Creating Emerging Markets – Oral History Collection

Suresh Krishna, Chairman, Sundram Fasteners Limited (SFL)
Interviewed by Tarun Khanna, Professor, Harvard Business School
December 19, 2012 in Chennai, India
Video interview conducted in English

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TK: Mr. Krishna, thank you for participating in this Emerging Markets Oral History Project, started by the Harvard Business School. As you know, we’re trying to create a permanent archive of people who have lived history, in some sense, and we’re honored to start with you. Perhaps a good place to start is if you would reflect on the early part of your career, and relay some salient moments, either positive or sobering, about yourself or the company that you created. That would be a good place to start.

SK: I think probably the best way to start is from the very beginning. I graduated, in 1961, from the University of Munich. And before that I had done three years at the University of Wisconsin. Previously, I studied in India, at the University of Madras. But contrary to a lot of beliefs, I’m not an engineer; I’m not a finance man; I’m not an economist. I studied literature. So it’s very different from the normal, run-of-the-mill people who go in for various disciplines that have direct relevance to the business they run.
It so happened that even though my family runs, by and large, an engineering company, I chose to do literature, because my heart was not in engineering. But as soon as I came back, in 1961, I had two choices: to go into a teaching profession, or to go into the manufacturing profession. Anyway, I got into a manufacturing position that was professional.

All that I have learned over the years is by osmosis: By asking questions, getting answers, studying, interacting with people, listening to seminars, and reading books. So it has been a process of learning, and the more you get interested in learning, the more you are interested in the business. And, as you get more interested, the more you learn, because it becomes a passion, instead of just a business. The great advantage in not knowing engineering is that you can ask the silliest of questions and get away with it, because everybody knows that you’re not trying any kind of one-upmanship. So that was good.

When we started Sundram Fasteners in 1964-65, I didn’t know anything about making fasteners for the automotive industry, so I had to read books to find out, and talk to people. It was a very exhilarating thing because I was doing it myself and I could see the company grow before my eyes, slowly but steadily.

We started with nothing: we just had two machines in an Industrial Estate, in Ambattur; a small shed, 7,000 square feet. Our annual sales for the whole year, in 1966, was four lakhs, which was just a pittance in those days. But then it grew, very slowly; it grew organically.
By that time, the other companies in the TVS Group had been established with joint venture partners, like Wheels India, Sundaram Clayton, Lucas-TV, and Brakes India. These had very important joint venture partners, like Lucas in electrical systems, Dunlop in wheels, and Clayton Dewandre for power brakes. In fact, it turned out to be really fortuitous that I did not get into this, but I did not avoid it intentionally.

I wanted, actually, to have a joint venture partner in the early stages, because everybody else had a joint venture partner. So I went around shopping for a joint venture partner. But the company was so small, not only in size but also in capital, that nobody was interested in a partnership. They wanted an investment that was at least a 20crores or 30crores, which TVS was not willing to enter into, because they had already invested.

So I got left out; I could not get a joint venture partner. Instead, we grew organically, as an Indian company. In retrospect, I personally feel that was a very good thing for us, because I have found, over a period of many decades, that even though the joint venture partner had a role to play in offering technology to the Indian companies in the ’60s and ’70s, as India grew and became profitable after liberalization took place and the Indian market opened up, the Indian companies wanted to have more control. So parting of ways had become almost a norm. But there was a lot of difficulty in parting ways. Divorce is always messy. Whereas in our case, we had total freedom.

There was one other point with the other TVS Group companies which had gone in for a joint venture—they had to always consult the joint venture partner before taking any kind of major decision. So you cannot just say,
“Okay, I like the project. Let’s go out and do that project.” Or, “I like that machine. Let’s go and buy that machine,” or any kind of business decision. I’ve seen this, because I worked as an apprentice at Wheels India Limited, with Dunlop’s people. I worked with Lucas-TVS, and I know how the Lucas people worked. And for a long time I was helping my cousin at Sundaram Clayton, so I had great interaction with Clayton Dewandre, and then later with Suzuki Motor Company. Thus I know how difficult it is, sometimes, to navigate in these very tortuous waters of having to manage a business on one side, and manage joint venture partners on the other side. Joint venture partners can be very, very tough. However, as long as it coincides with their interests, they will allow you to do what you want.

One of the serious conflicts that many of our sister companies got into was when these companies wanted to export, their partners wanted to protect their turf. So export became very difficult for these companies. Whereas we realized, as early as 1971–72 that the Indian market was growing at the Hindu rate of growth of three percent, and that was not enough for the kind of growth that we were looking at.

So we started going in for exports. It was also very difficult when we started exporting. We found that, while the European market and American market were very receptive to India, the rupee was artificially pegged; it had no relationship to the actual market value of the rupee. The market value of the rupee might have been about forty rupees per dollar, but officially it was pegged at eight rupees, or nine rupees per dollar. So there was no way you could export profitably, because you were totally left out of the competition, as
far as, say, profitability was concerned. But one thing it allowed us, even at the
cost of not making too much money, was getting into the market. We met the
customers, made products, learned from it, and understood what marketing was
like in the international market, and what was needed to meet the kind of
quality levels that were required.

What is more important than that is that India was not, at that point of
time, considered a major engineering manufacturing territory in the world.
People were looking at countries like Taiwan, the Philippines, even Thailand,
and, to some extent, China. So India was considered more of a commodity
market with grains, and coffee and tea, and it did not have great power to price
itself on engineering products. It went that way over a long period of time, as
you know, and it was very, very difficult. It was not at all easy because the
government had an iron grip on anything and everything regarding how the
companies ran. You were given a license for whatever amount they thought
was prudent, and then asked to work within those limits.

