

One of India's oldest food ingredient manufacturers, LG & Co has seen five generations dominate hinging trade the world over. Kabul, Almaty or Tehran – the Godhoo family has travelled far to source the spice known for its medicinal value and unique aroma

Hing Kings & the Spice Route

Shailesh Menon

Almost a century and a quarter ago, Laljee Godhoo met a *kabuliwala* by chance. The weary Pathan had come on foot and horseback all the way from Kabul, lugging a sack full of dates, dried fruits and lumps of *hing* for Bombay's uber-rich in the 1890s.

Laljee saw a great business opportunity in the pungent spice, having tried his luck in several endeavours – including share trading with the Native Share & Stock Brokers Association, which later became the Bombay Stock Exchange – in the past.

In 1894, Laljee Godhoo & Co (LG & Co) was founded in a spare room at the Godhoo residence in Masjid Bunder in south Mumbai. Today, the Godhoo family scions cannot thank their visionary patriarch enough. "We do not even have a photograph or a portrait of our founder," rues Bimal Merchant, partner at LG & Co and great-grandson of Laljee Godhoo.

One of India's oldest food ingredient manufacturing companies, LG & Co has seen five generations. "We've survived so long because of our superior quality standards," says Merchant. "We only use best grade raw materials for our product. I personally go and buy raw hing every month."

In the previous fiscal, LG & Co sold 45 lakh kg of processed or compounded asafetida across India and other world markets. A record of sorts, the company has doubled its annual turnover to ₹400 crore in three years and nearly five times since 2011.

Despite intense competition from a handful of niche players (hing brands such as Vandevi, Laxmi and NS) and some general masala manufacturers, LG & Co claims to have over 70% sales share across key markets.

The management refused to divulge profitability ratios, but affirmed that their net realisations were 12-18% in the best years.

"If there's any niche hing manufacturer we'd like to be compared with, it is LG & Co," says Anil Ramchandani, head of sales, Kinjin Food, which manufactures the Vandevi hing brand. Vandevi has been LG's biggest rival since 1932 and it leads the Mumbai market in terms of sales.

"Just like LG & Co, we never compromised on the quality and consistency of products we sell. Quality is the only factor that separates us from other general masala manufacturers," Ramchandani adds.

THE DEVIL'S DUNG

Every month, Merchant boards a plane to Almaty, the largest city in Kazakhstan, to inspect and purchase fresh batches of raw hing for his four processing units.

It is LG & Co's main raw material, apart from wheat flour, gum arabic (imported from Sudan) and water.

Prices start at ₹4,000 per kg and go up to ₹7,500-8,000 if you insist on the best quality – with its unique tart smell and fine texture.

The product is unpalatable in its purest form because of its pungent odour and stinging flavour; thus the sobriquet, the devil's dung. It has to be blended with flour and edible gum to be fit for human consumption.

The resin is extracted from a plant (Ferula asafoetida) grown in the cold arid mountains of Afghanistan, Kazakhstan, Uzbekistan and Iran. Each plant yields just about 500 gm of concentrated hing resin, resulting in high prices.

Till the mid-90s, LG & Co imported most of its raw hing from Afghanistan but this shrunk once Taliban gained control of that country. At present, over 50% of LG & Co's requirements come from Kazakhstan. "Almost 65% of our raw materials, which primarily include raw hing and gum Arabic, are imported," says Merchant. "We keep sufficient raw material inventories as our sourcing countries are a bit unstable. Kazakhstan, however, is a safe hub for doing business."

Demand for processed hing first shot up in the 1920s across most southern markets, especially around Tanjore in Tamil Nadu. This was when LG & Co, then helmed by Khimji Laljee (Laljee Godhoo's son), set up its first offsite plant at Nagapattanam.

