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Renewed Optimism

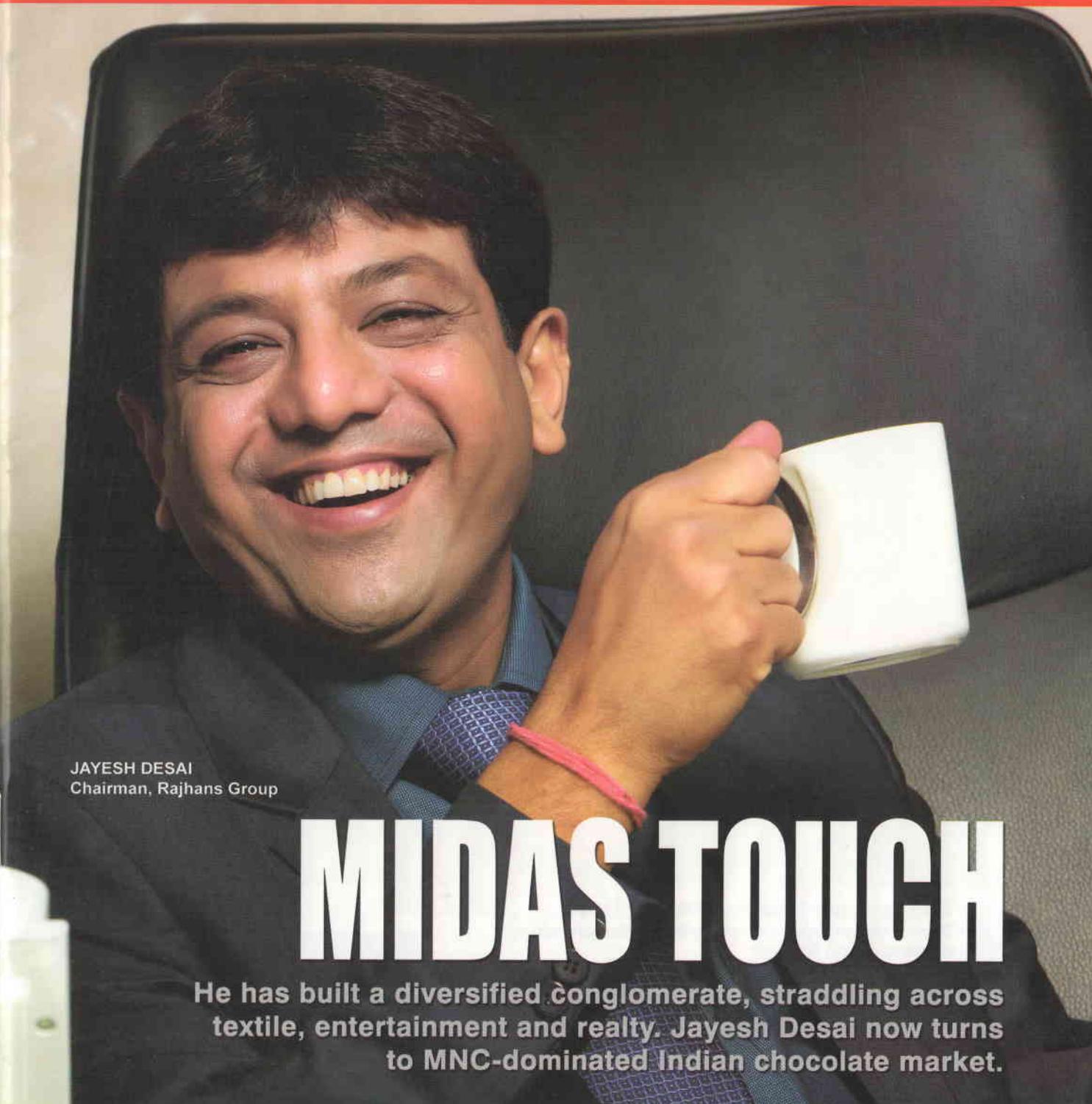
Steel Woes: Mega
Projects Languishing

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JAYESH DESAI
Chairman, Rajhans Group

MIDAS TOUCH

He has built a diversified conglomerate, straddling across textile, entertainment and realty. Jayesh Desai now turns to MNC-dominated Indian chocolate market.

