

THE PORTFOLIO BOOK OF

**GREAT
INDIAN
BUSINESS
STORIES**

**RIVETING TALES OF BUSINESS
LEADERS AND THEIR TIMES**





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Riveting Tales of Business Leaders and their Times



PENGUIN BOOKS

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RAHUL BAJAJ

Excerpts from *Business Maharajas* by Gita Piramal

Rahul was born on June 10, 1938, in Calcutta to Savitri and Kamalnayan (1915–1972) Bajaj, a Marwari businessman. The family was comfortably well off and in the process of moving from trade into industry. He schooled at Bombay's elite Cathedral and John Connon School, and graduated from Delhi's St Stephen's College with a BA (Hons) in Economics in 1958. Back in Bombay, Bajaj did a two-year stint at Bajaj Electricals, clocking in after morning lectures at the Government Law College. He spent most of 1961–62 as a junior purchase officer at Mukand and with some work experience under his belt, he left for Harvard. He passed out of the class of '64 with an MBA degree. In between (December 1961), he married Rupa Golap, a Maharashtrian beauty queen and an up-and-coming model. They have three children, Rajiv (b.1966), Sanjiv (b.1969) and Sunaina Kejriwal (b.1971).

Like his contemporary the late Aditya Birla, Rahul was raised in an intensely political family. Mahatma Gandhi treated his grandfather, Jamnalal Bajaj (1889–1942), as his fifth son. His grandfather was also a close friend of Jawaharlal Nehru. He contributed to the nationalist movement and the Congress Party, and was its treasurer for some years. The political tradition continued into the next generation. Between 1939 and 1947, most of the adult members of [the Bajaj] family found themselves behind prison bars in the cause of Indian freedom. Kamalnayan later became a Congress member of Parliament. When the Congress Party split in 1969, he left Indira Gandhi to join the Congress (O).

Though Bajaj has no personal political ambitions, he likes the company of movers and shakers. The Bajajs and the

Nehrus have been family friends for over three generations. Kamalnayan and Indira Gandhi studied at the same school for a short time. Jawaharlal Nehru himself picked the name Rahul for Kamalnayan's first-born, a gesture which made 'Indira Gandhi hopping mad as she had wanted it for her own son,' recalls Rupa. (Coincidentally, Rahul and Rupa named their first-born Rajiv, and Rajiv and Sonia Gandhi named their son Rahul.) As prime minister, Rajiv Gandhi reportedly turned to Bajaj for advice. Closer home, Bajaj has been in the kitchen cabinet of Sharad Pawar, four times chief minister of Maharashtra.

Unlike Birla, however, Bajaj was brought up in a spartan atmosphere, unusual for a business family. Kamalnayan grew up in Gandhi's ascetic ashram at Wardha. His children (Rahul, Suman and Shishir) grew up in relatively more luxurious surroundings, in the leafy bylanes of Bombay's posh Carmichael Road. Rahul's upbringing and values owed more to Mahatma Gandhi than Jawaharlal Nehru, being more middle class than aristocratic. Holidays were often spent playing with the workers' children in the family's factories. Given this background, the idea of living inside an industrial complex did not appear as ludicrous to Bajaj as it would to his peers in the Marwari aristocracy. 'Actions speak louder than words. I did not and do not believe in absentee landlordism,' Bajaj is fond of declaring.

Bajaj's first office was simple: a Godrej table, a Godrej chair, and not much else. 'Though I was an MBA from Harvard, I didn't have any fancy ideas that I must have staff, or a secretary,' he remarks virtuously. His no-nonsense, hard-nosed, direct approach soon created an aura around India's king of the road. It is an image which affords Bajaj immense satisfaction.

His efforts at projecting a 'middle-class' image are, at times, a touch ridiculous. Such as the superfluous identikit badge dangling from the pocket of his half-sleeved safari suit. Why does a gold stripe embellish Bajaj's laminated mugshot when those of his executives are mere silver? Would any of the security personnel have the temerity to question, let alone check, the boss's walkabouts?

Rupa chuckles at the thought. They have been living in the factory complex for almost three decades. On shifting from Bombay to Pune, they were allotted a 10' by 12' room in a Bajaj guest house. The rest of it was reserved for the general manager of Bajaj Electricals, a group company now run by Shekhar Bajaj. Dussehra 1965 saw them finally in a house of their own. Rupa has no complaints. Like her husband, she enjoys colony life despite tense moments such as those following the police firing in 1979.

