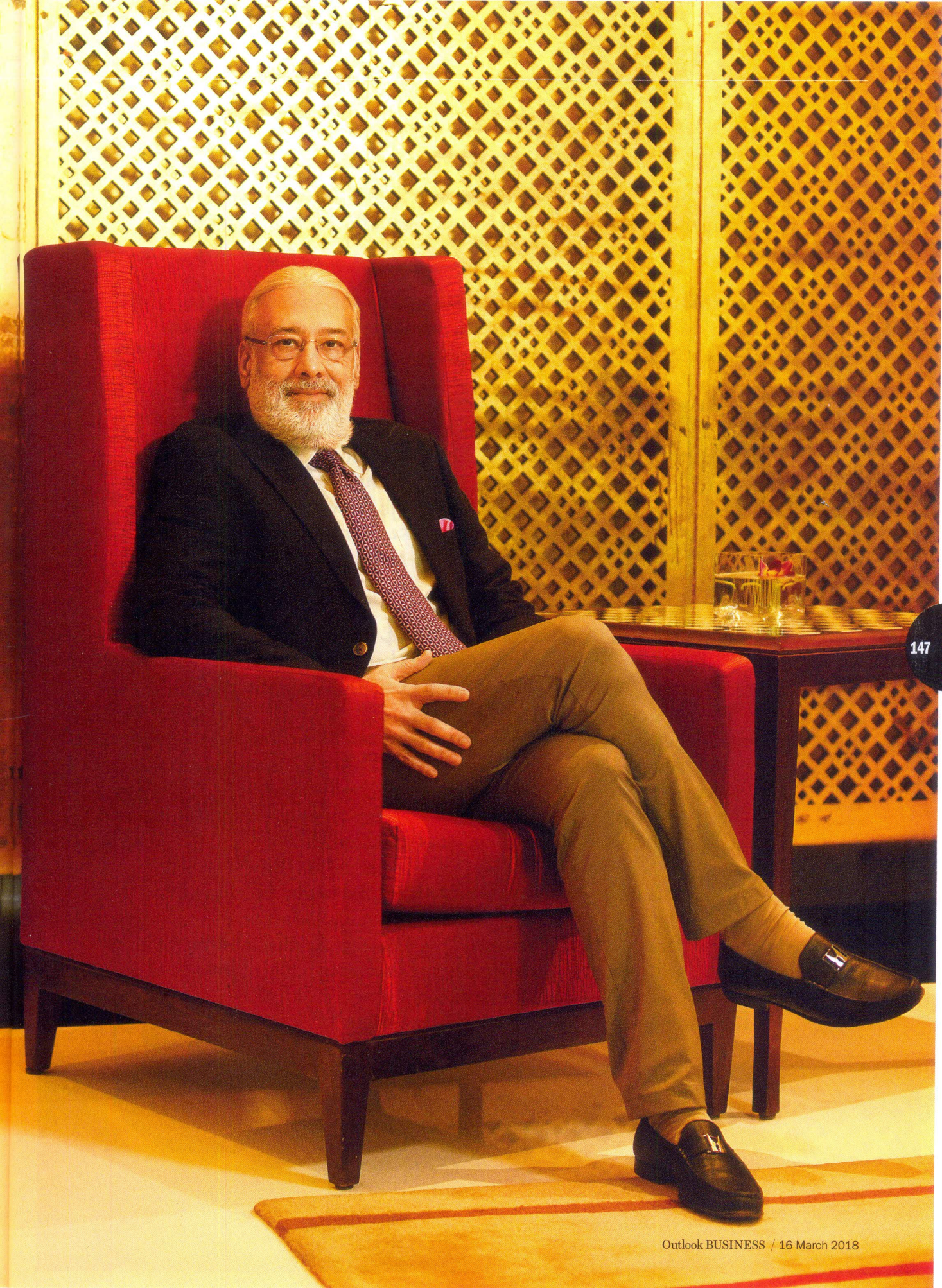


*"You have to give your best even
when you know the shutters can
come down any time"*