Asafetida for Dummies

What is it? Asafetida is a resin extracted from Ferula asafoetida

How do you get it? Sap is collected from a slit in the plant's bark within a plastic dish placed at the base of the plant. The process is similar to rubber tapping

Yield A single Ferula plant yields close to 500 gm of sap

Where is it grown? Ferula asafoetida grows in cold and arid regions of Afghanistan, Kazakhstan, Uzbekistan and Iran. Gulmarg region in Kashmir has small tracts of cultivation too

How is it processed? Raw hing is unpalatable in its purest form because of its pungent odour and stinging flavour. It is blended with flour and edible gum for kitchen use

Usage Mostly used as a flavouring agent in Indian curries, dal and sambhar and kachori

Medicinal use Relief from asthma, flatulence, high blood pressure; curative in infantile pneumonia

Quality control The quality of hing is judged by its texture and smell

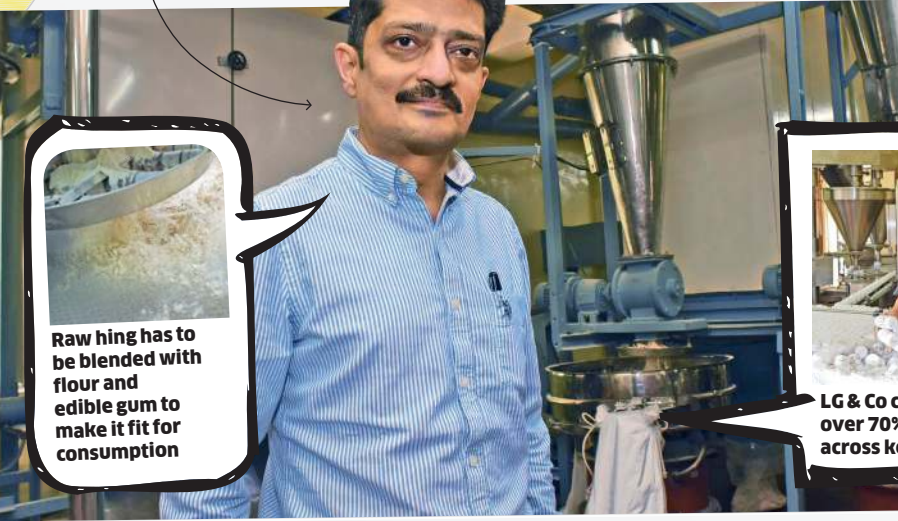
The demand cycle peaked again in the late 1970s and early 1980s when the company set up more processing units in Chennai, Kumbakonam and Nashik, besides a mother plant in Mumbai. The Nagapattanam unit was shut when the Chennai unit started.

In the 1970s, Ajit Khimji Merchant (father of Bimal Merchant) mechanised processing units by installing a sigma mixer, which processed 150 kg a day. In the mid-90s, when Bimal took charge, he updated by installing blenders and mixers that could churn out 1,000 kg of processed hing in 40 minutes.

"We had to expand because we were flooded with orders... even now, it's a race against time to meet our order requirements. We're swamped," Bimal Merchant admits.



Bimal Merchant



PHOTOS: BHARAT CHANDIA

The reason for this is obvious to the industry. "LG & Co hing is known for its quality," says Sharad Shah, managing director, Shah Ratanshi Khimji & Co, one of India's largest – and oldest (since 1931) – turmeric traders. Shah believes focus on quality, high trust factor and family values help family businesses survive for generations. "LG must have survived so long because of high trust reposed in them by their customers and suppliers. To make a business successful, a close-knit joint family also comes handy."

ALLIANCES & PARTNERSHIPS

No doubt the relations are close knit. When the business started picking up pace in the late 1960s, the Godhoos inducted two other families – the Vahalias and Bhattas. The Vahalias and Merchants (Laljee Godhoo descendants) deal with day-to-day affairs while the Bhattas are non-working partners. "We share a great bond with our partner families... We've been together for so long now. We're so comfortable with each other that we do not want to bring in any more new partners," says Heena Bimal Merchant, another partner.

Aroon Vahalia and his son Karan work with the Merchants in their official capacities as partners, while Riddhi (Bimal and Heena's daughter) is learning the ropes of business. "Riddhi is interning with us now... She'll be made a partner only after she masters all sides of the business," he says.

