

## Kochouseph Chittilappilly on Building Two Public Companies in India

We are delighted to share with you the following interview with Indian business magnate Kochouseph Chittilappilly, founder of V-Guard Industries (India: VGRD), an electricals and home appliances manufacturer, and Wonderla Holidays (India: WONH/F), an operator of amusement parks.

Kochouseph Chittilappilly began his journey in the world of business with initial capital of just Rs. 1 lakh (\$1,400). As of 2022, the businesses he had started were worth in excess of \$2 billion.

*Rohith Potti hosted this conversation.*

**You started your business when, probably, there were not that many successful entrepreneurs in Kerala. And no one in your family was from a business background. But over time you have developed quite a unique business model in both V-Guard and Wonderla. Who were your peers or mentors who influenced you in your business strategies and approach? Who did you go to consult when you were stuck with a problem given?**

Telling frankly, nobody was there. And now when I look back, even I feel scared. To be honest, I don't know how I became successful. For example, I have no business background. My parents, uncles, and entire family were into agriculture. The whole village where I was brought up was involved in agriculture. But I don't know how I became successful. My ambition then was to resign my job and start something. My idea was to earn through my business an amount which was more than my salary then. In those days I used to earn Rs. 850 per month (\$12) which was not a small amount then; a gold coin cost Rs. 400 then (~\$6) and so my salary equaled two gold coins. Nowadays two gold coins is equivalent to Rs. 45,000 (~\$60). My ambition was to earn better than the salary I was earning. And I was confident that it was quite possible.

Basically I am a technical person. In school, or even in college I never showed any leadership quality or marketing skills. I was always oriented to technology. So maybe because of that I thought I could create and sell a better product than what was available in the market. I think I did some calculation – if I sold 50 stabilizers at Rs. 40 profit per piece then things would be fine. That was the level of thinking I had then. I never thought about failure. When I look back I think I had a blind belief that things would work out. If I failed the only idea was that I will go to the Gulf for a job, I would disappear. Because of my classmates were there in Gulf and so it was easy. So in case of any failure I would escape to Gulf. That was the plan B. But I never thought too deeply about such a situation. Failure was a situation I never, never seriously envisaged. But now when I look back at the young man at the age of 27, I don't know how I survived.

Anyway, that time my ambitions were very limited – every month I have to sell a specific number of stabilizers. But once I achieved that particular quantity, my ambition for the next time would be to reach a higher target. It was a gradual process. I used to say that my success is not a big thing, because it took me 41 years to reach this level. Dhirubhai Ambani started much later than me – he started in 1982 I believe – I started in 1977. In that context, I have not reached that far. My aspirations were limited. It was a steady growth – each month, each year, or each quarter. In fact I did not know about the concept of quarterly results. The only focus was – what is the income? what is the expenditure? What is the net profit? It was all a mental calculation – What is selling price per stabilizer? What is the cost of production? What is the net realization per piece? That was the only

thing on my mind.

**So later when you had issues, the decision what to do next was a decision taken by you along with your employees?**

Not along with my employees because they were quite ignorant. I employed two SSLC (Grade 11 equivalent) failed boys in the business. I knew that if I employ diploma holders they won't stick to me as their aspiration levels were high.

My factory was in a tin roofed shed and so a diploma holder then would have considered it beneath his status and would not stick to me. So I selected two SSLC failed candidates who I believed would stick to me. So no one was there to consult, no one was there to discuss as well. There was nobody there who knew the technology. People in fact used to ask me whether there would be enough demand for the stabilizer product. They told me every house would need only one stabilizer and so how could I increase the turnover? How would I scale up? My thought was that in addition to TV, refrigerators were also being sold by large brands which meant extra demand for my product. And I used to say that the poor performance of the electricity department of the government helped me in my growth.