SANJAY LALBHAI
Chairman, Arvind

Interview & text by N Mahalakshmi



My philosophy	Cherish and live life to the fullest, not as a moment but as a journey
My strongest belief	Time-tested values of perseverance, hard work, humility & candor will see you through every obstacle
Inspiration	Grandfather, Kasturbhai Lalbhai; Father, Shrenik Kasturbhai; Mother, Panna Lalbhai; Wife, Jaysree, she helps me keep my sanity; Guruji R Parthasarathi Rajagopalachariji; Vikram Sarabhai, who was treated like a third son. I have seen him from very close quarters, phenomenal human being
Best friends	Several school & college friends. They don't misunderstand or get judgemental & offer unconditional support
Sounding board	Various people at different stages in life. Now my son Punit & Kamleshbhai Patel, on the spiritual side
Success means	Pursuing your passion
Most relaxed	Deep meditation, listening to music
Greatest gratification	Blessed with lineage & the ability to contribute productively
Eternal quest	To find the meaning of life
My dream now	To create things that can make the world a better place

It's a huge weight to belong to such an illustrious family — especially when your history goes back almost 400 years and your great-great-great grandfather has been a part of Akbar's court. But we were never made to feel like we had to live up to the past. We were given complete freedom to chart our own course. It was, of course, overwhelming to see top politicians walk in, including the likes of Prime Minister Jawaharlal Nehru, but then again, we were among the top 20 industrial houses in the country.

Growing up in that huge house, with a lush green lawn and a Chevrolet — the trappings of luxury were all there. Yet, I went to school on a cycle. My friends came from less privileged backgrounds, many lived in a one room-kitchen. And it never felt uncomfortable because the family never qualified who could be a friend. When the home-cooked food was laid out, I found a spot on the floor, just as hastily as the others and ate my fill. Maybe it was because *dadaji* lived a Gandhian lifestyle himself.

What a stickler for time he was! Dinner used to be served at 7 pm sharp. If you were late, you had to go hungry. I remember when Sardar Vallabhbhai Patel was invited home for dinner. He was a good friend of *dadaji*. When he walked in, the family was already playing bridge. In jest, Patel asked if *dadaji* had forgotten the dinner invitation, only to be told "Sardarbhai, it's pretty late, it's over." Dinner had been wound up without the deputy PM! Shocked, he walked away without another word.

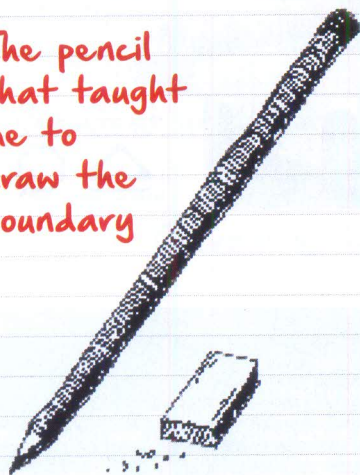
Where you stood on the personality scale, how high or low, didn't matter to *dadaji* — he believed in the dignity of labour. In the afternoon, the household staff would rest for three hours. Then, if you needed tea or snacks, you had to prepare it yourself in the kitchen; the staff simply couldn't be disturbed. The same principle worked at Arvind. The doors to his office were always open. He had no secretary because he didn't need one. Whether you were a worker or managing director, you were free to walk in without an appointment. A man of quick decisions, sometimes he wouldn't even offer people a seat, just send them back with solutions, in less than a minute!

Once in a while, I would meet *papa* in office. As a child, I would be given a pencil and an eraser to amuse myself. But when I was about to take the pencil home, *papa* took it away quickly, saying it belonged to the company. I didn't understand it then, but it was an early lesson in trusteeship. Even with something as insignificant as a pencil, I was made to differentiate between what belonged to the company and what was mine. For both my *papa* and *dadaji*, principles mattered more than anything else. Their word ranked higher than any legal agreement. An oft-repeated sentiment in the home was "Once you lose trust, it can never be gained back".



Look, who's home?

