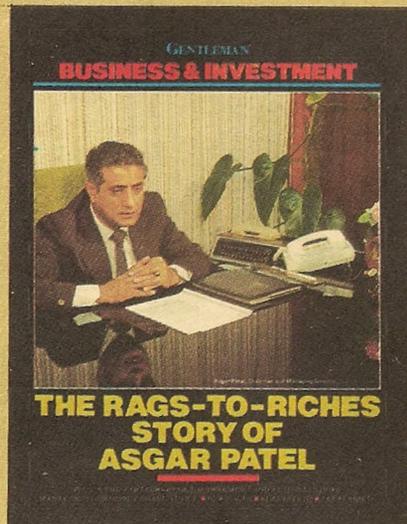
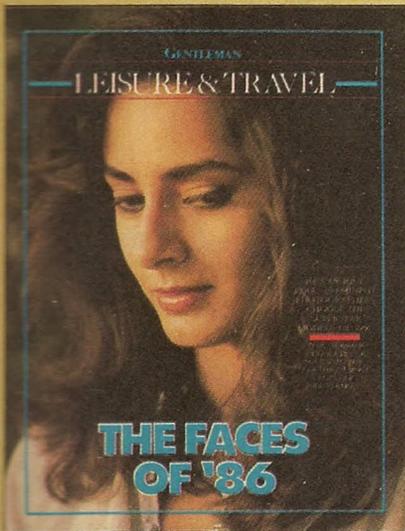


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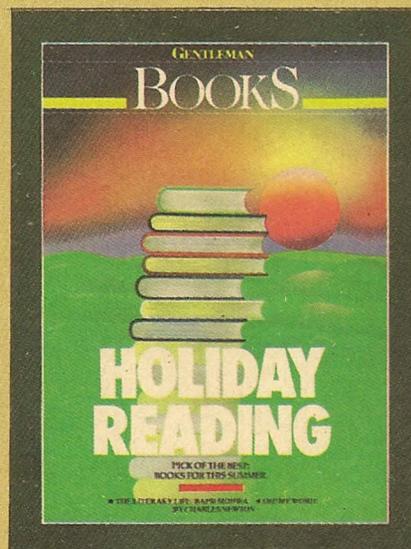
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# THE RAGS- TO-RICHES STORY OF ASGAR PATEL

IT IS A TRUISM THAT MONEY MAKES MONEY. BUT ASGAR PATEL, CHAIRMAN AND MANAGING DIRECTOR OF *PATEL ROADWAYS*, HAS DISPROVED THIS. FROM ONE TRUCK, WHICH HE BOUGHT WITH BORROWED MONEY, HIS LARGE COMPANY TODAY BOASTS A TURNOVER OF RS.30 CRORE. A SELF-MADE MAN WHO WOULD HAVE NO TRUCK WITH MEDIOCRITY, PATEL HAD TO MAKE HIS SHARE OF SACRIFICES TO GET WHERE HE IS TODAY. IN THE FOLLOWING FEATURE, **KALPANA SHAH** TALKS OF THE MAN, HIS BUSINESS, FAMILY, ETHICS AND FUTURE PLANS.

**A**SGAR PATEL COULD NOT HAVE ASKED FOR MORE from life. He was born into a family that ran (and still does) a well-frequented *topi* shop at Pydhonie, Bombay. His father, a conservative Khoja Muslim, was ambitious enough to send him to the UK for studies. Little did he know that when his son finished his Senior Cambridge and came to India on his annual holiday, seeds of independence had begun to sprout

## SPECIAL REPORT

in his heart. Running a shop and earning a secure income held no attraction for young Patel. He wanted to do something different. So instead of returning to the UK, Patel preferred to stay on in India and joined St. Xavier's College in Bombay, from where he completed his Inter Science. But while studying, he took up a job with *Fairdeal Motors* as a stenographer. A year later, finding the job too dull, he switched over to the mechanical field and took to repairing vehicles.

One fine day someone suggested that Patel take up the trucking business. Studying the industry and discovering that the suggestion was viable — "but only if you owned your own truck" — Patel decided to bet his coins on it. That he had very few of them did not deter him. He set out looking for a truck and when he found one — a *Tata-Mercedes Benz* — he still had no finance. A typical Hindi-film drama was unfolding. Patel's father was rich enough to finance him, but would not do so since his son was bent upon marrying Yasmin, a

Catholic girl, he had fallen in love with. Not one to be discouraged easily, young Patel set out to find money. And when he at last did find a financier — *Anand Finance* — he was charged a stunning 38 per cent interest. But he took the money and bought the truck which was being sold in the black market for Rs.30,000 then. Since he had no money to employ a driver, Patel decided to drive it himself. Those few months in 1959 must have taught him a lot. A boy of 19 with no business experience is trusted by no financier. Potential clients, who have to entrust valuable cargo to be safely transported, feel no different. But with a vision and a set goal, Patel managed to convince some clients who wanted their cargo to be carried to Delhi. Patel knew the Bombay-Delhi route well and he drove the truck himself. Making money wasn't difficult once he got an order; soon he had made enough money to engage a driver.