Lotus Refineries' Retail Foray



Foodgrains: Problem of Plenty

IBJ RESEARCH BUREAU

Jayesh Desai cannot stop thinking about chocolates these days. It is not that he has an irresistible sweet tooth. In fact, Mr Desai's growing obsession revolves around his new confectionery business that is fast taking shape.

The 38-year-old chairman of the Rajhans Group sees chocolates adding a new dimension to his over Rs 2,000-crore business empire, straddling across textile, entertainment and real estate. "There are a very few big names in the domestic chocolate industry. After the top two multinational companies (MNCs), you will struggle to name the next big player," points out Mr Desai, who shot into the national limelight last year after buying cricket legend Sachin Tendulkar's Ferrari.

Seated in his plush group headquarters, Rajhans House, in the heart of Surat, Gujarat, the young and dynamic businessman starts reeling out statistics to prove his point. Cadbury corners a whopping 72 per cent share of the Rs 7,000-crore domestic chocolate market, followed by Nestle at 18 per cent, and leaves the remaining 10 per cent to 150 other small players, notes Mr Desai.

"The chocolate market offers huge growth potential, with India's per capita annual consumption at a mere 400 gm compared with the world's 3.5 kg consumption," underlines the Rajhans chief. A good quality product with stylish packaging can go a long way in capturing the market, with rapid urbanisation further fuelling growth, adds Mr Desai.

Armed with details, Mr Desai and his team have conducted extensive due diligence of the confectionery industry. They have toured extensively throughout Europe and visited

Jayesh Desai
Chairman, Rajhans Group



Midas Touch

After building a Rs 2,000-crore conglomerate, straddling across textile, entertainment and realty, Rajhans Group Chairman Jayesh Desai turns to MNC-dominated Indian chocolate market.

a number of confectionery companies to understand their chocolates and compared them with those available in India. "A long time after visiting the US, almost a decade ago, to pursue the airline business (which was later abandoned), I ventured overseas to give shape to my chocolate dreams," reveals Mr Desai.

The Rajhans chief is convinced that he can crack the Indian chocolate market. He has set the stage to take on the likes of Cadbury and Nestle. He has roped in Ajit Tawde, an ex-Cadbury executive, who was with the iconic chocolate major for 25 years. He has also hired 3P Solutions, a Pune-based consultancy - promoted by technocrats, including Shekhar Kale, who specialise in chocolate, food and beverage industries - to roll out the project.

Meanwhile, Mr Desai's chocolate plans are falling into place at a rapid pace. The group has already set up a subsidiary, Rajhans Nutriments, to steer its chocolate venture and pumped in Rs 150 crore to take it forward. A modern chocolate factory, with a built-up area of about 3,00,000 sq ft, is coming up on four acres in

Kosamba near Ankleshwar. It has also acquired chocolate-making machines from Denmark's Aasted, Germany's Sollich and Switzerland's Buhler, the world-renowned chocolate machinery manufacturers.

The Kosamba facility is expected to be operational by the next year. Rajhans has also opened an office in Zurich, Switzerland. "My chocolates will be conceived in Switzerland, have attractive Swiss packaging, taste like genuine Swiss chocolates, but will be made in India," adds Mr Desai, who swears by Reliance patriarch Dhirubhai Ambani as his role model.

Rajhans is confident of making a mark in the Indian chocolate market. "With good strategies and brilliant marketing ideas, it would not be difficult to gain a decent market share. Today, we see many of the home-grown companies giving a tough fight to MNCs, why can't we do the same," asks Mr Desai. He may sound audacious. But it is this audacity, coupled with sound research and rationale, that enabled Mr Desai to build a Rs 2,000-crore empire from scratch in just two decades.