The pencil that taught me to draw the boundary

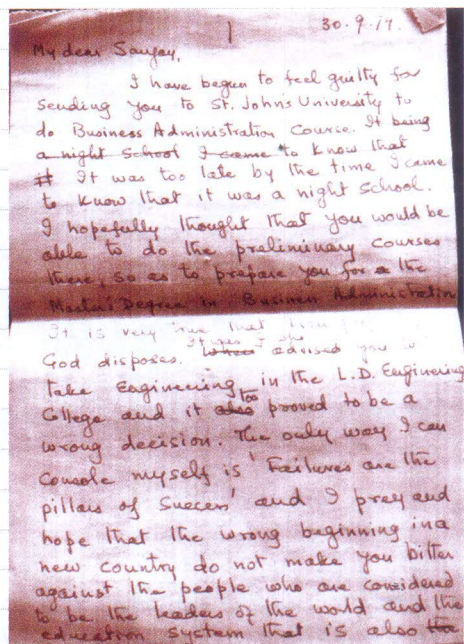


I was a rebel, constantly going against the wishes of papa. It took me just six months to bail out of Lalbhai Dalpatbhai College of Engineering, where he sent me. I wanted to study science in St Xavier's College but couldn't get in. So I joined MG Science Institute instead. After two years, I finally got into Xavier's and majored in statistics and mathematics. It was the Beatles era. Oh, how they triggered my own stint with rock music! I was in high school when my cousin exposed me to the iconic rock band and Cliff Richard. I don't know whether I liked the music or the idea of being different, but I became a drummer. Our band was called Drifters. True to the name, we drifted apart! But what fun that was! Oh, the days at Xavier's!

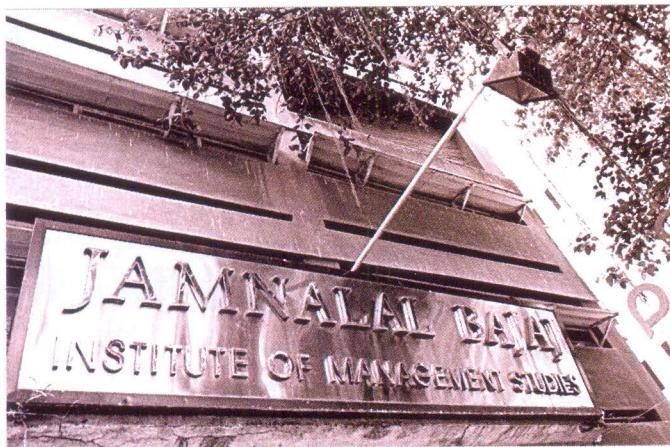
Papa had a great academic record — he went to MIT for engineering and Harvard for MBA. It was only natural that he wanted me to go to America too. I took the GMAT, fared poorly and ended up getting into an evening college in New York, St. John's. He asked me to go anyway and try and get into a better college from there. Chintan Parekh (who has been with me since kindergarten) and I joined the executive programme at St John's. Everyone there was 35-40 years old! We were 23. So we simply couldn't adjust. Somehow, we managed to get into Rochester. Papa flew down and took me there himself. I remember it was January and we walked in deep snow. I don't know why or when I started resenting the place, but I just knew I wanted to come back. It was probably the wrong decision, but it felt right then. I can't forget the letter papa wrote. "I feel guilty that I pushed you into this, so please come back without any hesitation if your heart is not there." Those were the words I wanted to hear. I packed up and came back home.

Once I was back, I worked for a year at Arvind, managed to get some experience but no important assignments. I had my eyes set on getting an MBA so I applied to all the top business schools in the country, including IIM-A. I managed to get into Jamnalal Bajaj Institute of Management Studies, Mumbai. Ironically, IIM-A was co-founded by my grandfather, Kasturbhai Lalbhai, along with Vikram Sarabhai, but he never made that phone call. He wanted to build an institution of excellence; that would only be possible through 100% merit. IIM-A was, of course, the brainchild of Vikram Sarabhai. He got the affiliation from Harvard. Dadaji was offered the chairmanship, but he refused, saying that will give it a "local Gujarati flavour." He wanted a global positioning so he backed off. That was dadaji.

At Jamnalal Bajaj, it was hell since the course was tedious, to say the least. KS Basu, the director, would say: "Learning theory is easy. I want to put you up against impossible odds to see if you can survive." True to his word, he did exactly that. Being a science student, I had to learn accounting and become adept at doing a trial balance in just three months. If I failed, I was out of Bajaj. The time to learn was always short, be it a project, case study, discussions or exams. It was especially tough for a guy who had never worked so hard!



The letter from papa that really moved me – literally!



Jamnalal Bajaj Institute of Management Studies and Life Lessons

I liked the course though, which spurred me on. But life had a different hand for me to play. I developed an abscess and had to be operated on, immediately. The exam was just ten days away! My parents met Basu, asking if he could waive off my final exam or hold it later. He said, "Shrenikbhai, in life would you get a second chance like this? If you cannot appear for the exam, you have to repeat the year." My parents were packed away in characteristic Basu style...I attended the final exam on a stretcher.