Patel then accompanied the driver on each trip till he was confident that the driver could handle the job on his own. Besides, he was lucky to have the right people working for him. He talks with warmth of *Kakaji*, R.T. Shah, who joined as a salesman at a salary of just Rs.150 a month and rose to be General Manager and later Professional Director. "I can recall it like it was yesterday. In a dilapidated office in Chakla Street, Bombay, *Kakaji*, immaculately dressed in a white shirt-coat and *dhoti*, would speak words of comfort: 'Do not give up, Asgar *seht*, give me three months' time and I will see that we

survive. Don't worry about my salary, pay me only after I bring business'. It was *Kakaji* who really instilled business sense into me — things like the importance of coming to office early, dressing well, keeping appointments punctually, considering the consumer king. Moreover, he was so hardworking. He would walk from Chakla Street to Worli in order to get a contract from *Glaxo Laboratories*. It was a big kill when he did clinch the deal. Then came others — *Brooke Bond*, *Richardson Hindustan*, *Cadbury Fry*, *Cheseborough Ponds*, *Colgate Palmolive*, *Metal Box*, *Stewarts & Lloyds*, etc. He never asked for an increment or a car or a promotion... truly, he was a great man."

### THE RIGHT TIME, THE RIGHT PLACE

SOON IT BECAME NECESSARY FOR PATEL TO STAY in the office and acquire more trucks because one truck could no longer handle the amount of business he was get-

ting. How did *Patel Roadways* become a success? Asgar Patel modestly says: "To be honest, I started this business at the right time and the right place. I was lucky. There were no other road transporters then except for *Travel Corporation Of India (TCI)*. You could count the other small operators on your fingers. Railways were in a chaotic condition: they couldn't deliver the goods. Most important, I had dedicated people working for me."

Some of the hurdles the company had to face were inherent to the transport industry. The roads were terrible in those days and there were hund-

reds of checkposts. "Every 40 minutes we would ride up to one. Bribery and corruption were as rampant as they are today," says Patel. Another major problem the company faced as it grew in size was getting employees. First of all, it could not afford to pay good salaries then. Secondly, the road transport industry was looked down upon — it was believed to attract only ruffians and the uneducated.

*Patel Transport*, as the company was called at inception, was converted to *Patel Roadways* in 1962. The company was setting up new branches but was still finding it very difficult to get people to work for them. So Patel set up the *Patel Institute Of Transport Management* to train people and absorb them in his own company.

The institute is located at Mohammad Ali Road in Bombay at present, but Patel has an ambitious plan to shift the premises to Lonavala or Pune. He plans to acquire a large

"WE ARE PROFESSIONALLY MANAGED."



## SPECIAL REPORT

plot there and convert the institute into a residential one. But the response to the institute wasn't very good initially. In fact, Patel taught two boys in a class in the first semester. By the next semester, there were eight students. At present 40 students are trained every semester and although it works at its full capacity of 80 students a year, the institute has to actually reject some aspirants. Not only does it provide staff to *Patel Roadways*, the institute now caters to the needs of the rest of the industry.

And the "rest of the industry" now consists of about 6000 transport companies. Says Patel, "We face competition from each one of them. But very few operate on the scale that we do. *TCI*, of course, is the biggest. There's *Prakash Roadlines* and a couple of others. But most seem to have one major defect — they are family managed. This inevitably means that there will be infighting sooner or later, followed by the break up of the company into smaller organizations. This happened to even *TCI*. But we will never face that problem because we are professionally managed. We are among the top three in the transport business and intend reaching the top position in two to three years. By then we intend going public too. We will have to, given the rate at which we are growing — that's about 30 per cent."

### IN DEFENCE OF DRIVERS

**P**ATEL'S ONE grouse is that people have consistently thought of truck drivers as "ruffians". He defends them vehemently. "They're such warm, lovely

people. I know because I used to select them personally in the early years. We used to go out together, have tea at *dhabas*, exchange experiences. If one of them got himself arrested, I would go personally and apply for his bail. The rough exterior only shelters a heart of gold. No suited-booted man can make the amount of sacrifices they make. It's a difficult life — they have to tackle corrupt police, checkpoint staff, sales-tax personnel, etc. Travelling as they do, the truck virtually becomes their home. And at one time, getting to Delhi from Bombay took three days; the Bombay-Calcutta route took about seven to eight days. If you weren't tough, you wouldn't survive. This image of the truck driver being a ruffian is a misguided one — why discriminate between him and any other worker? Go to a glass factory and see if the worker is any less rough than the truck driver."