You could not expand, because again you had to go to the government.
Also they, sometimes arbitrarily, fixed what was a priority sector, what was
not, and what was reserved for small-scale industry. They controlled
everything: every nut and bolt, or everything like a connecting rod, or a grease
pump part. Whatever you wanted to import for your company, you had to get
permission from the government. There was also this huge, big hurdle—you
had to get what was known at that time as a non-availability certificate. You
had to first go to the Indian manufacturers whom the government said, “These
people can supply you,” and have them write letters of regret before you could import anything.

So you can imagine the kind of bureaucracy that drove this kind of mechanism; it was a huge bureaucracy, which was housed in Udyog Bhawan, in Delhi. And many times people like me used to make a trip almost every fortnight—just to go and meet the development officers, or people concerned in the ministry, just to clear the smallest of licenses. So you can imagine the amount of management time lost in doing this.

But that was India. Totally controlled, and Delhi decided what you should do, and what you should not do. They decided how much can you do, where you can sell, and at what price you can sell. To call it a controlled economy is an understatement. It was a very suffocating kind of an economic system.

**TK:** It’s surprising that somebody who is a humanist, and a would-be reader, writer would tolerate this much back and forth.

**SK:** There is something I need to confess. The first time I went with my father, in 1967, he introduced me to many of his friends in Delhi. We went from office to office. He had some work for Lucas-TVS at that time. He took me, and then he pleaded his case, and they listened and said, “Okay, you come back next week, and we will try and see what we can do.” So at the end of the day he asked me, “So what do you think?” It was my first trip to Delhi. And I said, “If this is business, I don’t want it.” Really, I was so cheesed off that...
people would tell me how I should spend my money. It was as simple as that. And I said, “This is not the way I want to work.” But, of course, after I came back, I took a cold shower and then the next morning I was normal again.

But that was the problem. What happens is when you get into that groove, then you no longer feel the pain. Because everybody goes through that pain—all your colleagues, everybody in industry goes through the same kind of treadmill—it is not as if you are singled out. So you become part of the crowd, and say, “Okay.”

TK: That must explain why it persisted for so long, which is that everybody came to accept it.

SK: There was no great push from the industry for change. And, of course, there was this term you heard so many times in those days. Foreign exchange was not just foreign exchange, it was always “precious” foreign exchange. It was an adjective that was used almost without fail. It was “precious” foreign exchange, or “unavailable” foreign exchange.

So everything was controlled in order to harbor and harness this foreign exchange, which got into a self-fulfilling kind of situation. But it went on for quite some time, and we were not allowed to expand beyond a certain stage, and if we wanted to expand, we had to go and ask for permission; for licenses.

But when you come back to the factory, it’s a different world altogether, because there you could do what you wanted. There, the managers and the managing director could interact, and see whatever needed to be done.
You give them the freedom to do it and delegate to them to do whatever it is. It is only the government which was extraordinarily difficult.

But then we were in a so-called “socialistic pattern of society.” And this is how they envisaged a socialistic pattern of society must function. So they went along with that kind of script. It was a prewritten script which then became an act one, act two, act three kind of a situation.

**TK:** So your earlier statement about your forced circumstances of not being able to get a joint venture partner must have been doubly costly in this environment, where there’s no foreign exchange, because you couldn’t easily go out and buy technology, so to speak. Is that a fair statement?

**SK:** Fortunately for us, we didn’t have to buy technology. The way we got technology to Sundram Fasteners was that we used to travel—and I was very young at that time. I used to travel, meet with people—nuts and bolts people. And they gave us technology out of kindheartedness. People don’t believe this. Whether it was Lamson & Sessions in Cleveland, or Republic Steel, or Canada Steel.

I remember so many people, in different disciplines, were so ready to help because they were very, very clear in their mind that this company, which was so small, was not going to be a competitor. “Let’s help this little guy learn something.” And I always used to plead the case for the student in me, and say I’m just trying to learn how to make good bolts and nuts. So, a lot of people
have taken a very personal interest in following up, teaching, mentoring, and that has been a very good learning curve.

Of course, with a joint venture partner, the learning could have been much steeper, much quicker. But then we grew at a much steadier rate, and we were masters of ourselves. The company did not have two bosses, and there was not somebody else who was sitting there and saying, “You shall do this. You shall not do this,” sometimes offering reasons, sometimes not offering reasons.

So in retrospect, I personally think that was the best thing that could have happened to this company. It grew on its own merit, it was completely Indian in its outlook, it was completely Indian in terms of management, and it was completely Indian in terms of where it wanted to go not only in the Indian economy, but also in the international economy. I think it was very, very important that we got away from what we call this syndrome of wanting a joint venture partner, just because that was the thing that everybody did.

So if you did not have a joint venture partner they’d say, “Why don’t you have a joint venture partner?” But you just bucked the trend, and then did something else.

TK: So just like your description of your first visit to Delhi, can you remember your first visit to a big customer meeting overseas?

SK: Sure. One of my biggest customers was, at that time, Tata Motor Company in Jamshedpur. And they already had a supplier, a company called
Fit Tight Nuts and Bolts, from Bombay. So they were not really looking for a supplier. But, fortunately for me, I had other sister companies, like Lucas-TVS, Sundaram Clayton, Wheels India, which was already supplying Tata Motor Company.

So getting an entry into Tata Motor Company (Telco as it was known then) was not difficult. I don’t want to mention names, but I got into the development manager’s office, and then he asked me, “What do you make?” I said, “I make high tensile fasteners for the automotive industry.” He said, “We don’t need you.” So I said, “Well, I’ve come here to see whether we can give you competitive prices.” He said, “No, I’m not looking at competitive prices. I just don’t need you, so you can go home now.”

So that was the first call that I made to Tata Motor company, but then I persisted. There was a materials manager at Tata Motor company who was known to the family. He said, “That gentleman is always like that, he starts very negative. So don’t worry about it.” But slowly we made some headway, but not major headway.

