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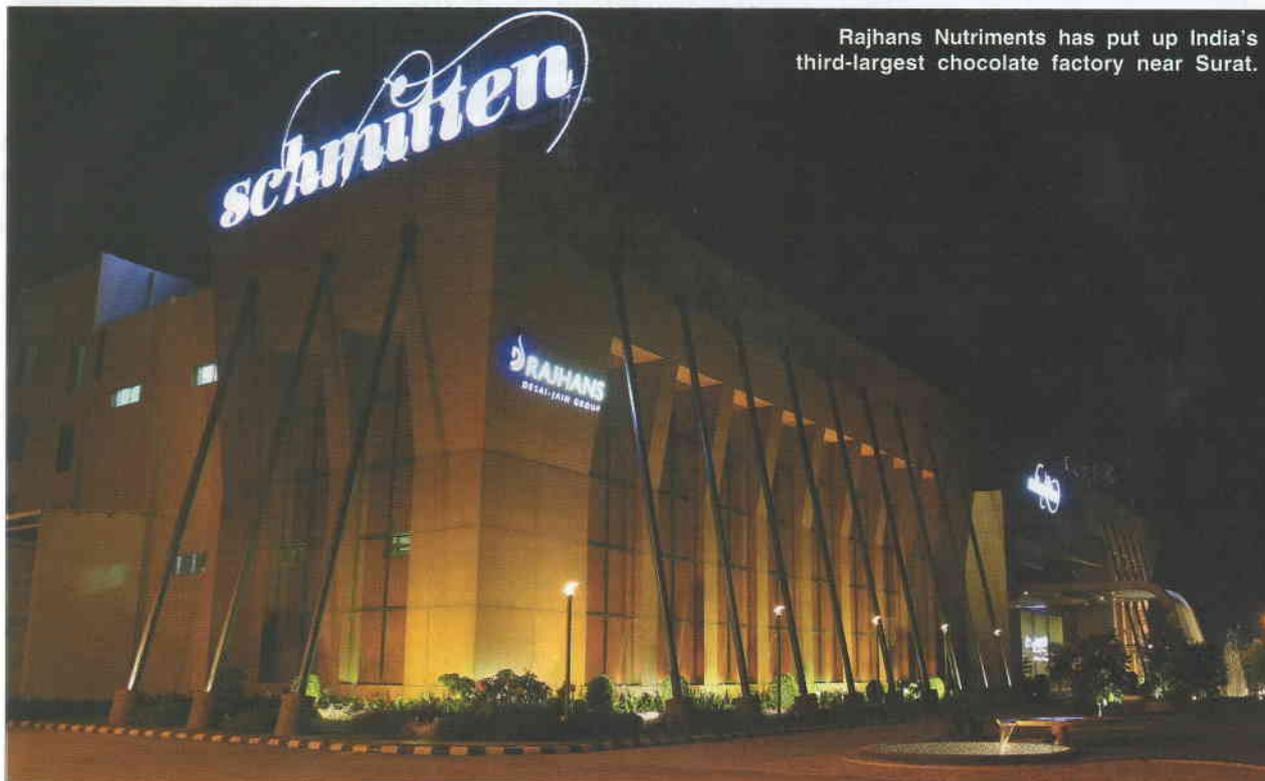
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## Mission Schmitten

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JAYESH DESAI,  
CHAIRMAN,  
RAJHANS GROUP



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## MISSION SCHMITTEN

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IBJ RESEARCH BUREAU

A sweet, intoxicating aroma fills the air near Kosamba on the outskirts of Surat. The enchanting scent leads to a sprawling factory beside the Surat-Vadodara national highway. Large metal cylinders are continuously grinding and refining chocolate inside this huge facility spread across six acres.

"We source the richest cocoa beans from Ghana and use only the best quality of milk, sugar and other elements to make luxury chocolates," stresses Jayesh Desai, seated in his plush office at Rajhans House in the heart of Surat. The 42-year-old chair-

man of the Rajhans (Desai-Jain) Group is more than impressed that his state-of-the-art facility has turned his Made-in-Surat Swiss chocolate dream into a reality.

