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Mid-sized Companies...

Inc. 

The Magazine for Growing Companies



...and the **Superstar**
Entrepreneurs
Who Run Them

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G.R.K. REDDY | MARG
Revenue Category: ₹500-₹1,000 crore

How I paved rough paths

G.R.K. Reddy or simply GRK went from being a merchant banker to a real estate mogul in 15 years. Success came to Reddy, chairman and MD of MARG Group, by quite literally walking through rough terrain. In 1994, he shuttered his ailing financial securities firm and forayed into construction. The project that set him on the road to riches, winded through far-flung Naxal-dominated rural areas. But that didn't stop this first-generation entrepreneur from building wind farms in Andhra Pradesh's forested wastelands. From windmills, to residential hubs, IT corridors and ports, MARG has today done it all.

AS TOLD TO ILA UPADHYAYA

I was born in 1961 in the coastal town of Tenali in Andhra Pradesh. My family owned a lot of land in the region. My father was a civil engineer and when I was born, he was involved in the historic Nagarjuna Sagar Dam Project. We were three brothers, a year separating each of us, quite a handful for my mother. So, I often accompanied my father to work.

Much of my childhood was spent at construction sites my father supervised. I played among earthmovers and construction equipment. I'd make my own dams and canals using concrete slabs. Because of my father's job, we moved a lot. I studied in several schools in remote areas in Andhra

Pradesh. Because most schools were far from project sites, I walked a few kilometres every day. Still, I have very fond memories of climbing up trees and diving into the village pond with friends.

I spent my teenage years in Vijayawada, the commercial capital of Andhra. It was a big change for me, from a rustic life to an urban setting. I learnt a lot of things. In 1980, I completed my undergrad in commerce and moved to Delhi for a Masters.

My first job was as an assistant with Sarin Consultants, a boutique investment banking firm in Delhi. Though the pay was not good, it was a great opportunity to observe,

learn and meet new people. I worked my way up. Within a year, I was the assistant manager.

I moved on to CIFCO, a premier merchant banking firm. In 1987-88, I was entrusted with opening up their office in Delhi. My work involved liaising with the government—the Chamber of Commerce and Industry and the Finance Ministry in particular—for all the IPOs and FD issues. The stint taught me a lot of things—how to value a company, read between the lines and really go deep into an organisation.

In the late 1980s, my younger brother died in a scooter accident. I moved back



Multi-dimensional Creating wealth is just one aspect of what G.R.K. Reddy does; his real business is of "change".

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Companies:
₹501 Cr to
₹1000 Cr

Sales
CAGR%

AMR Constructions	177.9
Brandhouse Retails	128.0
Bartronics India	109.1
Aravali Infrapower	106.9
Angelique International	106.9
Educomp Solutions	98.4
Goenka Diamond & Jewels	93.9
J Kumar Infraprojects	89.3
Sandhar Locking Devices	88.4
Totem Infrastructure	83.7
MARG	81.8
Supreme Infrastructure India	79.6
Electrical Manufacturing Company	77.8
Diamond Power Infrastructure	76.8
Glodyne Technoserve	74.5
Karuturi Global	74.0
Sunil Hitech Engineers	70.9
Som Datt Builders	68.9
Concast Ispat	65.1
VRS Foods	64.7
Simplex Projects	64.7
Kemrock Industries & Exports	63.5
Hindustan Dorr-Oliver	60.6
Valley Iron & Steel Company	60
Rohit Ferro Tech	60

to Chennai to look after my parents. By then, CIFCO had become one of the largest merchant banking firms. They asked me to head their Hyderabad office and I said yes.

I soon got bored of the work. I was used to being at the centre of action in Delhi. After that, Hyderabad seemed dull. I started getting restless. That's when I thought of quitting and striking it out on my own. My first venture in 1991 was a

stockbroking firm—MS Reddy & Co—at Coimbatore. With all the action in stock markets then, we did brisk business.

I also started a merchant banking firm, MARG Securities, in Chennai in 1993. The next year we came up with a public issue—₹90 lakh—which was oversubscribed by 65 times. It was a big milestone and the capital was utilised in developing the foundations of the business that stands today.

