

“Family Businesses a Growth study”

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Abstract – This research work explores the growth, and success factors of family-owned businesses originated in India versus public business. As a case study for our research we have used Adani Power as a family owned business and ReNew Power as a public business.

Adani Power was established in August 1996. The company develops and maintains power projects and is the largest private sector power generation company in India. It has a combined installed capacity of 12.45 GW with four thermal power projects across India.

ReNew Power was established in August 2011 and it is India's largest renewable energy company by operational capacity. Based in Gurgaon, Haryana, it has an asset base of over 10 GW, with around 5 GW operational. ReNew Power operates over 110 projects across 18 states in India, developing, building, owning and operating utility-scale wind and solar energy projects, including distributed solar energy production for commercial and industrial consumers.

With this research work we were able to compare the strategic growth differences between family owned and public sector businesses.

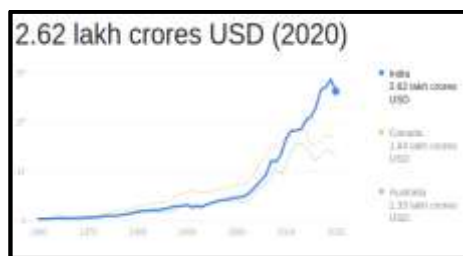
Keywords – Growth Analysis, Case study of Entrepreneurship, Case study of Family-Owned business.

Date of Submission: 03-10-2022

Date of Acceptance: 17-10-2022

I. INTRODUCTION

According to the International Council for Small Business (ICSB), 90% of small and medium-sized firms account for 60-70% of total employment and 50% of Gross Domestic Profit (GDP). This translates to those enterprises with fewer than 250 employees being a great source of jobs worldwide. As the population continues to rise and poverty becomes an increasing concern worldwide, these micro, small and medium firms are projected to house 600 million jobs to address the working population requirements by 2030. The contributions of family-owned businesses to less developed and developed countries' economic growth are significant. These businesses are often regarded as the economy's backbone, with high amounts of wealth directly linked to family-owned enterprises.



[FIG : Contributions of Businesses in country GDP]

With this comparative study between entrepreneurial and family-owned businesses, this review aims to propose the strategic growth comparison between the private sector family owned business and public sector entrepreneurial business.

II. RESEARCH MOTIVATION

During Covid period I was interning at my father’s factory, where I found out how strategies and pre-planning was needed to run any business. I learned how workers/ employees are the backbone of any business. For any business to grow, a good team is imperative. I realized the production of a plant was hampered when there was a lack of workforce during the covid period. It further led me to learn that any company needed a right balance between skilled and unskilled labor. The growth of a company and valuation was dependent on product sale, market research, marketing, the management, quality control etc. A little research on one such Public Sector Company like Air-India confirmed my beliefs. Being a Public Sector company it lacked dedicated management to tackle the issues, like quick decisions, and a foresight to keep up with the changing business environment in their sector. Being a leader in their field with a market share of 70% and above it has fallen down to less than 30% in the past 15 years. As soon as the Tata’s took over Air-India in 2022, there was overall improvement in the company’s performance which led to restoring the faith of their customers in the company.

There was no such research which was done for comparison and benefits of these 2 sectors - family owned and public enterprises. I realized the articles on such business in the same domain were very few. It piqued my interest as I dealt further and further into understanding this.

III. COMPARATIVE STUDY

Two businesses from the same domain and region of operations have been taken as an example. The first being Adani Power, it is a private and family owned business and the second is an entrepreneurship company - ReNew Power which is in the public sector. 10 years of data to analyze the business strategic growth was taken.

These companies have some differences in operations, but product wise both companies appear in the same domain. for more details please look into the following table.

Parameter	Adani Power	ReNew Power
Product Base	Energy Generation and Sales	Energy Generation and Sales
Company Type	Private (Majority of Shareholder are from adani Family and Relatives)	Public (Majority of Shareholders are angel investors)
Investors and Major shareholders	Adani Group and Relatives	Angel Investors and Big-Merchants
Type of Product	Toxic, and eco-friendly	Environmental friendly
Year of Establishment	August, 1996	August, 2011
Power Generation Capacity in one financial year	Approxoperational 13 GW in Pan India (using thermal plants and green energy projects)	Proposed 10GW, operational 5GW in Pan India (Solar, Windmill etc)
Company Revenue	31,686 crores INR (US\$4.2 billion, 2022)	27,711 crores INR (US\$ 3.8 billion, 2022)
No of Projects	5 (Mega Projects)	118 (Small installations)
Project Location	Gujarat, Maharashtra, Karnataka, Rajasthan, and Chhattisgarh	Karnataka, Rajasthan, Madhya Pradesh, Andhra Pradesh, Maharashtra, Gujrat.
Revenue in 2022	US\$ 4.2 Billion	US\$ 912 million
No of Employees in 2022	2737	1382
Energy Generation Portfolio till OCT, 2022	12,450 megawatts (MW)	10,214 megawatts (MW)

