

## Pioneer Ancillaries : Mr. Shekhar's Dilemma ©

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**M**r. R.C. Shekhar, son of a senior executive in Bata India Ltd. at Faridabad (Haryana), completed post-graduation in Advertising & Public Relations from Indian Institute of Mass Communication, New Delhi in 1984. While he was undergoing internship training at Hindustan Thomson Associates (HTA) at Mumbai, unfortunately his father expired. Soon his family had to leave the accommodation provided by the factory and also lost other perks like car etc. At this stage, Mr. Shekhar joined a leading advertising company at Delhi as Management Trainee at Rs. 500 per month stipend. Although he liked the advertising field, he was not much satisfied with low amount of stipend and the expected job prospects in the area of advertising in Delhi. As he had to live with his three sisters and mother, a schoolteacher, he could not leave Faridabad for Mumbai, the commercial capital of India, where good opportunities existed for professionals in the advertising field.

Although Mr. Shekhar neither had exposure to any entrepreneurial venture nor he had undergone any entrepreneurship-training program, he decided to become an entrepreneur so that he could shoulder the family responsibilities better. At this stage he was also not aware of any Entrepreneurship Development Institutions. The only way to become an entrepreneur was to join an entrepreneurial venture and thoroughly learn all aspects of managing an enterprise. Therefore, he left Advertising company within a few months and

joined M/s Bharat Electricals (Pvt.) Ltd. which was a small scale industrial (SSI) unit in Faridabad. Mr. Shekhar worked very hard in this unit at a salary of Rs. 1000 per month and learnt basics of production and various aspects of business and entrepreneurship, such as manufacturing process, installation of plant & machinery, raw material sourcing, labor laws, industrial relations, income tax, central sales tax, excise duty Provident Fund, Employees State Insurance, Bonus, Gratuity etc.

### 1 Pioneer Ancillaries : Mr. Shekhar's Dilemma

As Mr. Shekhar was working with the intention of becoming an entrepreneur himself, he was on the fast track of learning. When he had worked with Bharat Electricals for about 9 months, one day he found that his company's proprietor expressed his disinclination to develop some new auto components for Escorts Limited which was a big auto manufacturing company in Faridabad and to which M/s Bharat Electricals was one of the good vendors. At this stage, Mr. Shekhar talked to his company's proprietor and got in touch with Escorts Limited for developing the new auto components by starting his own small unit in one room. Thus, in 1985 Mr. Shekhar started his own SSI unit named "Pioneer Ancillaries" with a tie up arrangement with Escorts Limited. He invested his own Rs. 30,000 for starting this unit and got an equal amount of loan from the bank with credit limit of Rs. 10,000.

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The hardworking new entrepreneur took about four months in developing the required components for which he hired commercial services of experts and consultants. In the first year the turnover of his SSI unit was Rs. 1.1 Lacs which gradually rose to Rs. 12.5 Lacs in the fourth year. Several times he carried the raw material and/or the finished products to his clients on his scooter. By now Mr. Shekhar had gained more confidence. He developed one more "industrial shed" to meet the production requirement for increased orders. There was no looking back for him. In late 1980's the two wheeler as well as the passenger cars market was fast expanding in India and Mr. Shekhar started getting orders from other reputed companies including Hero Honda Motors. This could be possible because of the quality of his products and the delivery reliability he offered to his clients. Mr. Shekhar took initiative in exploring new and upcoming technology in auto parts manufacturing. He went to Tool Room Training Centers (TRTCs) to find out more economical and efficient methods of manufacturing, learned the modern industrial management systems, e.g. reporting, housekeeping, planning, inventory management etc. Mr. Shekhar kept himself alert, sensed and grabbed the opportunities and worked hard to grow in the industry. His firm's turnover kept almost doubling every year and it reached to about Rs. 100 lacs in 1992.

## 2 Pioneer Ancillaries : Mr. Shekhar's Dilemma

Mr. Shekhar took an active part in the affairs of Faridabad Small Industries Association (FSIA) and became an office bearer of the Association in 1993. Since then he has continued to play an important role in the activities of the Association. In 1995, he converted his proprietorship firm to a "Private Limited" firm and expanded his clients list to Bajaj Auto Limited, Hydraulics Limited etc. The firm has

been supplying under the agreements to the Original Equipment Manufacturers (OEMs) and not to the replacement markets. The firm's turnover has reached Rs. 250 lacs in 2000-01 and is in the process of getting the ISO certification. Mr. Shekhar now owns a tastefully decorated big bungalow and two luxury cars and has visited several countries.

As Mr. Shekhar had keen interest in the advertising field, he could not resist the offer of modeling by some Advertising agencies and thus got into modeling in 1998. He also started acting in some television serials, primarily with the idea of pursuing his hobby. As these activities have been very time consuming, Mr. Shekhar could not devote adequate time for his business activity. He admits that if he had not got into modeling and acting then he would have expanded his business activity and profitability by more than 200% of its current level. Recently he has signed one more contract for acting in a theatrical drama for which there is no remuneration to him.

In order to avail state government benefits offered to the SSI units and keeping in view the tax planning considerations, Mr. Shekhar started at a new location in Faridabad a new firm named Indarprastha Manufacturing Pvt. Ltd. He is considering leasing out this new factory to some interested party due to lack of time available to him for managing activities of the two firms. He is in a dilemma - whether to concentrate fully on the entrepreneurial and business activity or pursue the hobbies simultaneously.

## 3 Pioneer Ancillaries: Mr. Shekhar's Dilemma

### Questions for discussion:

1. By leaving the advertising field & choosing entrepreneurship as career, did Mr. Shekhar make the right choice?

2. Should Mr. Shekhar's new firm produce the auto components for the replacement market?
3. Why has Mr. Shekhar not explored the vast export potential? What strategy should he adopt to enter the export market?
4. Should Mr. Shekhar lease out "Indraprastha Manufacturing Pvt. Ltd."?
5. What advantage is Mr. Shekhar deriving by continuing his modeling and acting hobby? Should he discontinue or pursue these hobbies?

#### 4 Pioneer Ancillaries : Mr. Shekhar's Dilemma