Rapid rise

The Rajhans chief's rise is no less inspiring than any rags-to-riches tale. It is the story of a young man from a small village in Bhavnagar who made it big in Gujarat. It is a ringing testimony to Mr Desai's grit and determination that are driving him to greater heights.

"My father often asked me to dream big. But I never believed that dreams could come true so soon in life. I set out to do business with a mere Rs 500 in my pocket. Today, I run a business empire, with about 12,000 employees, including professionals like engineers, lawyers, chartered accounts and MBAs, working under an ordinary graduate," recalls Mr Desai, with a glint in his eyes.

Way back in 1992, Mr Desai sowed the seeds of the Rajhans Group by venturing into the edible oil business. The first-generation entrepreneur set up Rajhans Vegetable Oil Trading in Surat and soon made a mark in the edible oil business.

However, Mr Desai was not quite impressed with the low margins. He was on the lookout for a venture that

RAJHANS EMPIRE

1992

ORIGIN

Surat

HEADQUARTERS

Rs 2,000+ crore

TURNOVER

12,000+

EMPLOYEES

Textile, real estate, entertainment, hospitality

BUSINESSES



With its two state-of-the-art manufacturing facilities in Surat, Rajhans has carved a niche for itself as a premier textile company.

could propel him with faster growth.

He was quick to spot the huge growth potential in the textile business. Not many would know that the Diamond City - nine out of ten diamonds in the world are polished in Surat - is also India's hub of synthetic fabrics. The city, which gave birth to famous fabric brands such as Garden, Vimal, Parag and Praful, makes around 90 per cent of polyester fabric used in the country.

Mr Desai's gaze naturally fell on the flourishing textile business of Surat. In 1997, he forayed into the

textile business by setting up Rajhans Silk Mills in Sachin, near Surat. Five years later, he opened Rajhans Poly-Prints, a dyeing and processing mill, in Kadodara, Surat. Rajhans soon became synonymous with high-quality fabrics and began supplying to almost all big textile players.

With two plants in Surat, manned by more than 5,000 employees and churning out 90 lakh metres of fabric per month, Rajhans has carved a niche for itself as a premier textile company. "It has been ages since I went about marketing my fabric. To-



Rajhans Cine World has a policy of focusing on tier-II-cities, something that big multiplex chains are warming up to today.

TEXTILE

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

Segment: **Sarees, dress material**

Manufacturing units: **2**

Capacity (mtr): **90 lakh/month**

Share of group revenue(%): **15**

Expansion: **Entering high-end linen shirting & trouser segments**

day, the market comes to us," notes Mr Desai, beaming with pride. With greater growth in focus, Rajhans is eyeing the high-end linen segment and also planning to enter the premium shirting and trouser segment.

Rajhans' textile business was in good shape in less than half a decade since inception. However, Mr Desai was not the one to rest on his laurels. He was constantly in search of new businesses that could generate higher revenue. By the turn of the millennium, he zeroed in on entertainment as the next vehicle of growth.

It was quite by accident that the Rajhans chairman stumbled upon the entertainment sector. "On one of my visits to my sister's house in Mumbai, I was taken to a multiplex. I was highly impressed by the ambience there and felt like being transported into a foreign land. I was sure that Surat, with its cosmopolitan nature and high spending power, would happily embrace the multiplex cul-

ENTERTAINMENT

Company: **Rajhans Cine World**

Segment: **Multiplex**

Properties: **4**

Screens: **11**

Total seats: **4,125**

Share of group revenue(%): **15**

Expansion: **Targeting 25 multiplexes with 100 screens across India by 2013**

REAL ESTATE

Company: **Rajhans Construction**

Segment: **Residential and commercial projects**

Built-up area (sq ft): **60 lakh**

Share of group revenue(%): **70**

Expansion: **Surat apart, major projects coming up in Ahmedabad, Vadodara, Chandigarh, Mumbai and Kolkata**

ture," discloses Mr Desai.

