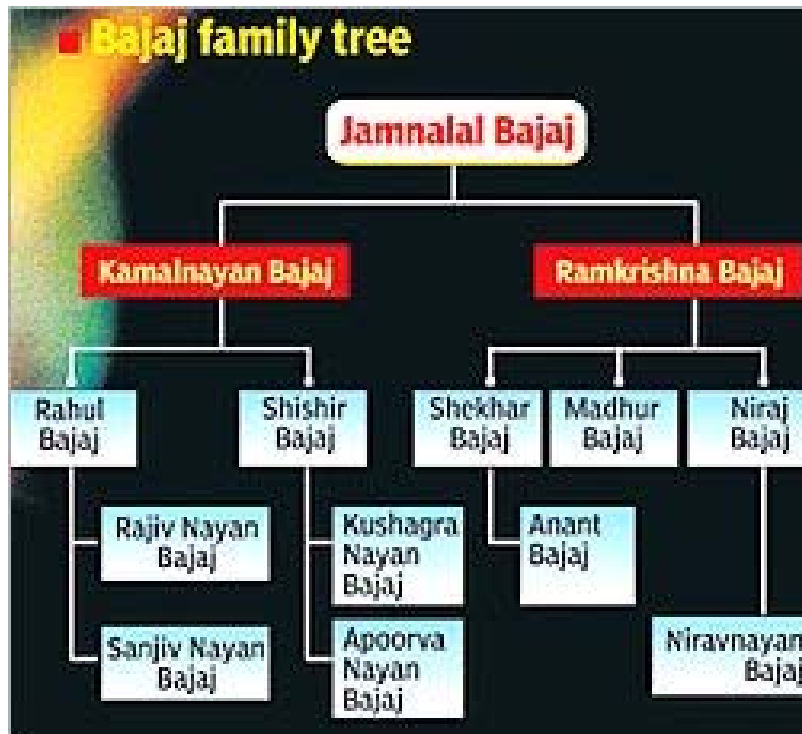
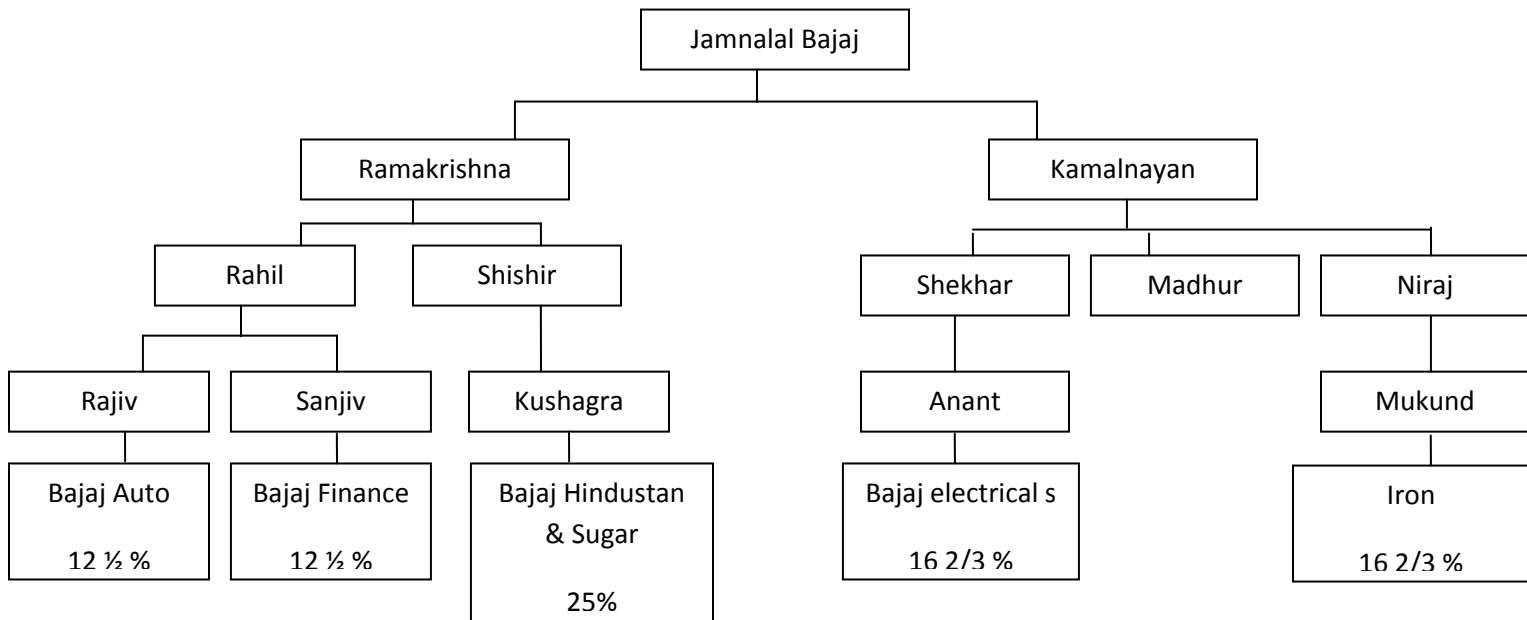