'That night we hardly slept. We received a couple of crank calls saying it would be better if the children and I go away, maybe to Bombay. Rahul and I thought about it. I said no. I wanted to be with Rahul and I didn't want people in the colony to think that Rahul's wife and children could just take off for Bombay when things became difficult. I also thought that if I went away, it would be a long, long time before I could come back. Once you go away in such a situation, it is very difficult to feel secure enough to come back. Since there was firing, an inquiry would take place which would be a long drawn out thing. The workers were in a mood to fight the management for a long time. I wanted to stay here with him,' Rupa recalls.

But times change. The next generation has its own views. 'I don't think one should be rigid. There are business families who live in big cities, away from their factories. I believe it is important to know how the company works and

the kind of management systems it follows,' says Sanjiv. Sanjiv might have thought differently had he been in his father's black Bally sandals on November 26, 1964, the day a twenty-six-year-old Rahul joined Bajaj Tempo Ltd.

TEMPO TANTRUMS

His first job was as a deputy general manager. 'I had to see the commercial side which included purchasing, marketing, sales, accounts, finance, audit, everything but the production.' His boss was Naval K. Firodia (b.1910), then chief executive of Bajaj Auto and managing director of Bajaj Tempo.

Thin and ascetic-looking, his starched white khadi Nehru topi proclaiming his Gandhian convictions, Firodia was a lawyer from Ahmednagar who had spent time in Yerawada prison during the 1942 Quit India Movement, and got to know the Bajaj family in the '20s through the Congress Party. Following Independence, Firodia joined the Bajaj Group, and helped them tie up joint ventures to manufacture auto-rickshaws and scooters in India. In August 1957, Bajaj Tempo was promoted to make three-wheelers using German technology. The first Indian Vespa from Bajaj Auto operated out of a garage shed at Goregaon, on Bombay's outskirts, and Bajaj Auto had its manufacturing facility at Kurla. Later both plants were shifted to Akurdi, with a grass strip separating them. Today there's a wall on this strip.

The wall is a constant reminder of the rift between the Firodias and the Bajajs. Earlier, members of either family would simply stroll across the strip whenever they felt the need of company or advice. Today, even if the wall hadn't been there, neither would dream of casually walking over to

the other side as in the past. The earlier friendship between the two families deteriorated into a cold war and by September 1968, a twenty-year-old partnership lay in tatters. Rahul Bajaj resigned from Bajaj Tempo and N.K. Firodia from Bajaj Auto. The Firodias walked off with Bajaj Tempo and the Bajajs held on to Bajaj Auto. The sales of the two companies were roughly Rs 70m apiece. Small beer even in those days.

Neither side wants to talk about why the fight broke out but each feels it got the short end of the stick. 'I felt they had taken away our company. Of course, they have their side of the story,' is all that a reticent Bajaj is willing to say. The Firodias were equally unhappy. Though they had Bajaj Tempo, they felt they should have got Bajaj Auto, a company which they felt they had built up, which was in a monopolistic market, and which had great potential, while they considered that Bajaj Tempo's 'immediate prospects were not very bright'.

According to a friend of both families, the relationship between the Firodias and the Bajajs began to sour shortly after Rahul Bajaj joined Bajaj Tempo. 'You have to view the fight in the correct perspective,' he said. 'Even the Bajajs accept that N.K. Firodia played a crucial role in establishing both Bajaj Auto and Bajaj Tempo and that he and his brother, HK, are very good managers and have done a lot for the two companies. But you have to remember that for many years, Firodia had been working for Bachraj Trading at Rs 500 a month. Later when Bajaj Tempo and Bajaj Auto were promoted, the Bajaj Group provided the financing though the Firodias held a quarter share in the managing agency firm. But after Rahul joined the business, the Firodias began buying shares in the market, possibly from mid-1967 onwards, trying to quietly strengthen their

position in Bajaj Auto. When they found out, naturally the Bajajs took umbrage, especially young Rahul. Ironically, he was looking after the commercial side of the business, and so the shares which the Firodias had bought came to him for transfer, which of course he refused to do. I believe this was the genesis of the fight.'