The Rajhans Group chief is convinced that he can crack the Rs 9,000-crore Indian chocolate market, dominated by multinational companies (MNCs), like Mondelez (formerly Cadbury) and Nestle. In fact, the market that Mr Desai is targeting is even smaller, comprising the Rs 1,500-crore, premium, luxury chocolate segment. But this niche market is highly potential and expanding at a breakneck speed.

Mr Desai too is similarly moving at a very rapid pace. In a matter of two years, his group company Rajhans

Nutriments has put up India's third-largest chocolate factory near Surat on 2,50,000 sq ft of built-up area. The plant, which can produce 25 tonnes of chocolate per day, is churning out two Swiss chocolate brands, Schmitten and Hoppits.

Mr Desai sees the premium chocolate business adding a new dimension to his nearly Rs 4,000-crore business empire, straddling textile, entertainment, real estate and hospitality. The Surat-headquartered business conglomerate has earned a big name across Gujarat and Maharashtra, and also made inroads into other major cities across the country. With chocolates, Rajhans aims to become a household name with pan-India presence. It also wants to be a part of the

elite club of premium chocolate-makers. No doubt, it is quite a challenging task for a two-year-old Indian chocolate company looking to storm the bastion of century-old, established MNCs.

### **Branding blitzkrieg**

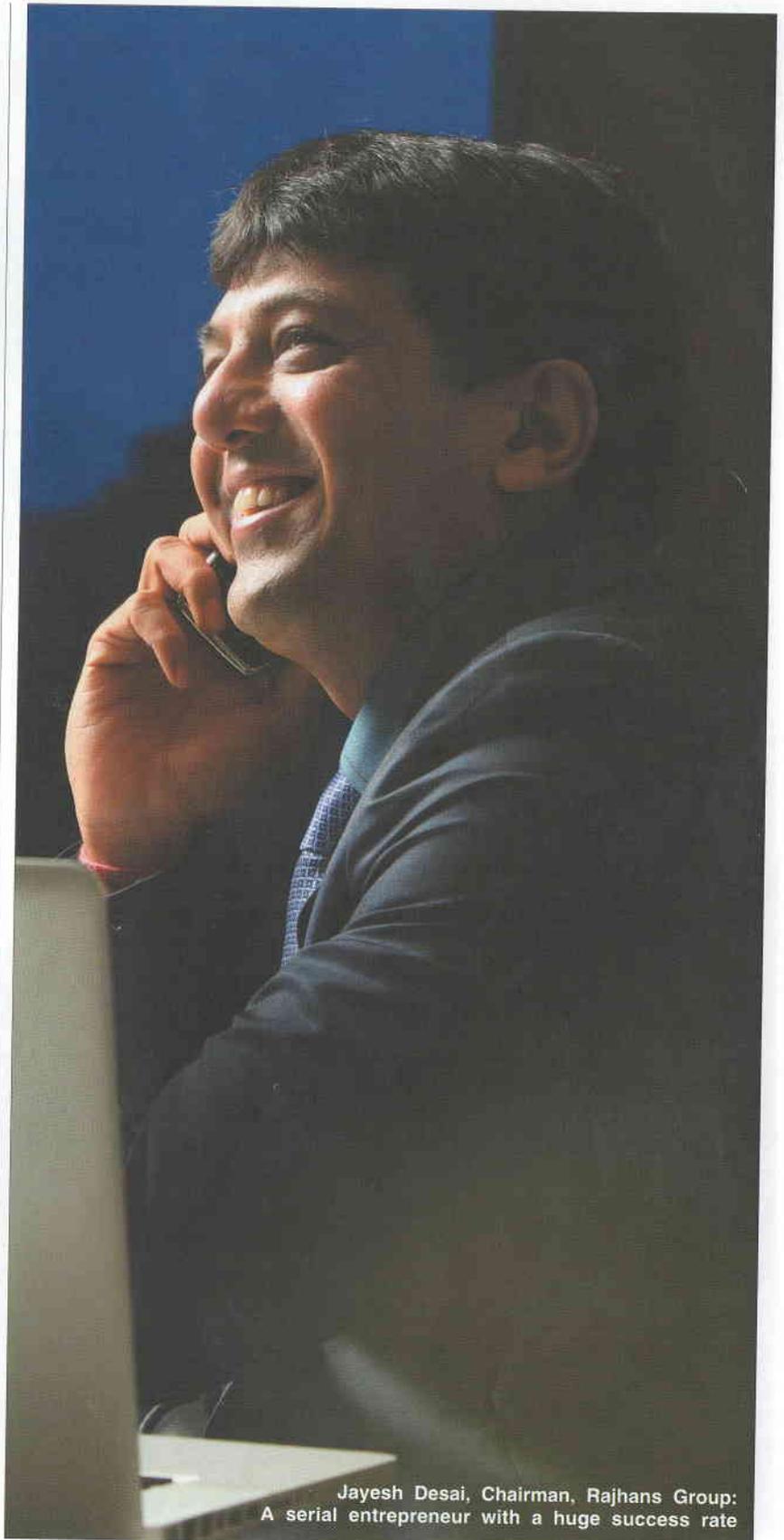
Rajhans has taken this challenge quite seriously right from the beginning. It has pumped in around Rs 400 crore into its chocolate factory to match world-class standards. Mr Desai and his young team of professionals and managers have spent a significant amount of time touring Switzerland and other European nations to understand the nuances of making premium chocolates.