Bajaj Family

Bajaj Sevashram



- Kushagra is considered as one of the brightest and smartest in the family and Rahul Bajaj ensured that he would not get into Bajaj Auto and compete with Rajeev, his son who is extremely independent and competent.
- Recently as part of a family agreement, Sishir Bajaj moved out of the group and swapped his holding of 25% in Bajaj Shevashram with Rahul Bajaj for cash.
- Anant has restructured and transformed Bajaj Electrics which is growing very rapidly now.
- Rahul Bajaj, he is the largest individual shareholder in any of the group companies.
- The relationship among the brothers / cousins is not very warm but they have an understanding that they would not interfere in each other's business operations.

Jamnalal Bajaj (4 November 1884 – 11 February 1942) was an [industrialist](#), a [philanthropist](#), and [Indian independence fighter](#). He was also a close associate and follower of [Mahatma Gandhi](#). Gandhi is known to have adopted him as his son. Several institutions in India bears his name, including the [Jamnalal Bajaj Institute of Management Studies](#). He founded the [Bajaj group](#) of companies in the 30s. The group now has 24 companies, including 6 listed companies. Besides [Bajaj Auto Ltd](#), the other major companies in the group include Mukand Ltd, Bajaj Electricals Ltd and Bajaj Hindustan Ltd. One of his grandsons, [Rahul Bajaj](#), runs the family flagship company, Bajaj Auto. A small suburb in [Andheri](#) (part of [Mumbai](#)), [JB Nagar](#), is named after him.

Early years

Jamnalal Bajaj was born into a poor family, the third son of Kaniram and Birdibai, in a village named Kashi Ka Bas, near [Sikar](#). He was later adopted as a grandson by Seth Bachhraj and his wife Sadibai Bachhraj, a rich [Rajasthani](#) merchant couple of [Wardha](#). Seth Bachhraj was a distant relative on his father's side and was a well-known and respected trader in the [British Raj](#).

Upon coming of age, under the guidance of Seth Bachhraj, Jamnalal got involved in the family business of his grandfather. During this period he acquired the knowhow of being a tradesman—keeping strict accounts and buying and selling commodities—excelling in his work by the time Seth Bachhraj died. In 1926 he founded what would become the Bajaj group of industries.

An Honorary Magistrate

During the [First World War](#), the British government appeased and honored native tradesmen, soliciting funds. They appointed Jamnalal an honorary magistrate. When he provided money for the war fund, they conferred on him the title of [Rai Bahadur](#), a title he later surrendered during the non-cooperation movement of 1921.