The diamond capital of the world got a taste of an elite cinema house in 2000, when Mr Desai launched Rajhans Prime Cinema. Spread across 1.25 lakh sq ft in the city's tony Athwa Lines - Surat's bustling shopping-and-entertainment district, encompassing about 20 lakh sq ft of mall space - Rajhans Prime Cinema elevated mundane cinema viewing to an ethereal experience.

With luxurious seating, an aesthetic ambience, excellent acoustics, a high-end restaurant and a world-class games zone, Rajhans raised the bar for single-screen cinema. As time passed by, a 125-seat preview theatre was added to the 1,000-seat cinema house. Enjoy, a high-end restaurant at the cinema house, soon became a hub for culinary connoisseurs. A banquet hall with a capacity to seat 200 followed. The theatre also got yet another attraction, Sizzling Salsa, a delectable eatery, which has become a popular destination for sizzlers and Italian cuisine.

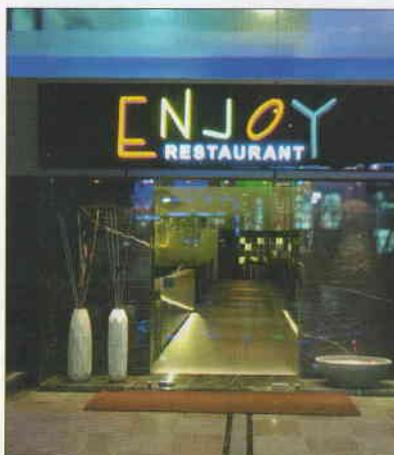
"I had given the cinema house five years to break even. To my surprise, the business broke even in just two years. I was convinced with the cinema house's high-growth potential and decided to replicate its success in other cities and States too," adds Mr Desai. Rajhans soon jumped on the multiplex bandwagon. Rajhans Cine World, a subsidiary company, opened its first three-screen multiplex in Nadiad in 2008 and followed it up with two more three-



Rajhans' realty business, quite unlike its peers that are bruised by bearish sentiments, is growing at a quick pace.

screen multiplexes in Valsad and Ahmedabad.

With a total of 11 screens and 4,125 seats, including the single-screen theatre and three multiplexes, Rajhans is a big name to reckon with in Gujarat's entertainment arena. The group is expanding its multiplexes to many other cities such as Mumbai, Vadodara, Navsari, Ratlam, Ujjain and Aurangabad. The group is targeting to run 25 multiplexes with about 100 screens by 2013. The Enjoy restaurant, which is doing roaring business, has turned into a popular brand.



The group, which is expanding its Enjoy restaurant chain, is also planning to launch boutique hotels.

Rajhans, which currently operates six Enjoy restaurants, is adding another five shortly and plans to add 30 more eateries across the country by 2013.

The Rajhans Group got another shot in the arm in 2000, with a proposal to construct a small commercial complex. This project turned out to be the foundation for the group's sprawling realty business. "I realised that real estate generated good returns and so stuck to it," notes Mr Desai.

Rajhans Construction, set up in 2003, announced the entry of the Rajhans Group into realty business. In about a decade, the real estate business has become the robust growth engine driving the group and accounts for about 70 per cent of its total revenue. Textile and entertainment sectors, on the other hand, make up 15 per cent each of the group's total revenue.

