilibrium of an atypical charm combined with actual preciseness.
It is said that bakeries played an important part in the culture of the Renaissance period. They were the hub of activities in towns as people would meet to buy bread on a daily basis. The ovens were normally built of stone and were heated with wood or peat. Maggie Black’s ‘The Medieval Cookbook’ depicts a scene where two European bakers are seen producing loaves of bread.

BAKING A HEALTHY TREAT

BRITANNIA

One might wonder how exciting a staid confectioner’s journey can be to pass muster for a renaissance theme. Well, the world around the 100-year old Britannia changed faster than it could. Metaphorically speaking, as the company lost taste for changing preferences, consumers lost appetite for its products. And a weak appetite is neither good for the body nor a company. The challenge was to not just wrest back the fading glory, but to also rebuild a healthier future.
BISCUITS – VERY OLD AND YET VERY NEW

The story of India’s biscuit industry is over a century old, and yet in a sense, recent. It was in the later part of the 20th century that confectioners ‘democratised’ biscuits, through large-scale production and dishing it out to masses at affordable prices. In earlier days, sugar was the chief differentiator in biscuits. The quality of white sugar used indicated the richness of the biscuit and the source of competitive pricing. The innovation of salted biscuits reduced the amount of sugar consumption in the batter. And the humble biscuit was soon made and packaged with thinner crusts (crackers), which made it lighter in weight, andalertmore digestible and suited to low-fat diets. Richer ingredients including nuts, raisins and chocolates soon began to be blended in biscuits. And who can forget butter, which added soft richness to biscuits. In India, biscuits are a USD4bn market today forming more than one-third of the domestic bakery market.

A LONG HISTORY

Britannia started out in 1892 as a tiny operation in a modest house in Kolkata (then Calcutta) with an initial investment of INR295. Today the company is the leading player in the Indian biscuits market with its ownership changing hands over the years. Britannia was the first biscuit maker in India to mechanise production, and the first one east of the Suez Canal to use gas ovens, which were imported in 1921. It was a public issue in 1978 that firmly established the company as Indian, as its Indian shareholding crossed 60 percent. The company name was changed to the current “Britannia Industries Limited” in 1979. In 1982, the American company Nabisco Brands, Inc. became a major foreign shareholder. A few years later, control moved to Nusli Wadia. Britannia became the first biscuit maker in India to mechanise production, and the first one east of the Suez Canal to use gas ovens, which it imported in 1921.

SUCCESS LOSES FLAVOUR

In the last few years through 2000, Britannia’s revenue doubled every four years driven by launches: variant additions in Good Day, and launch of Pure Magic, Little Hearts, 50-50, Morea Gold, Milk Bikis, Jim Jams, Tiger, etc. In 1997, the company got into the dairy business. Over 2000–05, while sales growth flagged to 7%, profit growth remained healthy at 20%. But over the next five years (2005–10), while sales picked up 16% annually, it lagged the ballpark industry growth of 20%. This indicated a thinning market presence. Profit margins lost crunch too—down from 16% in 2005 to 7% in 2010. The situation had turned sour, but not because Britannia did not tickle consumers’ taste buds anymore. Its sales approach was lacking—without any concern for or focus on distributors, quality of execution, etc. The focus turned to saving costs, but that didn’t help. That said, Britannia continued to connect well with consumers as it kept nurturing brands.

Britannia was losing market share since its sales approach towards distributors had become merely transactional.
CONNOISSEUR’S RECIPE

Within three weeks of joining Britannia as CEO in 2013, Varun Berry shot off a memo to his colleagues, including the then Managing Director, Vinata Bali, outlining his vision for the organisation and the issues he had to deal with. Winds of change were on the horizon, and the new CEO put it bluntly.

For the first four months of 2013, Berry took charge of sales, marketing, R&D and operations. In May, his role expanded to everything but International (only an INR8bn business making up about 5% of revenues). So, while Bali continued to function as the MD (looking after only the international business), Berry was the de facto head until he formally took over as the MD & CEO in 2014.

Varun Berry’s maiden task was to bake in right people at right places, and capture the ‘cost crunch’ to dominate the industry and lead or innovate.

BAKING SMART COOKIES

The CEO’s vision needed a right plank, and Berry began by looking inward. People were, hence, his most pressing concern; issues such as the company’s losing grip on brands and pricing power—relatively extraneous—were the toppings that could be adorned later.

The people agenda centred on pumping up passion and quality of work among the veteran workforce. Britannia’s work culture had hardened over the years and become a little bureaucratic, Silos had cropped up with little interaction among functions or divisions. The immediate task was to encourage communication among functions, break silos, synthesise operations and reap synergies. People with the right mindset were needed to fulfil the new vision. Berry resisted the urge to bring in people from outside. He hunted down suitable internal employees.

The cultivation of a high-performance team opened up communication, thereby gradually dismantling bureaucracy and functional silos—although not without a complete lack of friction—and made Britannia a more open workplace. Anyone could walk up to the CEO, who led by example by spending time outside his cabin, speaking to a cross-section of employees and meeting them over formal and informal meetings.

The CEO extended his personal touch by visiting factories and regions, speaking openly with personnel on the floor, fielding questions from them, etc. Berry also impressed upon almost 300 managers to widen their exposure to functions and people across the company. Besides, the “Britannia for Britannians” policy instilled trust among the workforce by giving them the first right of refusal for an internal job posting.

While the term ‘cookie’ is relatively modern, the earliest reference to the cookie is the Ciambella di Monaco in 1390, which was similar to a vanilla wafer. Details of the cookie were also published in 1660 by Robert May in the book The Accomplisht Cook.

Varun Berry’s maiden task was to bake in right people at right places, and capture the ‘cost crunch’ to dominate the industry and lead or innovate.

Berry was clear that without being a cost leader, there was no way Britannia could dominate the industry and lead or innovate, make investments in technology, and set up an R&D centre. Cost efficiency still offers 2% of revenues to the company.

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REMAPPING DISTRIBUTION

Distribution is to an FMCG company what the pedal is to a bicycle. The goal was to widen the presence to more outlets while encouraging them to manage, display and execute its brands effectively.

The solution to the distribution puzzle essentially lay in bolstering presence in the Hindi heartland—wherein Britannia played a second fiddle to local players. Management prepared itself for the new turf and gunned for expansion. The efforts paid off with the company continuing to grow 15–20 percent annually in the Hindi heartland territories.

Berry oversaw the heartland turnaround, personally visiting outlets in those markets two days a week, and giving retailers a piece of his mind and nurturing them with the dos and don’ts. He is also credited with the creation of a split distribution model that has worked very well for Britannia.

Coaxing the distribution problem entailed deepening the presence to more outlets, particularly in the Hindi heartland, and pushing the brand effectively there.

MEASURING UP TO THE COST CHALLENGE...

The lower the cost, the better it is. But for a business with low gross margins, cost control/efficiency is non-negotiable. Without being a cost leader, there was no way Britannia could dominate the industry and lead or innovate, make investments in technology, and set up an R&D centre. Starting with few members in the team, which was later scaled up, a cost control cell studied the minutiae and guided individual departments. Strict cost control is, in fact, paying the company back even today with such programs generating 2% efficiency per year.