**One of the key problems faced by all entrepreneurs is scaling up of their businesses. Most businesses stop growing at a certain level - some at 2cr (\$300k), some at 200cr (\$30 mio) - because of lack of systems, or delegation or some other reason. What were the difficulties you faced in scaling your organization? How did you deal with them?**

About my growth, as I said earlier, it took a long period to grow to this level. So I did feel any sort of burden at any stage. The growth was gradual, it was steady. At no point of time there was a huge fall. There were crisis situations like labour and such. There again I don't know - I think my overconfidence helped - I always believed I would overcome any crisis. When I look back I believe that thinking was always there.

Similarly, in the initial stages my wife used to complain as well. I used to tell her my first, second, third priority were all my business. She asked me where the family was in the list of priorities? I replied that came later in the list. See, I believe that unless you have a footing and provide well for your family, it would be difficult for them to stick to you. That means, as an entrepreneur you have to deal with everything. You cannot depend on anyone else.

This business was a technology related one; if it were a trading or distribution business there were many people to consult. But in this field there were not many people to consult. I was competing in the market with giants like Keltron and Nelco (a Tata group company). I believed the buck stopped at me.

**How did you develop your skill of delegation then? I recall Mr. Vijayan was appointed in 1982 or 83, and after his appointment in a few months you left everything in his hands went holidaying with your family also.**

I introspect a lot in life. I used to keep assessing - what is my strength? What am I good at? In school or college days I was never a top student, neither was I very poor - I was only above average. So my thought was if I could do something, many others could do much better than me. And I noticed that if we delegate properly to somebody with proper explanations, instructions and enough guidance, they will perform better. Initially everything used to be managed by me. Later on, slowly I started delegating some work to others. I saw it was working, and working quite well. This is what allowed me to expand my business.

Vijayan joined us in 1982 or 83 - that was the first time we appointed a full time factory supervisor.

Before that I tried hiring one or two young diploma holders. After one year, they used to leave for a better job. Third time, I put a small ad in the paper and that is how I got Vijayan. When I went through his resume I noticed he had some technical experience – he was previously in Indian Air Force where he started as a radar technician and graduated slowly to higher levels. So it was a good combination to see and I believed he would be good for the factory. Similarly I tried somebody in marketing – that person is still there in V Guard. Even after his retirement, my son Mithun is compelling him to stay. I hired another person – Anotny Sebastian – in the technical department after Vijayan, and he is still there with V Guard. When I look back, I believe I had an aptitude to train people, to delegate to them, to guide them when necessary, and to motivate them. That may be the reason for my success.

**How did you get so many people to stick on for so long? They would have had many other opportunities in their career. Why do you think they stuck to you?**

Employees are ambitious. Every year I was able to show steady expansion or growth in turnover. For example, we slowly covered entire Kerala and when we began expanding to Tamil Nadu, we chose Coimbatore as the first point of entry. And Coimbatore is the city at the border of Kerala and Tamil Nadu. I did not go to Chennai, the capital city of Tamil Nadu – Chennai was too far for me at that time. Similarly for Karnataka I chose Mangalore first because of its proximity to Kerala. Every year there was some expansion activity, some growth, some increase in turnover which the employees saw. And I believe this might have motivated them. I believe people do not stick to a company for money or salary alone. First they must be comfortable with the environment and the working atmosphere. Next we must be able to meet their ambitions and aspirations.

When we did the public issue, before the issue was opened, I took 5% of my personal shares and distributed to everybody in a matrix. For senior management with long years of service, higher number of shares was allotted. It was nothing but my desire to share my happiness with employees. So when the employees look back they realize they have grown along with the company. You can ask Vijayan what is the value of the shares he holding of V Guard. I guess my employees' class mates and contemporaries might not be as well off as they are. That too might have been a reason for employees sticking on for so long. I don't think there are any major gimmicks in this.

**You have mentioned in the past that they should be allowed to make mistakes and that is how they learn. Can you explain that further? What mistakes are fine? And which ones should not be tolerated at all - well, other than strikes that is? Can you give examples? - as a follow up : What remedial measures do you take?**

First, I believe that I have committed quite a number of blunders. So why can't they be allowed mistakes then? So, I used to tell them that if they committed a mistake once then it is ok. But if they repeat the same or similar blunder then it is their carelessness. Once can be forgiven, but similar blunder should be avoided. That I cannot tolerate.

