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When you're  
 Sub-optimal, **you**  
**can Never**  
**Attract the**  
**Best Talent**

In a rare candid interview, **Suneel M Advani**, the 71-year-old vice-chairman of Blue Star, India's largest air-conditioning and commercial refrigeration company, talks about what might have been for the 72-year-old firm founded by his father, Mohan T Advani. How Blue Star could have emerged as a global engineering giant with Bechtel, only if Reliance Industries hadn't pipped it at the post. And how, despite having founded a software business around the same time Infosys and Wipro were born (in the early '80s), Advani failed to foresee the huge opportunity that lay ahead. Excerpts from the second-generation patriarch's freewheeling chat with **Satish John**, which holds lessons for today's entrepreneurs on the imperative of not getting distracted by multiple businesses and partners, and in the process drifting from the core:

**B** *ue Star Infotech took shape around the same time Infosys was founded. But it was always a micro-cap among IT companies? What went wrong?*

The IT business was started by me in 1983, at the urging of Hewlett-Packard (HP). We were distributors for HP for close to 20 years and, 40-50 years later, they are still the biggest customer of our IT business. We were distributors, we went through many avatars in the relationship and they persuaded us to get into this in 1980, long before the IT boom started, which was almost a decade later.

When the take-off happened in IT in India, we missed that. The biggest thing in IT was Y2K. That is what gave the size to Wipro, Infosys.

*How do you explain missing Y2K?*

It was my failure. I was overseeing the business, and it was my responsibility. If it grew it was to my credit but it did not grow and it was clearly my failure. We missed two or three significant events in the IT business. We were too tied up with a number of joint ventures (JVs) with HP, with Motorola, with Yokogawa, Japan and with

had an alliance with Bechtel, too. *Did these numerous alliances result in you losing focus?*

Those (JVs) were all in other areas and those were a big distraction. As it turned out, we learned the hard way that the joint ventures did not turn out the way we hoped they would. Those were all new for us. They took a lot of energy and time for us. Then we wound them up. We sold them to Motorola, HP and so on and returned to our core business.

Until the early '80s, before liberalisation started, there was no scope for an Indian company to grow beyond that Hindu rate of growth. There was all funny stuff (going on) in Delhi which we never wanted to get into. And so we grew horizontally into all unrelated businesses. Blue Star used to sell all kinds of things then – from light fittings, to weighing machines to calculators and television sets because there was no organic growth to talk about; because in the economy we were in, there was no growth. We started winding up all these ventures and came back to our core business of Blue Star. Both these moves, of starting JVs and winding up loss-making companies, took a lot of energy and time.

I was not devoting much



**Vir Advani**, executive director & president, Electro Mechanical Projects Business

“There are always two or three people running the company together. **Vir (Suneel Advani's son) is certainly a good candidate (for succession). But he's not the only candidate**”



**Sunil Bhatia,**  
CEO & MD,  
Blue Star Info Tech

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time to the IT business. And then we began focussing on the core business. Again, it was my failure and that's how we missed scale in the IT business.

So the IT business always remained sub-optimal. That's the truth.

*Then you hired Sunil Bhatia to manage Blue Star Infotech.*

That was five years ago. That was the smartest thing I did for the IT business. He turned it around.

*Was then the plan to sell the business after it was turned around?*

That was not the plan at that time. The problem is when you're sub-optimal, you can never attract the best talent. We could get him (Bhatia) because I told him that I'll support him to get a significant stake. He had ambitions to become an entrepreneur. So a small company suited him and he had a good equation with us because he had worked with Blue Star earlier. And we promised him full support and gave him a significant stake, which he's leveraging now. So in the new entity, where we sold the business, he's going as the chief executive (CEO) of the new entity. Which is three times the size of what Blue Star Infotech is. He got his dream.

*In the bargain, what does Blue Star gain? What does it plan to do with ₹180 crore and the real estate it gets from the deal?*

We have to build our brand. We want to increase our manufacturing footprint. We are expanding our international business, both on the product side and the project side.

My dream, what I call digital transformation, is to take this company to the next level...digital transformation in all the businesses we do, in all our processes. Internet of things for all our products, automating our processes, we need to do a lot of analytics and we have to invest in social media to understand our customers. We have to move online. It penetrates all aspects of the organisation and primarily changes the way, the culture of work. We've got to think digitally. Fortunately, the average age in our company is 35 years. I think that's a good age – a graduate who comes to us at 22, and has a good 10-15 years' experience as well as the youth and energy and the willingness to learn and embrace technology.

Earlier, the problem was that too many grey haired people like me were resisting change.