Patel also tries to defend the driver on another score.

Most of us, at some time or the other, have lost our shirt at the truck driver who refuses to let our car overtake him on a muddy, stony road. Says Patel, "Bad roads affect profits tremendously. In most Indian states, roads are so narrow that the truck driver has to go off the road when someone wants to overtake. Everytime he does this, the tyre gets a rough edge. Obviously, he doesn't want to risk bursting a tyre, when each tyre costs Rs.5000."

All his drivers are insured, both under comprehensive and third party insurance, since accidents, an inherent risk in this business, are unavoidable. Recollecting his first accident, Patel says, "I was frightened out of my wits. A truck carrying *Glaxo* material to Calcutta overturned near Nagpur. I rushed to Nagpur to get a police report registered. That day, the only policeman in that village was not available — he was up in the hills, investigating a murder that had just been committed. It took us three days to get an Inspector of Police to register a complaint. Other drivers going along that way

stopped to prevent the cargo from being robbed by villagers. There were no facilities to get the truck on its wheels again. No cranes were available in that God-forsaken place so the driver had to haul it up manually. These indigenous methods seemed strange to me after having lived in a developed country like England."

But the business and the ethics that govern it have changed considerably since *Patel Roadways* was established. Earlier, the business was mainly dependent on long-term con-

"I HAD DEDICATED PEOPLE WORKING FOR ME."



tracts because these lend a certain amount of security. But times have since changed. Says Patel, "When the system of MBO (Managing By Objectives) caught on in India, modern managers in big companies started cutting costs because they had certain objectives to meet in their various time frames. The volume of business these companies gave us was very large and it was here that they could cut costs. Then it became difficult to survive merely on contracts because clients could terminate the contract any time they wished to. *Glaxo*, for instance, used to pay us a bill of nearly Rs. two lakh to three lakh a month. Even if they reduced the business they were giving us by one per cent, it worked out to a substantial amount. When everyone in the trucking business began cutting rates, we started taking parcel bookings." Parcel bookings are more profitable — individuals don't mind paying a rupee more on their parcel as long as it is delivered safely. But

## SPECIAL REPORT

collectively it makes a lot of difference. Yet *Patel Roadways* hasn't completely stopped accepting contracts: now only about 30 per cent of the business is on a contract basis.

When prices of trucks, diesel, etc., go up, transporters jack up their rates immediately. According to Patel there isn't really any resistance from the consumers mainly because the press "does a fantastic job of highlighting any financial crisis" and in a way conditions the public to expect the price rise. Says Patel, "For instance, the recent MODVAT problem has been dealt with so efficiently by the press. In India the consumer resistance movement is weak. Yes, that's good for business. But if the public is willing to pay more so easily, it must be having the money. We have to save our own skin. We calculate what any new Government policy is going to cost us and implement the changes as quickly as possible. The volume of business is so large that if we delay even a little, we would have to suffer heavy losses."

### GROWTH THROUGH DIVERSIFICATION

IN 1976 PATEL started a venture to export garments, but it didn't do well. Competition was severe but more relevant, according to Patel, was the fact that the company did not have a good enough manager. For, he believes that ultimately it's people who make or break a business. He also regrets not having involved himself personally in this venture. Then he decided to move into marine exports and for this purpose he established *Patel International*, which has offices in the UAE and the US. His son, a non-resident Indian, is now looking after this concern and business is really picking up. "Since we had burnt our fingers once in the garments venture, this time we began cautiously, with our plant in Bombay handling a consignment of around 50 tonnes per year. When we had our feet firmly on the ground, we set up a second plant in Cochin. Our seafood is marketed under the brand-name *Pats* and has been very well received in the overseas market." This company is expected to achieve a turnover of Rs.2.10 crore in 1985-86, Rs.3.50 crore in 1986-87 and Rs. five crore in the following year.

By this time, Patel had understood the importance of diversifying, so he set up *Patel Constructions*, which promises to be Patel's fastest growing venture so far. Patel talks of it with great enthusiasm: "In this field, we're going great guns, touch wood. We hope to have 1,00,000 square feet under

construction by this December. By the end of 1987, we will have well over 2,00,000 square feet under construction. We have already built eight buildings. We transferred one of our best men, S. Kumar, from *Patel Roadways* to *Patel Constructions* so that the latter can grow fast." The corporate office of *Patel Roadways*, situated at Bandra, Bombay, is one of its constructions.

