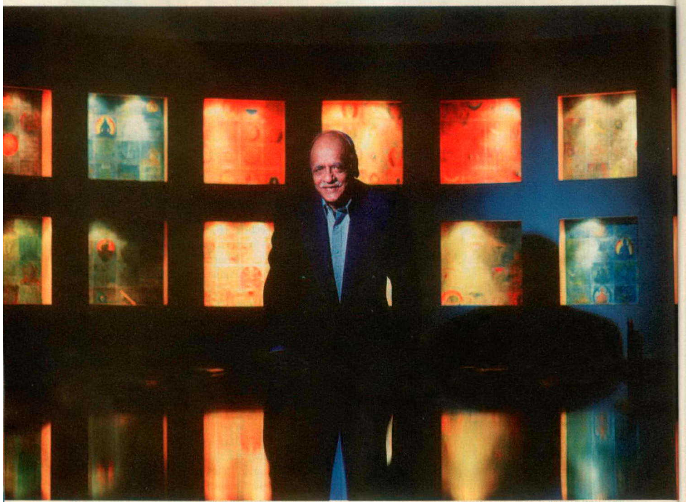
Business Today 10 Jan 2010 P-128,129



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69, Chairman, SRF

"The first deliberate call we took was not to lay off anybody"

The diversified group decided to reskill all surplus workers.

I will be very honest: Right till September 2008, we had very little inkling that there would be such a collapse in the market or that the financial meltdown would impact manufacturing sector to such an extent. For us, the first big hit came in October when we suddenly realised everybody was cutting back on inventories and whatever inventories were in the pipeline were being used by our customers. Also, we very soon learnt that our customers had started importing large quantities of raw material just to keep capacities operational.

We still thought this would be temporary and not as

Business Today 10 Jan 2010 P-130

long lasting as it turned out to be. But, by December 2008, our industry, tyre cord, was working at around 35 per cent of capacity. That was the worst downturn that I have seen in my life.

How did we respond to this? Our family values are very clear... When something like this happens, the response has to be taken on the basis of a long-term aspect and not short-term. So, the first deliberate call we took was not to lay off anybody. When I sat down to discuss layoffs with my sons, Ashish and Kartik, there was an immediate consensus: We won't let our people go.

So, we were running at around 35 per cent capacity in tyre cord and had a huge surplus of people. We decided it was time to step up our training programmes. Rather than letting our people go, we decided to reskill and train all workmen and staff members. People are as much our assets as capital assets are. Had we laid off our people, we not only would have created a morale problem within the organisation, we would have also sent out signals that we did not know how to look after our people. I am very clear this helped us come out of the crisis much better. Today, our productivity levels have increased. And we are running at full capacities.

In my 40 years of working, I have been through sudden slowdowns and downturns. My first recollection of a major downturn was the OPEC crisis in the early '70s. My company SRF, a start-up then, was a supplier of tyre cord. The crisis then and now was similar: How to optimally use our assets?

At that time, we diversified into two related businesses—fishnet yarn and nylon engineering plastics. Gradually, our customers started accepting higher tyre cord prices—it took three years to happen, but in the bargain, we established two businesses which are still our mainstays.

For my sons, 2008-09 was the first downturn. The suddenness and enormity of this slowdown, the black thoughts that everybody had, the longevity of the potential winter—I have not seen anything so frightening. It's been a great learning experience for them. The insight gathered during this time is immensely valuable. At the peak of the slowdown, dinner time discussions at home changed. A lot of the talk used to revolve around the crisis. With my younger son, I would talk about how we are going to train and reskill our workforce, and with the older son how we are going to cope financially. My wife and daughters-in-law also joined in.

1. Be conservative from the point of view of financial resources and your ability to tackle downturns.

2. Having cash reserves helps you ride through the biggest of crises.

3. Businesses need better regulations, less interference and more openness.

Among my peers, the sense of the real crisis started coming from October 2008 onwards. In fact, in August, during a meeting of the Confederation of Indian Industry, all the industrialists continued to predict it would be a bullish year, a year of high-profitability and growth. When we did the next survey in November 2008, there was absolute despair and gloom. In a matter of months, there was a 180-degree turn.

Some felt we would have to cut back on investments and that happened. Even we slowed down on investments. Some people did say that they would have to downsize their workforce, which they did. I used to tell them—don't do it now, do it after the crisis is over. You increase your productivity by hiring less and not by letting people go in the midst of a downturn. Fortunately, there were many who decided they did not want to take a short-term view.

The revival has been just as sudden as the crisis had been. In January 2009, when we were running at around 35 per cent capacity, we could not have imagined that we would be running at full capacity by middle of the calendar year.

All our budgeting that we did for the current financial year was at much lower levels because we had clearly seen that if we are able to keep our heads above water, that would be good in terms of performance. The good news is thanks to our cost-cutting and improvements, we should have one of our better years financially. Some may call us conservative, but we prefer to have a healthy balance sheet and enough cash reserves.

Every time something like this happens, we learn something. Even if we assume this is not yet a full and final recovery or there will be a W-shaped revival, I think regulators understand the situation much better, so do central banks all over the world. Our past lessons will make the recovery easier.

To my sons, I would say be conservative from the point of view of financial resources and your ability to tackle downturns. Having cash reserves helps you ride through the biggest of crises. To my fellow businessmen and regulators: It's time that we had better regulations, less interference and more openness. ⊙

As told to Saumya Bhattacharya