But what truly stands out in Britannia’s renaissance is the pivot on which it turned—its people. That too insiders, i.e. Britannians who had been with the company for long. To plug the skill set gaps, a limited number of people were externally hired, e.g. the R&D head. These initiatives have started bearing fruit with a good turnaround across line items and business verticals.

The goal to address distribution problem was to widen the presence to more outlets, especially bolstering presence in Hindi heartland, while encouraging them to manage, display and execute brands effectively.

In the 17th century, bread ovens could be run by lighting a fire inside and shutting the door, waiting for the oven to heat up to the right temperature. Some of them were also portable.
...BUT NOT WITHOUT MISGIVINGS

No change is easy at first. Skepticism, friction and opposition deterred support from key stakeholders, including the board of directors. But open, flat and regular communication fostered by new management cultivated transparency, inspired faith in the new vision, and instilled trust between board and management.

This transformation in the board’s mindset took a tedious two–three years. Projects are now scrutinised with a different lens—objectively and with a sense of urgency.

IS THE RENAISSANCE OVER?

Having tasted the sweetness of success, Britannia is now preparing for a bigger treat. The new leadership has laid out a road map to transform itself into a total foods company.

A tremendous assortment of efforts is underway—around manufacturing, people, distribution, and R&D. Management firmly believes that Britannia must continue to innovate and nurture products while digesting failures along the way. They intend to keep rolling on like a well-oiled machine and not let momentum ease up. In some ways, the company is also trying to be agile and dynamic like a start-up, but without losing its taste for profitable growth.

The renaissance though is far from being over. Britannia must continue to Eat Healthy, Think Better to serve oven-fresh products that can feed and fuel its growth on the journey to becoming a total foods company.
With its genome steeped in social good, 85-year old Cipla’s corporate ethos was never about minting money. Neither through thick nor through thin. From stunning the world by offering a vaccine against HIV at an affordable 1/30th of pharma majors’ pricing in 2000 to pioneering the inhalation therapy in India, Cipla has kept human good at heart driven by its care-for-life principle. That its recent journey has been one of sharp bends, shows it may not have faced the most potent challenges to its philanthropic philosophy yet.

Luis de Morales was popularly called “El Divino" in Spain because his paintings had a religious energy, and also a realism that often shocked the audience. He is also known to have created all his paintings as panels. In addition to one of his best paintings, Madonna and Child, which is renowned for its heartwarming rendition, he is also known for painting 20 panels on the Life of Christ.
OF AILMENTS, CURES, AFFORDABILITY AND HUMAN TOUCH

At the turn of the millennium, the treatment for HIV-AIDS was beyond the reach of the needy in most of the developing world. Chairman Dr Yusuf Hamied stunned the world in 2000 by offering a dollar a day cocktail of three drugs—stavudine, lamivudine and nevirapine—that treated HIV at 1/30th of the pharma majors’ pricing. He even offered to transfer the technology to make the drugs for free to any African government willing to produce its own drugs. By retro engineering the first medication and antiretroviral cocktail with proven efficacy against HIV and AIDS and selling them at a fraction of the price, Cipla helped sustain millions of lives in Africa.

The best way to understand Cipla is that the DNA set by its founders was always about solving a pressing problem. And one thing about Cipla that is remarkable and has not died, and which lives with employees who come and go, is that the company works with its heart, and this is reinforced, time and again.

A HISTORY OF HEALING

In 1939, Mahatma Gandhi visited the company and inspired its founder Khwaja Abdul Hamied to make essential medicines for the country and make India self-reliant thereof. During World War II, when India faced a shortage of life-saving drugs and was completely dependent on imported medicines, Cipla manufactured them for the country (and thus started out as a formulations player). Cipla also pioneered the inhalation therapy with the manufacture of metered-dose inhaler (MDI). Until late 1970s, inhalers available in the country were all imported. By introducing the made-in-India inhalers, Cipla lowered their prices quite significantly. Today, the company offers the world’s largest range of inhaled medication and devices. The company is also credited with paving the way for the Indian pharmaceutical industry into global markets through generic medicines. In 1970, the company spearheaded the Patent’s Act, which allowed Indian companies to manufacture patented products as long as its process was changed. This prevented monopolistic pricing and allowed Indian drug makers to supply medicines at affordable prices.

Even there, a dollar a day, when it was first put out, was impossible. Nobody could make USD1 a day or whatever it is. So we worked with a lot of passion.

Dr Yusuf Hamied  Non-Executive Chairman

Discoveries made during the Renaissance period set the path for modern medicine. It was a time when physicians stopped believing in alchemy and superstition and relied on knowledge and new discoveries based on an understanding of the human body with the aid of printed books such as Andreas Vesalius’s publication of De humani corporis fabrica (On the Fabric of the Human body) published in 1543. It was also during the period of Renaissance that Thomas Linacre a humanist scholar and physician founded by royal charter the ‘College of Physicians’ in London. The Linacre College in Oxford is named after him.
 Having run a long course, the monopoly-breaker and price disruptor faced an existential dilemma in 2012. The AIDS business had largely matured—drugs pricing had fallen to affordable levels and multiple generics had spawned, not to mention the shrinking opportunity since a large part of the AIDS problem stood resolved. Meanwhile, the product patent regime was being enforced, clamping down the opportunity for pharma companies to launch products in its major markets. The biggest of all changes was, however, internal reform. Promoters (second generation) had decided to pass on the baton into professional management’s hands.

After nearly four decades at the helm of the company, Dr. Y.K. Hamied stepped down as Managing Director in 2013 and passed on the company’s reins to professional management. Opportunities and competitive landscape had changed and risk-taking was different. The key challenge for professionals was to forge new relationships and drive a qualitative change in how stakeholders viewed the company. Whether professional management would retain the company’s considerate corporate ethos—of making a difference and not just profits—would sustain or undergo a makeover was the key question on investors’ minds.

New management zeroed in on an expansionary strategy with focus on setting up a direct-to-market business in global markets. As the company scaled for international targets, it identified a few counties based on a combination of: i) size of the pharma market; and ii) ease of integration. The US made the cut due to its sheer size; South Africa too due to Cipla market understanding, relationships and focus on Africa as a second home market.

The company took over Cipla Medpro in South Africa to manage a front-end sales force outside India. Cipla scaled up the South Africa business to emerge as the third-largest player in the country’s private market. In the US, the acquisitions of Invagen and Exelan for USD550 million gave it scale, manufacturing prowess, an R&D base, access to a wide product portfolio, and a customer base of top wholesalers/retailers in one fell swoop.

But international business somehow began to hurt. Meanwhile, in 2015–16, extraneous factors such as the drying up of the tenders pertaining to the Global Fund to fight AIDS, Tuberculosis and Malaria tenders began to dry up and the company, as the leading developer globally had pushed the Global Fund into revising its policies that determine funding for countries, including its funding allocation methodology.