For example, if they do a mistake, I used to sarcastically explain to them what went wrong. I am not a saint; business has to run and every penny is important. So when mistakes are committed and if the costs are heavy, then it can become quite serious. But I believe if you give them the authority backed by proper guidance things will work out. Proper guidance is more important. Many people complain that they delegate but it does not work. I believe that they are not giving proper direction along with delegation. You should give proper direction. Even to my driver if I want him to buy a particular item for me, I explain, explain, explain till he gets bored. My wife sitting next to me laughs at this and tries to tell me that he understood. But I won't stop there. I will ask him to repeat what I said. After some time – one or two years – I noticed I need not explain so much. If he is reasonably intelligent, he will grasp quickly. For example, my driver is more like a secretary to me even though he is illiterate. For example if I am invited to a function to speak I tell the organizers to speak to him about the location of

the venue, the time when I should be there, etcetera. I do not want to know all those details. Even that small burden is also delegated. Once he gets the details, it is his responsibility to get me at the right location on time.

Once an employee commits a mistake it is our duty to bring him back on track at the earliest. There is no meaning in blaming somebody in one particular crisis situation.

**In an interview you mentioned you want all stakeholders in the chain of business - suppliers, employees, distributors, end-customers - all to be happy. You insist on that. And only then is a business sustainable. It is easy for the person at the top to desire that. How do you ensure this vision is implemented across all employees in the organization - even at the lowest level? Especially when the company grows. As it grows it might become more difficult. How did you deal with this?**

Today V Guard has thousands of people from different culture being part of our value chain. Some are from Bihar, some from Maharashtra, some from Calcutta, etcetera. To understand how we maintain culture, it might help first to take the analogy of a family. The members of a particular family will have a certain culture that is part of them, a set of values that define them. You go to another family in a different place, there will be another set of culture and values.

Similarly certain values and beliefs will be there in an organization as well. So in V Guard and later Wonderla, I was following one set of practices. And I insisted that the next-in-command to me- for example Vijayan- follow the same set of value, same set of beliefs. And then, the next level of employees also slowly started migrating to this value system observing his / her superior. The employee may have his or her opinion about other things, but he will have to fit into our culture. Otherwise he has to quit. There are so many who resigned and left. There are many who we terminated. Most of this happened because their culture did not fit ours. They may be extraordinarily brilliant, but no, we do not want them.

So we cannot judge anyone before hiring. We hire someone for a particular role in the anticipation that the candidate might be suitable for the organization. I believe no interviewer or a psychologist can correctly measure the depth of a human being. So based on a leap of faith we hire, we let him work with us. After few months, we will know if the man does not fit into our culture. And if we see that we part ways at the earliest.

We do have training programs for our employees but I think the culture is slowly adapted by the employee over a period of time. For example, let us take the example of arranged marriages that happened in the olden days in India. During those times, after marriage, the wife stays in her husband's home and has to adapt to the culture of his family. She might have been part of a different way of living earlier, but if she wants to be happy, she has to follow the principles of her husband's family.

This might explain the reason why the legacy is continuing in my companies even in my absence. For example V Guard follows certain practices. Now the senior managers there, they believe that they know the founder's attitude which they thought was a successful style of management. So they are also following the same style. Once in a while, when contemplating certain situations, they might recall how the founder tackled the similar situation in the past to guide their action today. For example, let us say a vendor met with some crisis. The management is faced with various options - How do we help the vendor? Whether we help them or go only go according to agreement? How lenient an attitude should we take?

I think this way of working or taking decision in situations is a legacy passed on over the years. And

this is not only for V-Guard but it exists also in TVS or Murugappa Group or Tata. We say Tata has a culture; Godrej has a different culture which also a successful culture.

For me, the values, culture, ethics are the binding force of an organization. Otherwise how can people from Calcutta, Maharashtra, Chennai and Kochi follow the same principle despite different backgrounds.