The company's processing unit at MIDC-Andheri has 72 workers, almost all hailing from Patan in Satara district of Maharashtra. "A good number of them are sons or relatives of our earlier staff," says Merchant. "I may not know the names of all of them... But I'll be able to tell you their relationship with our earlier factory staff in Mumbai!" he guffaws.

The two-floored processing unit at Andheri is neat, replete with complex machinery in perfect sync with any modern food-processing unit.

All the units of LG & Co are FSSAI and USFDA approved. Quality assurance certification is critical for the group as it exports to the US, the UK, Canada, the UAE, Malaysia, Singapore, Australia, Japan and New Zealand. "Nearly 20% of our turnover is driven by export. We sell in all countries where there is a sizeable Indian population," says Merchant.

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Laljee Godhoo & Co Over The Years

1894 Founded in Masjid Bunder, Mumbai

1920s Khimji Laljee, son of Laljee Godhoo, takes charge

Mid 1920s Sets up first processing plant at Nagapattanam, Tamil Nadu

1940s Starts selling compounded hing lumps in metal boxes

1960s Inducts new partners

1970s Installs a motor mixer of 150 kg hing per day processing capacity

1978 Launches powdered hing variant

Mid-1970-80s Opens more processing and packaging units at Chennai, Kumbakonam and Nashik, besides a mother plant at Mumbai

Mid-90s Further plant modernisation

2000s Mixers and blenders that can churn out thousands of kgs in an hour installed

2010 Starts focusing more on exports

2011 Posts a turnover of ₹75 crore

2014 Turnover surges to ₹200 crore

2017 Ends the fiscal with a turnover of ₹400 crore

2017 Processes and sells 45 lakh kg of hing

All About Hing

Hing commands **6-8%** wallet share in India's spice market

It is **mostly sold** in south India, Tanjavur being a big market

Vandevi, Laxmi and NS are the other **big hing brands**

In 2008, Tajikistan govt **banned** collection/export of ferula extract

NEW BUSINESSES

LG & Co has plans to expand to other product categories, especially in masala. "We do not want to be another masala company manufacturing chili powder. We always have the option to start making mixes for dal, sambhar or rasam," says Heena Merchant.

Bimal Merchant, who handles all matters pertaining to operations, feels hing is still largely under-penetrated "and there's a lot more to do. South India is our biggest market, followed by Gujarat, Madhya Pradesh and Maharashtra. We're looking to expand our distribution in north India now."

"We want to diversify into other ingredient categories, but that may take some more time. We want to deepen roots of our core business," he adds.

Hing only commands 6-8% wallet share in India's humongous spice market and its presence in Indian curries is not as palpable as perhaps, dry red chilli or mustard.

But you surely get a whiff of the 'devil's dung' when you savour a spoon of authentic south Indian sambhar. And once you are hooked on to that faint aftertaste of hing sautéed with onions, you'll be a fan of the devil forever.

'CONTINUE TRADITION OF GREAT FOUNDERS'

It's the best of times and it's the worst of times for family businesses. They face several opportunities to chart new paths in a growing economy and multiple headwinds – adapting to change, disruptive technologies threatening to derail their traditional businesses and challenges within, with their next generation reluctant to take up reins and founders unwilling to let go.

In an interview with **Shelley Singh**, Bain & Company partner **Chris Zook** discusses the role and challenges for family businesses; founders' mentality and how family businesses can navigate these disruptive times.

Zook was a keynote speaker at the recent ET Global Business Summit. The former co-head of the global strategy practice for 20 years at Bain & Company is a best-selling author as well. Edited excerpts:

Do you believe Indian promoters can't let go of the companies they founded?

The great Indian promoters can be incredible role models of the importance of frontline obsession, passion around a cause and urgency to act right up to the end of their lives, even when they are no longer CEOs.

Vikram Oberoi, CEO of Oberoi Hotels, tells stories of how founder MS Oberoi would still read stacks of customer comment cards and write notes on them until he was 100 years old. His attention to detail and role modeling are part of the culture and values even today. This continued connection to the business they founded can be a great strength and asset, not a problem.