During the Renaissance period new editions of translations of books by Greek and Roman physicians and philosophers helped physicians better their knowledge of Human Anatomy. One of the earliest influences was the publication of over 600 editions of books by Galen, a Greek Physician, Surgeon and Philosopher of the Roman era. He is considered one of the most prolific physicians of that period and his work influenced various disciplines in Medicine such as Anatomy, Pathology, Pharmacology to name a few. He used to often tell his students to look at bodies of dead gladiators to help them understand anatomy. His work was recorded in Andreas Velasius’s book De humani corporis fabrica.
Many medieval scholars viewed the universe, specifically its geometry and astronomy, as pieces of art drawn by God. They, thus, believed it had a direct connection with heaven. To find or discover these pieces of the universe was to search God.

To understand Cipla, pay microscopic attention to its DNA—that the company works with its heart, and this ethos is reinforced in its employees.

**SUBLIMATION BY TRIAL**

Over 2012–16, the company had set up a front-end in Europe for respiratory products with a 140-person field force (trying to take on GSK and Astrazeneca on their turf). Over the same period, it acquired Invagen and Exelan in the US, expanded to Uganda, and struck joint ventures in Morocco. It also signed a memorandum of understanding to set up a biotech facility worth USD5 million in South Africa with an aim to launch biosimilars at USD1 a day. Such expansion took a toll on the company’s health. Known to be a salubrious debt-free company, Cipla took on sizable debt for the Invagen acquisition. It was time to look under the hood, for, in its quest for growth, the company seemed to have taken missteps.

Management under the leadership of incumbent MD Umang Vohra (who joined in 2015) boldly remodelled the strategy that played up the company’s strengths. The focus on India and South Africa was sharpened while sticking with front-end expansion plans in the US. The strategy for Europe stood reversed as the company laid off the 140-member field force. The company also took a one-time impairment provision of INR370 million on select assets at Cipla BioTec, as it decided to pull out of biosimilars. And it the company also opted out of the South Africa MoU and exited 30 emerging markets.

**GROWTH PEGS**

Having streamlined its strategy, Cipla is now targeting two areas—anti-microbial resistance (AMR) and lung leadership. AMR is a somewhat similar to AIDS. This is a pervasive condition and Cipla is currently the only Indian company with R&D capability in this area. While the USD1/day may not be viable in case of its chronic condition, Cipla hopes to be the first one to address this unmet need.

In the respiratory practice (lung leadership), Cipla is the leader in its branded markets. It has launched complex generic inhalers (viz. glucerbal) in Europe. The company entered the US a bit late, but management maintains the ambition of becoming a global lung leader.

For the key US market, management’s strategy hinges on launching one limited competition respiratory product per annum.

The company is working hard to develop respiratory products across the gamut of categories—pneumonia. For the past two years, Cipla has been focusing on its next leg of growth via innovation and specialty pipelines. It has been acquiring and in-licensing assets. The focus has been on forming a franchise in the respiratory and institutional business.

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If you don’t innovate, four years later, you will have a moment where suddenly you realize that everything is broken loose because the company never innovate.

One of the earliest practices of the Renaissance era that exists today in a more modern form is the medical autopsy. In the Renaissance era, artists such as Leonardo da Vinci (1452 - 1519) understood the Human Anatomy. He performed dissections on human bodies to get an understanding about the muscles and bones. Da Vinci also wrote a 100 page book, which had detailed drawings and notes on the Human Body. His anatomical drawings were found 80 years after his death.

IS THE RENAISSANCE OVER?

Cipla’s journey has been one of trials, experimentation and successes. The new management team has worked hard to drive sound businesses while remaining close to the company’s heart and ethos. The moving parts of the reorganisation too have now fallen in place. The stiff US regulatory challenges are still not over though. Besides, business transition in the US (direct to market) and upskilling to complex generics & specialty are both works in progress, but potent drivers of the company’s renaissance. That Cipla will continue to keep larger good at heart and stick to its care-for-life principle under the professional management structure would epitomise its renaissance.
The world had turned topsy-turvy in a matter of days in October 2008 with businesses reeling under the collapse of financial systems. Sales of commercial vehicles in the US and Europe fell off, bringing Bharat Forge’s export business to a near grinding halt. Vehicle production in the US almost halved in 2008–09 vis-à-vis 2005–06. European production followed suit. Order cancellations poured in and capacity utilisation fell to an all-time low. Bharat Forge had a fight on its hand. And it was ready to fight back. The journey, the transformation created its renaissance.

Mining played a big role in the development of metallurgy in the Renaissance period. Marten van Valckenborch was a Flemish Renaissance painter mainly known for landscapes and cityscapes. Some of his paintings captured life in the river valleys, which were also areas of mining activities and depictions of smelting process in the late 16th and early 17th century.
Baba Kalyani, Chairman and Managing Director, joined the family business set up by his father—Nisankunth Kalyani—in 1972 after earning a Master of Mechanical Engineering from MIT (US). Bharat Forge was a loss-making entity then with a turnover of INR 38 million. With his on-the-shop-floor approach and several decisions at every level, Kalyani turned the business around. He stressed the criticality of gaining insights into the forging technology via a culture of knowledge and innovation.

Forging in India was then considered more of an art, and shop floors at most foundries ran on conventional methods. Most incumbents of the 30 odd domestic forging businesses lacked a true understanding of the science behind forgings. More importantly, they under-appreciated the salience of metallurgy in forgings. No wonder, by 1980s, Bharat Forge had surpassed the country’s 30 odd forging companies in size due to its faster and technically smarter solutions, including customisation, despite similar costs.

**QUEST FOR EXCELLENCE**

If it was not for Kalyani’s nature of challenging the status quo over his almost five decades at the helm of affairs, Bharat Forge would have never redefined its destiny beyond merely being a product or component supplier. He continuously moved the company into exploring value chains in the automotive and industrial sectors. Kalyani’s deeper insights into the global auto and industrial value chains drove him to target the most profitable businesses with higher value-addition—and which are tough to break into.

From forging & machining chassis and powertrain components for the biggest trucks (Class 8) and manufacturing components for jet engines to shale fracking components for global oil & gas majors or complex parts of artillery guns, the company has always picked the cream of businesses, which yielded highest payoffs.
SUSTAINED TRANSFORMATION

Bharat Forge began as a product supplier catering to Indian clients. It eventually broke into global clients. This business model was tedious and entailed heavy capital outlay to set up capacities with underlying risk of under-utilisation and long lead times. Leveraging its solid track record with global OEMs in the automobile and industrial verticals, the company has evolved into one of the most diversified high-precision forging companies globally with deep capabilities in product design for high-end applications in aerospace, oil & gas, locomotives, etc.

The company is further transforming itself from a built-to-order supplier to more of a co-developer or co-designer with OEMs. This business model was tedious and entailed heavy capital outlay to set up capacities with underlying risk of under-utilisation and long lead times. Leveraging its solid track record with global OEMs in the automobile and industrial verticals, the company has evolved into one of the most diversified high-precision forging companies globally with deep capabilities in product design for high-end applications in aerospace, oil & gas, locomotives, etc.

