

RAJIV MODI'S SCIENCE & SPIRITUALITY

ALEMBIC REFRESHED

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From left:
Punit Lalbhai,
vice chairman and
executive director;
Sanjay Lalbhai, chairman
and MD; **Kulin Lalbhai**,
executive director, Arvind Ltd

FAMILY BUSINESS

GROWTH, THE GUJARAT WAY

How the next-gen scions at a clutch of traditional businesses are embracing change even as they absorb long-established core values. The Lalbhai's Ahmedabad-headquartered Arvind Ltd is one such conglomerate

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PLUS Kartikeya V Sarabhai on the Family Legacy

Tradition Meets the Modern

If only a fraction of family businesses does indeed survive till the third generation—as a few studies have claimed in the past—the Indian ones may well be bucking the trend. Over the past three to four decades, the Burmans, Godrejs, Birlas, Tatas and, more recently, the Ambanis, to name just a handful of large conglomerates, have demonstrated that legacy values and culture can indeed walk hand-in-hand with change and new opportunities.

Sure, there are examples of legacy businesses either struggling to adapt or running out of able successors, but if family businesses are estimated to contribute between 60 and 70 percent to annual GDP, it's primarily because many of them have thrived beyond the third generation.

There are a bunch of traditional family businesses that have consolidated in the regions they took shape in. Today in the digital age of interconnectivity, being in the big cities matters less, and you could be running a business out of Vadodara in Gujarat or Kala Amb in Himachal that's complemented by a sizeable international operation.

Then, there are brands that have become regional warriors—think Aava Water of Ahmedabad or Suguna Foods of Coimbatore—and are now creating a national footprint.

This fortnight's issue is the first in a series of family businesses from pockets of enterprise that have been built over decades, even centuries. We start with Gujarat, where Ahmedabad has emerged over time as a city of entrepreneurs, and scions from subsequent generations have picked up the baton.

On the cover are the fourth and fifth generations of the Lalbhai family of Arvind, a textiles conglomerate whose origins can be traced to the late 1800s, when Lalbhai Dalpatbhai set up a textiles mill. Arvind Mills was founded in the 1930s, coinciding

with Mahatma Gandhi's call for Swadeshi.

Today, Arvind Ltd has emerged as a fabrics, apparel and brands powerhouse. Sanjay Lalbhai began the transformation in the early 1980s, when he brought denim to India. Today, as Naandika Tripathi writes, sons Punit and Kulin are taking the legacy forward with a judicious blend of tradition and modernity. A perfect example of this is a fabric that marries the embodiment of Swadeshi, khadi, with denim. For more on the transformation and challenges ahead, 'A New Fabric' on page 28 is a must read.

A little over 100 km from Ahmedabad, towards Mumbai, lies another soaked-in-tradition industrial hub, Vadodara. The quest for that fine balance between legacy and change is underway at the 116-year-old Alembic Group, where the fourth generation goes about building a glocal presence, rebuilding the pharma portfolio, and refreshing it with products that are more relevant today. Pranav and Shaunak, two of three sons of chairman Chirayu Amin, have the mandate to grow the international and domestic businesses, respectively. The patriarch tells Naini Thaker: "The succession is working well." For more on how the sons are transforming a business that pre-Independence was focussed on making as much locally—from pharma machinery to glass bottles—don't miss 'Shaking things up' on page 50.

Back in Ahmedabad, Rajiv Modi, son of the 'Medicine Man of India' Indravadan Ambalal Modi, who co-founded Cadila Pharma in the early 1950s, is obsessed with spirituality and science. And it's for this reason that he has chosen to keep the company privately-held. Although he does concede that it now needs to be much bigger in revenue than it currently is, and gain market share. For more on that delicate tussle between personal priorities and company growth, Tripathi's profile of the reclusive Modi on page 34 makes for a fascinating read.

STORIES TO LOOK OUT FOR



▲ (From left) Punit Lalbhai, Sanjay Lalbhai, Kulin Lalbhai and of Arvind Ltd; Chirayu Amin (seated) of Alembic Pharma with son Pranav



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Best,

B Carvalho

FAMILY BUSINESS

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For Rajiv Modi, science and spirituality complement growth and market share, which may be why the second-gen chairman and managing director of Cadila Pharmaceuticals has stayed away from Dalal Street

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It's rare to not think of business as one's business alone; it's an opportunity for doing things for the country and for the larger society

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A NEW FABRIC

From fashion to real estate, Arvind Limited has been on a transformational journey for over a century. As the fifth generation runs the show it is expanding into newer terrains and eyeing infinite possibilities



(Clockwise from top) Kulin Lalbhai, Sanjay Lalbhai and Punit Lalbhai have been constantly reinventing the business at Arvind Limited

A New Fabric

From fashion to real estate, Arvind Limited has been on a transformational journey for over a century. As the fifth generation runs the show, it is expanding into newer terrains and eyeing infinite possibilities

By NAANDIKA TRIPATHI

In the heart of Ahmedabad, right next to industrialist Ambalal Sarabhai's abode, stands Lalbhai Dalpatbhai's 118-year-old mansion, Lalbaug. As we enter the colonial house built in 1905, historical artifacts—some of which are personal favourites and others retain the essence of the family home—catch our eye. Industrialist and one of the first-generation textile mill owners, Dalpatbhai laid the foundation of Lalbaug—today known as the Kasturbhai Lalbhai Museum, named after his son, who spent all his life in the house.