*Is Vir Advani, your son, the future of Blue Star?*

He's certainly a good candidate (for succession). But he's not the only candidate. The term of Satish Jamdar, who's our managing director, runs out in a year and half, and that's when he retires (in the first week of December, Jamdar put in his papers, seeking early retirement). That's the time to transition: June and July of 2017. B Thiagarajan (who Advani refers to as Thiag) runs half the company and Vir the other half (both are executive directors). Those are the two (candidates) and they work well in tandem.

Our company has a culture, from inception. My father founded the company and among the first people he hired was his elder brother, who was an electrical engineer. My father was a BA in economics and wasn't a technical man.

And there was a third person he hired and that was Ram Malani, who was a mechanical engineer and perhaps the most brilliant man we ever hired in our company.

These three were all equals. They ran the company with equal powers. My father was the founder and owned the bulk of the company. After him, the other two, my father's elder brother, ran the company as chairman. After him, Ram Malani became the chairman for a few years and then my brother and I ran the company. Our culture is that. We don't have a single CEO. It is like the office of the CEO. There are always two or three people running the company together. Right now, Thiag and Vir are working in tandem. Let's see



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where it goes. One (Thiag) is older, therefore more experienced. Personally I think they will do well to run it together.

*When Vir came in he made some small acquisitions. How have they fared?*

Yes, in the electrical and plumbing segments. We were air conditioning and refrigeration plant makers. The trend everywhere is to become MEP – mechanical, electrical and plumbing – contractors. So we provide all the engineering services in the building. Earlier, it was only air-conditioning. Air-conditioning constitutes only 40% of the engineering services of the building. In hospitals, offices, malls, commercial buildings, electrical is 40% and plumbing is 15%. There are other small things like firefighting and security needed for a building.

We needed the electrical and plumbing expertise. Or we could grow from scratch. We tried it for plumbing but we reached nowhere. We had to acquire some small existing companies.

*How are they fitting in?*

They are working well together now. Yes, the acquisition was easy enough but the integration was challenging as they were businesses run by entrepreneurs with different cultures and processes.

*Are they showing any signs of growth?*

Commercial construction activities are yet to revive in the country. We are the biggest vendors to the DMRC. We are big in airports. But how many airports are coming up in India? We are big victims in the economic slowdown.

Business means risk, it means perseverance and sticking with it and seeing it through the downtime. That's why we have remained for 72 years. We have seen the downside. My brother and I have worked for 50 years each. This is a partnership with 100 years.

*There are a lot of construction companies in pain. Will you look at adjacencies to acquire one of them, to become a complete player like say L&T?*

It's been my dream. And Vir and I have discussed this of using L&T as a model of what we could become. It's of a great interest to us. We will have to acquire some technologies. We have a very crude roadmap to get there. But first we need to see the economy revive along with the pro-

jects businesses. Just see the morale of our people in the projects division. For five years there has been no growth. As soon as we see the green-shoots, which will be reflected in the enquiry level and the rates at which these orders are closed, and get the momentum back, we will revive the L&T model, as one for growth. We won't become exactly L&T, but it's a good vision.

*You had a plan to get Bechtel as a partner many years ago. What happened?*

We had a plan to get Bechtel as a loose alliance partner. Reliance jumped in. I don't blame them. Bechtel and Reliance Industries were so big and we were so small. It was more a personal equation between me and the head of Bechtel, in this part of the world. We worked together in Abu Dhabi. It was a mismatch in size.

I want to first get the projects division on the road again and then we'll look for a smaller Bechtel. There's a lot of technologies, processes.

*Are you seeing green-shoots in the economy after Narendra Modi took over as PM?*

What I'm seeing are very small green shoots. Certainly disappointingly small. I think he (Modi) tends to promise more than he delivers; or he is able to deliver; or he is allowed to deliver – I don't know which of those applies to him. But you can't really deliver if you spend that proportion of your time overseas. There are so many burning problems here, so many issues to deal with. And yet one must acknowledge that it takes a lot of time to turn a ship around especially when it is heading in one direction, at the speed at which it was under the Congress-led government. It does take time. I concede that.

*For a corporate to turn around it takes more than three years or even more. Won't it take longer for a country to turn around??*

It will take longer. No doubt. Let's say it is harder to do. (But) a country has many more options than a company has sometimes. Just look at the impact of global events. The fall in commodity prices, which we have benefitted hugely. Have they benefitted companies like ours? I would say to a much lesser extent, because it has been offset by the fall in the value of the rupee. At the national level there are many more levers to operate. ■



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