Follower of Gandhi

Upon [Mahatma Gandhi](#)'s return from [South Africa](#), Jamnalal took in interest in [Gandhi's way of life](#), his principles, such as [Ahinsa](#) (non-violence), and his dedication to the poor. He could understand Gandhi's vision that home-made goods were the answer to India's poverty. He figured that the British companies were importing cheap raw cotton from India and sending back finished cloth at higher prices. He was humbled by the simple life that Gandhi was leading at the [Sabarmati Ashram](#). He was impressed by the Ashram's routine of prayer and physical work. Activities included cleaning, cooking, washing and looking after the domesticated animals. He brought his wife Jankidevi and his children to live in the Ashram. However, this close relationship and his deep involvement in the independence movement did not leave Jamnalal Bajaj with much time to spend on his newly launched business venture. ^[1]

Freedom struggle

In 1920, Jamanalal was elected chairman of the reception committee for the [Nagpur](#) session of the [Indian National Congress](#). He gave up the title of Rai Bahadur conferred on him by the British government and joined the non-co-operation movement in 1921. Later, in 1923, he participated in the flag [satyagraha](#), defying a ban on flying the national flag in [Nagpur](#), and was arrested. This earned him national admiration.

He wanted Gandhi to move to [Wardha](#) and make it the center of his activity. After the [Dandi March](#) in April 1930, Gandhi moved to [Sevagram](#), a small village near [Wardha](#), since he wanted to live close to the rural populace. Gandhi vowed not to return to [Sabarmati Ashram](#) until freedom was achieved.

Jamanalal was named president of [Gandhi Seva Sangha](#), a group of workers who dedicated their time to constructive work. He was later elected a member of the [Congress Working Committee](#) and as the treasurer of Congress in 1933.

Social initiatives

Jamanalal Bajaj was interested in initiatives such as the removal of [untouchability](#), promotion of [Hindi](#), and [Khadi](#) and village Industries. He had toured across the country promoting Khadi. In 1925, he was chosen as the treasurer of the All India Spinners Association. He was also the president of the [All India Hindi Sahitya Sammelan](#) (literary convention) that promoted Hindi as the single language to unite all Indians. He was instrumental in publishing [Hindi](#) magazines and books. He initiated the Gandhi Hindi Pustak Bhandar (bookshop) in Mumbai and started the [Sasta Sahitya mandal](#) (publishing house).

He founded the Dakshin Bharat Hindi Prachar Sabha (university) along with [C. Rajagopalachari](#) in hopes of spreading the learning of Hindi across the country.

With the intent of eradicating untouchability, he fought the non admission of [Harijans](#) into [Hindu](#) temples in his home town of [Wardha](#). As orthodox Hindu priests and [Brahmins](#) objected, he opened his own family temple, the Laxmi Narayan Mandir, in Wardha, for the Harijans in 1928. He began a campaign by eating a meal with Harijans and opening public wells to them. He opened several wells in his fields and gardens.

Due to his devotion, he was elected the chief of the Jaipur Rajya Praja Mandal in 1938. While chief, he negotiated a truce between the maharajas of [Sikar](#) and [Jaipur](#).

In honour of his social initiatives a well known national and international award called Jamanlal Bajaj Award has been instituted by the Bajaj Foundation. ^[2] Past awardees include Nelson Mandela and Desmond Tutu among others.

Differences with Gandhi

Though he had a lot of devotion in [Gandhi](#)'s work, he did not hesitate to express his differences frankly and fearlessly. He differed with Gandhi when he disagreed with Congress contesting in the 1933 elections to the legislature. When the Congress Working Committee informally decided to make him the President of the Hrapur Session of the Congress which Gandhi personally approved, he chose to pass the honour to [Subhash Chandra Bose](#).

Charity

Jamanalal dedicated much of his wealth to the poor. He felt this inherited wealth was a sacred trust to be used for the benefit of the people. This was in line with the trusteeship concept proposed by Gandhi.