The second-generation entrepreneur and founder of textile company Arvind Limited was passionate about art and education. At 17, after his father's death, Kasturbhai had to drop out of school and take over the mantle of running the business. This made him an avid reader—the collection of books in his library ranges from economics to literature and politics, and more. He also set up some of the premier educational and research institutions, including the Indian Institute of Management-Ahmedabad (IIM-A), along with his confidant and neighbour Vikram

Sarabhai. Setting up the museum was the brainchild of fourth-generation scion Sanjay Lalbhai and his wife Jayshree. They wanted to keep the family legacy alive and pay tribute to their grandfather.

The ancestral property also has an upcoming indigo museum, curated by the denim king, who has played a pivotal role in making Arvind Limited a force to reckon with in the textiles sector. The business was going through a turmoil when Sanjay, son of Shrenik Lalbhai, joined the company in 1977. The power loom sector challenged big mills by edging labour laws and manufacturing standards to make cheaper garments. This led him to manufacture denims in-house, a breakthrough during those years. Flying Machine became India's first denim apparel brand. "If you're an entrepreneur, you have to reinvent the company many times. When I joined, the company had existential problems. So, I had to reinvent the business and do a major surgery," he tells *Forbes India*, sitting in one of their oldest mills in Naroda, Ahmedabad.

Again, with changing times and a cluttered market, denim is no longer





“

There is no guarantee in life that you will never make a mistake. But if you don't learn from it, then there is a major problem.”

SANJAY LALBHAI,
CHAIRMAN AND
MANAGING DIRECTOR,
ARVIND LTD

(Left to right) **Punit Lalbhai**, vice chairman and executive director;
Sanjay Lalbhai, chairman and MD; **Kulin Lalbhai**, vice chairman and
non-executive director; Arvind Ltd



Denim has now seen its worst days, and it is sort of back on the upswing. The last quarter was actually better than the preceding quarters.”

PUNIT LALBHAI,
VICE CHAIRMAN AND
EXECUTIVE DIRECTOR,
ARVIND LTD

Arvind's mainstay. The company's 92-year-old journey is a narrative of both opportunities and obstructions, and each generation has managed to build enduring businesses despite the constantly changing economic landscape. New businesses have been incubated throughout the history of Arvind, which continues till today with the fifth generation at the helm. After stepping away from main business operations, the 69-year-old patriarch passed the baton to sons Punit and Kulin.

Pointing to his sons, the senior Lalbhai says, "They have completely taken charge. My role is more of a mentor now. I'm here when needed. Otherwise, most of the time, I'm involved with building the museums and other educational initiatives."

FIFTH GENERATION AT HELM

The roles and responsibilities have become clear after a massive demerger in 2019. The branded apparel business, which has a portfolio of global brands, including US Polo, Tommy Hilfiger and Calvin Klein, was spun off into Arvind Fashions. The engineering business, which manufactures critical process equipment for the oil and gas, petrochemicals and pharma industries, was

demerged into Anup Engineering.

The Lalbhai Group now has four listed companies on Dalal Street. Elder son Punit looks after Arvind Limited, which includes the generations-old textiles business and advanced materials textiles business, and Anup Engineering. Kulin leads the branded portfolios and retail business under Arvind Fashions and the company's real estate development arm, Arvind SmartSpaces.

"If we end up incubating new businesses, they could then, in the future, also be spun off as separate companies. There will always be businesses that are transformed, new business lines that get created, but then having a focus-listed entity is the right way to go," says Kulin.

Arvind has been looking to reduce its dependence on traditional textiles, particularly denim. Its new-

age technical textiles business is seeing an upward growth trajectory, contributing ₹2,000 crore to the overall revenue. It's an effort to branch out into other areas of material science and cash in on the versatile structure of textiles, which can be applied to more than just apparel. At Advanced Materials, explains Punit, the company manufactures a range of specialised clothing and accessories that protect factory workers, firefighters, construction crew, soldiers, and health care and security personnel from the harsh operating environments of their jobs.