It was an important lesson: There are no exemptions in life! You face problems head on and come out a winner or a loser. My first brush with a tough situation had a happy ending though — I passed with decent scores. I believe there's a thin line separating the successful and not so successful people — it's their sheer perseverance. It's not that they are smarter or have better aligned planets. When you toss a coin, the probability of winning is 50:50. It's the same with life. Yes, it does throw curve balls at times, but in the long-term everything evens out. Even things that look crippling bad, eventually turn around, simply because you outlasted the bad phase.

If I'm not mistaken, we were a batch of 48 guys. The second year, I specialised in finance, and we were reduced to 17. Most of the guys had opted for marketing. Subbu was from a film-making family. He would always say he would make films after Bajaj.

Years later, meeting a batchmate, the conversation turned to Subbu.

"Arre, Subbu has made it great in films," he said.

"Apna Subbu?" "How?" "Where?"

"Arre, Mani Ratnam is apna Subbu," he laughed. It felt great to hear the news. Bobby Bedi also did well. He directed *Bandit Queen*. And I can't forget the professors — the two Gurumurthys (bada and chota) — they were some of the finest brains in finance. Absolutely brilliant!

By the time I graduated from Bajaj, dadaji had worked out a phenomenal succession plan. He was a true visionary — joint ventures, professional management, and even women empowerment — way ahead of his time. He started seven composite

Those early days at Arvind, with spinning master A W Quereishi



textile companies for his four sisters and three brothers. They were all listed and each member of the family was given a company. So my unmarried aunt, Lilavati Lalbhai, got a mill, as did the other sisters — namely Jhaveri, Nanavati and Hutheesing. That vision to segregate the companies, kept the family together. Even today, we are a tight-knit family.

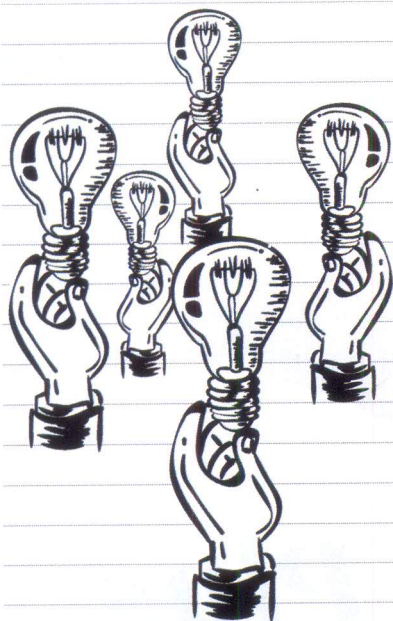


My superhero Kasturbhai Lalbhai at the acquisition of Laxmi Cotton

Atul was another one of dadaji's masterstroke. He bought around 1,500 acres in Valsad — a unique location with river on one side, a railway track on another, mountain on the third and highway on the fourth. It was a perfect location for a campus. He stitched together three collaborations — one with an American company called Cyanamid, second with Swiss-based Ciba-Geigy and the third one with ICI from UK. Atul, of course was the fourth one, which was fully owned by us. Way back in 1952, you could see four distinct cultures, architectures, ownership and management structures existing on one campus, which was inaugurated by none other than Prime Minister Nehru. Dadaji then brought in BK Mazumdar from the London School of Economics to manage Atul alongside the family. At that time, Chandraprasad Desai was managing Arvind. The latter was founded in 1931.

I joined Arvind as a trainee in 1977. At the time, I was only responsible for materials management. My uncle Arvind Narottam Lalbhai was the chairman of Arvind and Manubhai Shah was the professional CEO. Along with my other cousins, they took care of all major functions, so I had all the time in the world. And I became a serial entrepreneur of sorts! I started new businesses with friends, dabbled in areas that were completely different from each other. With Chintan, (who was graduating from IIM-A) I already had a trading company called Amtrex. This was when we were both management students. We stumbled on to air-conditioners, built a business and then tied up with Hitachi. From there we moved to advertising with Ravi Gupta to form Trikaya. Along with Gautam Shroff, I set up a placement service called Perfect Placement, and it was one of the best then. How could I leave financial services alone! Out came Anagram Finance and then I jumped on to fasteners. At St. John's, I was staying with Pankaj Dave. When he returned to India, he came up with the idea of buying a second-hand machine to make gum tapes. We started immediately. I also started a whole lot of companies manufacturing chemical dyes, intermediates with a friend's friend from MIT, who was a chemical engineer. God, I think I had about 30-40 ventures!