One business opportunity that slipped through Patel's fingers is today a constant reminder to him. The ground floor of this building, which now houses a shopping centre and a restaurant, was to have been a department store owned by *Patel Roadways*. But Patel was not convinced about the viability of this project and so sold off that space. Today, the owners are making phenomenal profits. Does he regret his decision? "No regrets," replies Patel, "and in any case, don't you think it's better to sell and regret than to hold on and then regret?" Meanwhile, *Patel Constructions* will notch a turnover of Rs.7.5 crore in 1985-86. This figure is expected to touch Rs.12 crore in

the following year and further to Rs.15 crore the year after.

Another company, *Wall Street Exchange*, was set up in the UAE to act as consultants. It has already served as managing agent and consultants for a Dubai firm — *Wall Street Exchange* set up the whole business for which it earned a consultancy fee. Patel is quite satisfied with the performance of this venture: "International finance is a profitable business and we're doing very well."

This experience has given Patel the confidence to enter the financial field in India. The latest plan is to set up a finance and leasing company in India called *Wall Street Finance*. He

justifies this decision: "No, we're not getting into this because everyone is doing it but because, first of all, our own group needs it. We intend to have 150 trucks soon so our own leasing company would help our transport business. On the financial side, we will offer loans at nominal rates of interest to people buying flats from our construction company. I expect the finance company to do very well. Money is a scarce commodity today. If you can sell it at a proper price, you can get a run for your money. The same goes for the construction firm."

*Wall Street Finance*, the youngest company in the *Patel* group, will be the first to go public. It will enter the capital market on July 15 with an issue of shares worth Rs. one crore. Of this, Rs.40 lakh will be contributed by the promoters and Rs.60 lakh will be open for public subscription. The company is expected to achieve a turnover of Rs. two crore in 1985-86, Rs. five crore in 1986-87 and Rs.10 crore in 1987-88.

PATEL'S WALL STREET FINANCE WILL SOON GO PUBLIC.



# 'I Have No Regrets'

THAT SUMS UP ASGAR PATEL'S ATTITUDE TO LIFE. THOUGH SUCCESS HAS TAKEN ITS TOLL ON HIS PRIVATE LIFE, PATEL IS STILL A DEVOTED FAMILY MAN WHO TRAINS HIS SON IN SQUASH AND SWIMMING.

**A**SGAR PATEL REJECTED A CUSHY, SECURE LIFE for the girl he loved, confident that he would make it on his own. Mrs. Patel, a graduate in microbiology, is now content to be a housewife. "Romance starts in the most unlikely places. Though we were both Xavierites, it was in a local typing class that the romance began," recalls Patel. Today they have two sons and a daughter, all of whom, says Patel, are fiercely independent. And Patel seems content with his personal life. "It was worth all the trouble," he says, "I don't regret any of it."

Though extremely fond of his children, Patel tries to maintain an objective distance when evaluating his relationship with them. Says he, "Everyone says I'm fondest of my youngest son Arif, who's 13-and-a-half now, but I don't think that's true. You see, he's a national champion in swimming and squash. Seeing his keen interest in sport, I used to train him every morning. He has a professional coach for swimming, but not for squash. I suppose it's because I've spent more time with him that people say he's my favourite."

Patel's eldest son, Riaz, was sent abroad for studies. His second child, Natasha, who has always been extremely fond of her brother, insisted on being sent abroad too. Riaz came to India after completing his schooling and, while studying Commerce, was employed by *Patel Roadways* as an ordinary trainee. He was not allowed the use of a car — buses and trains would have to do. He was trained thoroughly — from hauling cargo in a truck to supervising at the godown in the summer heat. "No air-conditioned office, I insisted. He had to learn the work of every employee in our organization to be able to appreciate it," says Patel. After Riaz became a

major, he was sent abroad again to look after the company's offices there. Riaz is at present studying for his degree in business administration. Natasha, who also came to India after her schooling, has just completed her second year of Junior College and wants to be a lawyer.

Though he used to read a lot once, Patel does not find the time to do so now. Says he, "I used to go to office an hour earlier just to read. Besides being refreshing, it taught me a lot since I mainly read books on management. I wanted to keep in touch with the new philosophies in management. You can see certain things happening in your organization, but you are too involved to really analyse them. Then you come across an identical situation mentioned in a book and you know what to watch out for. Of course, every individual case is different but some universal truths do exist. My favourite management experts? Peter Drucker and McQueen. Yes, adopting management techniques does improve productivity. Honestly speaking, I don't get the time to read now. I would certainly like to go back to my old habit."

However, Asgar Patel's daily routine doesn't seem over-rushed at the moment and he is sensible enough to spend a couple of hours at the Otters Club in Bandra every evening playing squash or cards. However, not one day is fully free of business, not even Sunday. And as is the case with most successful careers, Patel hasn't had a holiday for a long time now — two years, to be precise. "Even if I do leave Bombay for a while, I know I'll go to the UAE or the US, where we have offices. Then I can look after business for two hours and relax the rest of the day."

ASGAR PATEL WITH HIS FAMILY.

