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Rudra Chatterjee: Steeped in the past

The heir to Luxmi Tea and chairman of Obeetee on taking the 100-year-old businesses into a more challenging future

Last Published: Fri, Oct 06 2017, 10 32 AM IST

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Photo: Jayachandran/Mint

If you are invested in carpet-making, it's time you realized that the business is approaching sunset. You need not panic just yet though. It isn't immediately clear how many years stand between now and the inevitable, but you better brace for the end, says Rudra Chatterjee, chairman of Obeetee.

For Chatterjee, 40, rug-making is a passion he acquired after graduating from Kolkata's St Xavier's College with a degree in economics. His father Dipankar Chatterjee, chairman of the Luxmi Group, had bought a controlling stake in Obeetee Ltd, the famed rug-maker, in 1998.

The deal was simple: Edward Oakley, the grandnephew of one of the co-founders, would continue to run Obeetee as chairman as he had done previously, and the Chatterjees would provide the working capital.

Still undecided about whether to pursue postgraduate studies or join the family business, Chatterjee headed to Mirzapur, Obeetee's production base in eastern Uttar Pradesh, to oversee operations as Oakley's understudy. Almost two decades on, he heads the enterprise as its chairman.

"Edward wasn't the first, but one of my key mentors," Chatterjee says, seated in the Reynolds Room of the Bengal Club, Kolkata sipping tea from Makaibari, a prized estate in Darjeeling which the family acquired in 2014.

"The first pot was nice, but why is this one so strong?" he asks the server, pausing the conversation. For Chatterjee, poorly brewed tea is always unacceptable, especially if it is from one of his own gardens.

One of the lessons he has learnt from Oakley and his father is to have "zero-tolerance towards imperfection".

Rugs made by Obeetee are handwoven, yet you will never find a knot out of place. That's how demanding a boss Oakley was, says Chatterjee. Nor could there be delays in delivery—an important business lesson Chatterjee learnt as he oversaw carpet-making often at unearthly hours, pushing weavers to meet deadlines.

Chatterjee's family has been invested in tea for over a century now. His grandfather, Paresh Chandra Chatterjee, set up a tea plantation in then independent Tripura in 1912.

Luxmi Tea Co. Pvt. Ltd, the company he founded, produces 15 million kg of tea from 17 estates in Assam, Tripura and West Bengal. Diversification from the core business of running plantations started under Dipankar, when he invested in Obeetee. Chatterjee says his father took an interest in Obeetee because he found the culture of the enterprise similar to his own. "Through generations we have earned people's trust," he says. "We never send out samples (of tea) to our buyers." And the Chatterjees pride themselves on this.

However settled a business may look like from outside, there is no "stable-state equilibrium" for any business, says Chatterjee, who, after spending two years overseeing production at Obeetee, enrolled at Columbia Business School in the US for a postgraduate degree in management in 2001.

He then joined Booz Allen Hamilton's New York office as a management consultant and worked for around three years till the end of 2007.

"That gave me access to some of the biggest enterprises in the world, and the opportunity to think how they could do things differently," says Chatterjee.

At 30, it was time to do something for the family businesses. The immediate need was to steady the operations at Obeetee. As Western markets plunged into economic crisis, something out-of-the-box had to be done to revive the rug-maker in 2007.

"It was kind of obvious that at some point I had to join my father in Kolkata," he recalls. "Still, I asked him what role he had envisaged for me."

Chatterjee was told that he was to become the "bride's mother" for all the family's business interests. "That meant you are not the centre of attraction, but the key troubleshooter who will deal with anything and everything," says Chatterjee.

In 10 years, the role hasn't changed. His job now is to think ahead for all his family's businesses. Apart from tea and carpets, the group also has investments in real estate and automobile components.

As India's economy continues to grow, weaving carpets will become too expensive owing to increasing labour costs, squeezing profits for companies such as Obeetee, says Chatterjee. Over the last few centuries, carpet-making has moved from Western Europe to West Asia, and then to countries such as India, Pakistan and China, owing to the availability of cheap labour.

At some point in the future, wages in India too will make weaving unviable. And in the age of mechanization, India will lose its competitive edge in carpet-making. Chatterjee has already started making plans.

Leveraging Obeetee's goodwill, he has expanded into furniture-making—"a natural extension" to take the legacy forward. Following the Chatterjee tradition of seeking out investment opportunities among family-owned enterprises, Chatterjee had, in 2015, identified a furniture maker in London they could buy out, but the deal fell through.

While exploring the opportunity to take control of the bespoke furniture maker in Pimlico in central London, Chatterjee made friends with one of the company's key executives, David Salmon. When Chatterjee decided to launch his own furniture company in 2015, Salmon joined hands to found Manor and Mews Ltd, which makes cabinets. It has launched stores in London and New York.

Recently, he launched a line of premium rugs called Proud To Be Indian, partnering with designers such as Tarun Tahiliani and Raghavendra Rathore. The idea is to make carpets glamorous and give Obeetee, the sole rug suppliers to hotels of The Oberoi Group, a new driving force.

"In business, you should be ready to make a fool of yourself," says Chatterjee. That's the key to seek out new horizons for yourself.

Lately, he has taken to cooking for his family. "I never knew I would enjoy cooking," he says. What scares him is the "drudgery of sameness".

Earlier this year, he took on a new challenge: of setting up a tea estate in Rwanda from scratch. He has been negotiating with the government and other potential investors for three years, cautiously evaluating the opportunity and taking steps to mitigate risks. It's a project for the long haul, with an investment commitment of \$25 million (around Rs163 crore) over eight years. The reason for taking the plunge: In time, the 4,500-hectare plantation in Rwanda will allow Luxmi Tea to expand its product range as act as a hedge against the declining profitability of tea estates in India.

One problem, however, continues to trouble Chatterjee. Like all other organized-sector tea growers, his company is struggling to cope with pressure from marginal growers. Whereas large companies have to pay regulated wages and provide housing and healthcare facilities to workers, small growers get away with significantly lower production costs. Small growers now account for 44% of India's 1.3 billion kg annual produce. Pundits have predicted that unless the playing field is levelled, organized-sector tea growers may run aground within years.

Expanding outside India is a hedge, not a solution to the problem. The threat to Chatterjee's interests in tea is far more real than to carpets. Sadly, there's little he can do about it.

First Published: Fri, Oct 06 2017, 10 11 AM IST

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