"We also have composites, where we make the interiors of Vande Bharat Express trains lightweight using glass and epoxy composites. Additionally, we make the fabric out of fiberglass fabrics, which go into windmill blades," says the 41-year-old, who joined the company in 2007 and is now the vice chairman and executive director.

He is also passionate about ornithology and conservation, which have contributed to building sustainable businesses. Punit, who has an MBA from INSEAD, a bachelor's degree in conservation biology from California, and a master's in environmental sciences from Yale University, also spearheads Arvind Envisol, the water treatment business. "Through many years of effort, we've been able to eliminate all freshwater from production. So 100 percent of the water used in production is recycled. And through that learning, we gained a lot of knowledge on water treatment. So, then you started consulting with other companies, and consulting led to acquiring technology. We have executed more than 65 water treatment projects across the world," he adds.

Punit runs the B2B side of operations, while younger brother Kulin is expanding the B2C reach.





Company Snapshot

Arvind Ltd

Traditional core textile business
Advanced materials business

MARKET CAP
₹4,589 cr

REVENUE
₹8,382 cr

LISTING
YEAR
1986

One of the key learnings from his master's at Harvard Business School, he says, is to constantly disrupt and reinvent the business. "When I joined the business, the trend of ecommerce was catching on in the late 2000s," recalls Kulin. "I put together a team of 150 young people to build a digital stack from scratch, and today, almost 30 percent of Arvind Fashions' business is generated from the online business."

After his master's at Harvard and a BSc in electrical engineering from Stanford University, Kulin worked as a management consultant at McKinsey & Co prior to joining the family business. He also manages 1,200 stores across India and a retail presence in 3,000 shop-in-shops.

Arvind SmartSpaces, another business managed by Kulin, recently signed two large, horizontal (plots and villas), multi-use, golf-themed development projects spread across 704 acres in south Ahmedabad. The potential revenue from them is estimated to reach ₹2,300 crore.

The brothers are diversifying into new areas, keeping up with

Arvind Fashions Ltd

BRANDS PORTFOLIO

US Polo Assn. | Tommy Hilfiger
Calvin Klein | Arrow
Flying Machine | Sephora

RETAIL

Arvind Fashions has **1200 stores** across India

Retail presence in **3000 shop-in-shop**

25% turnover of Arvind Fashions comes from online business (own dotcom plus marketplace like Flipkart and Myntra)

MARKET CAP
₹4,297 cr

REVENUE
₹4,421 cr

LISTING
YEAR
2019

the times, and also maintaining the ethos of their legacy business. All generations realise the importance of staying ahead of time, strengthening the conglomerate with the right investments at the right place, and most importantly, talent. The group believes in working hand-in-hand with professionals. Innovation DNA and perseverance are secret sauces that have kept the centuries-old business up and thriving.

TAKING KHADI TO THE WORLD

In 1931, in response to Mahatma Gandhi's call for Swadeshi during the fight for Independence, the Lalbhai family founded Arvind Mills, creating a capacity to compete with the world's finest textile mills. By 1935, Arvind's butta voiles were being exported to Switzerland and the UK, thereby realising the full potential of the spirit behind Swadeshi.

The current generation has kept the ball rolling. In July 2017, Khadi and the Village Industries

The Anup Engineering Ltd

Makes capital goods, heat exchangers, pressure vessels, centrifuges, collars, reactors

MARKET CAP
₹2,148 cr

REVENUE
₹409 cr

LISTING
YEAR
2019

Arvind SmartSpaces Ltd

The real estate development arm of Arvind Ltd

MARKET CAP
₹1,615 cr

REVENUE
₹256 cr

LISTING
YEAR
2015

(Market Cap as of September 1, 2023)



In business, you will never have only good times. It's what you do in the bad times that will define the longevity of a business."

KULIN LALBHAI,
VICE CHAIRMAN AND NON-EXECUTIVE DIRECTOR,
ARVIND FASHIONS



MEXY XAVIER

The Journey



1897: Lalbhai Dalpatbhai sets up his first mill, **the Saraspur Manufacturing Company**

1931: In response to Mahatma Gandhi's call for Swadeshi during the fight for Independence, **the Lalbhai family sets up Arvind Mills**



1935: Arvind's butta voiles are exported to Switzerland and the UK

1952: After two decades of success in the textiles industry, **Kasturbhai Lalbhai** sets up India's first dye and chemical plant under the aegis of Atul Products Ltd



1973: The **Narottam Lalbhai Research Centre** is established to further the company's technical capabilities



1980: Launch of **Flying Machine**, India's first denim apparel brand

1986: Arvind's and India's first denim manufacturing plant commissioned at Naroda Road, Ahmedabad

Commission (KVIC) signed an agreement with Arvind to trade khadi denim products around the world. Since then, Arvind Mills has been purchasing large quantities of khadi denim fabric every year from KVIC-certified khadi institutions in Gujarat.