The Rajhans benchmark of commitment to quality can be discerned in many of its residential and commercial projects across Surat. Residential projects like Rajhans Maxima, Rajhans Aakruti and Rajhans Himgiri, among others and commercial complexes such as Rajhans Plaza, Rajhans Point and



Cricket and luxury cars are Jayesh Desai's twin passions. The dynamic Rajhans Group chairman maintains a fleet of high-end cars, including BMW and Jaguar. Yet he is fairly grounded and literally a friend, philosopher and guide to his about 12,000-strong employees. Mr Desai is equally passionate about his businesses, with a knack of spotting the next big opportunity. Hailing from a humble family, Mr Desai, the fifth among six siblings, dreams of his core management team of about 250 driving to work in Mercedes E class. No doubt, it looks like an ambitious dream, but he has a habit of transforming dreams into reality. In an exclusive interview to India Business Journal, Mr Desai talks about the Rajhans Group, its exciting journey and his future plans.

**"I want
Rajhans
to be among
India's top-ten
business houses"**

■ Will you take us through the long journey of Rajhans?

My business career began with edible oil. Rajhans Vegetable Oil Trading, set up in 1992 in Surat, did give decent returns in the first few years since inception. But I was looking for high-potential sectors and gradually zeroed in on textile, entertainment and real estate, which have transformed Rajhans into a Rs 2,000-crore group.

■ What are the focus areas for future growth?

Rajhans will be focusing on entertainment, real estate and confectionery in the near future. Vadodara will soon house the Rajhans Cine World multiplex. We are also setting up multiplexes in Navsari, Ratlam, Ujjain and Aurangabad. As far as realty is concerned, we have about 40 lakh sq ft of development happening in Surat alone. We have already entered other cities like Ahmedabad, Vadodara, Chandigarh, Kolkata and Mumbai. Through confectionery, Rajhans is foraying into the retail market for the first time and I am sure that we will soon become a household brand.

■ What led you to pick up confectionery as the next big opportunity?

After the top two MNCs, you will struggle to name the next

“Rajhans will be focusing on entertainment, real estate and confectionery in the near future.”

big player. There is huge potential, given the low consumption of chocolates in India. I am convinced that we can capture a big market share with best quality chocolates. A modern chocolate factory is coming up in Kosamba, which will start operation next year. We are looking for a woman celebrity as brand ambassador to endorse the product. I am confident that we will be able to achieve Rs 500-crore revenue in the very first year.

■ You had almost entered the aviation business a few years ago. What made you to back off?

In 2004, most of the airlines

“I have always believed in taking calculated risks. I have forayed into various ventures, but only after making sure that the success ratio is at least about 85 per cent. Perhaps this has kept Rajhans growing despite many diversifications.”

like East-West Airlines, Damania Airways and Jet Airways were in bad shape. The aviation industry seemed to be lucrative and I took it as a challenge to enter the business. I had visited the USA, negotiated with Raytheon Corporation and clinched the deal to acquire five aircraft of 21-seater each. But after so much of progress, something prompted me that aviation was not my cup of tea and hence I

abandoned it.

■ What is your management style?

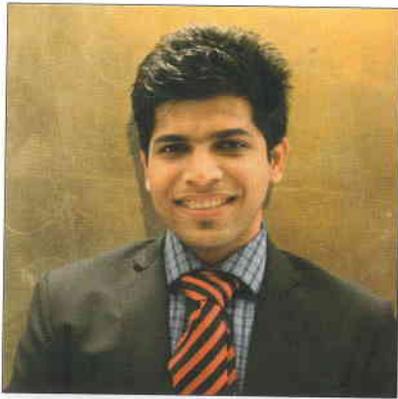
We have teams of managers with clear-cut hierarchy and jurisdiction. All my employees are free to take their own decisions within the given jurisdiction. However, they have been expressly prohibited to cross their limits, whatever be the cost or benefit. With this, we are able to maintain a system within the organisation.

■ Yours is an inspiring success story. What do you attribute the success to?

The credit should go to my wife, Trupti. She may not be helping me in my day-to-day business. But she has always stood by me, providing me the moral support and enabling me to concentrate on the businesses. I have always believed in taking calculated risks. I have forayed into various ventures, but only after making sure that the success ratio is at least about 85 per cent. Perhaps this has kept Rajhans growing despite many diversifications.

