

DELHI SPECIAL

Arun Nanda, chairman, Club Mahindra & Mahindra Life Space

'You have to listen to your gut feeling'

ARUN NANDA, chairman of Club Mahindra and Mahindra Life Space and also executive director on the M&M board, was called braveheart by a news channel when he decided to go for an IPO for Club Mahindra. Some even questioned his wisdom. This was during a lull for IPOs after the Reliance Power IPO debacle on listing, but as Mr Nanda, said "I went by my gut feeling." Of course a law graduate and CA by training, the accountant in him also plays a role. It was the Mahindra Club IPO that set the ball rolling for IPOs and till date it remains one of the successful issues when many that came after are quoting below their issue price.

A 24/7 workaholic Mr Nanda, is a family man and finds times for fun travelling and good food that took him recently to Tuscany (Italy). He says "I enjoy work. I have been lucky as not many professionals get a chance to build diverse businesses like I have from oil drilling to ash handling and I built the first water project in Tirupur. Mahindra and Mahindra, which I joined in 1973 as a trainee, gave me a chance to discover the entrepreneur in me."

Excerpts from an interview with **OLGA TELLIS**:

What made you take the plunge with an IPO when everyone else was taking the private equity route? Your IPO was seen by analysts as a test of whether or not the market had the appetite for investments in IPOs. Do you think that there is an



Arun Nanda

appetite considering that the two recent IPOs of Adani and NHPC are quoting at a discount?

The answer is in different parts. First, I have a strong belief that Club Mahindra is a unique product with an immense future. Secondly you have to listen to your gut feeling and mine said that the market was looking for a good product. Because of the financial crisis last year everyone was putting their investments into fixed deposits as rates were 11 per cent. These rates are now three to four per cent. In India, the slowdown was only in financial services where people were getting big bonuses. So, there is a lot of money and if you have a good story you can pull it off. We believe that responsible companies with good names should take the lead in bad times. After us everyone jumped on to the IPO bandwagon. We proved the market wrong. Our stock opened at a premium of 10 per cent, went up 30 per cent and is now at a 12-13

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per cent premium to the issue price.

Considering that some recent IPOs are quoting at a discount to the offer prices is there a lesson for promoters and investors?

Some people don't seem to realise that the days when promoters got away with any pricing are over as investors are evaluating value today. They want a good product but they also want a management that gives them comfort. Our biggest strength is the Mahindra brand. It is also important to leave something on the table for investors.

Tourism is down at the moment which means people are cutting down on holidays. Your business depends on people taking holidays. Are they holidaying in these times?

The concept of Club Mahindra Holidays is such that our customers perceive value for money. They make a down payment of an aver-

age of Rs 2 lakh and an annual subscription of Rs 8,000-10,000 and can get their holidays for the next 25 years. We have 78 per cent of the Timeshare market in the country today.

Most of your businesses, whether Timeshare or Mahindra World City or Mahindra Life Space which is a developer, all need land. Several infrastructure projects have been held up because of land problems like in Nandigram, Maharashtra and Orissa. What has been your experience?

We talk directly to the farmers and don't use the political route as a many companies that are in trouble today do. We spend a lot of time on doing a social impact assessment through reputed organisations. We find out what the community needs. In Jaipur, for instance, where we collected 2,000 acres we gave 25 per cent of the developed land to the farmers, as developed land has three times the value that they would have got for their raw land. We have done the same in Chennai, Faridabad and everywhere that we have projects. In Chennai, we even built a railway and gifted it to the people of Chennai, so there was connectivity between our township and the city. In fact we are now looking for another 3,000 acres of land in Chennai for putting up our second integrated township. In Maharashtra, where we are putting up two projects of 3,000 acre each, farmers want employability so we will focus on that.