Many GenNext, especially millennial, scions are refusing to take charge. What happens to the family business then?

An extremely large number of prominent founding families are finding that the next generation is able to take charge. I met with 10 such promoters on my recent trip to India. All were concerned about this, but most saw their children becoming produc-



India is the fastest growing major economy today, with 6-7% growth rate, yet job growth is only forecast to be 1-2%. This employment and growth gap is critical for India and will be filled not by major multinationals, or by govt programmes, but by a rising number of founders and entrepreneurs

tively involved in the business.

There will be cases where children are not interested or capable. The founder will need to recognise this and allow non-family leaders to emerge naturally. The worst outcome is to force an unwilling or incapable child into management, where they will not succeed.

What is the role of family offices?

Every family that has accumulated wealth and businesses, needs a coordinating function at the centre to manage cash, keep track of investments, do the taxes and develop a long term plan to match cash flows in and out. Whether this is a big formal

Great cos created by the most iconic founders get into trouble when they lose clarity of their insurgent mission, when leaders become distant from the front line and lose front line instincts, or when companies become bureaucratic and lose the urgency of an owner's mindset

office with staff – that calls itself a family office – or it is in a different form and goes by a different name, every scion family must have this. What varies is the level of staff and extent of outside professionals. The right answer is just a matter of personal taste and complexity of the businesses.

There are family businesses that have lasted more than 200 years. Do you believe they will still be around for another couple of centuries?

Businesses that have been around for over a 100 years, such as Tatas, Birla Group and Godrej, have all shown the ability to adapt and survive in the very complex and fast changing economy that is India.

Many of these groups had special capabilities in organising people, gaining finance, dealing with the government – factors that are less differentiating today. As a result, many of these large and long standing family businesses are extremely diverse and could even be called conglomerates. How they choose to focus their resources on best businesses – doubling down on some and exiting others – is a new skill that large family businesses that continue to prosper will need to master, along with maintaining attributes of their 'founder's mentality' that got them there in the first place.

What is founder's mentality?

The founder's mentality is a phrase we have

used to describe the three most important elements within a company that allow it to break through barriers to growth and be able internally to see opportunities, make bold decisions, mobilise and adjust fast.

The three are the best measures of the inner health of a company that we know. These are: the presence of a motivating insurgent mission that creates energy and focus at all levels of the company; an owner's mindset that leads to fast action and willingness to take responsibility for problems and third, a frontline obsession that leads to empowering frontline employees, customer intimacy and intellectual curiosity.

Have today's entrepreneurs abandoned the idea of family business? Do you believe VC/PE investments are killing family businesses?

A well-developed venture capital and private equity system to help entrepreneurs of all types is critical in India. It can help founders whose businesses ultimately stay in private hands, or founders who choose to sell all shares. Venture and private equity investments are complementary to creating family businesses, not a hindrance to them.

What's the future of family business?

In Germany, around 3 million mid-sized companies, the 'Mittelstand', are the core of the economy. Most are highly-focused family businesses, often built around a deep capability or engineering prowess. The German ministry of finance has made the health of these companies one of their highest priorities. It is a great example of how

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family businesses are increasingly important to economies around the world.

This will especially be the case in India, which is built on the back of iconic founders. You cannot walk the streets of India without seeing 10 names of these founders on products, buildings and signs all around you – Oberoi, Tata, Mahindra, Godrej and Birla, just to name a few. The engine of India's future success lies in the ability to continue this tradition of great founders/promoters.

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In this disruptive world, fast changing with use of technology, how long can family businesses last?

Charles Darwin's work on the survival of species showed that it was not the largest or strongest who survive, but the fastest and most adaptable. This is becoming increasingly true in the survival of businesses. What kills businesses is not age, but the inability to adapt and erosion of their internal health. We believe that every business should have a standing team of its best people working to design 'Engine 2', the next generation version of their business model. The team should constantly scan the world for new ideas to refine it.

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