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Zameer Choudrey

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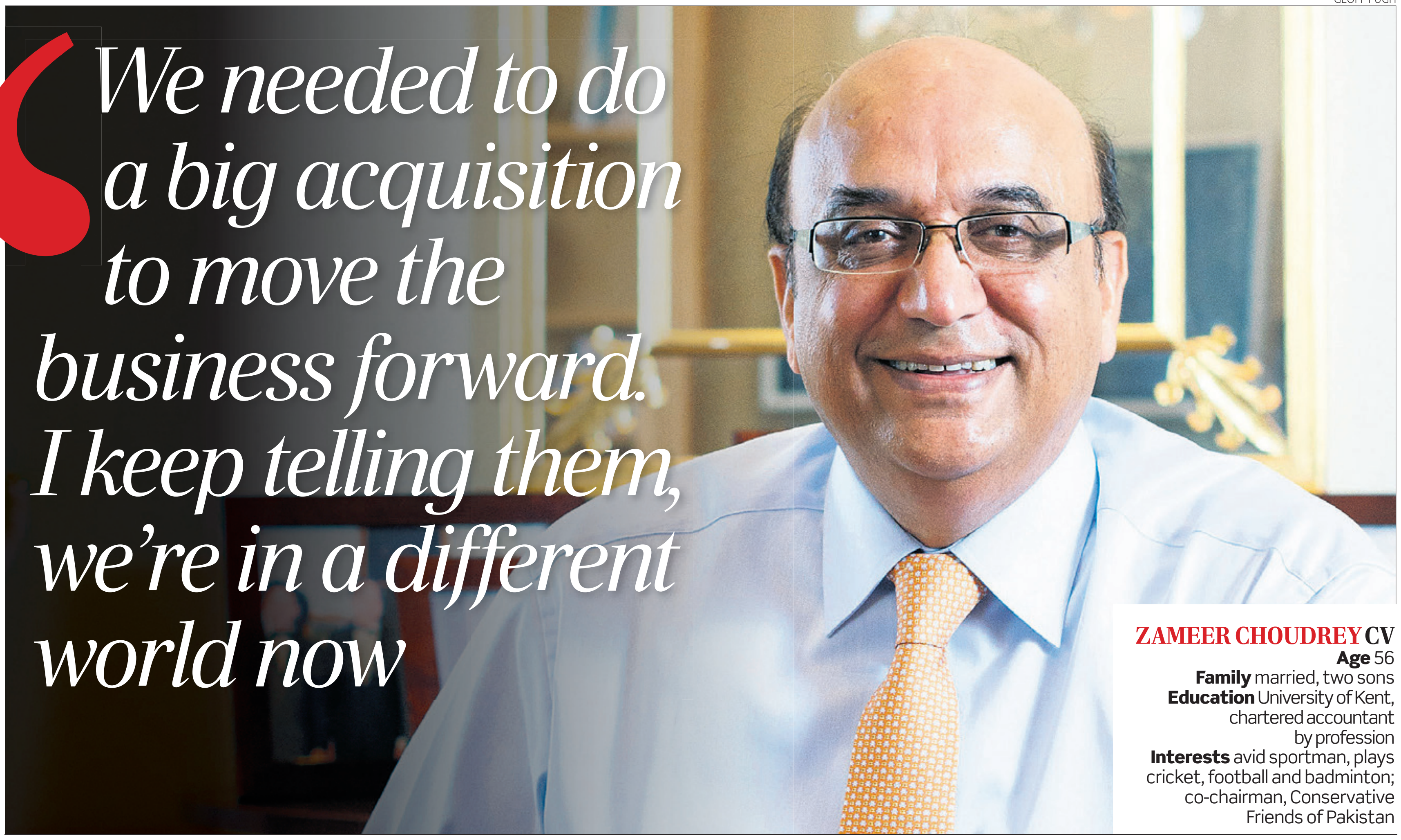

'We needed to do a big acquisition to move the business forward. I keep telling them, we're in a different world now

ZAMEER CHOUDREY CV
Age 56
Family married, two sons
Education University of Kent, chartered accountant by profession
Interests avid sportman, plays cricket, football and badminton; co-chairman, Conservative Friends of Pakistan

The boss of family-owned Bestway talks to **Ben Marlow** about its humble beginnings and bold plans after snapping up the Co-op pharmacies

Momentarily stumped for words, Zameer Choudrey's eyes dart around the room, as though he is hoping someone will jump in while he regains composure.

The chief executive of Bestway, one of Britain's largest family-owned companies, seems genuinely shocked at the suggestion that the company's shareholders, him included, might have to consider selling up in the near future in order to truly reap the fruits of their hard labour.

"You don't need to cash out to feel wealthy. What do you do with the cash? You may spend £5m on a house, £1m on a yacht, and another £1m on a villa in Tuscany, and then what with the rest? Invest it so I have an income stream to live off. When I put my feet up, I'll have had a great ride – the satisfaction of building a great business and creating wealth," he says with a raspy chuckle.

With so many companies willing to sell up at the first whiff of interest from deep–pocketed private equity firms and lots of others rushing to join the stampede of firms heading to the stock market, his emphatic response to the idea of selling the family jewels seems to belong to a bygone era.

In many ways, the company is the archetypal old fashioned family affair. Controlled by a handful of relatives from one region of Pakistan for more than half a century, Bestway has quietly become the second-largest cash-and-carry firm in Britain, known only to the shopkeepers who stock up on supplies at its nationwide network of depots.