Last days

As per Gandhi's suggestion, Jamnalal spent his last days attending to cattle also known as Goseva. His activities included bathing them, sweeping the floor clean, feeding them, milking and other duties. He studied new methods of cattle-rearing and in the first week of February 1942, he organized the All India Goseva Conference at Wardha and invited experts and delegates from all over the country. It was inaugurated by Gandhi and [Vinoba](#) presided over the conference. He was elected the first President of the All India Goseva Sangh. He died on 11 February 1942.

Key Dates:

1945: Bajaj Auto is founded.

1960: Rahul Bajaj becomes the Indian licensee for Vespa scooters.

1977: Technical collaboration with Piaggio ends.

1984: Work begins on a second plant.

1998: Bajaj plans to build its third plant to meet demand.

2000: Thousands of workers are laid off to cut costs.

Company History:

Bajaj Auto Limited is India's largest manufacturer of scooters and motorcycles. The company generally has lagged behind its Japanese rivals in technology, but has invested heavily to catch up. Its strong suit is high-volume production; it is the lowest-cost scooter maker in the world. Although publicly owned, the company has been controlled by the Bajaj family since its founding.

Origins

The Bajaj Group was formed in the first days of India's independence from Britain. Its founder, Jamnalal Bajaj, had been a follower of Mahatma Gandhi, who reportedly referred to him as a fifth son. 'Whenever I spoke of wealthy men becoming the trustees of their wealth for the common good I always had this merchant prince principally in mind,' said the Mahatma after Jamnalal's death.

Jamnalal Bajaj was succeeded by his eldest son, 27-year-old Kamalnayan, in 1942. Kamalnayan, however, was preoccupied with India's struggle for independence. After this was achieved, in 1947, Kamalnayan consolidated and diversified the group, branching into cement, ayurvedic medicines, electrical equipment, and appliances, as well as scooters.

The precursor to Bajaj Auto had been formed on November 29, 1945 as M/s Bachraj Trading Ltd. It began selling imported two- and three-wheeled vehicles in 1948 and obtained a manufacturing license from the government 11 years later. The next year, 1960, Bajaj Auto became a public limited company.

Rahul Bajaj reportedly adored the famous Vespa scooters made by Piaggio of Italy. In 1960, at the age of 22, he became the Indian licensee for the make; Bajaj Auto began producing its first two-wheelers the next year.

Rahul Bajaj became the group's chief executive officer in 1968 after first picking up an MBA at Harvard. He lived next to the factory in Pune, an industrial city three hours' drive from Bombay. The company had an annual turnover of Rs 72 million at the time. By 1970, the company had produced 100,000 vehicles. The oil crisis soon drove cars off the roads in favor of two-wheelers, much cheaper to buy and many times more fuel-efficient.

A number of new models were introduced in the 1970s, including the three-wheeler goods carrier and Bajaj Chetak early in the decade and the Bajaj Super and three-wheeled, rear engine Autorickshaw in 1976 and 1977. Bajaj Auto produced 100,000 vehicles in the 1976-77 fiscal year alone.

The technical collaboration agreement with Piaggio of Italy expired in 1977. Afterward, Piaggio, maker of the Vespa brand of scooters, filed patent infringement suits to block Bajaj scooter sales in the United States, United Kingdom, West Germany, and Hong Kong. Bajaj's scooter exports plummeted from Rs 133.2 million in 1980-81 to Rs 52 million (\$5.4 million) in 1981-82, although total revenues rose five percent to Rs 1.16 billion. Pretax profits were cut in half, to Rs 63 million.

New Competition in the 1980s

Japanese and Italian scooter companies began entering the Indian market in the early 1980s. Although some boasted superior technology and flashier brands, Bajaj Auto had built up several advantages in the previous decades. Its customers liked the durability of the product and the ready availability of maintenance; the company's distributors permeated the country.