IV. BUSINESS GROWTH

1. ADANI POWER:

Adani Power Ltd, is an Indian power and energy company, a subsidiary of Indian conglomerate Adani Group with head office at Khodiyar, Ahmedabad, Gujarat. Its market capital is \$20 billion as on August 07, 2022. It is a private thermal power producer, with a capacity of 12,450 MW. It also operates a mega solar plant of 40 MW at Naliya, Bitta, Kutch, Gujarat. It is India's first company to implement a supercritical thermal power generation plant which was synchronized with the Indian power grid.

Adani Godda Power is implementing a 1,600 MW plant at Jharkhand. The company has signed long term power purchase agreements of about 9,153 MW with the governments of Gujarat, Maharashtra, Haryana, Rajasthan, Karnataka, and Punjab.

1996 - Adani Power was started as a power trading company.

2009 - It started generation in July 2009 by RAM implementation of its first 330 MW of 4,620 MW at Mundra. This is the largest single location coal-based power project in India.

2010 - The company commissioned another three projects of 330 MW by November 2010 and the country's first supercritical unit of 660 MW on 22 December 2010, making its capacity 1,980 MW.

2011 - On 6 June 2011, it synchronized its second unit of 660 MW bringing the total generating capacity to 2,640 MW and on 2 October 2011, it synchronized its third supercritical unit with the national grid.

2012 - In February 2012, it commissioned the last unit of Mundra Project to take its capacity to 4,620 MW which made the Mundra TPP the largest privately held thermal power plant in the world and fifth largest on an overall basis, as of March 2012. This plant became the third-largest thermal power plant in the world after its completion.

2013 - In 2013, the company commissioned a 40 MW solar power project in Kutch, Gujarat. This is the largest solar power project in the country and marked the group's entry into the renewable energy sector.

2014 - On 3 April 2014, the company announced the commissioning of the fourth unit of 660 MW at its power plant at Tiroda in Maharashtra, thus emerging as the largest private power producer in India, with an overall installed capacity of 9,280 MW. The fifth unit was commissioned later in 2014.

2015 - the company announced the completion of acquisition of Udupi Power Corporation Limited on 11 May 2015. With this, Adani Power has a total commissioned capacity of 10,440 MW, making the company the largest private power producer in India.

2017 - In 2017, one of its units created a national record by continuously operating for 600 days.

2019 - In the fourth quarter ended on 31 March 2019, Adani Power reported a consolidated net profit of Rs 634.64 crores. In the same fiscal the previous year, the company had reported a consolidated net loss of Rs 653.25 crore.

2. RENEW POWER:

ReNew Power is India's largest renewable energy company by operational capacity. Based in Gurgaon, Haryana, it has an asset base of over 10 GW, with around 5 GW operational. ReNew Power operates over 110 projects across 18 states in India, developing, building, owning and operating utility-scale wind and solar energy projects, including distributed solar energy production for commercial and industrial consumers.

2016 - In 2016, ReNew Power launched an IIT center of excellence to collaborate with the institution in research and technology development.

2017 - In 2017, JERA (a joint venture between Tokyo Electric Power and Chubu Electric Power) became an equity holder and ReNew doubled its capacity for the third year.

2018 - In 2018, ReNew Power acquired Ostro Energy and Canadian pension fund CPPIB became an equity investor

The company also signed MoUs with the states of Andhra Pradesh and Maharashtra for investments in the renewable energy sector.

2019 - In 2019, ReNew Power became the first company in India to partner with Korean company GSE&C in renewable energy, jointly developing the SECI-4 project in Rajasthan. ReNew raised US\$450 million through dollar bonds to retire some existing debt. In July 2020, ReNew Power announced that it will manufacture solar cells and modules in India for 2 GW capacity.

2019 - During the COVID-19 pandemic, ReNew Power agreed to donate Rs. 20 Crores for mitigation.

2021 - On February 24, 2021, ReNew Power announced that it would go public through its merger with a SPAC called RMG Acquisition Corporation II. The merged company will be ReNew Energy Global PLC and listed on NASDAQ. ReNew was listed on the NASDAQ on 24 August 2021 under the symbol "RNW". The value of the transaction is around \$8 billion.