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In the defence space, the company took an unprecedented step. Without having a single order in hand, Kalyani took it upon himself and made a commitment to indigenously develop a 155mm/52cal artillery system. Having attained proficiency in manufacturing performance and safety critical components for the automotive industry, the company was confident of its metallurgical knowledge and capability to develop critical gun assemblies that go into an artillery system. Kalyani put together a team of engineers, metallurgists, ex-army officials and tasked them to design and develop an indigenous 155mm/52cal artillery gun. The team interacted with, and initially took help from, Cranfield University and experts at the British School of Artillery, UK.

Meanwhile, in the wake of global financial crisis, the Swiss firm RUAG had decided to wind up its operations, and had put its plant and machinery on the block. Kalyani moved fast. He bought the plant within 24 hours and, in the following month, moved it to Pune to establish an ordnance manufacturing facility with a capability for critical processes such as rifling and autofrettage. Fifty engineers were assigned to the project and they built the first artillery gun in India in a matter of 18 months. The company has indigenously designed and developed more than seven artillery platforms within a short span of seven years.

STRIKING WHEN THE IRON IS HOT

Businesses were scaling down, firing workers and struggling to stay afloat in 2008–09. Bharat Forge had other plans despite being saddled with huge orders and dismally low capacity utilisation (20%). The downturn unravelled a great opportunity to explore more avenues and to make significant investments. During such times, the company commissioned India’s largest commercial open forgings press at Mundhwa in 2008.

In fact, realising the limitation of catering to just the automotive business, Bharat Forge had started scouting for new growth avenues in 2005. Management was already on its toes, thinking about leveraging its global auto forging scale to newer heights via non-auto diversification. Over 2009–10, it shored up the forging capacity, exclusively for a wide range of industrial applications (including large engines), rail, marine, and oil & gas.
Kalyani visited a clutch of auto companies in Europe in 1995 with the intention of exporting engine parts to them. “This is high-tech manufacturing and there’s no way I’m letting an Indian company do it” was the retort that ignited the change in him and at Bharat Forge. He took no time to realise that global OEMs demanded highest quality and steadfast precision—a rare set of capabilities among Indian forging shops at that time. The low-cost and flickering-precision of the traditional Indian foundry model didn’t quite make the cut.

Bharat Forge had successfully driven into the European and US markets by 2000. But it had had only four–five customers there. The real test of its engineering prowess lay in cracking the Daimlers, GMs and Fords of the world. That’s when the Dana Kirkstall buyout (UK) happened in 2000. It not only ‘raked’ in a multi-million dollar order book, but also brought new customers into its fold.

Carl Dan Peddinghaus GmbH (CDP) was the next prized catch. Founded in 1839, CDP is a premium forgings company and a supplier of critical chassis components to automakers such as BMW, Volkswagen, Audi, Daimler Chryser, and Volvo. The company was known for its deep customer relationships and turnkey solutions founded on cutting-edge technology and deep product design and development expertise. Bharat Forge lapped up the 790-employee company in 2004, thereby emerging as the second-largest forgings company in the world.

The hunt continued over 2003–04, and the company kept acquiring plants across Europe, North America and China that took it closer to global OEMs. Its unrestrained appetite for the western forgings market, export focus and expansion thereof fired up 10x growth over 2000–08. Total revenues topped a billion US dollars, making it a forgings behemoth with highest single-location capacity.

It wasn’t a jerk-free ride though. Overseas acquisitions worked very well until the Chinese undercut the supply-chain pricing. This coupled with sticky overheads and fixed costs (largely labour) led to losses at the company’s German and Swedish operations. But what is under-appreciated is that the high-end plants, i.e. Carl Dan Peddinghaus (Germany) and Kilsta (Sweden) were a conduit for leveraging their OEM relations (beyond deep design and product development capabilities of overseas staff). That finished components forged at the Pune plant were shipped out to global OEMs at a significant cost arbitrage is what made the Indian operations greatly profitable.

Bharat Forge capitalised on the downturn to make significant investments to commission India’s largest commercial open forgings press in Baramati.
IS THE RENAISSANCE OVER?

Bharat Forge has lived through several trials and tribulations over the past many decades. Each time it has emerged stronger and leaner, blazing the trail with innovative application of technology, not to mention its bold decisions. The result is overwhelming: a whopping 20 percent-plus compounded return on equity and earnings growth over the past two decades. The roots of institutionalised learnings and technical know-how are well seeded in its large pool of mid-level managers at the company.

The company’s state-of-the-art manufacturing plants with reliance on robotics have earned creditable feedback from its international customers. Most North American and European companies are taken aback by Bharat Forge’s facilities in India. They are far superior to what its customers have seen back home.

Forging represents mining resources from the bowels of the earth and converting it to tools for human progress. The ‘Tower of Babel’, a painting by Marten van Eyck in the Renaissance period, has been referred to as a painting which captures the aspiration of humankind for a better and more organised world.

In less than a decade thereafter, Bharat Forge was able to transform itself inside out by offering rigorous mechanical engineering programmes via premier institutions such as BITS, Pilani, and even setting up a mini university on the Bharat Forge premises. Non-engineers enrolled for the programmes, and they continue to feed into the huge talent pool of mid-level managers at the company.

The company made great strides towards higher automation in manufacturing and simultaneously avoided human intervention, wherever possible. Unskilled labour became redundant and were offered voluntary retirement. This re-coded the company’s DNA from its muscle-powered orientation to brain-powered prowess.

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MIND OVER MUSCLE

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JSPL has come a long way from its humble beginnings as a sponge iron player to a unified metals, power and mining group. It now boasts more than 10 million tonnes of crude steel capacity in India and Oman, 3,400 megawatts of merchant power capacity, and mining operations in Africa and Australia. But the past decade was nothing short of a roller coaster with its fortunes oscillating between boom and gloom—partially of its own making and somewhat embodying the experimentation and exploratory spirit of the Italian Renaissance.

The painting of the ‘Man with gold-damascened armour’ is by renowned Italian painter Jacoo Tintoretto. Armour was one of the earliest forms of metallurgy during the Renaissance period. Tintoretto was known for his brushwork and the energy in his paintings. It earned him the nickname ‘Il Furioso’ (The Furious).
Edelweiss Securities Limited

PROSPERITY PUMP-PRIMES PLAnS

Group honcho Naveen Jindal saw deep potential in domestic coal despite the fuel’s polluting properties. Management wondered whether coal could be replaced given India imports about 200mtpa of the fossil fuel and countries such as the US, Canada, South Africa, Australia and China continue to produce it. The opportunity was unmistakably large, and it led to the idea of ‘gasifying coal’, which does not cause pollution. Jindal’s grand plan was to hit two birds with one stone, i.e. exploit the reliable German Lurgi technology to gasify coal and then use that to produce steel. Not only would this reduce the reliance on imported coking coal, but also add value to an abundant domestic resource. The grandiose plan involved scaling up the conventional 300–500TPD DRI furnaces to a state-of-the-art 2mtpa DRI steel plant.