Before the parting of the ways, the battle for Bajaj Auto—fought first in the boardroom, then on the stock market with both the Bajajs and the Firodias trying to acquire its shares—was fierce. Initially, the Firodias had 13 per cent of Bajaj Auto's issued share capital of 104,250 shares but by the end of February 1968, they had managed to hike it to 23 per cent. The Bajajs started out with 28 per cent and gradually built this up to 51 per cent. One of the better-known skirmishes in this battle was a bid to acquire a critical 4 per cent block held by financial institutions such as the LIC and the UTI. Basing their calculation on the share's market price of Rs 260, the Firodias offered Rs 262.50 per share for the block. Rahul Bajaj, on the other hand, was much more aggressive and boldly submitted an offer of Rs 411. Outflanked, the Firodias walked out of the auction disdainfully, saying 'they didn't have money to throw'.

From the boardroom and stock markets, the war progressed to the courts. In round one, the Firodias moved the Supreme Court in an attempt to arm-twist Rahul into transferring the shares they had bought from the stock market. The Supreme Court refused to oblige. In 1988, antagonism flared publicly. The *Sunday Observer* carried an interview where an angry Bajaj declared his 'firm conviction that Bajaj Tempo will one day be a part of the undivided Bajaj Group'. 'A bullock does not die as a result of a crow's curse,' Firodia countered, quoting a Maharashtrian proverb.

The mud-slinging and the legal actions didn't subside for two decades after the war's outbreak and even today the tension between the two families threatens to blow up any time. The conflict is partly due to the fact that both families continue to hold significant chunks of stock in each other's companies even after the divorce.

The problem was, the Firodias held 23 per cent in Bajaj Auto, which ensured that Rahul couldn't get a special resolution passed without their permission. However, in the early '90s, in order to fund an ambitious expansion programme, the Firodias gradually sold off some of their Bajaj Auto shares, bringing down their holding to 13 per cent. While this move considerably eased the pressure on the Bajaj camp, the Firodias found their position worsening in Bajaj Tempo.

After the split, the Firodias had carefully built up their stake in Bajaj Tempo from 13 per cent to 26 per cent, but their expansion plans forced them to make a number of rights issues which diluted their holdings. As their stake plummeted, for a brief moment in 1991-92, the possibility of a hostile bid arose and cash-rich Bajaj gleefully seized the tempting opportunity. Initially, the Bajaj group held 23 per cent in Bajaj Tempo. Now Rahul acquired a dangerous extra 3 per cent so that the Germans, the Firodias and the Bajajs each held 26 per cent with the balance 22 per cent scattered among the public. The opportunity vanished, however, when Bajaj Tempo made yet another issue (in 1993) and persuaded Daimler Benz to renounce their rights in favour of the Firodias.

Currently the Firodias probably have 36 per cent, Bajaj 26 per cent, and Daimler Benz 16 per cent and Rahul admits there's no possibility whatsoever of acquiring Bajaj Tempo (sales 1995: Rs 5.65bn). So why does he hold on to these

shares? What are his intentions? Bajaj offers a tongue-in-cheek reply: 'It is a good investment. The Firodias run Bajaj Tempo very well. Their track record shows that. Whenever I want to sell my shares, I will make a good profit on them.' This attitude combined with Rahul's ability to block special resolutions is an Achilles heel which has left the Firodias feeling vulnerable. So long as that sentiment endures, and Bajaj doesn't appear to feel any desire to allay or dispel it, there is unlikely to be a thaw in the cold war between two of Pune's giants.

Bajaj has an equally tempestuous relationship with another scooter maker, Piaggio, owned by the Agnellis of Italy. The powerful Turin-based family runs an industrial empire which, according to David Lomax, author of *The Money Makers*, is 'so big and influential that no Italian government would dare either to ignore it or to adopt policies which would damage its overall interests'.

Piaggio and the Bajaj group tied up in early 1960 to assemble scooters in India. Vespa in India was as loved as Vespa in Europe, the first wheels alike of the rich and the poor. A young Sir Terence Conran, the British designer, scooted round London on his. In New Delhi, the college-going Bajaj found that his Vespa boosted his popularity. The technical collaboration ended in 1971 when the Indira Gandhi government refused permission to extend its term. Some analysts felt this was a blessing in disguise. 'With Rahul's tough and disciplined approach, the company soon found its footing in the market and Bajaj Chetak and Super became legends,' commented one.

On the day the collaboration officially ended, Piaggio wrote to Bajaj, thanking him for years of 'really friendly cooperation' and wishing Bajaj Auto 'the most successful future'. It was dated April 1—All Fool's Day—an unintended

irony. A decade later, Piaggio would accuse Bajaj of pilfering Piaggio designs in a California district court.