2021 - In August 2021, ReNew Power announced an acquisition plan for a 99 MW hydroelectric power plant from L&T.

V. KEY PERSONS AND COMPANIES WEALTH

1. ADANI POWER:

Mr. Gautam Adani - He is the chairman of the Adani Group, Mr. Anil Sardana - He is the MD and CEO, Mr. Shailesh Sawa - He is CFO, Mr. Deepak Pandya - he is Company Secretary of Adani Power.

Adani Power is a subsidiary company of Adani Group that has strategic products such as sales and distribution, Electricity Generation and Distribution, Wind Power, and energy trading.

In 2022 the company's revenue is 31,686 crore (US\$4.0 billion). Adani Power's operating income in 2022 is 10,686 crore (US\$ 1.3 billion). The net income of the company in 2021 is 4,911 crore (US\$ 9.8 billion). The total equity of the company in 2021 is 13,200.94 crore (US\$ 1.7 billion).

2. RENEW POWER:

Mr. Sumant Sinha is the chairman and managing director of ReNew Power. Mr. KedarUpadhye is the chief financial officer, Mr. Balram Mehta is the chief operating Officer, Mr. Mayank Bansal is the Chief Commercial Officer.

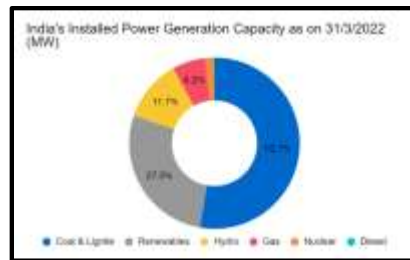
ReNew Power is the public company which has vision to work in only renewable energy domain. The company has strategic products such as Wind Power, Solar Power, Solar Rooftop Power, Hydroelectric Power.

In 2022 the company's revenue is 7,410 crore (US\$ 912 million). The total income of the company in 2021 is 1,885 crore (US\$ 232 million).

VI. GROWTH ANALYSIS

Adani Power Fundamental Analysis: Over the last two years, Adani Power has given eye-popping multi-bagger returns of 950%. The stock has increased sharply from Rs. 40 per share in August 2020 to Rs. 411 present day. Similarly, various other stocks of Adani Group have zoomed over the last 2-3 years making Gautam Adani the world's fourth richest person.

India is the third largest electricity producer in the world with an installed power generation capacity of over 3,99,496 MW. The nation's capacity grew at a CAGR of 8.1% over the last decade. Out of the total production, coal-fired power plants accounted for 53% of the total energy produced. It was followed by the 27% share of renewable energy generation.



[FIG: Adani Power Generation Capacity Index]

Despite such good energy production numbers, India's per capita annual power consumption was only 1,276 kWh in FY21. It remains lower than that of other developing countries like South Africa and Brazil. This supports the argument that overall power demand in India is expected to grow at a strong pace.

This increase in demand will be brought by a variety of factors: rising living standards, higher electrical and electronic appliance penetration even across rural areas, more focus of the government on boosting the manufacturing sector's contribution to GDP growth, construction of data centers and better irrigation through electric pump sets in the agricultural sector.

Adani Power is one of India's best companies when it comes to revenue visibility. Out of its total production capacity, 78% is tied up securely via long-term power purchase agreements. Similarly, on the sourcing side, 73% of its domestic coal fuel requirements stand secured through fuel supply agreements.

Comment [1]: What is the unit?

Comment [2]: MW

Comment [3]: Done



[FIG:Revenue and Net Profit Growth]

Now, If we look at the last five years of revenue and net profit numbers, we can say that the revenues of APL have increased at a CAGR of 6.42% every year. However, the bottom line has been volatile with the company reporting losses from 2018 to 2022.

As for the heavy net profit of the year ending 2022, it included recognition of prior period revenue from operations of Rs. 2,970 crores and a prior period other income of Rs. 2,830 crores. The table below shows revenue and net profit numbers for the previous five years.

Year	Revenue (Rs. Cr.)	Net Profit (Rs. Cr.)
2022	27,711	4,912
2021	26,221	1,270
2020	26,468	-2,275
2019	23,884	-984
2018	20,304	-2,103

[Tab: Profit and Revenue of Adani Power]

ReNew Power Fundamental Analysis: Sustainability is a strategic instrument of ReNew’s business strategy that allows it to engage with its stakeholders for crucial inputs and constructive feedback. The Company is devoted to going above and beyond regulatory compliance to provide real, meaningful returns to all its stakeholders, both internal and external. ReNew embraces sustainability and constantly endeavors to enhance its triple bottom line – People, Planet and Profits.