POWERFUL DESTIny

JSPL first tasted glory not in its legacy steel business, but where it made a bold move, i.e. power. It set up a 1,000MW power project in Raigarh in 2007, becoming India’s first independent power producer (IPP) when power deficit was a norm. The project turned in surplus cash and attractive returns, and had become a cash cow for the entire group. In fact, it came to be regarded as a benchmark of privatization of power generation in India. The project’s scintillating success also lured others into setting up merchant power plants.

METAL DREAMS DENTED

JSPL decided to set up a mega steel plant in Angul exploiting the coal gasification technology. Sitting in the heart of the coal-rich Talcher-Ramchandi-Utkal belt with nearly 70 billion tonnes of reserves, Angul was a natural choice for the plant site. It was expected to be a plant of massive scale—with plans to ramp up from 1mtpa to 12mtpa, and eventually to 20mtpa. JSPL’s Mission 20 by 20 envisioned increasing Angul’s capacity to 20mtpa by 2020. But sometimes the best plans fall through. At the eleventh hour, a coal scam rocked the country. The saga culminated in the Supreme Court of India de-allocating coal blocks in 2014. Out of thin air, the company faced a dark reality—one that management team had never thought of.

Management rues the way the situation developed and believes the government could have extracted a higher share from coal mining via variable royalty rates on coal linked to international coal prices. That the industry was not allowed to exploit the resource properly is akin to wasting it since Indian coal resources are constantly depleting due to natural sub-terranean fires. And JSPL had already invested about INR 70 billion in the project. With the Supreme Court’s dictum cutting off a critical supply-chain link, JSPL’s dream was shattered. The irony is that the Angul plant, right in the middle of swathes of coal deposits, was starved for fossil fuel. That the dream was shattered at the stroke of a pen, not because of an operating fiasco is no less ironic.

We began the day with certainty of only breakfast and strived to earn our lunch and dinner.

Naveen Jindal believed in his people and team, and is blessed with a keen sense of choice.

Naveen Jindal
Chairman
Edelweiss Securities Limited

METTLE COMES TO RESCUE

To chart out a new course, an eight-member group council comprising senior technical personnel debated alternatives and priorities for three months. The council devised a plan: 1) no further capex at Raigarh. 2) Complete the second line of pellet plant at Barbil. The first would supply pellets to Raigarh and use the second to generate revenue via exports. 3) Cut off the DRI route at Angul and put up a blast furnace (India’s largest at 4,220cum) for steelmaking. Jindal sought to utilise accruals from the Raigarh and Barbil plants to set up the mega blast furnace.

But it was easier said than done. Banks eschewed extending additional credit lines while the group lacked experience in setting up and operating a large blast furnace. The only way forward seemed to be to tread with the care and patience of an artist. Managing Director Vidya Rattan Sharma recalls Jindal telling the council, “We will win. Our resources might be limited but creativity is not.”

INGENIOUS TECHNICAL STROKES...

To tide over the crisis, the council decided to: 1) commission all the six captive power plants at Angul; 2) commission the plate mill at Angul sourcing slabs from its own factory (even if it meant transporting them from Raigarh for rolling at Angul); and 3) set up a rebar mill and a hot strip mill (HSM) at Angul at investments of InR8 billion and InR25 billion, respectively. These investments were later marked down.

The company would, thus, source feedstock in-house for its another plant that would churn out value-added products. This would jack up utilisation at both the plants. Against the commodity-grade plate mill at Raigarh, the council favoured setting up a value-added plate mill at Angul, producing the widest plate in the country to cater to specialised sectors/customers such as defense, oil & gas, and yellow goods.

The Raigarh plate mill helped the company maintain cash velocity (cash conversion cycle limited to 1 day) while the one at Angul generated better margins. The HSM was not commissioned as JSPL did not wish to be seen as an also-ran among the likes of Tata Steel (Kalinganagar), erstwhile Bhushan Steel, and SAIL (Durgapur and Bokaro plants).

We will win. Our resources might be limited but creativity is not.

Kunz Lochner, the popularly respected master plate armourer from Nuremburg (Germany), belonged to a family of highly skilled armourers and blacksmiths. Lochner’s work station was credited for making some really magnificent plate armours for some of the most famous people of 16th century Renaissance such as the Holy Roman Emperor Ferdinand I. He was also the court armourer for Maximillian II.

At that time, we had only two choices: swim or sink.

BRAVING THE CRISIS

The de-allocation of coal blocks— for both the steel and power sectors— necessitated sourcing the fossil fuel from international markets and Coal India. This pushed up the cost of producing steel and power. Besides, utilisation of JSPL’s newly built 2,400MW power plant was in jeopardy as no coal meant no PPAs. The company started a dilemma: file for bankruptcy or close the new harshly challenging operating environment.

Jindal made a bold decision to stand up and face the crisis. He took stock of the situation: Raigarh plant with two mini blast furnaces and ten rotary kilns, a 3,400MW power division and one up-and-running line (of the two) of 9mtpa pellet plant at Barbil. The Raigarh steel plant turned in a profit but Angul made a loss. The goal was clear— focus on Angul while retaining Raigarh's profitability.
Sometimes extreme external events throw cold water on plans. The global commodities downturn in 2016 was one such; it pushed the company over the edge. Costs were way too high for survival. So much so, JSPL was tottering on the brink of corporate debt restructuring (CDR). The mega Angul blast furnace was still far from being commissioned, debt was ballooning and cash flows foundering. The situation called for single-minded focus. Naveen Jindal—a two-time parliamentarian—triggered his attention back to business from politics. He also drew great support from the family, who not only guided him but also pointed out if his assumptions or decisions sounded overly optimistic or aggressive.

Management's grit, single-minded focus and careful manoeuvres have helped JSPL push through difficult times.

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RAISING THE BAR

It pays to have a company’s dream aligned with the country’s. Indian Railways has traditionally preferred state-owned steel producer SAIL for sourcing rails while importing the rest. JSPL persuaded the Ministry of Railways to eschew importing rails as it had the know-how to produce the same. This proposal dovetailed with the government’s ‘Make in India’ push. Indian Railways sent a team to audit and inspect the company’s plant and approved of it. It was a resounding affirmation of the company’s strategic vision and manufacturing excellence on the one hand, and the doughty spirit and steadfastness of purpose on the other. Subsequently, JSPL put up a facility—the first in Asia—for head-hardened rails to meet the Indian Railways’ requirements.

If the canvas changes, a virtuoso experiments and recalibrates the technique. The new business reality demanded a makeover from Big to Agile, and quick it was. Jindal’s pressing goal was to become the lowest-cost producer, particularly since the captive coal dream received a setback. Management’s grit, single-minded focus and careful manoeuvres helped it push through difficult times. Currently, the company is India’s lowest-cost steel producer with a differential of INR 3,500/t with the nearest competitor, and intends to stretch it to INR 2,000/t. The makeover also redefined the focus from economies of scale to refining the product mix and differentiating the product range towards rails, value-added plates and structurals. Inventory too has been reined in to an industry-leading seven days.

Sometimes extreme external events throw cold water on plans. The global commodities downturn in 2016 was one such; it pushed the company over the edge. Costs were way too high for survival. So much so, JSPL was tottering on the brink of corporate debt restructuring (CDR). The mega Angul blast furnace was still far from being commissioned, debt was ballooning and cash flows foundering. The situation called for single-minded focus. Naveen Jindal—a two-time parliamentarian—triggered his attention back to business from politics. He also drew great support from the family, who not only guided him but also pointed out if his assumptions or decisions sounded overly optimistic or aggressive.