Piaggio's move appears to have been a knee-jerk reaction to Bajaj's export thrust. Pune's scooter king had started dreaming of becoming a global player. Between 1978 and 1981, Bajaj Auto's export sales jumped from Rs 63.5m to Rs 133.2m. A euphoric Bajaj even ran a campaign in *Time* magazine, perhaps the first Indian advertiser to do so. But he was still just a country cousin. Piaggio's production in 1981 was 905,000 vehicles, that of Bajaj Auto, 173,000. Piaggio's sales were L626bn (about Rs 4.7bn at the then current rates). Bajaj Auto's were Rs 1.16bn.

Bajaj's euphoria evaporated as Piaggio initiated legal action against him in the USA and West Germany. The Italians claimed that Bajaj had violated the terms of their collaboration, had not returned Piaggio's original drawings and so had no right to manufacture scooters.

Bajaj claims he had Piaggio's tacit permission. 'How else could it have been? We couldn't be expected to invest crores of rupees in plant and equipment and then one fine day cease to manufacture and let our investment go to seed. And, if Piaggio had not acquiesced in our action, it should have taken legal action *then*, not ten years later.' Piaggio's lawyers—Indian—took a rather dim view of this attitude. 'It's a matter of national importance that Indian companies abide by the agreements that they enter into with foreign companies. We want a greater inflow of foreign technology. How can we inspire confidence if we violate agreements?'

Bajaj brushes aside the argument. 'I remember a whole week in Genoa with four of my colleagues in 1975. A deal was about to be finalized. Everything was done. Without charging any royalty and fees, without any equity in our

company, Piaggio would give the plans of their scooters and three-wheelers. In return we would give them the worldwide right for exporting our vehicles. We fixed the minimum value they would export each year for the next ten years. It got stuck on one small point. We wanted R&D cooperation. They wouldn't agree to that. But we broke amicably as we had done in 1971. Later our exports increased a little bit. They were still chicken feed. But Piaggio thought it was a threat.'

Hiring Baker-McKenzie, one of the largest international law firms in the world, Bajaj poured \$1m into his defence. It was a huge figure for an Indian company at the time.

The great scooter war ended on a whimper. In the USA, Piaggio offered an out-of-court settlement. The millions of dollars compensation demand was scaled down to \$50,000. Bajaj 'refused to budge and in the final settlement only gave a promise that he would not sell Bajaj scooters of Piaggio design in the US. By then there was no demand for the scooters in the US anyway.' In Germany, Bajaj Auto lost in the lower courts but won in the supreme court.

If Bajaj didn't lose, neither did he win. 'The case took four to five years during which our exports suffered. Piaggio succeeded in their aim to that extent. Our Indonesian and Taiwanese exports, our two major markets at that time, did not stop. They stopped later on for other reasons, local economic and political reasons.' Bajaj is philosophical.

'Journalists like to dramatize but quite frankly there was no hate. It was a serious business fight. In their position I might have done the same bloody thing.' What really hit Bajaj between the eyes, however, was the sight of Piaggio nonchalantly scooting into his lane. And he couldn't do a thing about it.

In the mid-'80s, following the relaxation of constraints in the light commercial vehicles (LCV) industry, the

government reluctantly permitted fresh investments in the two-wheeler industry. The move led to a wave of foreign collaborations. Piaggio was quick to put its foot into the crack in the door by signing a technical collaboration with Deepak Singhania of Lohia Machines (better known as LML) and with Andhra Pradesh Scooters.

Bajaj was and is still sore. Piaggio came here claiming they had better technology, a better vehicle and a better deal for the Indian customer. 'If they were so much better than us, they could have easily beaten us in America and Germany. Why did they take recourse to the courts? But then, they are in business. We are in business. My anger was directed against the government of India for allowing them to enter again. It made my blood boil. This was a wrong policy. I was not afraid of competing with them, and time has shown [this]. They should have been told to withdraw their cases against an Indian exporter and *then* come to India.'

October 1989 brought signs of an accord. Piaggio's home turf was under attack from the Japanese. In India, LML was doing badly. The Italians began to wonder whether the LML investment had been such a good idea after all. Giovanni Alberto Agnelli, nephew of the legendary Gianni Agnelli, the heir to the Fiat empire and Piaggio's vice-president, brokered a secret visit by Bajaj and his team to Piaggio headquarters in Pisa to work out a strategic alliance. A key element was a 10 per cent cross-holding in each other's companies. Also on the negotiating table was a collaboration for spare parts and the ending of a few remaining bits of the long-running German court battle.