**When V Guard was listed, its market cap was probably around 250-300cr. The balance sheet was quite strong. However, around the same time in 2005-06, the Bangalore park which was completed cost around 100cr. For me this is quite stunning. How did you get the courage to do this? How do you define risk?**

To be honest, many things I did in the past, even I cannot answer it properly. So sometimes, I get a blind belief. So even the Wonderla business that I started in Kochi, now when I look back I cannot believe what a risk I took at that period. That time, V Guard profits were quite small. But I took a big risk at that time in a totally different line of business. Why I did it, what compelled or motivated me to do it? Well, at that time I used to travel abroad and I was fascinated by the amusement parks there. At that time, I believed there was a market for a right park in India, and it helped that V Guard was run well by the people I delegated responsibilities to. So I thought why can't I replicate one in a small level, a miniature level in Kochi? So that was a blind belief that it would be successful. I don't know why I had this conviction.

I believe Kochi was the riskiest thing I did. Even though the investment was Rs. 22cr (\$3 million), my knowledge was absolute zero when I started the park. But given the technical mindset that I had and with support of some employees, we spent considerable time researching before we launched the park.

Within two years of running Kochi Park I noticed that this was a good business to be in and I wanted to replicate it. So I immediately bought some land in Bangalore. And given Bangalore is a much bigger city than Kochi, we had to invest more as the park had to be bigger. This, along with the inflation meant the 22cr became ~Rs. 100cr (\$14 million).

**An entrepreneur is focused on growth, but he should be careful not to overextend himself. How would you define your balance between growth and risk, between being fast and slow?**

I think the definition of fast or slow growth is subjective and relative. The same rate of growth may be referred to by different people as fast or slow depending on their viewpoint. I think I was moderately fast and that is why it took me 41 years to reach this level. At the same time, others may say I was very slow, because it took me 41 years to reach this level. But one thing is for sure, my businesses never witnessed any sharp fall in revenues. That is an advantage for me. Many businesses rise and fall multiple times. That never occurred in my business. At each stage, we ensured the foundation of the business was strong to move to the next level.

It's not to say things are perfect. Still there would be miscalculations. For example, Kochi actually broke even very fast. Money was scarce when we started Kochi and so we spent only \$3 million. It succeeded beyond our expectations and we recouped our investment quickly. However, when I invested \$14 million in Bangalore, I simply thought Bangalore is 5x larger than Kochi. But that was a miscalculation. It took more years than Kochi for a breakeven. The collection was not commensurate to the spending we did on the park. Later one can do some postmortem and find the reasons. In this case, the reasons were a few. In Kerala, V-Guard group was well-known, in Bangalore we were not that well-known. At the same time, there were many small time players who had created a bad reputation for amusement parks. There were some accidents which happened at the competitors'

parks including a few deaths. So people had a bad opinion about amusement parks in general, and they had thought we were just another amusement park like others. And so we took more time to break-even there. Anyway, what I mean to say is there will be miscalculations even today as well.

**In an interview you mention one of the reasons you got yourself listed was so that there would be external oversight on the businesses you created. You mentioned you wanted a strong board. How do you go about selecting members for the board? What are the other reasons you listed your businesses?**

When I was listing many people asked me why we were doing it. It was easy for us to get loan, and just before the issue we had spent 100cr on Wonderla without any public issue or private equity. And V Guard did a public issue for only 68 cr.

V Guard at that time was a popular brand across South India. I do not know the intricacies of how to do a public issue or the stock market. I never followed the stock market at the time. Once the company started growing, I started comparing us with other companies out there. I began thinking about our valuation, in comparison to other companies in South India. I noticed that other entities which were listed had more visibility as compared to a private company like V Guard.

Also, I thought my sons have completed their education and have joined the business. And so I decided there was nothing wrong in doing a public issue as I was ready to be answerable to anyone, even to the independent directors. Even otherwise we were quite transparent and paying our taxes correctly and on time. We were not hiding anything. I believed we had goodwill and public issue was a good option. And public issue is a good way to judge our value over the long term, for if we remained a private company how can we judge our valuation? More than that, the second generation was entering the business and I felt it was good if they were answerable to somebody else other than me.

