

# Old and new economy in Gujarat

Last week I wrote about Anupam Industries in Anand, run by J C Patel and his two sons, Hemal and Nimit. It makes cranes — an old economy business if there was any. But Nimit, the younger son, has set up Anupam Infosys, implemented ERP in Anupam Industries, and is selling electronic business solutions to engineering companies. Is this just another example of the Gujarati penchant for mixing up incompatibles, or can the old and the new economies be combined into something strangely profitable? I visited a few new old economy companies to find out.

The most interesting one was 20Micron in Baroda. Its managing director, Chandresh Parikh, worked in Africa for many years, first as an R&D manager and later as managing director. Every mine generates mountains of waste. As a chemical engineer, Parikh saw an opportunity in them. Ground fine, many of them have a use. Sindoor is a microfinned mixture of lime and turmeric. Talcum powder too is a microfinned dust. When you buy oil paint, you may not realise that three-quarters of it is dust, called filler to fool you. Furniture is no longer made of wood. First industrialists took the sawdust arising as waste in sawmills and mixed it with resin to make board. Then they started grinding up such inferior wood as of mango and making board out of it. Now Parikh has produced a board in his laboratory that is 98 per cent dust — it just looks like wood, and does the work of wood without being it.

Here, in 20Micron, was combined one simple idea — microfinning — with some good chemistry to create a successful business. It looked so easy that I asked Chandreshbhai if there was not some hidden formula. I discovered that he is a good amateur magician, and could make a living as one should dust prove unprofitable; maybe that is the secret of his success.

But information technology? Of course he uses computers — who does not these days? — and Internet. But they have not had any decisive impact on his business. It was about making a large variety of highly standardised dusts from minerals strewn all over the country and selling them to an equally disparate group of customers — process control, product testing, and old-

## WRITING ON THE WALL

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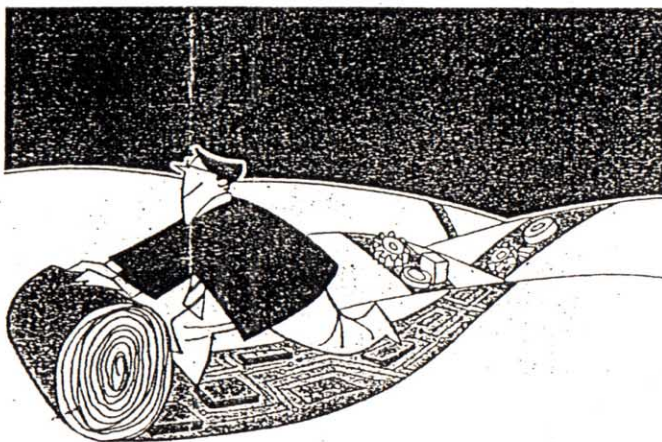


Illustration by BINAY SAHA

fashioned marketing are the keys.

Or take Rajan Harivallabhdas — the only descendant of a business dynasty I met this time. The extended family divided up the assets in the 1980s; apparently it did not leave Rajan rolling in money, and he needed to make a living. It happens that groundnut oil mill waste contains tocopherols and sterols. So Rajan set up a company, H K Finechem. Its basic asset is a distillation column. He started feeding it with greasy oil mill waste and making a feedstock for vitamin E. The main customer, a multinational, has stopped buying recently, so Rajan is exploring new markets. But a distillation column is a refinery in the miniature — it can be used to isolate the components of many mixed-up liquids. So now he is using it to make dimer acid and monobasic acid. Again, a simple idea — distillation — and a nose for markets.

And then, Kirit Jhaveri of Marc Walker Optical. As his name indicates, he comes from a jeweller family. His family specialised in a certain line of jewellery which is traditionally Rajasthani. Then Gujarati

women started going modern, and the demand for old-style jewellery declined. So the Jhaveri family took a franchise for Titan. During the days of old-style controls, Titan ran rings around the incumbent HMT, and with its better designs and aggressive marketing, rapidly built up market share; its franchisees shared in its success. Then came the great wave of watch smuggling, and established watch companies suffered. Titan went into branded jewellery — a great idea, but because of the malpractices rampant in the gold business, it made only slow progress.

Based on his heritage of jewellery and watches, Jhaveri got the idea of spectacle frames as a fashion statement. He makes fashionable frames of gold and valuable alloys — I even saw one made of wood. Fashion is still new to India, and there are no established distribution channels for it, as distinct from channels for clothes, frames, shoes etc. The frame market itself is in a flux. During the years of import restrictions it came to be dominated by cheap frames made by the small-scale sec-

tor. Customers had plenty of choice, but there were no established brands. Then, as in watches, came a flood of imports, mainly Korean, some coming in legitimately, some smuggled. They have wiped out a good portion of the second-rate small-scale production. But Jhaveri still sees a market for quality frames such as his. According to him, Indian consumers buy 339,000 frames a day or 125 million frames a year. Most of them buy cheap frames worth Rs 150-250; but a quarter of them can pay for better looks and quality. The Indian population is aging, so the number of old people who can afford to pay more and who feel the need to look good will grow. So Jhaveri sees a bright future for his frames selling at Rs 10,000 and more.

Finally, Suresh Saraf of Saraf Foods in Baroda. He makes freeze-dried foods. He is himself from Rajasthan, but chose southern Gujarat because of the variety of fruit and vegetables it grows. But south Gujarat is also the home of the petrochemical industry, and where there is a chance of either chemicals or chemical smells getting into the food, it is a wrong location for fine foods. Finally he homed in on a place west of Baroda. He runs a scrupulously clean outfit: the vegetables are washed three times with distilled water before being fed into the vast freezing rooms, and are untouched by human hand. He gave me packets of *baingan bharta* and *gajar ka halwa* — all you have to do is to mix them with water and heat the stuff, and you have the absolutely original taste. But he has no local market. I would think that was because we have such a large force of female cooks, free of cost. But Suresh says it is because there is no industrial market for fruit and vegetables. The EU standards are so strict that a lot of the produce cannot be sold to the final consumer. So misshapen apples or undersized potatoes are sold to processors at much lower prices; that is why processing is profitable. But our retail prices are lower than European wholesale prices; that is why Suresh has found a market in Europe — for onion flakes.

So there is still a lot of enterprise in Gujarat, and it has little to do with the new economy. But it is still going places because of ingenuity and a nose for profit.