

The Outlier

Shantanu Khosla has led P&G for 11 years. In that time, HUL, Nestle and Colgate have seen four CEOs each. What makes Khosla go on and on? Kala Vijayraghavan and Sagar Malviya report

THE COMPANY HE HEADS is coming off its worst financial year. Yet, an unfazed Shantanu Khosla wants to look back longer at how Procter & Gamble's Indian operations have come along in its 24 years in the country, creating spaces for itself while going head on against the might of fellow multinational offsprings like Hindustan Unilever and Colgate-Palmolive.

Just as well for him, for Khosla has been at the helm of P&G India for the last 11 of those 24 years. Seen through the prism of P&G's global template, Khosla's tenure, since 2002, is standard stuff. Seen through the prism of what's happening in his neighbourhood, Khosla is an outlier.

Hindustan Unilever—P&G's rival number one in India and against whom it is measured the most—has seen a change of guard four times since 2002. As has Colgate-Palmolive. As has Nestle. "The comparison (with HUL) pleases me because I know we are winning," says Khosla, managing director of the operation that posted combined revenues of ₹7,561 crore in 2012-13. "In every category we have competed with HUL, we have grown. Ten to eleven years back, they were 20 times our size; today, they are three to four times."

And then, he fires a salvo. "Reliance has grown faster than HUL in the same period. So, is there a comparison?" But growth is one thing, profitable growth another. P&G's speedy expansion has come at the cost of margins, especially in the last three years, when the quantum of losses posted by it—₹1,167 crore—wiped off all the profits it had made till then.

A lament among industry observers is it's not clear what P&G wants to do in emerging markets like India. They say its growth could have been faster given its parent's size and product portfolio, its board of directors in India is aging, and is low on ideas and risk appetite, its strategy to opt for fewer stockists is puzzling. "P&G's strength is top-end, high margin," says Amin Babwani, a former senior sales and marketing official at HUL and now an independent consultant. "Hence, even if they become big, say, in the mid-priced detergent segment with the success of Tide, it will not meet their margin aspiration. It should leverage its global portfolio and quickly launch some of its big global brands in India."

P&G is upping the stakes in India. Its US parent has invested about ₹2,000 crore in the last two years in its Indian arm to ramp up production and distribution, especially in relation to, who else, HUL. What makes that narrative more interesting is that, on October 1, HUL completed one of its regular successions, with Sanjiv Mehta stepping into the rather big shoes left behind by Nitin Paranjpe.

Barely half a km away in Mumbai, at P&G, the footprints, as far as one can see, are those of only the indefatigable Khosla. "Shantanu is like Sachin Tendulkar in the P&G system," quips a senior company official, not wanting to be named.

The Man
The 53-year-old Khosla says this is where he wants to be. "I love the job, I am learning everyday," says the 53-year-old. "The consumer base in India is still under-served. And we have this young talent and leadership pipeline the P&G system consistently works on."

Khosla heads all three P&G companies in India. There's P&G Hygiene and Health Care (which makes Whisper and Vicks), Procter & Gamble Home Products (Ariel and Tide) and Gillette India (shaving products of the same name). Khosla became a part of P&G when the Cincinnati-based company acquired Richardson-Hindustan in 1985. In 1985, after leading several business units for it around the globe, he took charge of India in 2002.

In 11 years under Khosla, P&G's revenues have multiplied about six times at ₹7,561 crore. That's faster than Colgate-Palmolive, Nestle and HUL, though the last name on the list has a significantly larger base. Personally, for Khosla, it's an unusually long stay in a Gen Y environment, where boards and CEOs are getting younger. "There is nothing unusual about it in the P&G system," he says. "Over its 175 years of existence, P&G has had only 10-11 CEOs." In India, before him came Gurcharan Das, David Thomas and Helmut Meisner.

The Company
Departures from that template happen, even at the highest level. This March, the US parent brought AG Lafley—credited with the \$57 billion acquisition of Gillette in 2005 and all of 66 years—out of retirement to be its chairman and CEO and revive growth. On a visit to India three months later, Lafley admitted that P&G in India had fared better in categories where established FMCG was not strong, like women care, baby care, hair care and skin care.

Part of the reason, he said, was because HUL had a headstart and FMCG talent. "It wasn't until we were there for a decade or two that we began to hire some really good people out of universities, and we did acquire some good people with Richardson-Vicks and Gillette and other acquisitions," he told ET in July. "But it is very hard when you haven't been there for 100 years and you don't have the reputation of HUL to hire the best." Gautam Duggad, FMCG analyst at Motilal Oswal Securities, a brokerage, says comparing P&G with HUL is un-

fair. "Both have different histories," he says. "HUL is a 100-year plus organisation in India compared with P&G's 20-old years, of which, it has been aggressive only for the last 10 years."

Duggad feels P&G is putting many pieces in place. "The losses are not worrying. It is the result of its investments in critical areas," he says. "It is focused on long-term growth. Now, it is investing in critical areas: brands, distribution and infrastructure. For FMCG companies, management roles have marginal impact. Once the critical parameters are addressed, it is on auto pilot."

Ashok Chhabra, former P&G general counsel for Asia-Pacific & Australia says the company is guided by the consumer, not the competitor. "And Shantanu is driven by data and facts," he adds. "He understands issues on the ground and is an excellent leader to guide P&G." Khosla says he maintains a 9 to 6, clear every mail in less than a minute, schedule, Khosla, who is fond of gadgets and cars, meets as many colleagues he can, often seeking them out. "We have an open office, flexible work hours and are more virtual," he says.

Independent marketing consultant Kamini Banga gives a thumbs up to Khosla. "A new entrant combating a large entrenched player is no mean feat, and what is essential is continuity and stability," she says. "And if things are working well, it would hardly be prudent to bring change at the top and experiment with new strategies. As a challenger, Shantanu has brought stability and continuity while putting it squarely on the path to growth."

kala.vijayraghavan@timesgroup.com

SHANTANU KHOSLA
MD, Procter & Gamble India

The comparison (with HUL) pleases me because I know we are winning...Ten to eleven years back, they were 20 times our size; today, three to four times



11 Years And Counting
Shantanu Khosla has outlived peers. And, in his time, P&G has outperformed peers on growth, but not on shareholder returns

P&G
SALES GROWTH
6-fold to ₹7,561 cr *
Share price appreciation (%)
16.0%/12.7% **
CEO/MD/CHAIRMAN
Shantanu Khosla

Hindustan Unilever
Sales growth
3-fold to Rs 27,004 cr
Share price appreciation
12.5%
CEO/MD/Chairman
4 (MS Banga, Douglas Baillie, Nitin Paranjpe, Sanjeev Mehta)

Nestle
Sales growth
4-fold to ₹8,334 cr
Share price appreciation
25.9%
CEO/MD/Chairman
4 (Carlo MV Donati, Martial Roland, Antonio Helio Waszyk, Etienne Benet)

Colgate
Sales growth
4-fold to ₹3,164 cr
Share price appreciation
24.7%
CEO/MD/Chairman
4 (G Dalziel, Roger D Calmeyer, Mukul Deoras, Prabha Parameswaran)

* Across its three units in India
** For P&G Hygiene and Healthcare and Gillette India, respectively
Share price appreciation is compounded annual for past 10 years

BIHAR CHANDI