For your information, the Chairman of the Board of V Guard during its time of listing was PGR Prasad, who is no more today. But at that time, he had just retired from his position as the MD of SBI Mutual Fund and was settled in Thiruvananthapuram (capital of Kerala, a province in India). CJ George from Geojit Securities is a friend of mine. In fact, George had some influence on me in making V Guard public. He had listed his business Geojit Securities. He was also an independent director in V Guard, because I believed he knew in and out of the share market. In fact, I met Mr. Prasad through George. George told me that Mr. Prasad was an eminent person who had just retired from SBI and why invite him as our Chairman. I want people with credibility on my board; people with the same attitude, that is, straightforward, quality conscious, transparent type of people. I wanted people who are excelling in their respective fields and who can help us in different ways. When you invite someone to your board, first of all, you must be happy with them. More than that, he has to contribute something to us. For example, we had Mr. Ramachandran of Jyothy Labs on the Wonderla board. I know that Ramachandran did a better job in scaling up Jyothy Lab than I did in V-Guard, and I have great admiration for him. He did a public issue much earlier, is based out of Mumbai and has scaled up his business better. Also, we are good friends. Now, he is not on the board because the schedule was difficult for him. At the same time, we have Ullas Kamath, who is the Joint MD in Jyothy Lab, on the V-Guard board. For me, even Ullas is also enough. This way, I think I will get some idea of how Jyothy Lab is doing things from him. Similarly we appointed Gopal Srinivasan of TVS Group onto the Wonderla board. I have great admiration for the TVS Group. In South India, Murugappa Group and TVS Group are few companies which have survived for long. So I invited Mr. Srinivasan. They are happy being the independent directors of the company.

**One of the other things which I came across while reading up was that even when you were very small, in mid 1990s, you had one of the top audit firms auditing V-Guard. I don't remember the name. What I found interesting was this. You are in a state not known for its**

**industrial friendliness. Even in this scenario, even when you were a small company you chose to go for a top auditor. I believe you were even awarded as one of the highest taxpayers. Most people take this as the excuse to cut corners. What led you to be so transparent since so early in your journey?**

So the auditor you are referring to was Billimoria and Company, who later merged with Deloitte, the global firm. From the very beginning, I used to pay proper taxes. I was very clear. I do not want to bow my head in front of any government officer. Maybe it might be a false prestige because probably I could double my turnover and profit when I was a private company. For some reason, I was adamant from about this from the beginning – things must be transparent and clear. That was my attitude. If things were transparent at my end, why can't I engage the leading audit firm available then? So at the same time, Billimoria started an office in Kochi, and I went ahead with them. So I invited them because I had nothing to hide. I do not want any leniency or hide from my own auditors. There are people who I know who hide many things from their auditors as well. So I sometimes make fun of my auditor friends (laughs) – 'you do not know the exact thing. You can see whatever records we are giving. The underlying things you may not be able to find out.' ' But if I could I saw no reason why I should not appoint the best auditor I could. It also helped that Billimoria appointed a friend of mine as a partner there. And so we went ahead with them.

**You have about 40 years' experience in running a business now. If you knew 40 years ago what you know today what would you have done anything differently? Any advice you would have given the young Kochouseph Chittilappilly?**

No, no. I believe at that point of time, with the available knowledge, I did something in the best possible manner I could do – I could not have done better probably. I have no second thoughts about whether I should have gone in some different direction. Any beginner has to go through his journey. Who knows? If I had more knowledge I might not have started V-Guard only. Sometimes the lack of knowledge is necessary to start a business. For example, I never had an MBA, never any finance background. Later on, I tried to acquire knowledge in marketing, in finance and in other areas. Initially I told myself that I was good in technology and that might be enough. Later on, I came to realize that technology is just one part, only one-fourth. There are other areas like marketing, finance, general management, especially people management – these are all big areas equivalent to technology. I remember I attended number of courses to improve my skills. For example, I studied in a Malayalam medium school and speaking in English was difficult for me. So I purposely attended some spoken English classes to improve that. Similarly for public speaking as well – I wanted to address my dealers in conferences well. For example, if were doing a conference in Chennai, I had to address a large audience in English, and convince them. I took basic finance courses as well. I hated finance and actually I still do. I used to joke to my auditor friends- unless we make profits I don't want you people. Finance comes at the end is what I believe. First of all profit must be there. To have profit technology is important, marketing is important, people management is important, then only finance will come. Without the business making a profit, what is the point of auditing or finance.