There was very little thought or strategy. If someone came and discussed an idea and I felt there was an opportunity, I would jump in. The six years from 1979 to 1985 were extremely hectic. I kept



Debt powers a dozen ideas! Rather two dozen ideas!

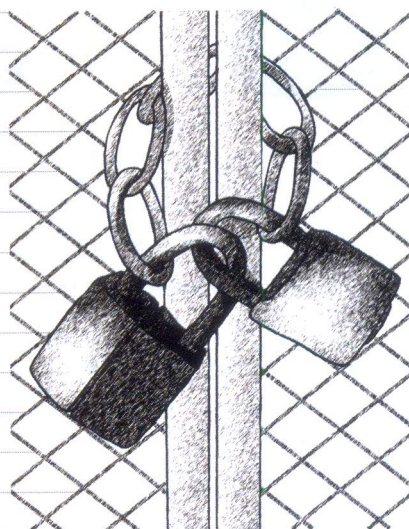
trying business after business. The funny thing was I had zero capital, also zero approval from the family. Papa thought I had gone berserk but he didn't stop me. I borrowed the requisite capital, 100% of it, in my personal capacity by giving guarantees. It was a 100% debt scenario but I knew what I was doing — or so I thought. I had written a paper in Bajaj that in an inflationary economy, debt is the cheapest. Professor Murthy had taught us this. What he had not taught us was that overleveraging companies could lead to death! That was a crucial lesson I missed out on. I would learn it later in life, after paying a dear price.

In theory, the argument had merit. If you consider inflation at 12% and cost of debt lower, you are almost getting free money — actually you earn some in real terms. But then, in reality, we were borrowing at 18% at that time, so it was costly debt. I had such dire conversations with papa. He kept telling me that things would go wrong and I'll go belly up one day. And if that happened, he wouldn't bail me out. I still went ahead. Some of the gambles worked — Amtrex, Anagram and Trikaya did well and some others closed down. But it was a disastrous thought process. My simple advice is: never do something like this!

Maybe things wouldn't have gone awry at Arvind if I had kept a level head. Then maybe Murphy's Law had to come into play. Everything that we had created painstakingly over several decades would be in vain. Why? There was no one I could blame.

We got everything right, except one piece, one crucial piece. I had systematically repositioned our textiles business. When I joined, power looms were just starting to take over the market. For the first time, we were in a difficult situation. I soon realised we wouldn't survive their onslaught. There were some 80-85 mills in Ahmedabad — it was the Manchester of India, but mills had already started closing down. And you couldn't even say it was an equal competition since power looms were flourishing because they were unregulated, they didn't have to pay taxes. On the other hand, we were constrained by licences. There was no question of the political class intervening because power looms were creating jobs, in large numbers. It seemed impossible to win against them — we were not being allowed

Every sunset is followed by a sunrise





The trendsetters I loved

That single ray of light meant we could experiment going global. Arvind till then was a 100% domestic business with womenswear as our domain. I was working with Vasant Mote from IIM-A on strategy at the time. We needed a new vision because as a domestic player, we couldn't win against the power looms. We needed to come up with products that had a global appeal. And the answer was very clear — western wear, even though it was a new concept in India. It was at the same time that Bollywood had just made jeans fashionable, but they weren't available in the country yet. Rajiv Badlani (my brother-in-law) quit his job at O&M and together we decided to make denim...

Moving into denim required a unique technology. But we managed to get it right thanks to PR Roy, who was running research at Arvind. We began exporting to Russia — our experimental ground — through Keshavlal Talakchand, headed by Harkishon Udani, to understand and learn export of denim. It was an instant hit and we continued doing business with them going forward.

Along with denim, we brought in a whole lot of western wear including wrinkle-free trousers. We built an integrated knitting business and the largest shirting facility. We also got our first international brand, Arrow, into the country. Arrow was known for its white shirt. Papa often talked highly of Arrow, but in India ready-to-wear was a big change as everyone tailored their clothes. The reactions we got were: "What's this? It's so much cheaper to get clothes stitched".