The manufacturing facility houses some of the world's best chocolate-making machines acquired from Denmark's Aasted, Germany's Sollich and Switzerland's Buhler.

Meanwhile, Rajhans' flagship brand Schmitten has made a splash across the country with its catchy commercial by a leading advertising agency, featuring film star Priyanka Chopra. Actor Siddharth Malhotra has been roped in to promote its other brand, Hoppits, through another series of advertisements. The company has lined up a Rs 70-crore marketing campaign to promote Schmitten and Hoppits through commercials as well as an in-film promotion campaign.

Incidentally, the name Schmitten too has an interesting backstory, reflecting an intelligent marketing strategy. It is a result of a brilliant twist to the English word smitten, meaning struck or overwhelmed by love. It was decided that inserting 'ch' - reflecting the abbreviation for Switzerland (CH being the short form for Confoederatio Helvetica) - into 'smitten' would be a perfect fit for a chocolate based on a Swiss recipe. Besides, Schmitten sounds more German and gives a rich feel of luxury to the brand.

"Apart from the product *per se*, the brands stand out with their positioning in modern retail and television



Jayesh Desai, Chairman, Rajhans Group:  
A serial entrepreneur with a huge success rate

commercials," notes Mr Desai. As the commercials draw public attention, Rajhans has slotted Rs 50 crore for an aggressive retail expansion. The 12 variants of Schmitten (eight different flavours) and Hoppits (four flavours), in the meanwhile, are finding their way onto the shelves of scores of retailers across 11 cities through a strong network of distributors. This March, Schmitten was ranked among the top-50 brands in the 11th edition of India's Buzziest Brands rankings.

The Rajhans Group chairman is certainly pleased with the performance of his chocolate business in the past two years. "Last year, we did a business of Rs 75 crore. This year, we will be achieving sales of about Rs 150 crore, and I am targeting to cross Rs 500-crore sales in 2017-18. We have a capacity to go up to Rs 1,200-crore turnover," adds Mr Desai. He has also set an ambitious target to gain a market share of 15 per cent in the next three years from about the current 3 per cent.

#### An inspiring journey

Mr Desai's sales and market share targets are certainly too ambitious. But it is this ambition, coupled with immaculate planning, grit and determination, that has enabled him to build the over Rs 4,000-crore Rajhans empire from scratch in just 15 years.

