

Economic Times

KK Modi puts truts in succession plan

Date: 04-09-2009 | Edition: Delhi | Page: 1 | Source: Bureau | Clip size (cm): W: 11 H: 23

Clip: 1 of 1

KK Modi puts trust in succession plan

MODIFICATION TIME



THE Rs 3,500-CRORE KK MODI GROUP INCLUDES THE FOLLOWING MAJOR COS:

GODFREY PHILLIPS

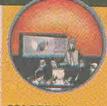
Undoubtedly the KK Modi Group's nine-pound gorilla. The only listed company contributes substantially to its overall revenues

INDOFIL

Fertiliser and industrial chemicals company

MODICARE

Direct marketing company primarily into FMCG products



COLORBAR
Cosmetics brand
FASHION TV
Lifestyle TV channel

MODI APOLLO INTERNATIONAL INSTITUTE: Group of educational institutions

Moves Holdings To Trust To Be Controlled By Children

FAMILY

TIE-UPS

Modi scions must

unanimously select

who controls the

trust, else they can

sell the business

Amit Sharma

KK MODI, the 69-year-old tycoon whose businesses include cigarette maker Godfrey Phillips and direct selling company Modicare, has scripted a 'one for all, all for one' succession plan to ensure his three children stay together to steer his Rs 3,500-crore empire.

The family has moved its holdings in group companies to a trust that will be controlled by a person his three children—Samir Modi, Lalit Modi and Charu Modi Bhartia—select unanimously every three years.

"After me, my children have to choose

one of them or an outsider to lead the business," Mr Modi told ET. "They can either work together or sell the business and divide the money," he added.

He does not want his children to go through the pain of split that he experienced in 1989 when he and four siblings divided their father Rai Bahadur Gujar Mal Modi's business. Hence, the trust.

"The trust can have only one CEO or chairman who will seek election to the post from among the siblings every three years, and they have to choose the CEO unanimously. If there is no consensus, the three siblings can sell the businesses and share the money," Mr Modi said.

At present, his only daughter Charu Bhartia Modi looks after the group's education business Modi Apollo International Institute, Samir Modi heads cosmetics business ColorBar Cosmetics and Lalit Modi, best known as the commissioner of twenty20 cricket tournament Indian Premier League (IPL), looks after the entertainment vertical.

India Inc has over the years witnessed a number of bitter succession battles—the biggest being the war between Ambani brothers. Many family businesses are making elaborate plans to ensure smooth succession with or without the help of professional succession planners. Businesses like the Dalmia Group and GMR Group claim to have proper succession plans in place.

Mr Modi's plan will ensure his group remains in one piece even if his children part ways. He hopes they stay together. "It will be beneficial for them to continue together rather than divide... On all policy matters,

they are all still together," he said.

Mr Modi said he supported son Lalit Modi's efforts to establish IPL as a commercially viable sports property. "He has created a lot of value and it gives him a lot of fame." He hoped that Lalit Modi, who is a director on the boards of all group companies, will start focusing on the family business in one or two years. "It

depends on how much time he has."

Mr Modi, who oversees the working of group companies, indicated the cigarettes to fertilisers group—that is growing at over 30% per annum—has no plans to enter any new sectors. "Each one (of the children) had to learn to do business, so we had to create businesses for them to learn. But now I think enough diversification has been done for this generation and we should now make these businesses international," he said.

At present Godfrey Phillips India, the only listed company of the group, accounts for most of its revenues.