The economy started going out of steam in 1993-94. MARG was in the middle of a rights issue when the crash happened in 1995. It was under-subscribed by ₹1 crore, an amount that MARG had to bridge. MARG had taken another ₹1 crore from the public by way of fixed deposits. Put together, we were saddled with a liability of ₹2 crore.

Overnight the dream morphed into a nightmare. All our hundred employees left the company. The capital markets went into a tailspin and revival seemed bleak. This was my first strong lesson as an entrepreneur. The failure of MARG Securities taught me the difference between an executive and an entrepreneur. I found that the biggest challenge is to keep relationships going—with stakeholders, bankers, governments, etc.

I was under immense pressure to liquidate. But my survival instincts didn't let me succumb. After some soul searching and market research, I decided to focus on the construction business with Marg Construction. Within a year, real estate crashed in Chennai. Several leading players went bust. Sai Subhodaya, my first residential project, did not take off as expected. I desperately needed projects that would give me positive cash flows. I had to pay off a whole pack of creditors.

Luckily, I got a challenging offer to build a four-storey, 20,000 sq ft property in Chennai. However, there was a catch. We had to do it in 110 days flat. The money from the project took care of our pressing creditors. I worked round-the-clock, living at the site. We completed it at 3am on the 110th day in April 1998.

The customer was impressed. He asked us to build three wind farms for him—at Chittradurga (Karnataka), Satara (Maharashtra) and Tadipatri (Andhra Pradesh).

The last area lay in the heart of Naxal-infested interiors. But this was an important client. If we did well, we would be asked to build 200 wind farms over the

next few years. I headed to the thick forested wastelands of Tadipatri, where 120 of those 200 windmills were to come up. I didn't have more than a painfully small team of believers with me.

We employed more than a 100 local people on the project. Every day brought a new challenge that had to be dealt with. But we managed to commission the Tadipatri wind farm in time in September 2000. We were actually an hour ahead of deadline.

By now, we had a surplus of ₹4 crore. So after repaying all our creditors, I contemplated retiring. The prospect of making money for the sake of it, did not interest me then and it doesn't interest me even today. But I realised I had a special privilege—to make a difference to rural India. In fact, it was my duty to do so.

I forayed into other infrastructure verticals. I bought a sizeable chunk of land on the Old Mahabalipuram Road. It was close to the city and yet to be developed. We were among the early movers in the development of residential and commercial complexes on the OMR, now the bustling IT corridor of Chennai.

In October 2002, MARG got its first IT park project called Digital Zone I from Tata Consultancy Services. I sensed an opportunity for creating more space for the IT sector. We went ahead to build more IT parks for TCS and Satyam Computers.

We also took a bold step and entered port development by bidding for the Karaikal Port. As a company, MARG's value was a mere fraction of the project cost at the time. But we did it. We built one of India's finest private ports.

In 2007, I did a management programme at the Kellogg School of Management in the US. My wife, Rajini, also a first generation entrepreneur, inspired me to take this up. The course gave me an opportunity to measure myself against global peers. It was also intense, challenging and fun. As I interacted with people there, I realised we weren't doing badly at all. MARG was on the right track.

Today, wealth creation is only one dimension of achievement for me. What makes me most proud is that we have ushered in regional prosperity in all our projects. **●**

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Companies:
₹1000 CR TO
₹1500 CR

Sales
CAGR%

Dhunseri Petrochem & Tea	158.5
Vuppalamritha Magnetic Components	157.8
ARSS Infrastructure Projects	95.9
Kwality Dairy (India)	91.8
Tecpro Systems	84.9
A2Z Maintenance & Engineering Services	83.9
Sterling & Wilson	80.9
NKG Infrastructure	76.2
Coastal Projects	75.7
Shiv-Vani Oil & Gas Exploration Services	73.5
Opto Circuits (India)	62.4
Compuage Infocom	53.3
C & C Constructions	52.4
Bharati Shipyard	47.3
Ashoka Buildcon	46.5
Koutons Retail India	44.1
Ankur Drugs & Pharma	41.9
Arch Pharamalabs	41.3
Prime Impex	40.8
SPANCO	40.5
Gujarat NRE Coke	39.6
Madhucon Projects	37
Sadbhav Engineering	37
Bilcare	35.9
Sanwaria Agro Oils	35.6