The rise of the Rajhans Group chairman is a classic rags-to-riches story. Born in a small village in Paravadi near Bhavnagar, young Jayesh helped his father in his grocery business. Those were tough days for the family of six siblings, struggling to make the ends meet. However, this did not stop young Jayesh from dreaming big and setting bigger goals.

After his graduation, he set off to Mumbai, where his elder sister lived. He took up a small job in the dream city for a paltry monthly salary of Rs 300. Jayesh was convinced that this was not the life he wished for. Returning to his village, he continued

## "Why Can't Schmitten Be A No. 1 Brand?"

As a young boy, Jayesh Desai would often admire swanky cars that came to his village. Today, the Rajhans Group chairman owns a fleet of luxury cars, including cricket legend Sachin Tendulkar's Ferrari. The acquisition of Ferrari shot Mr Desai into the national limelight. But for years, he toiled diligently and silently to build the vast Rajhans empire.

The man with the Midas touch has attained almost everything that he missed in his younger days. Yet he continues to remain grounded like the legendary celestial swan - Rajhans (equally at home in the material and spiritual realms). Mr Desai could not have found a more appropriate name for his business conglomerate.

Meanwhile, Rajhans House, the nerve centre of the group's activities, is teeming with scores of young professionals. The Rajhans chief considers his over 7,000-strong workforce as one big family. Interestingly, over 30 per cent of them, including those in decision-making posts, are women, a policy that the group has been religiously following. It is perhaps this democratic atmosphere that has pushed Rajhans to greater heights. Between pushing his chocolate business and taking stock of his other companies, Mr Desai spares time for *IBJ* for an exclusive interview. Excerpts:

#### ■ What prompted you to enter the chocolate business?

A recent global survey shows that the average yearly consumption of chocolate in India is just 350 gm per person as against the 3.5 kg per person in European countries. The Indian chocolate market is growing at 15 per cent per annum and is set to hit Rs 20,000 crore in the next five years. After the top-two MNCs, you will struggle to name the next big player in the Indian chocolate industry. This opens up a huge opportunity for a player like Schmitten.

#### ■ So, how has the journey of your chocolate venture been?

I am pleased that our manufacturing facility is the third largest in the country in terms of capacity and ranks first technology-wise. Like all our businesses, we have had to struggle a lot initially. But when your intentions are good, and efforts are focused, you can win at the end. I am inspired by a quote of Swami Vivekanand: "When you go on a new path, and if do not face difficulties, the path then is not the right one." It has been difficult to fight established players. But when Samsung can replace Nokia, Facebook can make people go mad in ten year, and WhatsApp can be sold for Rs 2.5 lakh crore, why can Schmitten not become a number-one brand?

#### ■ How do you propose to achieve that target?

We have created our own space

**"About 70 per cent of the Rs 9,000-crore Indian chocolate market exists in 11 major cities. Our strategy is to focus all our efforts in these cities."**

today. My product packaging and its look and feel have been appreciated by all. The product has been placed at airports, five-star hotels and modern retail outlets. These are the places where I want it to be seen. We are focusing more on qualitative distribution rather than going for quantitative distribution. About 70 per cent of the Rs 9,000-crore Indian chocolate market exists in 11 major cities. Our strategy is to focus all our efforts and ensure that our products are available in the catchment areas in these 11 cities.

■ **With diversification driving your group's success, is there any new sector on your radar?**

**"After the top-two MNCs, you will struggle to name the next big player in the Indian chocolate industry. This opens up a huge opportunity for a player like Schmitten."**

I am toying with the idea of setting up a B2B (business-to-business) e-commerce start-up. It is a unique concept of providing a platform for matching spare capacity utilisation, particularly in the SME segment. We see a lot of entrepreneurs losing out due to either a lack of utilising their full manufacturing capacity or do not have the requisite manufacturing capabilities to stay afloat. We have been working on this for the past nine months. The e-commerce platform, *shareconomy*, is now ready to be launched next month.