Both fabrics are woven cotton, but denim is highly mechanised, and khadi is crafted by skilled hands. The combination of the two fabrics was introduced almost a decade ago. Arvind and KVIC put in years of effort into research and development to bring this hybrid fabric together.

In 2022, US-based leading fashion brand Patagonia placed a repeat order for khadi denim fabric. Through Arvind Mills, the company purchased 17,050 metres of khadi denim fabric worth nearly ₹80 lakh from Udyog Bharti, a Rajkot-based khadi institution in Gujarat.

The repeat order came after the completion of the previous order for 30,000 metres of khadi denim fabric worth ₹1.08 crore. Patagonia uses handcrafted khadi denim fabric for making denim apparel.

GROWTH TRAJECTORY

The group began with textiles and, with time, expanded to other sectors like brands, real estate, engineering, technical textiles, telecom services and water treatment. The company has worked relentlessly to reduce its debt in the flagship company, Arvind Ltd, and its brand company, Arvind Fashions Ltd, explains Purna Jhunjhunwala, vice president, research, textiles and retail at Elara Capital. "Margin improvement and balance strengthening are the key areas of improvement going forward."

Of all the businesses, technical textiles, real estate and engineering

are doing well. However, the textiles business is under pressure due to a weak demand in domestic and international markets. Denim businesses are affected by oversupply in the market. Arvind Fashions is working hard to improve the acceptance and positioning of a few brands to improve overall performance.

"Largely, Arvind Limited's revenue is likely to grow by a high single digit over the next two to three years, driven by a focus on the garments and technical textiles businesses. Margins are likely to improve by 200 to 300 basis points over the same period, driven by an improved revenue mix, cost reduction measures undertaken, improved efficiencies in the company, and a clear focus on improving the profitability of each business segment," says Jhunjhunwala.



1993: Arvind starts offering high-quality global apparel brands like **Lee Jeans and Arrow Shirts** to the Indian market



1998: Santej shirting facility, with a capacity of 34 million metres, is commissioned. It is spread over 450 acres and built with an investment of over ₹1,000 crore

2010: The group forays into retail. The Arvind Store is set up to house their best brands under one roof



2011: Company brings in global fashion brands like Calvin Klein, Tommy Hilfiger, Gap, Ed Hardy, Hanes, Nautica and Elle to India

2014: Arvind Envisol, a subsidiary of the company that provides wastewater treatment solutions, gets a global patent for its Polymeric Film Evaporation Technology (PFET)

Arvind launches Creyate, which offers menswear with a degree of customisation

2016: Cricketer Sachin Tendulkar teams up with Arvind Fashion to launch apparel brand True Blue

2017: Company announces proposed **demerger and public listing of its branded apparel** (Arvind Fashions) and engineering (Anup Engineering) businesses



The company's technical textiles businesses are performing well, with an expected revenue growth of 20 percent compound annual growth rate (CAGR) over the next two to three years, and mid-teen margins. Though the company is facing intense competition, it has been able to weather the storm through higher scale, strong market reputation, and product innovation, she adds.

Gross margins have declined from 52.9 percent in FY19 to 45.6 percent in FY23. There is no major improvement in profitability yet, though the company is working on improving the same. Its low return on capital employed (ROCE) has increased to 12.2 percent in FY23 from 7.9 percent in FY19. Net debt has decreased from ₹2,619 crore in FY19 to ₹1,327 crore in FY23, and further to ₹1,301 crore in Q1FY24.

Historically, Arvind was

a low ROCE business.

However, post-demerger, the company has been focussed on its core business in the respective entities, and has worked on deleveraging the balance sheet as well as improving profitability and return ratios. Investors expect the management to continue to walk down the same path, explains an analyst from Aionios Alpha.

WAY FORWARD

Arvind is targeting a revenue growth of 12 to 15 percent in the next few years on the back of strong growth of about 25 percent in the advance materials business and 20 percent growth in the garments business, says Jayesh Shah, director and group CFO of Arvind. The company plans to invest about ₹600 crore in two years to help achieve this growth.

"The garments business,

which saw a sharp reduction in capacity utilisation during Covid, has started to bounce back and is expected to grow at 18 percent over the next two years," he adds.

On that note, Lalbhai shares some words of wisdom: "One of the lessons of my many years in business has been that once you get into a liquidity trap, all your creative things stop, and then you're fighting for survival. And when you go into survival mode, then all the good things come to a halt."

Different generations of the family have dabbled with different tough scenarios. "In business, you will never have only good times. It's what you do in the bad times that will define the longevity of a business. From our forefathers' generations until now, we have seen the worst of times. But we've pushed through and only come out stronger," says Kulin. **F**