As before, this attempt too fizzled out. Meanwhile LML slipped deeper in the red. To rev up its image, Piaggio picked up 25.5 per cent of its equity for Rs 80m in 1990. The

fresh fuel injection soon got used up. In 1993, LML's losses hit Rs 360m. From the sidelines, *Business India* smirked: 'Piaggio tried to dent Bajaj's growing market share but only got its nose bloodied.' September 1993 saw a third futile attempt at reconciliation. Agnelli junior flew from Turin to Pune. Piaggio wanted to replace the Singhania's with a new Indian partner. Would Bajaj consider this? Bajaj instead revived the idea of a 10 per cent cross-holding between their companies. The talks came close to success, but broke down when Piaggio apparently started talking of raising the cross-holdings. Suddenly LML's asking price began to look too high. If Bajaj gave in to Piaggio's demand for more equity, he would expose his soft underbelly. In 1993, of Bajaj Auto's Rs 370m share capital, about 51 per cent was controlled by the Bajaj family, roughly 10 per cent by company dealers, and around 20 per cent by the Firodias. If Bajaj gave away more than 10 per cent, his biggest foe could use it as a dangerous lever if things didn't work out with Piaggio later.

Scenting an opportunity, other Indian industrialists immediately made a beeline for Italy. Among them were the Nandas of Escorts and the Munjals of Hero Motors. At one point it looked as if Rajan Nanda, Escort's vice-chairman, had clinched the deal. Eventually, Piaggio decided not to separate from the Singhania's. Since the Agnellis and Bajaj continue to keep careful watch over each other, this chapter is still open.

YOU CAN'T BEAT A BAJAJ

Driving through the cavernous manufacturing facilities at Akurdi and Waluj (near Aurangabad), it is difficult to imagine that this company has frequently been the victim of

government paranoia. The '70s and '80s were particularly difficult. The Bajaj family has had close connections with the Congress Party since the '20s, but the goodwill evaporated abruptly when Kamalnayan spurned Indira Gandhi during the party's 1969 split. Subsequently, her administration stubbornly refused to allow Bajaj Auto to expand its manufacturing facilities on socialistic grounds as Bajaj Auto was a monopoly.

'My blood used to boil. The country needed two-wheelers. There was a ten-year delivery period for Bajaj scooters. And I was not allowed to expand. What kind of socialism is that?' asks Rahul Bajaj.

His vociferous criticism of economic policy cost Bajaj—who has always voted Congress—more brownie points. Outwardly, the relationship between the Nehru-Gandhi dynasty and the Bajajs was cordial, but 'my family never had the kind of contacts you are talking about. We were very much in the freedom struggle but we never used those contacts for our business purposes. Maybe some others have. In any case I don't think such contacts would have meant anything to the then government in power, either the Congress government under Madam Gandhi, or when the [1979 Akurdi] strike took place, the Janata government under Mr Morarji Desai.'

What about money power? 'Even if giving money could have bought any licences, I can categorically say we did not give any ministers or any senior bureaucrat a single penny to get us a licence.'

Despite its straitjacket, Bajaj Auto prospered. In its start-up year (1962), it manufactured 3995 scooters. It immediately initiated a successful indigenization process which sheltered it when the Gandhi administration refused permission to extend the Piaggio collaboration. By 1971, the

Bajaj scooter was a completely local product without any imported Italian parts. Since 1994, it has been producing over a million two-wheelers annually.

It's generally accepted that Bajaj Auto's success is largely due to Rahul Bajaj. In 1970, after the managing agency system was abolished, he became managing director, moving up to chairman on his father's death in 1972. He made the Bajaj scooter so popular that a flourishing black market developed. A customer fortunate enough to be allotted a Chetak or Super could sell it the next moment at double the price. Dealers charged customers huge premiums—unofficially—to jump the queue. A Bajaj scooter is still a regular dowry demand among middle-class families. In Indian movies, scooter chases were as popular twenty years ago as computer-generated images are today.

