

Nothing is For-Profit, There is No Surplus Anywhere: Nadar

ET EXCLUSIVE Q&A

In 1994, with a windfall gain from HP exiting a joint venture with HCL, Shiv Nadar started an eponymous philanthropic foundation. Two decades later, the Shiv Nadar Foundation has several educational institutions and an art museum in its fold. Yesterday, the Foundation released its first-ever annual report, detailing how it has spent ₹1,800 crore so far of the ₹6,000 crore it has committed to philanthropy. An annual report helps bring transparency and accountability, says the 68-year-old Nadar, founder-chairman of the HCL Group and founder-chairman of the Foundation, where his daughter, Roshni Nadar Malhotra, 32, is a trustee. In a wide-ranging interview with Shelley Singh, the father-daughter duo dwell on the Foundation's work this far and why their ultimate objective is to emulate the MIT model and produce change-makers in significant numbers.

The Shiv Nadar Foundation was set up 20 years ago and this is the first annual report you have put out. Why now?

Shiv: Our accounts have been audited all through by PricewaterhouseCoopers. We knew what the totals were, but we had never consolidated with a global auditing firm. We thought we would do it now.

This reinforces that we are doing what we are saying. We want to state what we have done, not after we are dead and gone. It's a statement of the expenditure we have incurred, not something we plan to do, and it's in front of everybody.

Broadly, we have specified the Foundation will spend \$1 billion (about ₹6,000 crore). We have done ₹1,800 crore in the last 20 years. By the end of this fiscal, the spend will go up to ₹3,021 crore. The report will come out annually.

How do you gain by publishing this report?

Shiv: Transparency and accountability. What happens to a private company that comes out with a quarterly report and an annual report? It gives transparency. It talks of basic issues of governance and transactions with related parties.

To us, the definition of philanthropy is what we spend. P&L account means expenditure, lines of revenue. There is a surplus, it goes to the balance sheet. A transparent foundation should disclose this. Otherwise, it becomes an individual's statement that I have spent so much or I have given a pledge. How do you say someone is moving money from one holding company to another, from one trust to another. That does not mean anything unless stated publicly in an annual report.

Some foundations disclose spends, but most do not. How do you see governance of philanthropy in the

Where Nadar's Philanthropic Capital is Going

Out of the \$1 billion (about ₹6,000 cr) committed, the Shiv Nadar Foundation has spent ₹1,800 crore till March 2013. Its philanthropic vehicle for the arts is the biggest recipient, and infrastructure and art works the two biggest spends

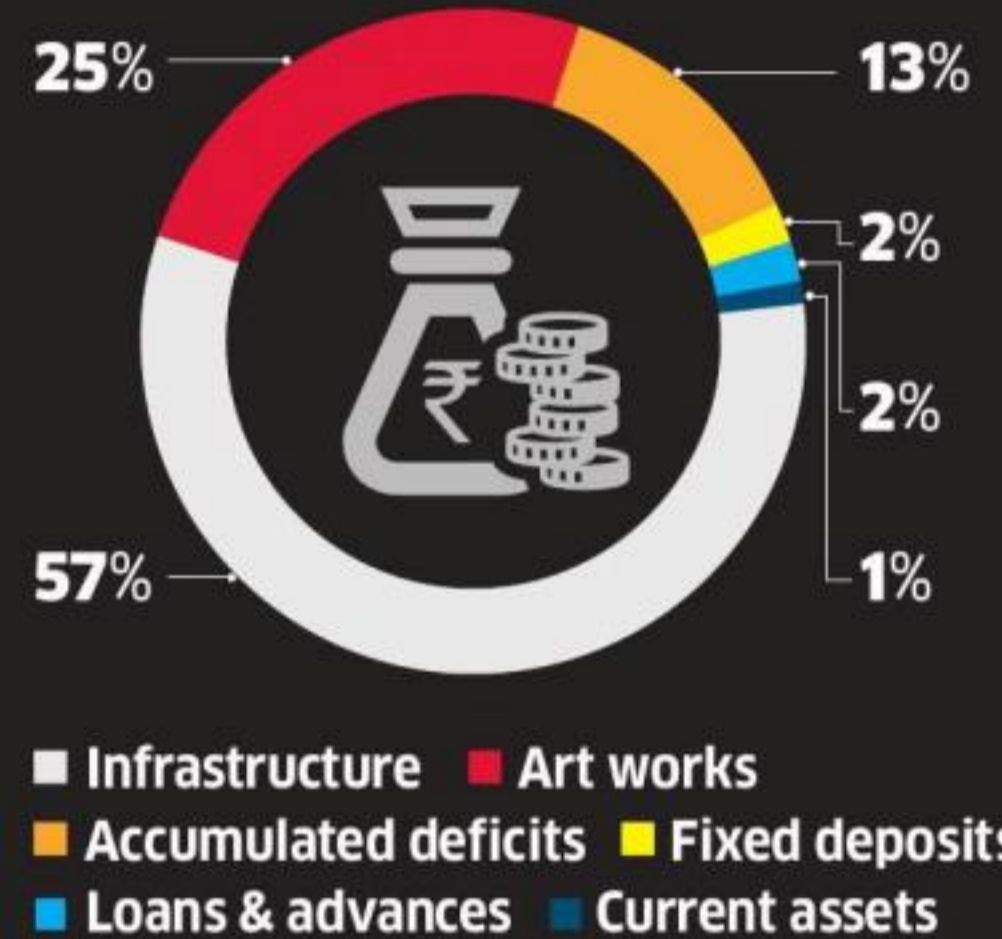
By Institution (in ₹Cr)