Then I got to know the general manager, and the general manager was German at that time. So he took a shine to me, and he asked, “Okay, what can you do?” I said, “I can make anything you want. This is my capacity, up to this size, and I can make anything you want.” Then he said, “We can get standard fasteners from anywhere, but there are people who are not willing to make special fasteners. So if you make one special fastener, I’ll give you five standard fasteners.” I said, “Fine, we’ll do that.” So he took out some prints, and said, “Okay, then. This is what you do.”
So I came back to Madras, and I told my team, “This is the greatest entry that you can get. Now let’s make these special fasteners.” You wouldn’t believe it, we made it within four days. The whole company stopped, and just worked on this, and we made it in four days. Then I flew back to Jamshedpur. It was not an easy journey in those days to Jamshedpur. You got to Calcutta, and you got to some restaurant on Park Street, and then you caught the Steel Express train at Howrah Station at 2:00 in the morning, and you got into Jamshedpur at 4:30 in the morning. You got out, and got into an Ambassador car, which rattled more than it ran. There was no hotel room available. You stayed in one of the Tata choultries [guest houses] for 10 rupees a day, in those days.

Finally we went and gave him the samples, and he was very pleased. Then he said, “Okay, you’ve kept your side of the promise, then I’ll keep mine, and I’ll give you 20 standard fasteners.” So I said, “Now for all the trouble I have taken, can I choose those fasteners?” He said, “Yes, sure. Choose those fasteners.” So I chose the most bulk, the ones which are used in great bulk in the Tata Motor company. So I chose that. And my competitor, who came to know about it after a week, went back to Tata Motor company, and he said, “You’ll ruin me. These are the real money-makers for me, and you’re taking it all away. So you get everything from Sundram Fasteners. We don’t want to supply you at all.”

So Tata Motor company took a step back, and said, “Sorry, we made a mistake. We cannot give you what you want to choose. We’ll give you what we want from you.” And that was, of course, a much, much, much more
diluted kind of order. But the important thing there was that we had established our credibility in trying to meet customer requirements and standards. The volume came later. But the fact was that we took the challenge. The factory did its best to make the product, and it was supplied to the customer. Everything was hand-carried by me.

So every customer is a different story. I had many, many customers. Well, I shortly afterwards learned there was English Electric, and there was Premier Automobiles, there was Hindustan Motors. Of course, there was nobody else in those days. There were only three automotive companies. But they were already sympathetic, because they knew the TVS Group, they knew the other products that were made. So this was a very, very small company, and so they said, “Okay, we’ll take care of you. Don’t worry.” It was a very, very satisfying growth period for us.

**TK:** That’s a very useful story, because it raises a number of issues that seem to be important. One is the role of the Group in letting you get in the door, which continues to be an asset of the Group, and that’s one thing I’d like you to reflect on. And the other is just, as you put it, establishing credibility very early on, with an entity that you then continued to do business with for decades. So, if we can address those two issues, in any order.

**SK:** TVS has always been known for two things: one is dealership and distribution; and the second thing is transport. We used to run city buses in Madurai, where we built up a very formidable city bus transport. We ran it to a
fine art, so that people could say that you could set your watch based on the timing at which every bus comes to the bus stop. It was not a myth. It happened in real time.

One has to realize that this was the 1940s, when TVS took farm boys, who had no kind of literacy at all, and taught them to read mechanical drawings, electrical drawings; trained them to be drivers, fitters, conductors; and then trained them to perform to time, quality, write log books, and things like that. There was no MBA; in those days there were no business courses in India. There was nothing. But they created an image, which endured over a long period of time, that TVS buses ran on time.

It’s a very simple thing. It’s like saying, “We shall put a man on the moon.” It is a very simple statement, but when you go underneath that statement, “Every bus shall come to the bus stop on time,” you can imagine the kind of perfection that has to underpin this endeavor, in order to make that happen. And that is the strength of TVS, that was built on bus service. Also, of course, on the distribution of spare parts, which we built over a long period of time. Actually, TVS started in 1912, initially with the Ford Motor Company, and then we later changed over to General Motors as their distributors. First, it started with cars, like Chevrolets, Pontiacs, Oldsmobile, Cadillacs, and others. Then, over a period of time, they started selling spare parts, and it grew in strength, over a long period of time.

So, in 1962, when we branched into manufacturing, it was the first major manufacturing endeavor for TVS. A lot of people said, “What do these traders know about manufacturing? They’re going to fail. They only know
trading. They don’t know anything about manufacturing.” But we survived because people—my father, my uncle—they were all very passionate about business, and we had a good collaborator. The technology was there.

The automotive market was just emerging in India in the 1960s. There was TELCO. It was called TELCO at that time: Tata Engineering and Locomotive Company. There was Ashok Leyland India. There was Hindustan Motors, a Birla company, then Premier Automobiles. So these were all people who were known to the family, and they really were willing to try the products made by TVS. And that was a great strength. Based on this strength, Sundram Fasteners was launched.

It was a great platform. TVS had already been in existence for 50 years in 1962, but the fact is that other companies were in manufacturing with very renowned partners. That helped a lot in at least getting your foot in the door. I would not say it was an open door, but we definitely got a foot in it. Saying they knew who I was, and they knew TVS, meant something. I didn’t have to explain the Group; everybody knew the Group. It was a tremendous advantage. The minute they saw TVS, they’d say, “Okay,” and all doors opened. But after that, after the door is open, what you do with it is a very different situation altogether.

I think that is a very important criterion. If I had been an independent, stand-alone, fresh out of school entrepreneur, I think the journey would have been 100 times more difficult. It was made easier because of the Group’s strength, because of the rapport that was established with the customers by
others, and also because we had had 50 years of business experience before we got into manufacturing.

So if you really look back retrospectively, I think Sundram Fasteners started on a good jump board. The only disadvantage I had was, it was a very small company. The others were much better capitalized. It was a very, very small company, and it had to grow organically, as I said. And that took time. If I had, say, 20, 30 crores, in those days, I don’t think even 20, 30 crores was important. Even with two crores, like Lucas-TVS, we could have probably grown much larger; I would have been taken more seriously. But our initial capital was only seven lakhs [700,000 rupees].