**"We are launching a B2B e-commerce start-up, *shareconomy*, next month. It is a unique concept of providing a platform for matching spare capacity utilisation."**



## The World Of Rajhans

Origin: 1996

Headquarters: **Surat**

Businesses: **Real estate, entertainment, confectionery, textile and hospitality**

Branches: **Mumbai, Chennai, Delhi, Kolkata, Zurich**

Turnover: **Rs 4,000 crore**

Employees: **7,000+**



### REAL ESTATE

Company: **Rajhans Infracon (India)**

Segments: **Residential & commercial**

Total built-up area: **30 mn sq ft**

No. of ongoing projects: **17**

Area under construction: **90 mn sq ft**

Presence: **Mumbai, Surat, Vadodara, Chandigarh & Ratlam**

Expansion plans: **Upcoming projects in Ahmedabad, Indore & Pune**



### ENTERTAINMENT

Company: **Rajhans Cineworld**

Properties: **10**

Screens: **40**

Seats: **10,000**

Expansion plans: **25 properties with more than 100 screens by 2017**



### CONFECTIONERY

Company: **Rajhans Nutriments**

Brands: **Schmittlen & Hoppits**

Manufacturing unit: **NH-8, Nr Surat**

Capacity: **25 tonnes per day**

Expansion plans: **Eyeing export market**



### TEXTILE

Companies: **Rajhans Silk Mills & Rajhans Poly-Prints**

Segments: **Sarees & dress material**

Manufacturing units: **2**

Location: **Sachin, Surat**

Capacity: **2 lakh metres per day**



### HOSPITALITY

Company: **Rajhans Hospitality**

Brands: **Enjoy & Sizzling Salsa**

Restaurants: **6**

Location: **Surat, Ahmedabad, Valsad, Nadiad & Mumbai**

Expansion plans: **Five-star boutique hotels coming up in Shirdi, Tirupati and Vaishnodevi**

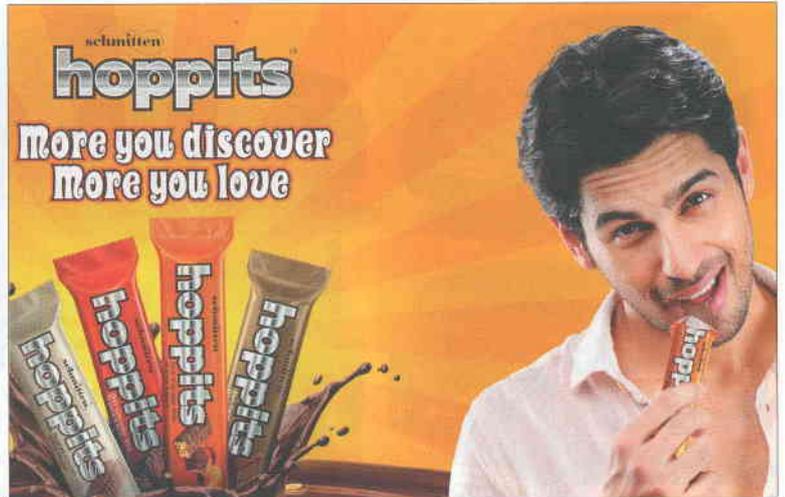


with the family's grocery business. Months later, he joined his friend in Surat in 1996, and the two started trading in edible oil. "After an initial struggle, we struck success in the edible oil business. But I was not too keen on this business as the margins were too low," recalls Mr Desai. He forayed into textile in 1999. The diamond city, also home to famous fabric brands, proved lucky for Mr Desai. His two textile ventures, Rajhans Silk Mills and Rajhans Poly-Prints, began earning profits soon. Today, Rajhans is a reputed textile company, known for its high quality sarees and dress material.

Mr Desai refused to be complacent with the success of his textile business. In a bid to offer the multiplex experience to non-metro cine-goers also, he set up a multiplex in Surat by the turn of the millennium. At present, group company Rajhans Cineworld boasts of ten multiplexes under the brand name Rajhans Cinemas, with 25 more slated to come up by 2017.