The Bajaj M-50 debuted in 1981. The new fuel-efficient, 50cc motorcycle was immediately successful, and the company aimed to be able to make 60,000 of them a year by 1985. Capacity was the most important constraint for the Indian motorcycle industry. Although the country's total production rose from 262,000 vehicles in 1976 to 600,000 in 1982, companies like rival Lohia Machines had difficulty meeting demand. Bajaj Auto's advance orders for one of its new mini-motorcycles amounted to \$57 million. Work on a new plant at Waluj, Aurangabad commenced in January 1984.

The 1986-87 fiscal year saw the introduction of the Bajaj M-80 and the Kawasaki Bajaj KB100 motorcycles. The company was making 500,000 vehicles a year at this point.

Although Rahul Bajaj credited much of his company's success with its focus on one type of product, he did attempt to diversify into tractor-trailers. In 1987 his attempt to buy control of Ahsok Leyland failed.

The Bajaj Sunny was launched in 1990; the Kawasaki Bajaj 4S Champion followed a year later. About this time, the Indian government was initiating a program of market liberalization, doing away with the

old 'license raj' system, which limited the amount of investment any one company could make in a particular industry.

A possible joint venture with Piaggio was discussed in 1993 but aborted. Rahul Bajaj told the *Financial Times* that his company was too large to be considered a potential collaborator by Japanese firms. It was hoping to increase its exports, which then amounted to just five percent of sales. The company began by shipping a few thousand vehicles a year to neighboring Sri Lanka and Bangladesh, but soon was reaching markets in Europe, Latin America, Africa, and West Asia. Its domestic market share, barely less than 50 percent, was slowly slipping.

By 1994, Bajaj also was contemplating high-volume, low-cost car manufacture. Several of Bajaj's rivals were looking at this market as well, which was being rapidly liberalized by the Indian government.

Bajaj Auto produced one million vehicles in the 1994-95 fiscal year. The company was the world's fourth largest manufacturer of two-wheelers, behind Japan's Honda, Suzuki, and Kawasaki. New models included the Bajaj Classic and the Bajaj Super Excel. Bajaj also signed development agreements with two Japanese engineering firms, Kubota and Tokyo R & D. Bajaj's most popular models cost about Rs 20,000. 'You just can't beat a Bajaj,' stated the company's marketing slogan.

The Kawasaki Bajaj Boxer and the RE diesel Autorickshaw were introduced in 1997. The next year saw the debut of the Kawasaki Bajaj Caliber, the Spirit, and the Legend, India's first four-stroke scooter. The Caliber sold 100,000 units in its first 12 months. Bajaj was planning to build its third plant at a cost of Rs 4 billion (\$111.6 million) to produce two new models, one to be developed in collaboration with Cagiva of Italy.

New Tools in the 1990s

Still, intense competition was beginning to hurt sales at home and abroad during the calendar year 1997. Bajaj's low-tech, low-cost cycles were not faring as well as its rivals' higher-end offerings, particularly in high-powered motorcycles, since poorer consumers were withstanding the worst of the recession. The company invested in its new Pune plant in order to introduce new models more quickly. The company spent Rs 7.5 billion (\$185 million) on advanced, computer-controlled machine tools. It would need new models to comply with the more stringent emissions standards slated for 2000. Bajaj began installing Rs 800 catalytic converters to its two-stroke scooter models beginning in 1999.

Although its domestic market share continued to slip, falling to 40.5 percent, Bajaj Auto's profits increased slightly at the end of the 1997-98 fiscal year. In fact, Rahul Bajaj was able to boast, 'My competitors are doing well, but my net profit is still more than the next four biggest companies combined.' Hero Honda was perhaps Bajaj's most serious local threat; in fact, in the fall of 1998, Honda Motor of Japan announced that it was withdrawing from this joint venture.