TK:  Why were these other companies so much better capitalized?

SK:  Because they were the joint venture partners; already the customers were saying, “Okay, you put up the plant, you make wheels for me, I’ll buy from you.” So the market was already established; all they had to do was produce. So in order to make their goods, the plant was laid out, and the plant cost so much, and the money was so much, and then everywhere it was all made to a tee. Literally tailor-made. Whereas, in my case, I had no customers. I had nobody to tell me what machines I should buy. I had no customer coming and saying, “This is what I want from you.” So we put those two machines, and then we went hawking, literally, like a pavement seller you see going from customer to customer, saying, “Would you like this? Would you like this?” That was the difficulty of this whole thing.
The other manufacturing companies in TVS Group, like Lucas-TVS, Brakes India, Sundaram Clayton, and Wheels India were all set up for making a particular product, which was demanded by the customer, who knew exactly what he was buying, and he indicated the exact quantity he wanted to buy, and was willing to commit that quantity to TVS. So you knew what machines to buy, and what kind of capacity to set up. You had a joint venture partner who would give you technology. Whereas I had no such thing. It was totally a shot in the dark, and it had to be evolved over a period of time. It was like a vegetable seller. You put everything out and then wait for the customer to come and pick up something that they want. And you never know if you’re going to sell anything that day, or you’re not going to sell anything that day. It was like that.

In Delhi, as an aside, you have no idea how suffocating Delhi was. And so many trips had to be made, and so often people used to stop me, literally, saying, “Why are you wasting your time coming to us? This is very unimportant to us.” And, to boot, there was another problem as far as Sundram Fasteners was concerned: For some airy-fairy reason, this product was reserved for small-scale industry because they said, “Bolts and nuts—they’re a commodity product. Anybody can make it. Ludhiana [a city known for small-scale industry] can make it; somebody else can make it.” It was not a high technology product.

Now, because I belonged to the TVS Group, I was not allowed to make products reserved for small-scale industry. I had to get an exemption from the government to make a small-scale industry product. Added to that was the fact
that I belonged to an MRTP [Monopolies and Restrictive Trade Practices Act] house. And, finally, it was a major undertaking, because of TVS. Everything went against me. Every strike was against me.

So when I asked for an expansion from 450 tons of fasteners, which was the original capacity given to me, to 2,400 tons, the first reaction was, “No, we can’t give it to you, because you are not authorized to make these fasteners. These are reserved for small-scale industry,” like Ludhiana, and whatever. So I had to go and demonstrate to these development officers in Delhi that there are two different animals. One is a normal mild steel fastener, like window fixing fasteners, or lamp post fixing fasteners. The other is a very specific high tensile, high alloy fastener, meant for automotive engineering, or any other engineering, which had so many second operations to make, so many different things to make. They are not comparable at all. But even when they were sympathetic, they said, “The rule says that you are not allowed.”

It came to a head at one point in time. In 1981, I had reached my capacity that was sanctioned to me: 2,400 tons. I wanted to expand. So I went to Delhi, and said, “I want to expand, double the capacity. Please give me a license.” So they said, “No, this is reserved for small-scale industry. You cannot expand. We will not allow you to expand.” I said, “But if I don’t expand, I am going to lose the market.” They said, “Sorry. You got into the wrong industry in the first place. You should never have gotten into this industry.”

Then, because I knew some officers, I talked to them, and they finally said, “Okay, we will consider it, on one condition:”—TVS owned 100 percent
of Sundram Fasteners—“you offload 49 percent to the public. And then we will see whether we can consider this.” First of all, I didn’t need the money. There was no need to go to the public at all. All they had to do was just give me a license from 2,400 to 4,800.

All my other colleagues in TVS Group, they were all automotive component manufacturers. So they were already in the premier sector. They were not in small-scale. They were not reserved for small-scale. So they could get any kind of capacity that they wanted. Only Sundram Fasteners got left out of this; like a church mouse, running back and forth.

Finally I was staring at a blank wall. They said, “Either you dilute your share from 100 percent to 51 percent, or just stay where you are.” I said, “Then there’s no question of my staying where I am, because the market is slowly expanding, and customers are asking me to make more and more.” So I said, “Okay, I’ll dilute.” Then they said, “You can’t dilute. You cannot put up this factory in Chennai. You have to go to a backward area.” And because that is the “socialistic pattern of society,” that’s what you have to do.

So we said, “Okay, fine. We’ll go to a backward area.” So we took up a plot in Madurai, and we said, “Okay, we’ll do it here.” Then came the killer stroke. They said, “Okay, now the government has the right to fix at what price your stock will be quoted in the stock market.” I said, “This is very unfair. Let me value it. If the market doesn’t want it, the market doesn’t want it.” They said, “No, only the controller of capital issues will decide at what price it should be quoted.”
So the 10-rupee share they valued at 14 rupees, a four-rupee premium. After having worked for 14 years, I said, “This is terribly underpriced.” They said, “No, this is what we think is reasonable.” You would not believe it! We entered the market at 14 rupees. The next day the share went to 24 rupees. So I went and told the capital goods man, “Listen, I told you this.” Then he said, “Be happy, Mr. Krishna. You helped so many people become richer.” Then I said, “But this is my work. I worked for so many years, and somebody else got rich overnight, because they bought it at 14 rupees?” They said, “Well, that is how India works at this point in time. ‘You are uplifting society, you’re doing this, you’re doing that.’” But, anyway, the minute it happened, it all became past history. There was nothing I could do. So they gave me a license for an additional 2,400 tons. We went into manufacturing in Madurai.