■ How do you see Rajhans growing in the near future?

The group has been growing at a compounded annual rate of about 30 per cent in the past few years. We will have to grow at a little higher pace in the years to come. I want Rajhans to be among the country's top-ten business houses. I still have at least another 10 to 15 years and should be able to achieve this goal by then.



"Our new chocolate venture, Rajhans Nutriments, with the best global benchmarks, will drive the group to greater heights."

PANKAJ JAIN
DIRECTOR, RAJHANS NUTRIMENTS



"We are ready with a slew of strategies to take on established multinational companies and revolutionise the Indian chocolate market."

SHUBHRA KALLANI
MARKETING HEAD, RAJHANS NUTRIMENTS



"Quality of chocolates will play a vital role in establishing our brand. We are travelling across the world to churn out the best quality products."

ZANKHNA DESAI
PROJECT COORDINATOR, RAJHANS NUTRIMENTS

many others have turned Rajhans into one of Gujarat's trusted and valuable brands.

Starting with a Rs 10-crore project, Rajhans today boasts of 65 ongoing projects spread over about 60 lakh sq ft across Surat, Ahmedabad, Vadodara, Chandigarh, Kolkata and Mumbai, both in residential and commercial segments. The group recently forayed into Mumbai with two projects - a shopping-cum-commercial complex in Ghatkopar and another project in Santa Cruz.

Right moves

It has been quite an eventful journey for the Rajhans Group. In about two decades of its existence, the diversified conglomerate has covered considerable ground and is eyeing greener pastures. With a Midas touch, Mr Desai's vision, planning and ability to tap the right opportunities have stood the group in good stead.

Meanwhile, the Rajhans chief is focusing on entertainment, realty and confectionery sectors to drive the group's future growth. Incidentally, Surat is growing at a rapid pace and has been named by many recent surveys as one of the future cities with

huge growth potential. The City Mayors Foundation, an international think-tank on urban affairs, ranked Surat fourth in a recent global study of the world's 50 fastest-developing cities.

Surat apart, Rajhans is now expanding its activities across Gujarat and the rest of India. The group's realty business, quite unlike its peers that are bruised by bearish sentiments, is growing at a quick pace. "There can be no slump if you are into quality construction at good locations," adds Mr Desai. In fact, he rightly chose tier-II cities before embarking on projects in big metros and the strategy is certainly paying off.

The group is also foraying into hospitality with a chain of boutique hotels planned across pilgrimage centres, hill stations and business hubs. It has short-listed Shirdi, Mahabaleshwar, Goa, Udaipur and Vaishnodevi in the first stage of development. In fact, work on boutique hotels in Shirdi and Vaishnodevi is set to commence pretty soon.

Rajhans' entertainment sector too has always focused on tier-II-cities, something that big multiplex chains like PVR and Big Cinemas are warm-

ing up to today. With over 1,000 movies churned out and 300 crore tickets sold every year, the Indian cinema market accounts for a chunk of the entertainment pie. And multiplexes are where movies are made and unmade today, in terms of box office performance. As Rajhans expands its multiplexes into smaller towns, it is set to reap rich dividends.

No wonder, high-growth sectors are propelling the Rajhans Group, which is growing at a compounded annual rate of about 30 per cent in the past few years. The new confectionery business, meanwhile, has huge potential to multiply Rajhans' fortunes. Mr Desai is rather upbeat on the new business, which he believes will turn Rajhans into a household brand across the country.

"Our chocolates will occupy shelves of the country's major retail outlets in 90 days of operation. We are targeting Rs 500 crore of revenue in the very first year," stresses Mr Desai. It is no doubt a high-stakes gamble for Mr Desai as he pits Rajhans against the likes of Cadbury. But if his chocolate gamble pays off, Rajhans could possibly hit the sweet spot in the next few years.