Bajaj Auto had quadrupled its product design staff to 500. It also acquired technology from its foreign partners, such as Kawasaki (motorcycles), Kubota (diesel engines), and Cagiva (scooters). 'Honda's annual spend on R & D is more than my turnover,' noted Rupal Bajaj. His son, Sangiv Bajaj, was working to improve the company's supply chain management. A marketing executive was lured from TVS Suzuki to help push the new cycles.

Several new designs and a dozen upgrades of existing scooters came out in 1998 and 1999. These, and a surge in consumer confidence, propelled Bajaj to sales records, and it began to regain market share in the fast-growing motorcycle segment. Sales of three-wheelers fell as some states, citing traffic and pollution concerns, limited the number of permits issued for them.

In late 1999, Rahul Bajaj made a bid to acquire ten percent of Piaggio for \$65 million. The Italian firm had exited a relationship with entrepreneur Deepak Singhania and was looking to reenter the Indian market, possibly through acquisition. Piaggio itself had been mostly bought out by a German investment bank, Deutsche Morgan Grenfell (DMG), which was looking to sell some shares after turning the company around. Bajaj attached several conditions to his purchase of a minority share, including a seat on the board and an exclusive Piaggio distributorship in India.

In late 2000, Maruti Udyog emerged as another possible acquisition target. The Indian government was planning to sell its 50 percent stake in the automaker, a joint venture with Suzuki of Japan. Bajaj had been approached by several foreign car manufacturers in the past, including Chrysler (subsequently DaimlerChrysler) in the mid-1990s.

Employment fell from about 23,000 in 1995-96 (the year Bajaj suffered a two-month strike at its Waluj factory) to 17,000 in 1999-2000. The company planned to lay off another 2,000 workers in the short term and another 3,000 in the following three to four years.

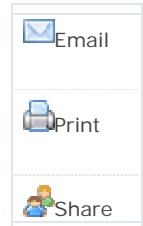
Principal Subsidiaries: Bajaj Auto Finance Ltd.; Bajaj Auto Holdings Ltd.; Bajaj Electricals Ltd.; Bajaj Hindustan Ltd.; Maharashtra Scooters Ltd.; Mukand Ltd.

Principal Competitors: Honda Motor Co., Ltd.; Suzuki Motor Corporation; Piaggio SpA.

Getting to the very core of the Bajaj family dispute

Satish John
Tuesday, March 13, 2007 22:21 IST

MUMBAI: As always, disputes within business families relate to the third generation where the number of family members tends to outnumber divisible assets. This is what happened with the Bajaj family, which owes its origin to Jamnalal Bajaj.



Jamnalal had two sons- Ramkrishna and Kamalnayan. The latter had two sons, Rahul and Shishir, while the former had three - Shekhar, Madhur and Niraj. In the second generation, ownership of the Bajaj group of companies - held through Bajaj Sevashram - went 50% each to the Ramkrishna and Kamalnayan groups. By the third generation, the shares were down to 25% each for the two sons of Kamalnayan (Rahil and Shishir) and 16.67% for their three cousins. The entry of the fourth generation has hastened moves to clarify control and ownership issues.

As fate would have it, when Bajaj Auto became a force to reckon with in the two-wheeler industry in the 1970s, Rahul Bajaj became the face of the group, leaving his brother and cousins in the shade.

Under the informal division of responsibilities for the cousins, Shishir managed Bajaj Hindusthan, Madhur played various roles in Bajaj Auto, Shekhar runs Bajaj Electricals, and Niraj runs Mukand

(along with the Viren Shah family). But when Shishir's son Kushagra grew up and was raring to create his own space in the Bajaj group, the old cosy arrangement faced its first threat.

In 2000, Kushagra asked for a role in the financial services business of Bajaj Auto, but this was unacceptable to Rahul Bajaj. That's when Shishir finally decided to ask for a separation, to give enough space for his son.