At that time, something very important happened for Sundram Fasteners. One of our major competitors, in Bombay, got into a labor problem. And a good friend of mine—all the competitors of Sundram Fasteners, we were all very good friends; we could sit and drink a beer, joke, and visit each other’s homes, but we could compete very fiercely in the market. So when my friend got into this labor problem, I told my competitor in Bombay, “Solve this. Don’t stand on ego. Get rid of this. You don’t need this. You just give them whatever—you come to some kind of agreement, and then settle this issue so that it doesn’t blow up.” He says, “No, no. No, Suresh. This is not the way to do it. I’m going to teach these guys a lesson. I am not going to give in to this.”
So after about two months, the factory shut down. The customers went into a panic, the people in Bombay. The company was called Fit Tight Nuts and Bolts and they were much, much bigger than me. So customers went into a panic, and then there was phone call after phone call. “Can you do this, please? Can you do this?” Suddenly we found that our capacity had run out again. And this time the government was a little more sympathetic, saying, “Yeah, we know that the Bombay thing has closed down. So we will do something for you.” So they allowed us to expand our capacity.

That was a stroke of luck. But what was more important was that all the other competitors went the same way, for different reasons, and they didn’t have a labor strike. GKW (Guest Keen Williams) in Calcutta had a lot of labor problems, but they were more interested in making fasteners for railways, because traditionally, the original British company was railway-oriented. When the British were laying railways, they used to make bolts for putting down the sleepers. And so they continued to make them, and paid very little attention to the automotive industry, saying, “This is not profitable. It is too much technology.” So they forgot about it.

So over a period of time, Indian railways had sort of stopped growing, and they didn’t know where to go. They were not equipped to make high tensile fasteners, so they slowly died out. Then it was bought by somebody else.

Then there was another company in Bombay called Precision Fasteners. They did not make the same kind of bolts and nuts that we were making; they got into something else. So suddenly I found that I had very little competition.
From a very competitive kind of situation, I got into a situation where there was very little competition. So the customers got into a panic, saying, “There is very little competition for these guys. And what will they do with us?”

So we literally had to tell the customers, “Whatever the current price at which you are buying, we’ll continue to hold that price until you think it’s reasonable for us to increase prices. But at any point of time we think it is difficult to hold the price, and we want to increase the price, then you should allow us to increase the price.” So they said, “Fair enough.” And it is. No way could manufacturers hold on to the same price year, after year, after year. It was not possible at all.

So we were allowed to do this, and grow, in Sundram Fasteners, over a long period of time, until 1991 happened. When 1991 happened, suddenly it felt like somebody opened the jail door, came in, and removed all the shackles, and said, “You’re free. You can go.” You have no idea how the industry felt at that time, in 1991. It was as if suddenly somebody opened the cage and said, “Okay, now you can fly.”

Of course, a lot of people were not prepared to fly. A lot of people wanted to get back into the cage, because they were very happy in the cage. They had all the government set up there to protect them, and see that nothing happened to them. And suddenly they say, “Okay, you can go and fly.” It is like not using your muscles at all, for a long period of time, and then they say, “You run now.” So it was a very difficult situation, in 1991. Then a new chapter altogether started for Sundram Fasteners.
I just want to give you a little bit of insight on one of our strengths, which is a major strength: our industrial relations. TVS Group itself has quite an enviable record of industrial relations. In the first 50 years of its existence, from 1912 until 1962, before we got into manufacturing, it had had only one strike, in 1947. That was a really unsettling time in India, just after independence, and there were a lot of things that were happening in India. And even that strike lasted only for three days. So we had uninterrupted activity in the TVS Group from 1912 until 1962.

Now I come from that kind of culture, because I was not born in Madras; I was not raised in Madras. Actually, I was born in Madurai, and went to school there. So I knew exactly how TVS worked, and I used to go with my father when he addressed workers and that kind of thing. So I generally got into the feel of how labor relations were handled. One of the things that I learned when I was very young, growing up, was that it was very important to maintain communication with the workers. You can’t sit in your office and expect everything to happen the way you want. So a thing that I started very early in the company, even when it was a very, very small company, having two machines and 20 people working for me, was to hold meetings and communicate to the workers exactly what the company was doing, in terms of its present activity, where it wanted to go. Who are the customers? What do they want from us? What is quality? These kinds of things. It is very important that they hear it from the horse’s mouth. The chairman addressing them is a very different thing compared to somebody else telling them what has to be done.
It slowly grew, in terms of intensity, and variety of subjects, as the company grew. And there came a time when I used to have 300 or 400 people sitting there listening to me. I used to address the workers at the New Year. I used to address them on the day we paid bonuses. When there was a plant performance incentive, I used to address them.

We talked about anything. I remember we talked about manufacturing in Japan, and Perestroika, Glasnost, whatever came to my mind at that point of time, just to give them a flavor of what’s happening in the world, how business is being run. So you keep repeating the same message over and over again, and keep giving them guidelines for exactly what we should do to become a great company.

As I say, you have to have a vision, which then is shared by so many people. Then you have to achieve those visions, in terms of setting a goal, and then achieving it. You need to set milestones, and then to be a winner, you have to cross those milestones. And if you do this consistently, over a period of time, people take pride in the company, in terms of saying, “We are a winner. Everybody says we are a winner, so we must be doing something right.” I think it’s very important.

The second thing I always felt was that it is important to be very honest—we used to talk about sales, profits, costs, everything. There were no secrets in the company at all, as far as the openness of its activity. One of the main attributes of that openness is that if you keep on telling the truth, it builds a certain amount of confidence in the work force. They know that you are not bluffing.
One good thing I always used to tell the workers, and I used to tell people when I was a president of CII [Confederation of Indian Industry]: One good thing about telling the truth is, you don’t have to remember what you said the last time, because it’s always the truth. So workers understood this over a period of time. It took some time, but they understood this.