That's when I met Govind Mirchandani. It was 1987 and I had become the de facto CEO of Arvind. Govind came from Madura Coats, and quickly I made him the CEO for branded garments. Govind was a brilliant guy! Arrow was a mass brand but he wanted to create a Ralph Lauren here! His idea was to open stand-alone stores although there was nothing like that in India then. The first Arrow store on Kamaraj Road in Bangalore was an instant success. We had completely changed Arrow's branding — it sold polyester cotton shirts and was a department store brand in America. We turned it into a premium cotton, formal brand, which one could wear to the office.

to grow, so we had to reinvent. We needed a solution, there was no point voicing how unfair the competition was. I had learnt early on that life isn't fair. It is what it is. While I understood the difficulty of the situation, it was difficult to get others in the family on board. They had never seen failure before — someone who hasn't encountered the dark side, thinks nothing wrong can ever happen to him.

I took over as managing director in 1985. Luckily, my uncles empowered me and allowed me to make decisions. In those dark days, I saw a ray of light when we stumbled on to denim.



The denim that made \$ & broke us

ARROW



USA • 1851

I can never forget the first meeting I had with the multi-billion dollar owners of Arrow. They wanted to know our turnover. When I said ₹100 crore, no one understood. They didn't know what a crore meant! Their ignorance stretched to them asking me about snakes and elephants in India. Irritated and angry, I made the decision of taking Arrow to India! Convincing them to give us a licence was not the only hurdle. There was no legal mechanism to bring in an international brand into India. How could we pay them royalty in dollars out of India? Hence, I created a subsidiary in New York, which was used for exports too. Finally, they agreed to it but it was complicated legal structuring.

Tax structuring was something I was fairly adept at by that time. The first thing I did at Arvind when I joined was tax planning along with PS Kunte, who was a brilliant tax planner. We created one of the most complex tax structures without any income! That was funny. The whole structure was such that I would neither pay income tax nor wealth tax. I was kicked! I had seen our family suffer because we always played by the rule book. There was a disproportionate wealth tax and a very high income tax. I grew up seeing the family lose wealth because of taxation. It isn't fair to tax someone in such a way that there is no wealth creation.

After the success of Arrow, I signed up with Mohan Murjani. He became a great friend. Mohan had become a celebrity after building Gloria Vanderbilt — as the only Asian to have built an iconic brand in New York. I was enthralled; I wanted to bring Gloria Vanderbilt into India. Tommy Hilfiger didn't exist at the time, but Mohan was working on that and had already opened an outlet. Unfortunately, by then, everything went wrong for him. He tried to build Coca-Cola as a clothing brand and went into financial distress...

Even before that happened, our joint venture fell apart. He had to sell off everything but he retained the licence for Tommy Hilfiger in India. He came to me and we got the brand to India. When he sold out of the joint venture, PVH Corp bought his shares. We built a platform, which was unique, almost the largest for international brands.

That was the time I met the directors of PVH, GAP, Levi's, VF... you name it. Getting the meetings was a tough task. Our history and impeccable reputation helped. Somehow, we managed to sell the potential India offered. It was tough but it happened.

The first jeans brand I went to was Levi's. I became good friends with their guy from Philippines, Leonard Bennett. I gave them all the details of the required legal structures and how to go about the operation. Then, their board decided they wanted to come to India on their own! I was heartbroken.



At the opening of the first Arrow showroom

Levi's is as iconic as you get in denims but I took it in my stride. Then I got married to VF and brought in Lee and Wrangler. For a short time, Lee and Wrangler did better than Levi's. Soon enough, Levi's overtook them as the number one denim brand in India. The only saving grace was that they became important customers — we are part of their supply chain globally.

It's like *dadaji* used to say: "You can only put in your best, the results are never in your hand." Whether you succeed or fail, there's only one question to ask: Did you give it your best? Overall, between 1985 and 1997, we did well. We ranked 31st in the country. Everything was on the right track. We were futuristic on management, systems, were the first to bring in SAP and consult with McKinsey. We were working with CK Prahalad and bringing global brands to India. It was fantastic!