In June, 2003, a memorandum of understanding was signed between the five cousins and by February, 2004, a compensation order given by mediator DS Mehta, a trusted Bajaj Auto official, suggested that apart from control of Bajaj Hindusthan, the Shishir Bajaj group should be given a cash compensation equivalent to his percentage share in Bajaj Sevashram - 25%. In terms of cash value, this would have worked out to Rs 500 crore, according to Kushagra.

However, Rahul Bajaj and his three cousins balked at this figure, and after much acrimony and renegotiation, it was decided that Shishir would get Rs 170 crore plus the family holding companies' stake in Bajaj Hindusthan.

While Bajaj Sevashram itself held no shares of Bajaj Hindusthan, two other holding companies - Jamnalal Sons (a 100% subsidiary of Sevashram), and Bachhraj & Co, 78% held by Jamnalal Sons - held the group's 28% stake in Bajaj Hindusthan. The bulk of it - 24.54% - was with Bachhraj.

However, since Bachhraj had minority shareholders, the Pittie and Birla families, Rahul Bajaj's faction proposed a mirror company for Bachhraj & Co to shift ownership of the Bajaj Hindusthan shares in the same proportion as the main company.

It was proposed that the new Bachhraj company will hold 24.54% of Bajaj Hindusthan and the old Bachhraj would continue to retain Mukand Steel's 0.7% and Bajaj Auto's 1.82% stake.

That's where the stalemate is. Both factions are trying to drive a hard bargain. Kushagra is seemingly in a tearing hurry, wanting to break away and grow faster, while Rahul Bajaj, the 68-year-old family patriarch, wants to finish it off as early as yesterday.

For those who came in late. Kushagra's married into the illustrious Birla family (Kumar Mangalam Birla's sister Vasavadatta). He is ambitious and seen to be a go-getter. He was offered a job at Bajaj Auto, but he was not interested in a lowly post.

His cousins Rajiv and Sanjiv acquitted themselves well and were more than equal to the challenge posed by the Japanese motorcycle makers when they took charge of Bajaj Auto.

Kushagra, who's equally resourceful, has, meanwhile, blueprinted a plan to take Bajaj Hindusthan to the next orbit as a global scale sugar maker with interests in ethanol, etc. The stock markets noticed the quest for growth and profits and Bajaj Hindusthan shares have gained dramatically during the time.

How Gurumurthy resolved the Bajaj feud

S Gurumurthy, convener of Swadeshi Jagran Manch and noted chartered accountant, is a happy man today.

Having mediated successfully to resolve the feud between Bajaj Auto Ltd [[Get Quote](#)] Chairman Rahul Bajaj and his younger brother Shishir (*who controls Bajaj Hindustan Ltd [[Get Quote](#)] and has a stake in Bajaj Auto and other group firms*), Gurumurthy seems relieved.

"When I saw the entire Bajaj family laughing together and cracking jokes, going back to the times when they had no fight, I felt so happy," Gurumurthy says.

Gurumurthy became involved in resolving the dispute when the Shishir Bajaj family approached him, in his capacity as a chartered accountant, through a lawyer friend sometime in the middle of 2002.

Gurumurthy told *rediff.com* that initially he was very reluctant to get involved in the dispute.

"I told them plainly; first, I don't have the time, and second, I don't get involved in family quarrels. But my lawyer friend told me not to take it up as a professional assignment. He said, 'Just keep them advised on moral grounds on what they should do and what they should not do.' I agreed," he says.

Gurumurthy, however, also made it very clear that if any of the Bajaj kin resorted to moving the court of law, he would withdraw.

He first started helping the Bajajs draft letters and complete other legal formalities, but on the understanding that he would have nothing to do if they filed a suit against each other.

So, when Shishir Bajaj filed a case in the first week of March 2003 against elder brother Rahul, Gurumurthy withdrew from the scene.