Engineering college (Chennai)	280
University (Greater Noida)	512
Rural schools UP (Bulandshahar & Sitapur)	248
Public schools (Gurgaon & Noida)	183
Museum of art (Delhi)	548
Other initiatives	310



Photo: Amrendra Jha

By Area



Source: Shiv Nadar Foundation 2013 annual report

country?

Shiv: Unless they publish, how do I know? I can't make out from what they say in the press. A press statement may be given with a very good intention, but it says nothing beyond it.

If it comes from corporations that they run, then it is corporate social responsibility (CSR). That's different from philanthropy. CSR is a lot of shareholders, including me. It's not ours. Here (at the Foundation), between Roshni and me, whatever we spend has gone out of our bank accounts. That clarity has to be there in any charitable foundation.

What do you look for when you select board members for the Foundation? Some of its trustees are former bureaucrats.

Shiv: Former cabinet secretary TSR Subramanian was on the board of HCL, chairman of the audit committee. Given his background and track record, he is known for his independence. Moni Malhoutra is a former IAS officer and a Rhodes Scholar. They know India very well and can tell us what social areas we can contribute to. And this helps a lot in a foundation like ours.

Do you need bureaucrats for philanthropic efforts?

Shiv: We may expand the board as and when need be. There's also a board for VidyaGyan Schools and Shiv Nadar Schools, where members are eminent professionals in their fields. Trustees are more to define strategy and outline areas where we should be.

Students don't pay anything at VidyaGyan School. But they pay at the Shiv Nadar Schools, University and SSN students. Are these for-profit initiatives?

Shiv: Nothing is for-profit. That's why we have the balance sheet for anyone to see. We have not created surplus anywhere. There will never

be. If we want to make a profitable activity out of education, number one, we know how to do it, and number two, we have the best record of anyone doing it – NIIT was promoted by HCL.

Roshni: We decided not to create any profitable entity around education and it will remain that way. Initiatives under the Shiv Nadar Foundation will never be for-profit. It is the largest private foundation spending on education in India and anywhere in emerging countries.

Are you happy with the Foundation's work? Is it turning out the way you envisaged?

Shiv: It's a long way to go. Ours is a foundation in which two generations are working together. We (pointing to Roshni) have never worked together in business. It will take 25 years to meet some of the objectives. In 10 years, you can get the infrastructure. But to get the research side of it, to see the output, it will take time. IIT Kharagpur (where he is the chairman) is over 60-years-old.

So, is an institution about scale or output?

Shiv: It's neither scale nor output, it's about maturity. SSN (College of Engineering in Chennai) has started maturing – it has an alumni, which started 18 years ago. The alumni are in reasonably important positions. All alumni will have good bonding if the institution has helped them create something in life.

They create a pull for their juniors in the companies they work, in the countries they work. That's how an institution gets its bearings. Roughly one-third of SSN students go out to the US and that's about as many as IITians going out of the country.

There's a Kauffman entrepreneurial impact report on MIT (Massachusetts Institute of Technology). There are some amazing numbers in the report: 25,800 companies currently active have been founded by MIT

alumni. This does not include companies where founders passed away (like Intel and HP). These companies started by MIT graduates have created 3.3 million jobs and their estimated annual sales is \$1.85 trillion – 30% more than India's GDP. That's maturity.

Roshni: IITians abroad have created more wealth than India's GDP (ever since IITs started). That's what a maturing of an institution means. We want to create institutions of this calibre.

Is there a model in philanthropy you are following?

Roshni: Our model is creative philanthropy, where we want to create leaders. It's a leap of faith we have taken. We will not open more schools in UP, but expand the current schools. Already two lakh students are competing for the 400 seats we have on offer.

Shiv: Roshni's goal is that we will have a prime minister coming out of VidyaGyan institutions. When I see those young children (at VidyaGyan schools), there is something about them. I have this intuitive sense, much like businesses that I have started out of sheer intuition...I can sense that ability among these rural scholars.

This is the first time the two of you are working together. What have you learnt from each other?

Roshni: Discipline, hard work, thinking outside the box. Look at all options and work it out rather than get intimidated. Aim for the moon and touch the sky.

Shiv: Working with Roshni gives me lot of confidence. When I started SSN – in 1994, after a windfall gain from HCL-HP then – I was ok to do it alone. My brother who was supposed to head it passed away. We had a governing council to run it. That was a leap of faith and we didn't know where we will get. Now, we have data to prove we are on the right track.