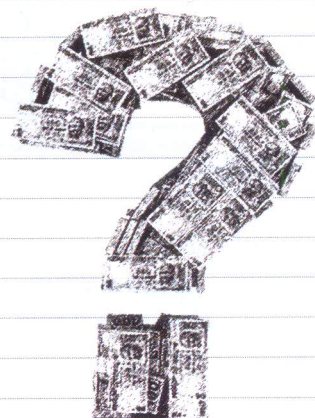
That was also the time when some of the best talent joined our ranks. I was clear about bringing in professionals from day one. I knew if you mix management and ownership, there would be problems. As a third generation entrepreneur, expressing your opinions on who is capable or not can spoil relations in a family. If I have to discuss the capabilities of my brother, cousin or even son, it can be a difficult conversation. So why get into it? The best thing is to hand over the management to a neutral guy — it is easier for all of us sitting on one side to say if the person appointed is performing well or not. We cannot have divergent views on that.

Till 1995, I was riding high on the success of denim. Little did I know that the path ahead was steep, going all the way down to the brink of bankruptcy...

It started with Anagram. I had an agreement with GE Capital to sell it. They had done their audit, Arthur Anderson did a due diligence — no one found anything wrong. But my own Chartered Accountants, Darshan and Jayesh, came up to me, saying the cash flows are not matching. Something was wrong. The books were being cooked! I went to GE and called off the deal. I had ₹500 crore deposits from the market. As non-executive chairman, the fault didn't lie at my feet but I decided not to sue the management as it would have only made matters worse. The family ironed out all issues, repaid everything. We even paid something to the equity shareholders because the cost of equity had become zero. At that stage, every bank wanted a piece of retail. I decided to sell the company to ICICI.

But Anagram wasn't the only problem. It was only the beginning of a really bad period. Everything that could go wrong, did. Denim demand and prices collapsed — it was our cash cow. When exchange rates went the other way, cash flows further dried up. To add to matters, I had planned a large expansion at Santej, Gandhinagar. The plant wasn't built on time due to heavy rains, so much so that Thol Lake broke and flooded Santej. The ₹1,000-crore project got delayed by a year.

Missing cash?



And Arvind was caught in the crossfire... We had to go for one of the largest restructuring in history at that time. There were 80 lenders who sued me, of course and threatened to take me to bankruptcy. What had really gone wrong was the execution of Santej, which was compounded by the decline in cash flows from denim. The business was viable at the EBITDA level, but because of the leveraged balance sheet, our cash flows were not enough to service operations.

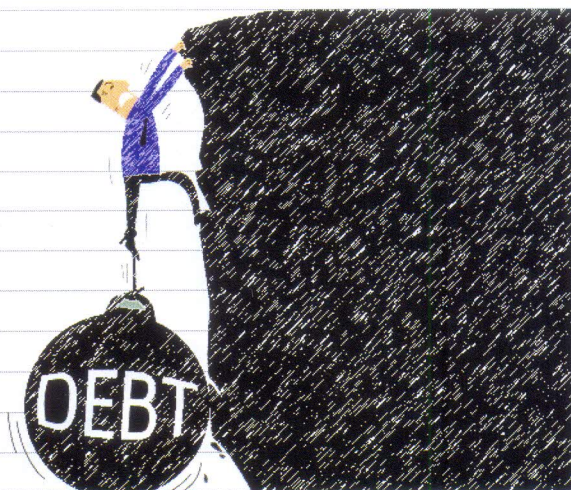
It was the greatest business lesson of my life: if you overleverage and don't give yourself time, things will go wrong. You cannot assume they will go right. In a worst-case scenario, you will end up with a cash flow problem. If that happens, you are so preoccupied with managing cash flows that growth takes a back seat. All creative things stop and you end up creating a problem for all stakeholders.

That's what happened. Restructuring was a tough, lengthy and tedious process. It started in 1998. For the first time in the history of Arvind, we missed a dividend. I went through hell. I sold everything and brought in ₹70 crore personally to show our commitment. It was a tough thing to do — to sell off every asset I owned. It hurt to let go of my homes and properties but I had to do it. I used to love the penthouse at Tahnee Heights in Mumbai, to wake up and look at the sea from there was a great feeling. It's still one of the best buildings in Mumbai, but I had to sell it off...

The period from 1997 to 2002 were the worst years of my life. To be brought down from the pinnacle of success was both shocking and traumatic. Even friends talked to me like I was a criminal. That's when I realised how harsh the world could be. But then if you haven't paid your dues, people have every right to treat you differently. It was difficult though, to be slighted by allies, colleagues, friends and peers! I had never been treated like that in my entire life.

