

## **An Owner Who Reports to the CEO**

**The fascinating tale of how India's largest fragrance and flavour maker abdicated the top post in favour of a professional**

When the . 640-crore SH Kelkar & Company (SHK) — a maker of specialty fragrance and flavour ingredients in which US private equity giant Blackstone invested . 243 crore in early September — inaugurated an R&D centre on September 12, its CEO performed the puja. Nothing unusual about that — except that the CEO isn't the owner of the family-owned, unlisted business but a professional. The third-generation family member in India's largest fragrance and flavour maker sat and watched as the man he reports to did the honours. B Ramkrishnan, the 56-year-old CEO of SHK, shows photographic evidence of him performing the puja to this writer. "A picture speaks a thousand words," he says.

There is a clutch of Indian family-owned businesses — from the Daburs in the north to the Murugappa Group in the south — that have brought in professionals to manage their enterprises even as they step back as owners. In some cases, the next-gen family members are being groomed to take over from the professional once they are ready for the task.

At SHK, however, the family member, Kedar Vaze, is pretty clear that managing the business is not his cup of tea.

"I have the understanding about the industry as I am a technocrat," says Vaze, a post-graduate in organic chemistry from IIT Mumbai and one of the few trained perfumers in the industry who has published five papers at various conventions, including the World Perfumery Congress. "But I don't have execution capabilities, which Ramkrishnan has," adds the controlling shareholder, who is second-in-command at SHK as the chief operating officer. Also, Vaze says, his objective has been to put a system in place that should work even in his absence.

SHK, set up by two Maharashtrian brothers in 1922, has not only survived the onslaught of MNC competition but also expanded its business into Europe, the Middle East and African markets. It did all this quietly. It's another matter that it came into the limelight only recently when Blackstone bought a one-third stake in it, putting its valuation at . 740 crore — . 100 crore more than its sales in fiscal year 2012.

For SHK, putting a professional at the helm of affairs and inducting Blackstone as equity partner are integral parts of the same goal: to take the company to the next level, one that is beyond the reach of the promoter family.

That's why the Vaze family — which includes Kedar and his father Ramesh — brought in Ramkrishnan, or Ram as he is known internally, in 2010. Two years on, SHK has raised money from Blackstone so that the US PE major monitors the company continuously. "I want Blackstone to put a mirror to us, everyday," says the 38-year-old Vaze.

Now a professional, Ramkrishnan has in the past worn the entrepreneur hat, too. A chemical engineer from IIT Madras, he started his own flavours company and later worked with the Geneva-headquartered Givaudan, a global fragrance leader, when it bought his firm. Having seen the grass on both sides, Ramkrishnan was keen that the division of responsibilities between him and Vaze be made crystal clear at the time of joining.

When Ramkrishnan wrote his job description and gave it to the Vaze family, they sat on it for two months before agreeing with a rider: Ramkrishnan would prevail on anything and everything in case there is a difference of opinion with Vaze. The only front on which Vaze's decision would reign supreme is the company's intellectual property. That settled the contours of the relationship between the CEO and COO.

Both acknowledge that there have been instances of conflict, but most of those pertaining to the way the organisation should be run. For Ramkrishnan, the process of execution is supreme. Vaze, being an owner and an entrepreneur, believes in doing things fast.

One example of a difference in thinking has to do with the annual increment of employees. After taking over as CEO, Ramkrishnan introduced a process of annual evaluation; Vaze, on a few occasions, wanted to overrule him, citing loyalty of the concerned employee. “I was completely discomforted. I told him, ‘this is not your job’,” says Ramkrishnan.

Vaze too has had his share of bouts of despair particularly when employees used to look up to him for directions even after the professional CEO came on board— simply because they were used to taking orders from him for the past 15 years. “It was frustrating. More than anything personal, the organisation was not ready,” recalls Vaze.

But they managed to overcome those moments by talking. “There are occasions when we talk for six hours a day,” recounts Ramkrishnan.

However, they don’t interact after office hours. “I don’t encourage common interest. I want to keep my private life and personal life separate,” says Vaze.

Together, they have put together a team of professional managers. The list includes Pramod Davre, head of fragrance business, a veteran with 15 years of experience. They have also hired experienced sales personnel from MNCs in east-Asian markets.

With professionals in place and Blackstone as a partner, SHK is aiming to sustain its annual growth of 12%, double the rate at which the . 1,400-crore fragrance industry is growing. To that end, the company is looking to acquire smaller rivals. SHK will keep a war chest of . 115 crore ready for acquisitions over the next five years, says Vaze.

Blackstone is bullish on the company. “SHK has unique intellectual property and a strong market presence for over eight decades. We foresee a huge growth opportunity for SHK, both in domestic and other emerging markets, driven by the growth in personal consumption in India, Africa and South-east Asia,” Akhil Gupta, senior managing director & chairman of Blackstone India, had said at the time of investing in the company a fortnight ago.

SHK also wants to build a library of intellectual properties, says Vaze, who spends extra time at his laboratory, adjacent to his spacious cabin. The company had received two patents, one each in 2010 and 2011, and wants to get many more.

Vaze’s target is to catapult SHK to the top 10 global fragrance players in the next 10 years from its current ranking of 25. By the time he hangs up his boots, the third-generation entrepreneur would like the company to be in the top 5. The combination of professional execution capabilities and entrepreneurial energy and passion will help in that endeavour.

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