Bajaj refused to exploit the situation. Holding the price line became an ethical issue, a modern twist to Gandhian trusteeship concepts imbibed during childhood. 'Ensuring that the consumer obtains the best possible product at the lowest possible price and the employee gets a fair wage for a day's work is the criterion of ethics in business,' he insisted. The government admitted that Bajaj had not taken 'any undue advantage of its dominant position', but it still refused to relax production restrictions. Lobbying by competitors like UP Scooters Ltd and Automobile Products of India fanned official anxiety about the power of big business.

For Bajaj, the Licence Raj was a 'nightmare' and a time of 'great difficulties'. 'I know how difficult it can get to chase someone in New Delhi for a licence. Then some fool delays the whole project by procrastinating, because he wants something for himself.' India is probably the only country in the world which threatens to penalize management for

overproduction. Bajaj thumbed his nose at such rules, 'but thank goodness I was never actually penalized though I was quoted often for saying that I was ready to go to jail for excess production just as both my parents had for the freedom struggle.'

Interestingly, the long-desired permission for major capacity expansion came during the Janata Party administration (1977-79). George Fernandes, as industries minister, allowed Bajaj Auto to double its licensed capacity to 160,000 two-wheelers.

There was to be a question mark about this permission. Rahul Bajaj's *Congresswala* image and his personal friendship with Sharad Pawar is well known. Why did the Janata Party grant something which the Congress had withheld for years? Was there a quid pro quo? Rumours centred round Fernandes, a close friend of Viren Shah. Shortly before the end of the Emergency (1975-77), an arrest warrant was issued for Fernandes for his alleged role in the Baroda Dynamite Case (1977). Shah claims he 'did not shelter Fernandes', but admits that he knew where Fernandes was hiding and that he organized interviews with the international media for Fernandes while he was underground. Sensitive to international disapproval about the excesses of the Emergency, Indira Gandhi called for elections in 1977. After she lost and the Janata Party came into power, did a grateful Fernandes repay the debt?

'Rubbish,' says Viren Shah. 'Petty Indians will think and say such things, but George is just not that kind of man. He is a man of principles. He genuinely believes that we have to have more industry, more factories. Just look at his record. During that time, he permitted so many companies to expand.' Unfortunately for Shah's protestations, Fernandes is better remembered as the minister who forced

Coca-Cola and IBM to leave India, thereby alienating the international business community and choking off foreign direct investment for years, and for comparing the Indian business community with rats.

Bajaj Auto received its second major permission to expand capacity on October 7, 1982. By this time Indira Gandhi had begun to heed her son Rajiv's views on the need to open up the economy. 'It's true that Rajiv could not dismantle the industrial licensing system, but he gave us as many licences as we desired,' said Bajaj. Narain Dutt Tiwari, who was industry minister, allowed Bajaj Auto to build a 300,000 unit at Waluj. The Rs 2bn plant was built in a record fourteen months. President Zail Singh inaugurated it on November 5, 1985. Three years later, during Rajiv Gandhi's prime ministership, capacity was upped to a massive one million scooters.

The last permission came just in time. In the last decade, local and international competition has been hotting up, and the fact that Bajaj Auto has a world-size plant gives it a vital edge. Economies of scale help make it an extremely profitable operation. 'Our scooters are 20 per cent cheaper than that of the nearest competitor *and* we enjoy a 20 per cent profit margin,' says Rajiv Bajaj smugly.

'POLITICAL VENDETTA'

Government sleuths keep a watchful eye on these hefty profit margins. Twice they suspected that government coffers weren't getting their fair share of them and instituted 'search and seizure' proceedings. The first, conducted on May 18, 1976, during the Emergency, was carried out on the entire group. The second, on December 17, 1985, when Vishwanath Pratap Singh was finance

minister, was limited to Bajaj Auto. Each time the raiders went away empty-handed. On both occasions, instead of the Bajaj family being feathered and tarred, it was the government which came under flak for using its muscle to harass businessmen for their political convictions.

Ironically, both times, a Congress administration authorized the raids though ever since the party was formed, the Bajajs have always voted for it. So why did they fall out of Indira Gandhi's favour? Why did she order the mammoth three-day raid in 1976 where 1100 income tax sleuths simultaneously swooped on 114 Bajaj establishments across the country? They questioned even Jankidevi, Rahul's eighty-four-year-old grandmother, who had renounced all worldly possessions after Jamnalal's death in 1942 and who lived in an ashram at Wardha.