So in the last 50 years of our existence, with so many different branches which remain, so many different factories operating—not only here in Madras, but also in Madurai, Hosur, Hyderabad, Uttarakhand, all over the place, in China—we haven’t had a strike in 50 years. There has been no industrial unrest. There had been a difference of opinion between management and labor, but there was no direct action. There’s no stoppage of work or that kind of thing, which is very rare, because India was not known, in 1960s and ’70s, for peaceful industrial labor. It was very militant labor. CPI [Communist Party of India] was very, very strong. Bengal was simmering all the time. [Trade union leader] Datta Samantin Bombay was active all the time. Delhi was simmering all the time. But we were sitting in Madras running an industry with no strife at all.

A lot of people used to ask me, “How do you manage this? How do you see that nothing happens? Guys come to work, and work willingly, happily, year after year, without any kind of complaint?” I said it’s just the culture of the company. The culture of the company is not done in one day. It is done over a long period of time, consistently. So if you address the workers consistently, you share with them consistently, treat them like a family consistently, then it works.
Then they said, “But a professional manager cannot do it. It is only the family-owned company that can do it. Because you happen to be a family member, you can do it.” I also believed that for some time—until we started branching out into Madurai, and then we went to Hosur—we went somewhere else. Then I was not there, and it was a far-flung kind of thing. We have one factory in China. But if you follow that policy of treating the labor as an important component, giving them that respect, and looking after them, and looking after the children—we also give scholarships for them, for the children, and take care of their medical needs—so over a period of time, they come to believe in the company. That the company is not just there to get work out of them, but to really treat them in the manner in which a human being ought to be treated: with respect. I think this has been a tremendous achievement, especially in a fairly volatile atmosphere that had been prevailing in the ’70s and ’80s in India. And it has helped us a lot. Also, one of the marketing things that we used to say to our customers is, “You tell me how many customers of yours, for the last 50 years, have not gone on strike.”

So what is our strength? Our strength is quality. Our strength is a one-stop shop. You can buy anything you want, as far as fasteners are concerned. And we never stop; we work 24 hours a day, 360 days in a year, for the last 40, 50 years. So it is a very important criterion, and the same thing happens with General Motors, in the United States, or Ford Company, or Chrysler. You tell them, “This is our record.” You can verify it any way you want. We have never stopped. Even for them it is unimaginable that we don’t have labor strife, but that is the nature of the company. You cannot buy this; there is no
technology for it. You can’t have a joint venture partner who will tell you how
to go about doing this.

**TK:** *It is a beautiful example, because it ties together the credibility with
your work force to the credibility with your customer. They are the same point,
in some sense. That’s great. Now I want to switch gears. You mentioned your
role in CII. Can you use that to tell us something about what you learned
about the way in which industry and government had learned to coexist,
particularly post-1991?*

**SK:** I became CII president in 1987, when Rajiv Gandhi was the prime
minister. He and I used to have a fairly good rapport. There was a time when
we could sit and talk, and generally look at industry. But 1987 was pre-
liberalization time. One thing I learned when I became CII president was that
Sundram Fasteners was not important. Sundram Fasteners was just one
company. I was a president of 1,000 companies, literally, with the, problems
of 1,000 companies.

So from a single company’s problem, I started looking at the generic
problem of the industry, whether it was the paper industry, or the cement
industry, or the automotive industry, or whatever it was. That was a
tremendous opening up of one’s worldview, because you no longer looked at
your company, or your group alone. Everybody’s problem was your problem.
So during that time, 1987, I never, ever mentioned my company’s name in any
speeches, with any government official, with anybody, because that was not
important. What was important were the issues that concerned industry at that point of time.

The other thing that was very important was the way CII represented Indian industry, not only in India to the government, but also to foreigners. It was a time when people were asking for foreign direct investment. You had to draw people in. So you had to look at all the strengths that Indian industry had mustered over a long period of time, and then project it to the world.

The other thing that I did, as CII president, was that I knew that India would not just keep on going like this, under a socialistic pattern of society. I could see, under Rajiv Gandhi, new whiffs of a certain amount of freedom being given. So we had, in CII, what we called “A-plus priority” for the industry. And this A-plus priority was competition, competitiveness, quality, HRD [Human resource development], then research and development and power conservation. These were very, very important.

I used to travel from town to town, from Rajkot to Guwahati, from Kashmir, to Kanyakumari. I addressed 100 different groups, in a matter of one year, only on this subject. Each talk used to be for about 40 to 50 minutes, focusing only on competition. What is competitiveness? What is quality? What constitutes human relations? What is export? Why is export necessary? The same subject was covered with every speech. So it became almost a mantra for CII, “This is where we want to go.”

It was very prescient, because this was in 1987. Four year later, in 1991, when India opened up, these were the exact things that were necessary: competition, competitiveness, export, quality, and labor relations. So it was a
very, very good thing. The government suddenly said, “CII saw this four years
to, and you guys are seeing it for the first time.” I think CII generally grew in
the esteem of many people, because we had foreseen that it would become
mandatory for Indian companies to do something like this.

The real breakthrough for us came just after liberalization, 25 to 30
years ago, when General Motors came to us once, and said, “We are closing
down one of our factories to make radiator caps. It’s a small item. Can you
make it for us?” So we said, “Sure, we’ll make radiator caps for you.” We
took that product, and we transplanted their plant from England, took all the
machinery, everything. We sent one of our people there to get trained. The
entire thing was relocated to Madras, and we came to supply 100 percent of
General Motors’ radiator caps.

That made us the first company in India to become a 100 percent
supplier to any major automotive company outside India. And General Motors
was very big at that time. So from making some 10,000 or 100,000 fasteners
we suddenly shot up to making 5 million radiator caps a year—that kind of
volume. That was not all. That itself made news, “Sundram Fasteners had
become a single supplier, worldwide, for radiator caps, to General Motors.”
But the bigger news was yet to come.