[FIG: Long Term Values for Stakeholders]

ReNew power has a diversified and high quality portfolio with 9.86GW under implementation. The company has invested INR 138 million in its communities in the financial year 2020 - 2021. Since the beginning the company was able to maintain zero fatalities during implementing all its projects.

Heads:	2007-08	2008-09	2009-20	2020-21
Income				
Revenue from Operations	29,835.93	42,144	48,415	48,402
Other Income	3,777.77	4,708	4,800	5,126
Total Income	33,613.70	46,852	53,215	53,528
Economic Value Distributed				
Cost of Raw Material and Components Consumed	522.00	80	530	430
Employee Benefits Expense	786.80	1,008	861	1,238
Other Expenses	3,493.93	3,200	3,809	3,320
Total Expenses	4,802.73	4,288	5,200	5,017
Economic Value Retained	28,810.97	42,564	48,015	48,511

[FIG: ReNEW Revenue from FY 17 to 21]

VII. BUSINESS RESEARCH INTERVIEWS

Here are some interviews that we have conducted with various enterprises to find out business insights and learnings.

A. RAJ OVERSEAS

Company Name: Raj Overseas Key person Mr. Uday Nath working as a Partner this company works in Manufacturing & Exporting Floor Coverings domain. As per our findings the Company's Turnover is ₹ 100+ Cr.

Findings:

1. He hadn't planned on joining the family business, he just happened to join when his father needed help.
2. The key area of his business is manufacturing, selling, and exporting various types of floor coverings.
3. He was not prepared as such to take over the business. He started with a very low salary as a junior employee and then worked his way up the ladder. He feels there is nothing such as being prepared, just learning it down the line by doing.
4. He feels common sense, a sharp ability to grasp, not being afraid of making mistakes but also not repeating the same mistakes, and being adaptable are a few personal skills one should have.
5. He feels the way to manage expectations from predecessors is by reprogramming the way you think. The predecessors will always question the way you are doing things because you are doing things in a different/new way.
6. The most he's learned is from the business. Quick decision-making ability, deep insight into financial management, and ability to deal with the unexpected are the three professional skills he has gained and feels essential to running a family business.
7. He doesn't adhere to the opinion that a particular degree/education betters a person's chances of leading a business. He feels the knowledge from books or teachers doesn't apply while handling the business.
8. He feels one should join the business after exploring the world, after finishing school, and at least should have a bachelor's degree. This would just provide a backup in case the business goes sideways.
9. He feels seniority is key. He feels the seniors will guide you right from the beginning till you are independent and qualified enough to make decisions by yourself. That's the way he moved up the ladder.
10. Per se, nothing really guarantees business but surely keeping your finances and cash flow in check helps. He feels one should save much more than one should spend because even through the toughest times your business will be able to sail through.

B. SHAKUN POLYMERS PVT. LTD

Company Name: Shakun Polymers Pvt. Ltd. key person Rakesh Bansal working as President About: Compounding for the Wire and Cable Market. As per our findings the Company Turnover: ₹ 100+ Cr.

Findings:

1. He was always inclined to business and therefore he tried his hand at setting up a new business with his brothers.
2. The key areas of his business and other businesses are finance, research & development, innovation, sales, and marketing. Gradually, the business did become interesting for him.
3. According to him, a clear-cut demarcation of roles and responsibilities, learning to adjust to new things/changes and giving everyone a chance, and not being afraid of making mistakes are the top skills one can have while running the business.

4. As a leader, he learned about having good value systems, being fair and sincere with work, and the ability to trust people.
5. He does think education helps one to think deeper and differently but at the same time he feels that with too much education one can get averse to taking risks which is a very important skill to have as an entrepreneur.
6. He feels there is no particular timeline that one needs to follow, one can always gauge through informal learning, may it be through discussions at the dinner table. Although he does feel some work exposure will help in running a business (again depending upon the kind of business).
7. Firstly, by being well-versed with the laws of the land and taxation policies, etc. Then always plan way ahead to keep things clear. Usually, plan 10 years.
8. According to him, all personal interests must come after business interests at all times. The people who help in building the business (employees), interests are also equally as important as business interests.
9. According to him, there is nothing like failure because failure teaches a great deal even in ways that success doesn't. Failure opens gates to new opportunities. He feels there is no guarantee of success.

C. VISA STEEL

Company Name: VISA Steel, Key person Name: Vishal Agarwal working as a Vice Chairman & MD, Deputy CEO, About: Offering High Carbon Ferro Chrome as per International Quality Standards for End Use in Stainless Steel and Special Steel Manufacturing. As per our findings Company Turnover: □ 100+ Cr.