Management’s grit, single-minded focus and careful manoeuvres have helped JSPL push through difficult times.

The Renaissance period was also known for specialised jousting armour, which was created in the late 15th to 16th century. This type of armour was heavier and sometimes weighed as much as 50kg. A major limitation of this type of armour was it could not be worn while riding a horse. Two forms of the jousting/stechen had two specific styles of armour, the Rennzeug and Stechzeug. The latter was a very heavy form of armour, which limited the movement of the rider. Jousting as a sport stopped after the death of King Henry II in 1559 due to wounds in a jousting tournament.

Management’s grit, single-minded focus and careful manoeuvres have helped JSPL push through difficult times.
The foiled dreams had stifled JSPL with high leverage. For the better part of 2016, its earnings before interest, tax, depreciation and amortisation (EBITDA) languished interest. Prudential financial management meant leverage had to be curtailed come what may. The deleveraging goals were set and were dealt with the same strictness as staying the course on operating efficiency. Cash flow has been utilised to pare debt, down 20% from its peak of INR460 billion. With no major capital investments planned for the near future, JSPL targets to pay down liabilities by INR70 billion per annum to contain debt to EBITDA at just 1.5x by 2023 vis-à-vis 4.7x in 2019.

Despite its bumpy ride, JSPL never lost sight of the community it has coexisted with. The philosophy of giving back to the people that gave up their land for the plants, facilities and infrastructure did not change. Not a single person was removed from the payroll even during the most testing times. And various CSR activities continued without any let-up. No wonder, locals support JSPL due to its humane touch. Among the many initiatives taken by the company, a 100-bed hospital with an air ambulance facility in the Punjipatra town stands out. The town houses an interdependent cellular manufacturing hub of 100 industries that procured steel and power from JSPL and, in turn, supplied fabrications and other raw materials to the company.

Steel capacities at both Angul and Raigarh have stabilised. The company is more resilient than peers given its portfolio of value-added and differentiated products and unrelenting cost control (particularly at Angul). Management is looking ahead and is keen on propelling the company into the country’s top ten by turnover, profit and leverage over the next four-five years, i.e. a turnover of INR500 billion and EBITDA of INR150 billion. And they have ruled out any further capex until these goals are achieved. “Now, we are out of the turbulent zone, hence we can unfasten our seat belts,” mentions the managing director.

During the Renaissance period, new techniques of metal working enabled the creation of full suits of plate armour. Although heavy, it allowed a lot of mobility as it was custom-made for the wearer. Moreover, this aspect also made it extremely unaffordable for regular soldiers.
Emulating the ethos embodied in the semantic and historical moorings of IndusInd Bank was no mean task for Romesh Sobti when he took over its reins in 2008. For 14 years since its inception, the bank did not quite live up to the cornerstones of the great Indus Valley Civilisation it is named after, viz., a spirit of innovation and sound trade practices that took it to towering heights. On the contrary, it risked being an also-ran in the highly competitive marketplace dominated by a couple of pedigreed private players and a plethora of public sector banks.

A transformation was indeed desirable, and it came. With aplomb.

The House of Medici was one of the wealthiest elite families of Europe during the Renaissance period. It gained fame in the Republic of Florence during the first half of the 15th century. The Medici Bank prospered across Europe and gained respect among the masses.
The catalyst of transformation was the coming together of five hand-picked like-minded professionals with a compelling core objective. This lends a different touch to the IndusInd saga. Unlike many turnarounds scripted by a single agent (usually CEO), IndusInd’s ambition for glory hinged on five wise men, each tasked with a business dimension: talent pool, recapitalisation, restructuring, technology survivability and compliance. This approach was strikingly innovative and efficient, for it effected a concomitant change across divisions as opposed to piecemeal changes had the CEO called the shots. They had a hybrid banking business model in mind that sought, to plug evident white spaces uncharted by the less-productive and less-customer-driven Public Sector Banks (PSBs) and geographically-bound foreign banks. And they had a syncretized business model with that entailed indigenous innovation and competence to put together a universal bank (—the one that provides a comprehensive suite of services).

SYNCRETISM — UNITY OF PURPOSE

Real catalyzing factor of transformation was five like-minded people coming together with a compelling common objective.

Romeesh Sobi
Managing Director & CEO

Most of the wealth of the Medici Family was due to the power of the Medici Bank. At a point in time it, was the largest bank in Europe. The family was well respected and was also a patron of arts. Some of the most well-known artists of the Renaissance such as Donatello, Brancacci, Michelangelo, Leonardo da Vinci, and Sandro Botticelli were supported by various individuals of the Medici family. The other important contribution made by the Bank was the double entry system to track debts and credits, which improved the overall general ledger system.

MARTERFUL WORK

As many as 70 professionals brainstormed to craft the turnaround strategy with three-year planning cycles. Management moved in on a three-year cycle for ease of follow-through on strategy. The objective of the first cycle was to set the house in order, the second cycle largely experimented with cracking the right business model, the third targeted scale, and the fourth envisaged a game plan for differentiation and domain leadership.

Conceptually, the first two planning cycles (2009–14) had hard and concrete goals such as tripling the revenue (to break into top three banks), doubling profits and branches, achieving industry-leading returns ratios, etc. The third and fourth cycles (2015–20) dealt with softer aspects of the business such as differentiation, diversification and digitalisation. These softer goals called for a more nuanced and prepared push through a subliminal cultural renaissance in the organisation.
LIBERATION IN RURAL INDIA

The takeover of Bharat Financial Inclusion (BFI) in 2019 gives IndusInd unmatched reach across more than 115,000 villages and 7 million customers with immense potential for cross-selling, ramping up microlending and mobilising low-cost deposits. BFI, well-managed with conservative practices and strong corporate governance, would function as an IndusInd subsidiary, thereby retaining its infrastructure, culture and people. IndusInd just needs to put its arms around BFI to incubate greater possibilities for the latter and itself.

The bank is already scaling up BFI’s micro-financing business to harness greater efficiencies and productivity, strengthen its risk management framework, and leverage its market potential. The rollout of Bharat Money Stores (BMS) and enrolment of members/non-members on IndusInd’s banking platform will have a tangible domino effect across verticals. Management’s bigger aim is to make the micro-financing business self-funded in five–seven years.

BREAKING FREE FROM STRICTURES

IndusInd initially suffered from the perceived risk of a handcuffed professional board. That the complex interplay between the board and promoters (the Hindujas) affected business growth is a little stretched but not entirely unfounded. Their relationship has evolved over the past decade and there is now a clear demarcation of roles. Promoters are fiscal owners and key stakeholders. The board comprises professionals and is tasked with maximising stakeholder value by taking whatever business decisions they deem necessary.