Eighteen months later, Rahul and his uncle Ramkrishna (1923-1994) aired their suspicions to the Shah Commission, a committee set up by the Janata Party to examine the misuse of political power during the Emergency. In a written note read out by Ramkrishna to the Commission, the Bajajs claimed that the raid was 'an act of political vendetta'. Outlining the background of the raid, Ramkrishna deposed that the family's relationship with the Gandhi dynasty started deteriorating with his brother Kamalnayan's opposition to Indira Gandhi's first bid for prime ministership in 1966. 'Ever since then the previous regime had assumed that our family was against them, especially as it was their stand that those who were not with them were against them.'

Ramkrishna had lost favour because he refused to allow the government to take over the Vishva Yuvak Kendra in Delhi of which he was the managing trustee. The fact that Viren Shah, an accused in the Baroda Dynamite Case, was

their partner didn't help the situation. The relationship nose-dived after Jayprakash Narayan (1902-1979), a respected socialist freedom fighter, condemned the Emergency and urged the public to protest against it from his death-bed in Bombay's Jaslok Hospital. The links between Narayan and the Bajajs were strong and several Bajaj members had visited Narayan during the Emergency, buttressing Mrs Gandhi's belief that the family was against her.

If further kindling was needed, it was provided by the family's relationship with Acharya Vinoba Bhave (1895-1982), a staunch Gandhian and a leader of the Sarvodaya movement for social reform. In January 1976, Ramkrishna's brother-in-law, Shriman Narayan, organized a *sammelan* for the high priest which was partly funded by the Bajaj Group. Bhave, who initially had indirectly supported the Emergency, now turned against Mrs Gandhi and used the *sammelan* as a forum to protest against the Emergency, calling for its revocation and the release of all political detainees. As preparations began for a second *sammelan*, the Gandhi regime tried to get it postponed or cancelled. Describing the incident to the Shah Commission, Ramkrishna told an enthralled audience of how a common friend contacted him to 'use' his influence over Shriman Narayan and Bhave himself. Ramkrishna excused himself. It would be neither right nor proper. He could not help the government. Delhi was not amused.

Ramkrishna Bajaj's deposition provoked a spat in the income tax department over who had ordered the raid. Under persistent grilling by Justice Shah, part of the truth emerged with the needle of suspicion pointing to S.R. Mehta, the chairman of the Central Board of Direct Taxes. In March 1976, an assistant director of inspection had been despatched to Bombay to collect dirt on the Bajaj group.

The mission was unsuccessful, but his advice was ignored and a raid was ordered by Harihar Lal, the director of inspection (investigation). Gradually, more sordid details tumbled out about procedural 'lapses' and a messy 'smirch' Bajaj campaign but very little extra came to light about who and what exactly triggered off the raid.

Rupa has her own suspicions. 'Rahul had gone to Ahmedabad where he made a speech at some meeting where he criticized Sanjay Gandhi or made a negative comment about him. Afterwards we were told—but it has never been confirmed—that perhaps that sparked the raid.' Rahul is noncommittal: 'This is all conjecture. We don't know anything for sure. At the Shah Commission hearings the income tax officers concerned gave evidence that there was no justification for the raid, and everyone knew we were against the Emergency.'

If political vendetta lay behind the 1976 raid, the reasons for the 1985 raid are even murkier. Authorized by V.P. 'Mr Clean' Singh, then Rajiv Gandhi's finance minister and prime minister-in-waiting, the income tax investigation on Bajaj Auto was part of Singh's campaign to clean up corporate India. During this campaign, 6000 raids were conducted, about 100,000 residences searched and almost half a million people subjected to interrogation.

Apparently keen to demonstrate total impartiality, Singh's victims were selected from a broad spectrum: from noted industrialists like S.L. Kirloskar, a visionary Pune-based entrepreneur, to doctors, lawyers, film stars, drug barons and smugglers. The scale of attacks and the humiliating media coverage engineered by Singh's team culled from the Directorate of Revenue Intelligence, the Directorate of Enforcement and the Directorate of Anti-evasion, initially froze businessmen into numbness. Once this wore off, mass

hysteria set in, to be replaced by roars of resentment, ultimately leading to Singh's transfer from the finance ministry to defence (on January 24, 1987).

As word spread of the nationwide income tax raid on Bajaj Auto, the initial reaction was one of disbelief. After all, this was the company of which the government itself had declared that 'despite its dominant position, the company has not tried to take undue advantage of its dominant position'. Barely a few years after the endorsement, the government was claiming that it was committing income tax fraud. With their backs to the wall, the government officials tried to justify themselves, the thrust of their argument being the high premiums commanded by Bajaj vehicles. For example, Bajaj Auto produced nearly 33,000 three-wheelers. On an official price tag of Rs 27,000, the premium ranged between Rs 10,000 and Rs 20,000. In this situation, tax officials felt there was considerable scope for under-reporting income.