It came after about two years, when General Motors said, “You are one
of the finest suppliers we have identified,” so they gave us the Supplier of the
Year award. Out of 30,000 suppliers the world over, there were only 150
suppliers who were chosen for this award, and Sundram Fasteners was one of
them, and the only one from India. I remember going to Mexico City for the
Award function. It was a big black tie affair, and everybody came. General Motors came, and it was huge event.

Then came an even bigger thing. For the next five years, year after year, we won the Supplier of the Year award. So Sundram Fasteners became the talk of the town. It was not a big product but we made a lot of money out of it. It was a very small product. It was small—but, as I say, sometimes a shadow is much bigger than the actual object. And people said, “My goodness.” Then you got onto the top line of the General Motors computer. “Yes, Sundram Fasteners, Supplier of the Year award five times consecutively. You can trust that company. You can do whatever you want. So go after this company, and get whatever you want from this company.”

You have no idea how much business we have now, not only from General Motors, but from Ford, and Chrysler, Cummins, everybody. But the start of it was in the radiator caps. And once you become known as a quality company, then everything else follows.

So it is things like this that sort of gelled together, over a period of time—Companies realize that they want to outsource from India, but they don’t know where to go. They don’t know who the good suppliers are, and who are not. But the minute they know that this is a good company and that we have now had an extraordinarily good relationship with this company and it has shown an extraordinarily good performance then automatically it boils down to that you will do business with them. Which helped a lot. Our export growth has been because of a very small component called radiator caps, which established our credibility for exports.
**TK:** So I want to come back to my earlier question about the relations between state and industry, as it’s evolved. Currently in the news there’s a lot of protest about corruption, and scams, and so on, and this has been a constant undercurrent of Indian business. And somehow my perception is that the reality is that a few groups, including the TVS Group, have stayed above that fray. But in your different vantage points, including as a representative of Indian industry, how do you see that transition? And how do you see where we are today?

**SK:** When we were totally controlled by the government, there was no question of trying to do anything that was not accepted as a norm, but the minute we got liberalized there were two distinct sectors of society—one which was government controlled, like, say, cement, coal, iron, and steel ore mining, gas, telecommunication. These were still held by the government, to a large extent. Then there were people like us, like automotive component manufacturers, or consumer durables, like washing machines, or whatever.

So the people like us completely got out of government clutches; the government only concentrated on big commodity products. Not even the big commodity products, like iron and steel, but on iron ore mining, gas exploration, telecommunication, subcontracting for nuclear energy, whatever it is. So the big boys played in it, and we had a lot of problems early on. How do you get a certain privileged position inside that kind of niche?
We, in our group, have never been comfortable with dealing with the government in this kind of manner. So one of the policies of the group has been, regardless of however attractive it is, to stay away from any industry which is under the control of the government. We have not gone into telecommunications, we have not gone into cement, we have not gone into paper, we have not gone into iron ore mining, and we have not gone into any of those things which are controlled by the government. We only choose areas over which government has no control.

It makes life much easier for us, if we don’t have to spend time with the government. We don’t have to compete to be the highest bidder, and what the basis is for your bid, and get into controversies, and get your name published on the front page of newspapers. You quietly make your money. And you have a certain clientele, which appreciates you. Now people can say that, given your strength, you could have grown much more, and that you are not ambitious enough, and you could have done this, you could have done that, but it’s a very moot point. I have known people who wanted to grow big, and they went ahead and grew big, and then suddenly fell on their face, because they couldn’t manage it, for many reasons.

TVS company, by and large, because of a certain amount of conservative thinking of a southern-based company, has grown on a step-by-step basis, over a period of time. We have never gone in for huge acquisitions and huge expansions. We have expanded, we have made acquisitions, but it has never been done at a high magnitude.
For example, Sundram Fasteners, 10 years ago, decided to go multinational. We put up a plant in China, which is still functioning, and is functioning profitably. We bought a company in Germany, which was functioning profitably, but now, given the European crisis, it’s not functioning as profitably as it should be.

We bought a company in England, which is profitable and doing very well. So we did go abroad, but then suddenly with the doom and gloom after the Lehman Brothers, everything sort of went topsy-turvy, and Europe went into a euro crisis. And so everything, sort of, came to a standstill, and our endeavor to get into the international market, through acquisitions abroad, has also tapered quite a bit.

But we are not averse to acquiring companies in India, if good companies are available, and otherwise our companies have grown. People can always say that, “You are today at 3,000 crores sales. You should be at 30,000 crores,” but why stay at 30,000 crores? It could be 300,000 crores. Why only 30,000 crores? Where do you draw the line? Who draws the line? Somebody from the outside can easily say, “Oh, my God. That ball should have been hit for a six.” But there is a batsman there, and he knows what he’s doing.

So it’s a different story altogether when you are in a management position, and you look at all the risks and rewards, and take a decision according to whatever resources are available.
**TK:** *On that note, looking back, can you think of one thing that you wish you had done differently in the last 10 to 15 years that would have, with any hindsight, put the group on a different, perhaps better, path?*

**SK:** What we could have done slightly differently is we could have gone more aggressively after acquisitions. I personally feel that just after 1991, when things were heating up in the automotive industry, we could have gone and acquired automotive companies. We have very strong ties to automotive companies, because we know all the customers. They’re all on a first name basis. We could have acquired more companies, not necessarily abroad, but in India.

I think that’s a bus we probably partly missed. We caught the next bus, but the first bus was much better. The second thing I feel was that because we were undercapitalized to start with, and we continued to be undercapitalized, the cash position was not very comfortable for us, so we couldn’t divest. We couldn’t go to the public and raise money, because TVS did not want to lose control, and already 49 percent belonged to the public, thanks to the original decision of government for us to dilute.

So, we were not able to go to the public, and raise money, issue rights, shares, or do whatever. And our industry is such that it is very capital-intensive. It requires a lot of money. In fact, if you get one to one return, you are really lucky. There are no multiple returns out of it.

