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Publication:	The Times of India	Edition:	Online
Date:	November 23, 2013	Page:	Business

<http://timesofindia.indiatimes.com/business/india-business/Sterlings-second-coming-is-no-vacation/articleshow/26233906.cms>

## Sterling's second coming is no vacation

[Sushma U N](#), TNN | Nov 23, 2013, 06.18AM IST

Luxurious cottages turning into ramshackle rooms, loyal customers turning foes, industry pioneer becoming underdog — that's the story of Sterling Holidays and Resorts, which pioneered the timeshare vacation concept in India but fell into the doldrums soon after. The company is getting a second chance. After 64 quarters of posting losses, the company bounced back in June this year posting a tiny profit. When Ramesh Ramanathan, the man who nurtured Sterling's growth, quit the company in the early 1990s, it showed great promise. When he returned as CEO in 2011, he had to face demoralized employees, rundown resorts and disgruntled customers. So what went wrong? "There were issues of cash flow. Nothing went wrong in company or timeshare model. Sterling went for a new project much bigger than itself in 1996-97," Ramanathan says. This was a 700-crore golf real-estate cum sports unit in Greater Noida. One golf course was built and the money flew out, sales came down and cash flows dropped. The company had bought too much property and the money was blocked in assets. It ran into debts, customer confidence was low, Sterling couldn't keep up with technology... it was a mess.

When Ramanathan returned, the promoters with new friends and financial support had cleared most debts, but Sterling was far from ready for growth. "My job was not to step on the accelerator. I had to create the accelerator," he says.

Ramanathan seems to have created a new car altogether. After 16 years of posting losses, the company made a profit (albeit a mere 0.6 crore) in the June quarter this year. It slipped in the September quarter which is an 'unseasonal' one according to analysts. "The profitability is because of the efforts of the last one-

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and-a-half years. That's what gives us confidence. We have to sustain the profitability, and then get aggressive," he says.

At a time when 75% of rooms were empty, they razed existing resorts and rebuilt them. The company added a new resort in Yelagiri. Ramanathan worked to bring back life to the company. "One of the first things we did was say we were leaders before, why can't we do it now. We communicated this to employees and they noticed it," he says. Sterling hired a Spanish expat to head operations and upgraded service capabilities. A new HR executive came in and added 100 people, taking the company headcount to 2,350. "We got proactive and reached out to the customer. We set up a toll-free number, went back to our customers and created a new database," he says. Sterling had missed the e-revolution, but is now back with all systems on the cloud. They identified 55,000 active members, and added 12,000 new ones in the past five quarters. "Now this is done, we are ready to step on the accelerator," he says.

Sterling has big plans for the next few years. Marketing comes first. "We have to make the brand more contemporary. We are going to promise to enhance relationships," he says.

Next, the service. "There are different groups emerging with significant needs so we will have products to fit those needs. It could be outside timeshare model as well," he says.

Greenfield projects are in the offing. "We are sitting on 15 parcels on land," Ramanathan says. Twenty years after the last project was launched, the company has begun working on Coorg and Goa. These will bring in 300 rooms at an investment of 100 crore this year and 150 the next financial year, funds for which are in place. Bay Capital by Siddharth Mehta and Siddharth Subramaniam, the original promoter's son, hold 50%, Rakesh Jhunjhunwala and associates who invested after Ramanathan came in have 10%, and the rest is with the public. Sterling has 1,650 rooms across 21 resorts in 19 locations. What the company needs to work on, however, is customer service. "While they boast of online booking, there is no transparency. I need to mail them about availability and wait for a response. How can I be sure that my holidays aren't being given away to someone else," says V Nagappan, Securities and Timeshare Owners' Association. That captures how much work Ramanathan and his team have on their hands.