This allowed the board to muster their forces to remedy the bank. For example, the IndusInd brand suffered from slackened recall for long. Attracting low-cost deposits was, therefore, taxing; it stunted management’s quest for liability-driven strategies. Much like the spirit of Renaissance was most vividly captured in the revival of arts, IndusInd’s sharpest formulation came about in its brand makeover.

Between 2011 and 2015, the bank opened many branches and introduced innovative solutions such as cash-on-mobile, choice of currency denomination at ATMs, fingerprint banking and personalised account number, thereby souping up its image. The explicit branding overhaul (logo, colour scheme, etc) consummated the makeover of the corporate identity. Plus, it now boasts a strong retail franchise with nearly 2,000 branches (4,000 including Bharat Financial) and a huge customer base (in the wake of 110k monthly additions) in the last seven years. These efforts were not without costs though, cost of deposits is 75–80bps higher than peers (although it has a NIM of 4%).

During the Elizabethan Period, cash flow took place through coins, only gold and silver coins. Copper coins and paper notes didn’t exist at all back then. The coin and the constituent metals carried the same value. The coin ‘sterling’ was punched, shilling and pace. Gold always held more worth than silver. Even if the amount of money from gold and silver were equal, still gold held more value than silver.
**DIGITAL ELIXIR**

IndusInd Bank aspires to become a leading provider of online propositions via best-in-class technology and processes. Management defines technology savviness as leveraging technology to find, serve, and engage customers, which would boost revenues and reduce costs. It does not regard the proportion of payment transactions as the true measure of success, but the percentage of business that is executed online, reduction in client onboarding TAT, etc, as the telling metrics. Based on this archetypal framework, management has laid out an integrated Digital Strategy to extract maximum value via agility and innovation as a service differentiator, operating efficiency, evolution to digital channels, partnerships with digital ecosystems, improved decision making and analytics, and transformation to online offerings.

**LIVING UP TO ITS MOORINGS**

The Indus Valley Civilisation is known for its urbanisation, advanced town planning and specialisation. In an era where life was limited to civilisational contours, innovative thinking was the only way to improve one’s lot. IndusInd too has laid out its structure and put the key elements of growth in place. It is now focused on building granularity, penetrating deeper, going “PhyGital” (physical + digital) and leveraging the distribution franchise. Its fifth planning cycle (2021–23) seeks to go greater lengths, i.e. into rural India, diversifying into para banking, and building up the liability franchise. This strategy squarely rests on BFI. Retailisation of liabilities would aid in bridging funding cost gap vis-à-vis peers. Portfolio growth would be built on a superior mix while sustaining the NIM and high-fee profile. The exposure to stressed groups is concerning, but management has already made dramatic write-offs.

Focus on building granularity, penetrating deeper, going “PhyGital” and leveraging the distribution franchise.

**Bharat Financial gives IndusInd Bank an unparallel coverage in rural India across more than 115,000 villages and a 7 million customer base.**

**IndusInd Bank aspires to become a leading provider of online propositions via best-in-class technology and processes.**

The Renaissance artist Quentin Matsys sketched ‘The Money Lender & His Wife’ in 1514. The painting, which was sketched on an oil on panel, depicts a money lender carrying out a deep evaluation of the jewels and pieces of gold placed in front of him. The painting captures the essence of a time period in Antwerp when many people fled the Spanish Inquisition. This situation in society was responsible for an increase in commerce and offered an opportunity for money lenders to flourish.
Technology savviness means finding customers, serving customers, and engaging customers that will boost revenues and reduce costs.

IS THE RENAISSANCE OVER?

Michelangelo’s early sculptures reveal breathtaking technical abilities and a disposition to bend rules of anatomy and proportion in the service of greater expressive power. That’s innovative thinking of a genius. IndusInd, after more than a decade of efforts to gain mastery over conventional banking, aims to move beyond. It is pursuing para-banking as an integral strategy to provide a range of products and solutions. The bank already has a sizable client base that is using these products. This niche expansion would allow it to cash in on latent business that it generates for partners. Capital implication for the bank would be low given its distribution franchise is wide and in place. And it would have to progressively look at potential ventures with turnkey collaboration. This spirit of bold innovation in IndusInd has a mark of the eponymous great ancient civilization.

Simultaneous change was extremely effective compared to staged change.
VIP, India’s largest and the world’s second-biggest luggage company, is among a few Indian brands to have endured upheavals and converted them into opportunities during its five-decade voyage. Whether it was the harsh policy environment through 2000 or the opening up of imports of consumer goods or poaching of its top-class management by competitors around 2000, the company, like a daring voyager, never lost nerve, always rose to the occasion, and then sailed towards newer horizons. Having seen a variety of times and come a long way, it is now pondering exciting avenues to pack in greater growth. Like the voyages of yore, who knows what discoveries might be in store as the company sails towards newer shores—precarious though they may be—with greater ambition and vigour.

Theodorus de Bry was born in 1528 at Liége to an adventurous family, which had narrowly escaped the Liege Wars started by the Duke of Burgundy, Philip the Good, and his son, Charles the Bold. Having a hereditary background of voyage, Theodorus gained prominence for his depiction of early European expeditions to the Americas. His coloured engraving book, ‘It’s a New World: Voyage 1952’ depicts an exploratory voyage to the New World from Lisbon.
Despite all the brouhaha about what could happen, Samsonite failed to make a mark and continued to drag its feet even after five years of its entry in India. That India is a complex market and Samsonite couldn't chart it well is part of the tale. What it did corroborate was VIP’s unassailable standing in the commoditised luggage industry. In fact, to date, after 26 years of Samsonite’s entry in India, VIP remains the leader in the Indian luggage market.

The secret sauce is the company’s prudent product segmentation, which allows it to target all economic segments through different brands. To VIP’s credit, it is the only Indian consumer brand ever to have fended off global competition. And it is ironic that Samsonite, which is the only multinational luggage company in the world and leader in more than 100 countries, lags in India.

GROWTH HEADWINDS
Over 1995–2005, while the threat from Samsonite turned out to be a damp squib, rigid labour laws and the high tax structure in the country were hurting the company. This bred unfair competition from the unorganised segment, which fettered both growth and profitability at VIP. Key managerial departures around 2000—in the wake of economic liberalisation—too contributed to the weak spell the company was going through. This coupled with a restrictive growth environment dragged profitability to low single-digits by 2002–03. At this juncture, VIP was a little adrift. Management tackled the problem head-on. It began by hiving off non-core businesses. This simplified the structure and allowed VIP to put its heart and soul into the core luggage business.

The company has always believed in the power of brands and nurtured them with superior advertising. Skybags, launched in 2010, has become the No. 1 brand in the fastest growing backpack segment in just a decade. Caprese, India’s first home-grown ladies handbags brand, is growing very well too.

The biggest success for VIP is to have contained Samsonite, the global leader.
SOFT LUGGAGE ARRIVES

Around 2005 things turned for the better as a result of economic liberalisation and reforms that inter alia allowed imports of consumer goods. This somewhat levelled the playing field vis-à-vis the unorganised sector. Import duties on soft luggage were slashed. It was a seismic shift and bound to cause a flush of soft luggage. And it was time once again for VIP—who’s forte was hard luggage—to roll up its sleeves. The lack of presence in the fastest growing category, i.e. soft luggage posed a tough challenge, but one that the company had a chance to exploit, much like it had done all along its journey.