The group's foray into real estate a decade ago brought it name, fame as well as fortune. Rajhans Infracon, with its signature projects in both commercial and residential segments, contributes about 70 per cent to the group's total turnover. Surat apart, the company has presence across Vadodara, Mumbai, Chandigarh and Ratlam, having constructed 30 million sq ft of built-up area. It is also engaged in 17 ongoing projects, involving 90 million sq ft of built-up area in these cities. The company plans to enter other potential markets like Ahmedabad, Pune and Indore in the near future.

Hospitality was the next sector that Mr Desai picked up as his group continued to diversify across businesses. With Enjoy chain of restaurants and Sizzling Salsa, specialising in Continental and Italian cuisine, Rajhans Hospitality has carved a niche for itself in the hospitality sector. Besides, the company is in advanced stages of setting up five-star boutique ho-



Rajhans' chocolates Schmitten and Hoppits have made a splash across the country with their catchy commercials featuring Bollywood celebrities Priyanka Chopra and Siddharth Malhotra.

tels of 120 rooms each in pilgrimage centres, such as Shirdi, Tirupati and Vaishnodevi, with about Rs 600 crore of investment.

#### Big bet

The serial entrepreneur in Mr Desai is now immersed in his nascent chocolate business. Within a short span of time, his flagship premium chocolate brand Schmitten today occupies shelf space beside the premium brands of Mondelez, Nestle, Ferrero Rocher and Mars. Brand consultant Harish Bijoor points out that Schmitten is zeroing in to occupy and dominate the premium chocolate market space, dominated by Cadbury Silk, Nestle Kit-Kat Senses and luxury brands of Ferrero Rocher and other Belgian, Swiss and Italian chocolate-makers.

Meanwhile, the Indian premium chocolate market is passing through an exciting phase. A growing number of health-conscious Indians is waking up to the huge benefits of dark chocolates. They see premium chocolates as a healthier alternative to fat-rich, traditional sweets and other mass-market chocolates. A combination of rising wealthy Indians, changing tastes of the young population and a rising trend of gifting chocolates, among others, has transformed

India into one of the world's fastest growing chocolate markets.

No wonder, established and new MNCs are moving swiftly to gain from the very small, but high-potential and fast-growing, Indian premium chocolate market. Mondelez India, the market leader with nearly 70 per cent market share, is setting up a manufactur-



India is emerging as one of the world's fastest-growing chocolate markets.

ing facility in Andhra Pradesh, its biggest one in the Asia-Pacific region. It is also launching new brands and bringing products from its global markets to India. Nestle India, the second-biggest player, is also on a similar brand-launching spree to arrest its declining market share of around 14 per cent. Newer global players, like Italy's Ferrero Rocher and US-based Mars, have also heated up the market with big investments and brand launches.

Mr Desai's chocolate venture finds itself in the midst of an intense battle

among top global players for a big pie of the small premium chocolate market. His nascent chocolate company's plans to take on big, established MNCs seem rather audacious. But behind this audacity is a cautious mind that makes a meticulous calculation of risks and returns. The Rajhans chief adds that it is after this thorough calculation that he has embarked on his chocolate adventure.

It is this planning, coupled with a knack of spotting the next big opportunity, that has built Rajhans into a multi-crore business conglomerate. "I have forayed into various ventures, but only after making sure that the success ratio is at least about 85 per cent," discloses Mr Desai, who swears by Reliance Industries founder Dhirubhai Ambani.

Interestingly, there seem to be some similarities between Mr Desai and the senior Ambani. Like the Reliance patriarch, Mr Desai too made big fortune in the textile business. Mr Desai, a rank outsider, is now taking on the established chocolate companies just like the Reliance founder fought entrenched players over three decades ago. For now, Mr Desai appears to be drawing enough inspiration from his role model to taste success in his chocolate venture. ■