So I feel that, if we had gone slightly away from this, and gone on to acquire companies which were not doing well, and shed our inhibitions on
whether you want to really control 100 percent all the time, or will you start with 60, and then build up over a period of time, I think we could have probably doubled our size. Probably. But having said that, it is really a moot point whether, if we had done that, we would have arrived at wherever we think we should have arrived. That’s a difficult thing to say.

TK: But is it not fair to say that that’s still an issue going forward?

SK: Yes, it is an issue going forward. We are still a high debt company.

TK: So you say to dilute equity, etc., continues to be an issue going forward?

SK: Yes. The dilution of the family share in companies, which are held by TVS, is an issue. You are not free to approach the market, and dilute your share to whatever it is, suppose, let us say, 30 percent, or 40 percent. But then I look at many companies, which had diluted to 20 percent, or 25 percent, which scramble in the market, and buy shares in order to bolster up their family holding. So, again, it’s a moot question.

What is enough? Is 30 percent enough? Is 40 percent enough? Or do you have to hold 51 percent, in order to feel secure? It’s a very difficult question to answer. You ask 10 different people, you get 10 different answers. So I have never been able to find a correct balance on this. I have known big companies, which have been held in great esteem, fantastic heritage, and all
these things, and they hold 35 percent, and they say, “Can we increase it to 40?” So I don’t know whether there is any golden rule which says that you shall hold 51 percent, or 40 percent.

**TK:** It surely depends on what you see the purpose of the company being, right? So you can say how much is enough, but to what end? So what is the end to all this, as you see it?

**SK:** An economic entity is very important. I think one should meet the customer’s needs. It’s very important. If the customer wants us to expand in certain areas, and deliver certain products, which are important to him, then the company should expand without reservations, without later hindrance, and that is very, very important.

To me personally, the most important thing for me has been that starting from zero, today we employ about 10,000 people. So 10,000 families have been lifted out of poverty level, and brought to a middle class level. Their boys and girls go to college and the workers who retire come to me and say, “I came to Madras with 200 rupees in my pocket, and because there was no work in the village, I was only tending cows. Now I worked in the company for the last 35 years. I have a son and a daughter. My daughter’s a software engineer. She is married and she works in Florida. My son is a doctor, and he’s doing so well. And I’ve got a house. And everything is only because of the company.”

I think, philosophically, it’s a very, very important thing, as an Indian, to see that—because what is important in India today? The most important
thing in India today is to eradicate poverty. Quality is important, tools are important, customer satisfaction is important. Everything’s important, but to me they’re all tools: tools to enable the Indian citizenry to achieve a much higher level of self-respect, self-growth, and a certain level of economic comfort. As long as I can do this without contradicting my business principle of catering to the customer’s needs, I think it’s a fantastic thing. But this is what is called a business dharma.

A dharma of doing business in India today is how many people can you lift out of the level at which they are, and bring them to a much higher level, so their children will go from there, higher up? Otherwise, how would you ever become a developed country? You’ll always be an underdeveloped country, chasing after something else.

So one can say, “You are only employing 10,000 people. You should be employing 100,000 people.” But then there are a lot of companies which are employing 100,000 people, they should be employing 1 million people. There’s no end to this. You do whatever is required to be done.

This has been a very, very strong driving force for me personally, as a person. As a person I feel so happy sometimes when the workers come and tell me how well they have advanced in society, how much they are respected in society and how their children are doing so well. We give scholarships to children, not only to study in school, but to go to colleges, and medical colleges. Their entire education is taken care of, and they do well. They look at a guy who has been tending cows, and his son is a software engineer in
California. The disconnect is so strong that you say there is logic in what we’re doing.

TK: So we have time for one last question. I want to go back to the near term future of the company, and the group. Just to make it concrete, I was reading about your move into experimenting with aircraft fasteners, with Boeing, and Airbus, and so on. And some speculation about how quickly that should happen, or not happen, or whether that’s a growth frontier. Maybe you can just use that instance to talk about some ways in which you think about growth, and expansion, and further contribution to this mission of poverty alleviation, at the end of the day.

SK: Actually, we went into aircraft fasteners more in terms of acquiring technology, rather than as a volume builder because it is not as large as the automotive industry, and it is extremely tightly controlled, in terms of suppliers. They are very loathe to widen that base, because the tests, and validity required is so huge that their engineering department is not equipped to come and take whoever wants to be a supplier. But in our opinion, it is important for us to acquire that kind of technology, so that the company itself looks forward to a higher technology base.

But we are so high up in the automotive industry today that people are realizing that if you want to outsource from India—India is not known for the kind of manufacturing that China does. It does a totally different kind of manufacturing. It’s high technology manufacturing. And so we are now
starting to get larger and larger orders from customers who are already known to us. I personally feel that there is no limit, because these companies are so large that you just about scratch the surface, as far as these companies are concerned.

So Sundram Fasteners today is 3,000 crores. I personally feel we can deliver 10,000 crores. There is no doubt about customers or orders. And by the time 10,000 crores is achieved, I think somebody else will make the decisions on how to proceed. I think I’ve had my innings, and that’s just about enough. It’s very difficult to start from nothing, to build up to a level of 3,000 crores, with so many locations, and multiple nations, and multiple cultures, and in an environment which was very suffocating, to start with, at least for the first 20 to 25 years.

Sometimes I tell my colleagues, who are the same age—I say, “We are a lost generation. India lost a generation of growth. We were under so much constraint. We were under so many rules and regulations that we could not grow.” And my generation was a lost generation: For 35 years they lost. Only now, after 1991, when I had already reached whatever age I was—in 1991, how old was I? Fifty-five years old. If I were, let us say, today 25, or 30, or 35, it would have been a totally different aspiration, a totally different kind of scenario.

One of the greatest advantages of talking about the company is that I’ve been there right from the beginning. So nothing escapes my attention. I know exactly how the company grew. If you keep asking, I can probably talk all day. We have so many facets about the industry.