According to government sources, their suspicions were aroused when a raid on a Bajaj Auto dealer in Patna led to the recovery of duplicate books showing that Rs 1.2m had been paid to a top company executive. The raid report was sent to the finance ministry which authorized further research and a more detailed report. The investigation was entrusted to D.N. Pathak, Bombay's newly appointed director of investigation who had just arrived from Uttar Pradesh (Singh's home state). For five months, Pathak and his team studied the market, gathering information piecemeal, collecting lists of Bajaj dealers.

One day before the raid, a deputy director of intelligence visited the Bajaj plant disguised as a schoolteacher to check out the various entry points and sensitive locations. The Pune commissioner of income tax was requested in a letter

sent in a sealed cover to collect a hundred people at his office and also to arrange buses and taxis. On December 17 at 7.45 a.m., 285 income tax officials in Pune and Bombay fanned out to sixty-five locations. Pathak had signed a hundred and one search warrants.

But when the party reached Bajaj's residence, its owner wasn't there. He had left the previous night for Bombay. Caught off-guard by this elementary gap in their information, the party recovered enough to call Bombay and request a local team to be despatched immediately to Mount Unique, a skyscraper off busy Peddar Road. The Bombay-Pune lines hummed with anxious inquiries until the tax sleuths finally caught sight of the tycoon engaged in his favourite activity—chatting on the telephone. Once Bajaj had satisfied himself about the correctness of their identity, he agreed to their 'request' to accompany them to his office at Bajaj Bhawan at Nariman Point. There he was interrogated for six hours.

After three days of exhaustively searching Rahul Bajaj's house, office and bank lockers as well as those of his executives and dealers, the raiders called a press conference where they triumphantly announced the 'seizure of unexplained cash of nearly Rs 20 lakhs, jewellery and other valuables of Rs 80 lakhs, 1500 US dollars and a few other currencies'. The press note added that 'a substantial part of the seized assets have been admitted by the concerned persons to be their concealed incomes and wealth'. Significantly, the note did not mention any names.

Up in arms against the income tax department's press note, Bajaj issued his own. Denying any wrongdoing by Bajaj Auto, he claimed that the premiums were collected by dealers and not by the company. If he were allowed to increase capacity and meet consumer needs, the premiums

would automatically disappear. Asked to counter Bajaj's allegations, the income tax department sheepishly admitted that the company's book-keeping was indeed clean as a whistle and that whatever seizures had been made, were from the dealers.

Ironically, barely five months after his finance minister raided Bajaj, Rajiv Gandhi invited him to be chairman of Indian Airlines (IA). It was the first time someone from the private sector had been selected. Was the appointment a gesture of atonement? Bajaj scoffs at the idea: 'No, no, it had nothing to do with the raid. It might have been a bit of an embarrassment for Mr V.P. Singh, but I don't think my appointment had anything to do with the raid at all.'



VIJAY MALLYA

Excerpts from *The Vijay Mallya Story* by K. Giriprakash

BUILDING BRAND KINGFISHER

Vijay Mallya deserves credit for the revival of Kingfisher beer. Today, it is the leading beer brand in the country with a market share of about 50 per cent. There is an interesting tale to the launch of Kingfisher beer and its resurgence. Mohan Meakin's Golden Eagle was the leading brand in the beer segment when Vittal Mallya and Srinivas Rao decided to launch a brand which could take on the competition. While scouting around, they found that one of their top officials had a letter pad with the logo of a kingfisher bird on it. They persuaded the executive to part with the logo, and so the Kingfisher brand was born. Over time, the logo has evolved from depicting a sitting kingfisher to one in mid-flight.

The brand went into hibernation for sometime until Vijay Mallya decided to revive it. He is believed to have conducted his own survey by standing near the gates of several colleges interviewing students on what they thought would work for a brand. The survey yielded some interesting facts: youngsters aspire for brands which enhance their lifestyle as well as those they can connect with. Within months, Kingfisher beer was relaunched and marketed in several parts of the country. However, the biggest problem the brand faced was that it was not pan-Indian. Its distribution network was restricted and, as beer is a seasonal drink, its sales in the north were muted.