But he was persuaded by another common friend to intervene once again. He said, "Guru, you should make the effort to contact Rahul and see that the case is settled." Gurumurthy refused to ring up Rahul Bajaj. Instead, Suresh Neotia, a friend of Gurumurthy and also a relative of Rahul Bajaj, contacted the Bajaj Auto chairman and had a discussion with him. This resulted in Rahul Bajaj calling Gurumurthy back onto the negotiation table.

"We had a long chat during which he told me his side of the story. I told him to settle the dispute. He welcomed my suggestions (*Gurumurthy refused to elaborate*). My record is that I have never allowed anyone to fight; I have always brought fighting families together for a settlement. I have noticed that much of the fight is on account of egos. In this case also, everybody was for settlement, but nobody knew how to settle the fight," says Gurumurthy.

On the March 27, 2003, Gurumurthy and Rahul Bajaj met twice, in quick succession, in Mumbai [[Images](#)].

In his meetings with both Rahul and Shishir, Gurumurthy did some 'plain and hard talking' reminding them about their family name and their own reputation.

Meanwhile, Shishir Bajaj gave Gurumurthy the full authority to settle the dispute.

On the June 6, everything was settled at a meeting in Pune. The same evening, the entire Bajaj family met in Mumbai, symbolizing the fact that everything was fine once again.

Nationalist Congress Party leader Sharad Pawar [[Images](#)] and the Bajaj family advisor Dhirajlal Mehta were also present at the happy reunion.

So how was he able to resolve this battle so amicably? "They knew that I would do some plain talking. Both the sides felt they could trust me. They trusted my integrity and honesty. They knew nobody could buy me. Nobody had any insecurity about me. Another major reason is that I didn't do anything for money. It was resolved in such a manner that both the sides have to give in somewhere, and my role was to persuade them to give up," he says.

Gurumurthy informed *rediff.com* that reports that Sharad Pawar and Dhirajlal Mehta could not bring about a settlement were wrong. "It was wrongly reported. At one point in time, the idea was to refer the problem to them as mediators, but that reference never took place. So it was wrong to say that they intervened and failed," he clarifies.

What weighed on his mind heavily as he was helping the Bajajs settle the dispute was that he did not want one of India's [[Images](#)] premier companies to fall apart.

He also felt that if the company's interests were hurt, national economic interests also would have been hurt. "So I never thought of it as a micro issue; it was a macro issue."

Though Gurumurthy refuses to go into the details of the fight now that everything has been settled, he admits that it was a "tough and difficult" task.

He also holds the view that all family settlements are difficult because there is not only an emotional angle, but also an economic angle to such disputes.

When asked whether his being the convener of the Swadeshi Jagran Manch had anything to do with the mediation, he answers in the negative. But admits that he was motivated by the 'swadeshi ideology.'

He also attributes his success to his training in the Rashtriya Swayamsevak Sangh because it has made him look at issues (such as the Bajaj dispute) not as a professional, but as an Indian.

He confesses that if he had not come in contact with the RSS, he would have worked solely for himself. "Now, when I go to Tiruppur or Namakkal or Karur (*in Tamil Nadu*), I see national interest in the people. I tell them, you are not just doing business, but enriching national interests. Their pride swells a hundred fold when I tell them this, because there is an element in a person which craves for a larger and nobler identity."

"I got this attitude to link a person to a nation from the RSS. In this process, I myself got marginalised and my propensity or desire to make money got marginalised. That's why I say, if I had not come in contact with the RSS, I

would have been a hundred times richer money-wise, but maybe a hundred times poorer in other respects," says Gurumurthy.

What he tried for the people of [Tiruppur](#) or Namakkal or Karur, he tried for the Bajajs too.

He told the Bajaj family that if anything happened to the Bajaj family, it would affect the nation.

"I told them, don't think the business belongs to you, you may own it, you may run it, but its impact is on the country. When I talk to people like this, it certainly makes a difference. They suddenly begin to feel a larger purpose in their doing business itself."