So the Kochouseph Chittilappilly you are seeing now is very different from the one 40 years back. I was shy-natured then. Over a long time, I deliberately put effort into improving myself step-by-step, taking each perceived defect one-by-one.

**Because you are talking so much about finance, I want to ask this. At least your listed business seem like they do not like to have debt. This is despite huge expansions 10 years back with the Bangalore park and V Guard factory expansion with some loan. They have strong balance sheets. How did this come about?**

That is a result of my delegation I believe. If someone is good in Finance, I used to give him authority



to talk about Finance. For your information, initially I was fond of technology. Later on, I lost my track even in technology because I was too busy with managing the business. I was eventually zero in technology as well. This is because for any and every activity we had somebody good. If it is technology, we would keep someone good in that division – be it R & D or production. Delegation reached a level in the organization I became a broiler chicken (laughs)- there was not much role for me. The only thing I had to do was give strategic directions on the way we could move. Later on I involved myself only in the peripheral level. I never needed to go in depth as time passed.

**So basically, the finance decisions for the organization are taken by the finance department as you believe it to be the safest decision for the organization?**

Of course. It is their duty to advise me in the best possible manner. I believe them and I do not see any reason why they should misguide me.

**Can you name a few entrepreneurs or businesses you admire, and why?**

I do not have any single person as my role model. I used to follow people and read a lot of biographies. I listen to a lot of talks on youtube. Nowadays, when you travel you can switch on the speech of somebody and use that time effectively. Nowadays I am interested in history. I follow entrepreneurs, political leaders basically successful leaders in any field. In India, I have great admiration for the Tata Group and Godrej Group because I can relate to them. When I say relate, I do not mean in terms of size, but in terms of values, ethics, etc.

**There is a saying, “The first generation creates wealth, the second generation enjoys it, and the third generation destroys it.” In your case what is uncommon is the fact that both your children have taken the respective businesses to the next level. What do you think the reason is? How would you advise other first-generation entrepreneurs on this aspect?**

So the answer to that is related to something we discussed earlier. It is a mix of ethics, discipline, transparency, values, etcetera. Also, the public issue of the business helped a lot here as well. If we were a private entity, there would be no oversight. Any disagreement between me and my sons will just be a family argument and might not have been resolved in the best possible manner for the business. Of course, there were no major arguments between us. But because we listed ourselves and we had a strong board, my sons have to be responsible to them. It creates discipline. Having shareholders and a strong board and that, I believe, helped instil a sense of responsibility in them.

*Kochouseph Chittilappilly is the Chairman Emeritus of V-Guard Industries Ltd. He is the founder of V-Guard and has driven and motivated the Company to succeed in its business. He had been the Managing Director of the Company since its inception and taken the Company to newer heights and recognition with his experience and vision. In April, 2012, he passed on this baton to his son Mr. Mithun Chittilappilly. In 2017 he assumed the position of Non-Executive Chairman of the Board and continued as such till March 2020. As Chairman, he had been instrumental in adoption of best governance practices and upholding the Company's core values. He has assumed the office of Chairman Emeritus from April 2020. Apart from his business acumen, Mr. Chittilappilly is a humanitarian par excellence. “K Chittilappilly foundation” (KCF) founded by him undertakes public charitable activities in India without any discrimination as to religion, caste, creed or gender. The Foundation's key focus is in the areas of healthcare, education and development of social infrastructure. He has been bestowed with numerous awards for exemplary performance in business. Noteworthy among them are Samman Pathra Award for top income tax payer from Honourable Union Minister of State for Finance, Business Man of the Millennium 2000 from Rashtra Deepika and*



*Tourism Man of the year from “Destination Kerala”.*