Over the next few years, VIP focused on the soft luggage. The soft luggage market was exploding, and VIP moved fast to make the most of the opportunity by launching the whole gamut of soft luggage range, including backpacks and duffels. Through 2010, VIP had cemented its position as the luggage market leader and allayed concerns emanating from the onslaught of imports and foreign brands, including Samsonite. The company was, once again, blossoming.

Most of us have heard of Marco Polo as a Renaissance Explorer. The fact that he explored and discovered various parts of Asia over a span of approximately 24 years is known to only a few. His journey along the ‘Silk Road’ recorded in ‘The Travels of Marco Polo’ was also an inspiration for Christopher Columbus. His notes also influenced cartography during the Renaissance.

A TRENDY REPOSITIONING

Harvard-educated 36-year old Radhika Piramal joined the company in 2010 and pushed for a comprehensive catalogue of contemporary offerings. She infused zest in the business by suffusing colour and style into brands with an eye on reconnecting with the youth, who did not seem to be associating well with the veteran brand. A case in point is the revamp of the briefcase and suitcase brand, Aristocrat, into a soft luggage and backpack essential for the frequent traveller. Well-recognised Alfa, at the low end of the spectrum, and VIP, in the mass premium segment, were given makeovers to increase their appeal to the youth.

In 2011, the refreshed Skybags was relaunched as a collection of trendy designs and colours to reach out to the youth. Hypermarkets too were targeted with a high-volume and low-margin strategy. Apart from the in-vogue soft luggage, backpacks under the extended Skybags range were an instant success. Rucksacks, duffels and laptop bags were also part of the extended and refreshed Skybags range.

Skybags is the first Indian brand to manufacture printed polycarbonate luggage from quality materials that went a long way in creating a distinctly youthful and trendy image. As a category, polycarbonate luggage—lightweight, sturdy and durable—notched up significant growth.

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The vision is to become the cheapest producer of luggage in the world, and capturing a slice of it selling abroad. This would expand the business five-to-tenfold over five to ten years.

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Radhika Piramal
Vice Chairperson
Edelweiss Securities Limited
Edelweiss Securities Limited

TAILWINDS

The shift in business towards the organised market in the wake of the GST rollout (in 2017) is finally playing out, particularly in entry segments such as Alfa and Artistocrat. Consumers in the unorganised segment are not shying away from spending a little bit extra to upgrade to a brand that offers peace of mind.

Sharp advertising campaigns featuring brand ambassadors—Bollywood actors John Abraham and Varun Dhawan for Skybags, Alia Bhatt for Caprese, Hrithik Roshan, Saif Ali Khan and Kareena Kapoor Khan for VIP, and cricketers R Ashwin and Rohit Sharma for Aristocrat—are keeping up the sales momentum across categories. They are also helping maintain brand recall among consumers and VIP’s zingy identity.

The just-in-time framework prescribed by a management consulting firm has lifted same store sales growth by 20% and secondary (retail) sales by 50%.

BASKING IN NEW WATERS

Newer segments, particularly handbags and backpacks, are paying off. In 2013, VIP ventured into the ladies’ handbag category with the Caprese brand. Its launch was backed by robust advertising campaigns, differentiated designs and right pricing. Caprese is now available at more than 1,000 points of sale across the country. It is a business on the roll and there is no let-up in management fervour to strengthen its leadership by substantially extending the offerings.

The strong tailwind in these categories is their shorter replacement cycles that turn in recurring sales, not to mention the growth add-on in the noticeable shift from unbranded to branded products. The purchase frequency of such daily-use bags is much higher than for larger luggage (used for travel). To put the potential in perspective, VIP has sold 60 million pieces of luggage to date and it sold 3 million backpacks in 2018 alone!

The just-in-time framework prescribed by a management consulting firm has lifted same store sales growth by 20% and secondary (retail) sales by 50%.

Christopher Columbus went on exploratory voyages across the Atlantic Ocean. His voyage enabled the discovery of the New World and also the colonisation by Europe of the Americas. His expeditions were funded by the Spanish Monarchs. The country of Colombus bears his name even today.

On A HIGH

Backpacks have been leading the short-haul product category. In 2014, VIP launched 46 backpacks in a single month, thereby generating good sales momentum. Across channels, several new ranges were launched in both hard and soft luggage. Meanwhile, an aggressive promotions strategy and a foray into tier-two towns further deepened the company’s reach.

A major white space for VIP was—the super-premium category (INR10,000 and above). Here the Godth (lumari) had a market share in excess of 90 percent. But this category made up only 10 per cent of the market. To plug this gap, VIP radically repositioned Carlton, a brand it had acquired in 2004. Meanwhile, Skybags and VIP combined overshadowed American Tourier—Samsonite’s stab at the super-premium category—by substantially extending the offerings.

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The coming decade would be the best for VIP with a marked shift away from China to India.

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The just-in-time framework prescribed by a management consulting firm has lifted same store sales growth by 20% and secondary (retail) sales by 50%. Clearly, the company is turning agile, weeding out inefficiencies and tapping readily into latent demand.

The coming decade would be the best for VIP with a marked shift away from China to India.
“Today, I’m not even manufacturing 50% of my sales volumes and manufacturing only hard luggage. With our breakthrough in manufacturing process and once we manufacture both hard and soft luggage and become the cheapest producer in the world, it will be 100% manufacturing, and selling abroad too, which is just 5% of sales today.”

In Great Britain, Ireland and Australia, a mail coach was a stagecoach built to carry long-distance mail to the post office. The passengers were taken at a premium fare. There was a seating arrangement for four passengers inside and more outside with the driver.

IS THE RENAISSANCE OVER?

VIP boasts a market share of 52% vis-a-vis Samsonite’s 35%. Having sold 100 million pieces of luggage to date and turning in average net profit growth of 30% over the past five years, the company aims to pull off a similar feat over the next five. The last three have been the best in its history and markets cheered its success, valuing it around a billion dollars in 2018. That it is the domestic leader and the number one player in the Gulf instills confidence in its target of selling 2 million pieces a month in five years and 4 million in ten (from 1.2 million currently). VIP’s manufacturing experience in Bangladesh since 2014—comprising five state-of-the-art plants, 3,000 workers and capacity of 400,000 units—gives it a good grip on the rudder for a more rewarding international voyage. Lest it lose direction, the company aims to prepare well by first becoming the lowest-cost producer of luggage. This should hold it in good stead, and maps out its 5–10x aspirational growth on the back of a 25% contribution—from about 5% currently—from international operations in four years.
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India’s businesses are braving unprecedented changes—not just in their ecosystems, but also in the way they run, their growth dynamics and how they are governed. This is spawning new opportunities, questioning quite a few conventions, shaking up comfort zones, and forcing a rethink on business models. We believe a large number of India’s businesses have picked up the gauntlet—restructuring, deleveraging, taking hard decisions and strategising afresh. This compilation showcases nine such companies that have weathered many storms, and takes a look at their Renaissance journeys as they fought their way back.

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