But this phase taught me that everything is transient — fame as well as criticism. It reaffirmed my faith in Nishkam Karma, the philosophy of Gita — you shouldn't be impacted by success or failure. To get up each day and go back to work, what you need is equanimity, especially when you are fighting for survival. You have to give your best even when you know the shutters can come down any time. For me, it wasn't just about the company, the lenders and the humiliation, but the reputation of the family... the legacy. I kept thinking I had created this mess...

Even then, like always, the entire family stood by me. My uncles Arvind, Niranjan and cousin Samveg never questioned me or uttered a word. They simply stood by me like a rock. Jayesh Shah was exceptional and took all the heat, handled the meetings and shielded me from the bankers. But for him, it would have been impossible to tide over the crisis. Some friends were staunch in their support. I got a letter from T Thomas, the then-chairman of Hindustan Lever, saying, "Sanjay, don't lose heart, hang in there."



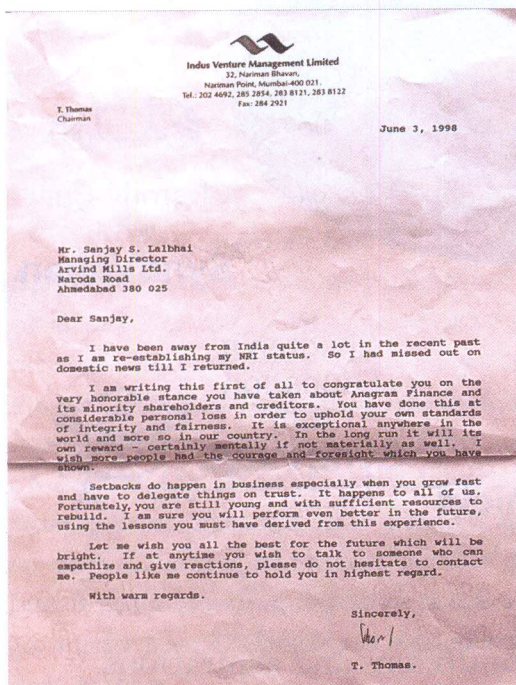
Debt trap, death trap

As a child, I would question the meaning of life. Why do we exist? The search for answers led me to parapsychology. I read books on every religion, even spirituality. All of them said the only way to find the answer was from within, through self-discovery. Ours was a religious family. Dadaji was the chairman of Anandji Kalyanji Trust, which has been managing Jain temples in Gujarat and Rajasthan, for many years now. Papa was a staunch Jain too, but I never got hooked on to Jainism. My mother always said, "Why do you need to go to a temple? God is everywhere. God is within you." She has always been a pillar of strength. She was quite creative, and introduced us to all kinds of extra-curricular activities – from Indian classical music to painting, art, dance and drama. A talented singer and musician, she wanted me to learn the tabla. I did, but soon lost interest.

Instead I ventured deeper into spirituality. I decided to learn Maharishi Yogi's transcendental meditation. But there was no one who could teach me in Ahmedabad. One day, my liaison manager introduced me to a type of meditation, Sahaj Marg. I got the first sitting from preceptor Rajababu, who then, took me to the Master — Parthasarathi Rajagopalachari — in 1994. Ever since, spiritual practice has been a major part of my life. In times of distress, his words have always worked as a balm. And though the medium has nothing to do with solving financial or health problems, it helps put things in perspective.

A win is never simply a win. Consider Roger Federer. His success is not just because he is a better player, but because he has better mental strength and self-belief. He plays the big points better. Good players raise their game at critical junctures. Whether you are a sportsman or businessman, it's the same principle. The ability to think out of the box, to stay focused against impossible odds is what takes you ahead of the pack.

T Thomas' comforting letter



In our case, once the restructuring was done, everything fell in place. Santej started working, and we could focus on the business. We ventured into many new things — technical textiles, agro, water treatment, engineering and real estate. It was as if I had joined Arvind, all over again...

When you are managing a listed company, your dharma is to create shareholder value. But can you do that and create an impact beyond profit? Can you create millions of jobs? Make the textile industry, which uses huge amounts of water, waterless? Help farmers grow cotton in a sustainable way? Create a positive carbon footprint? Disrupt the textile chain? Offer mass customisation? Sitting in Myntra and Amazon's warehouses, deliver unique shirts to customers instantaneously? Can you compress the entire process? Can you give customers 20,000 designs to choose from? Can you make smart clothes? Can you embed wearable technology in clothes? Can you find new fibres to enable this? There are so many questions that are yet to be answered. The journey is ongoing... **OB**