Findings:

1. He didn't plan to join the family business, it just happened as the opportunity came his way after college.
2. It's been about 25 years since he's been part of the business and it is certainly of his interest. International trading and manufacturing are the key areas of his business.
3. There was no preparation as it was an initial startup when he joined. According to him, to be more prepared, as an individual one needs to understand one's strengths and play along with them.
4. According to him, basic common sense (an analytical mind), problem-solving skills, and teamwork are the personal skill sets one needs to have.
5. Comparison is always there when working with predecessors but a way to manage this is by keeping things independent, even having an independent team working under different individuals.
6. According to him, communication skills, having an analytical mind, and team management are the best professional skills one can have.
7. Education doesn't guarantee anything but it's always better to have some education as it brings in more respectability within the business. Although he does believe there are a lot of things that are not taught in the textbook but help run the business.
8. He feels it depends on the nature and size of the business. Also, having an independent setup and gathering some work experience would help.
9. Communication within the family and periodical meetings help in dealing with business complexities.
10. Dividing work is key in managing business decisions. For example, if there is a conglomerate, one person handles one company and one handles the other. This keeps things separate and helps in avoiding clashes of ideas, rules, etc.
11. He feels there is no guarantee of success. Although he does feel that one needs to have a passion for what one is doing. Analyzing the kind of business before getting into it also helps to determine whether the business can succeed or not.

D. STALMEC ENGINEERING PVT. LTD.

Company Name: Stalmec Engineering Pvt. Ltd. Key Person Name: Bijal Mehta he is working as a Managing Director & Chairman the company is working in Manufacturing Machinery & Equipment, As per our findings Company Turnover: □ 100+ Cr.

Findings:

1. He didn't plan on taking over the family business, although he did plan on starting his own construction business. Since his father was already running a successful business, he chose to join the business.
2. Initially, he wasn't interested in the business but gradually he got involved more and more, making it more interesting. The key areas of his business are manufacturing, marketing, and quality control.
3. He wasn't prepared to take over the business himself and feels that only experience can prepare you.
4. He feels hard work is a major skill that one needs to have to run a business.

5. He feels the only way to manage predecessors' expectations is by outperforming them.
6. For his business, he feels basic engineering skills are required and marketing skills in general to run any business.
7. He believes being well educated and having exposure to the world is crucial to better one's chances of leading as it helps with the staff and other things in general.
8. He feels both having teens involved from the beginning and getting some work experience before joining the business go hand in hand.
9. He bases his decisions mostly on business acumen and seniority and would recommend the same.
10. He believes there's nothing that can guarantee success, but of course, hard work and luck are major contributing factors to success.

VII. CONCLUSION

Growth of a Small-Scale business happened over a period of time without any financial backup from the parent company. The family owned businesses grew at a faster pace due to a well-established client network, such family owned businesses can promote themselves by using latch and dock policy.

As per our research we can conclude that the family owned businesses have been performing really well in the country's growth.



[FIG: Growth chart of Family owned vs non-family owned businesses]

As the above image shows the past growth of family owned businesses over the public businesses. The key factor behind the growth of family owned businesses is “Family-Alpha Factor” which includes the higher research and development and strong capital backbone, also, to start such a business less cash is taken out from the market as like dividends and share buy-back.

Profit:

As per our study and research we found out that the family businesses can make more profit vs public businesses because the profit share goes to few people.

Less Debt:

Family owned businesses generally prefer the key concept called profit loss sharing in the umbrella. This way the parent company will make money in either way.

Credit Rating:

As per our research and with reference to the interview we have taken, to start a family owned business we will have the family legacy which will create great impact and build business reputation on immediate basis. That's why the family owned businesses have no need for seed funding or capital raising, they can directly focus on the product sales and marketing.

Long Term Horizon:

Because of parent companies' great history and strong capital backbone such businesses can survive for a longer period of time rather than the non-family owned business which suffer for settling down in the initial phase.

As per our findings nowadays the younger generation are shifting their mindsets towards family owned business.

ACKNOWLEDGMENT

Firstly we would like to show my deep appreciation to my parents for their outstanding support and motivation who also helped me through the research work journey.

We are also immensely grateful to Mr. Vishal Agarwal Vice Chairman and MD, deputy CEO at Visa Steel Ltd for their comments on an earlier version of the manuscript, although any errors are our own and should not tarnish the reputations of these esteemed persons.

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ShauryaGoenka, et. al. "Family Businesses a Growth study." *IOSR Journal of Electronics and Communication Engineering (IOSR-JECE)* 17(5), (2022): pp 24-32.