Soon though, Bestway could be a household name. This summer, the company shocked the City with a surprise swoop on a 770- strong chain of pharmacies being offloaded by the Co-op as part of the troubled group's desperate attempts to raise cash. Soon millions of people will be visiting a Bestway-owned chemist for a prescription or plasters and paracetamol.

Sitting at the end of an immaculately polished boardroom table in Bestway's headquarters in north west London on the day the deal completed, Choudrey seems to be relishing the prospect of a higher profile.

"Before we bought the business we knew what it would entail. I keep telling everyone here we are in a different world now. Our house bank was HSBC for 42 years and our needs were always fulfilled by them. Now we've got 36 banks," he says.

On the face of it, Bestway's takeover of the Co-op business struggles to capture the imagination. During a year when big corporate beasts from Pfizer to SAB Miller and Glencore hit the deal trail with a bang, the takeover of a chain of chemists was soon forgotten, if noticed at all by many.

However, it was something of a coup, with Bestway belying its sleepy image to spring out of nowhere and gazump the likes of Alliance Boots and Lloyds, two giants of the pharmacy industry, and Carlyle, a big private equity firm, who were embroiled in a hotly contested auction for the business.

"It feels great. We wanted to diversify in the UK and had identified health care as a sector to get into. After two years of looking around, this opportunity came up. It was a godsend," he says.

To fend off the competition, Bestway employed an army of investment banks on big fees to help assemble the necessary firepower, and £725m of debt financing was raised against the combined property assets of its wholesale business and the chain of pharmacies it was buying.

The structure of the deal has all the hallmarks of something cooked up by exuberant corporate financiers or aggressive private equity executives, raising the question of whether in its quest to grow, the company, previously debt-free, allowed itself to be too easily sucked into an expensive bidding war that could leave it financially stretched.

However, Choudrey doesn't come across as someone who would be easily led, particularly when it comes to deal making, an area where he has become something of an old hand after 30 years at the company, first as financial controller then over the past decade as the man leading the charge.

"It was about having a plan and executing it. We needed to do an acquisition and a sizeable one to move the group forward. It is not advisable to run a company with zero debt and a cash pile doing nothing, because then you are not using your balance sheet. You are being passive, sitting on your laurels rather than looking for ways to grow," he says.

In addition to wanting to get much bigger, moving into pharmacies is also fuelled by Bestway's attempts to move further away from its roots as a straight forward cash-and-carry business.

The company was founded in 1963 by Anwar Pervez, who had emigrated to the UK several years earlier from Rawalpindi, Pakistan, in the hope of finding employment. He worked as a bus conductor in Bradford, but eventually made his way down to London with ambitious plans to set up his own business.

At 28 years old, Pervez set up a convenience store in Earls Court, in west London, specialising in ethnic food. It expanded quickly through a series of acquisitions and by the 1970s, Bestway had become a small chain.

Next it moved into wholesale, again snapping up smaller rivals along the way. Then in 2005, Bestway became a nationwide name with the £100m takeover of Batleys, a Leeds-based rival, giving it the number two spot behind Booker, the Londonlisted rival.

"We went from the South, to the Midlands, into the North and then Scotland," says Choudrey.

But cash-and-carry is only part of the Bestway story. The company is in effect a miniconglomerate with extensive interests in cement manufacturing and banking, mainly in Pakistan. Pharmacies was the fourth strand of an empire that now has an annual turnover approaching £3.6bn, a global workforce of more than 33,000 people, and that next year is forecast to post £325m of earnings, including £75m from the pharmacies.

If it joined the stock market tomorrow, it would probably jump straight into the FTSE 100. However, if it was a public company, Choudrey acknowledges that with conglomerates falling out of vogue many years ago, shareholders probably wouldn't allow a company with such seemingly disparate interests to exist today.

"That is one of the benefits of being private. Of course people will question us, ask if we have lost our mind. If I was a shareholder in a listed wholesaler I might ask the same thing, but we understood the risks, we understood the gains too and we thought it was a risk we could afford to take and we have been proven right," he says.

Whereas most companies will tend to expand into areas that complement existing operations, Bestway's strategy seems to be: identify the areas with the most potential then just plough ahead. It is an approach that would keep City fund managers awake at night.

"We don't distinguish between businesses. What we see is whether the economy is the right one to move into, or if it's the right sector. With the move into cement manufacturing, obviously we knew Pakistan, and we knew the population was increasing but there was a shortage of housing and infrastructure, and one of the first things developing countries do is spend on those sort of things.

"So, if they do all that then they will need cement and if they need cement then somebody needs to supply them and who better than us?" Choudrey says with a shrug.

Another benefit of being private is the freedom to take as much money out of the business as you want, but Choudrey insists the shareholders have never paid themselves a bumper dividend, preferring instead to reinvest the bulk of profits to fuel continued growth. The company is owned by five families, all of whom have people working in the business. Pervez and Choudrey hold roughly 70pc of the equity. The rest is held by the Sheikh family, the Bhattis and the Chaudharys. Every year about £16m is shared in salaries and bonuses between 17 executives, roughly half family members.

"We don't pay dividends. It's always reinvested, because if you give everyone too much money then you end up needing wealth managers and family offices to advise them on what to invest in and what not to invest in, but they are not short of cash. We all have nice lifestyles, nice houses, a good standard of living, we are educating our children at schools and we enjoy what we do," Choudrey says with another hearty laugh.

So, what's next for this unusual family concern?

"Probably a fifth part to the business in a couple of years time. We're still very much in growth mode," he says.

FACTS

1963
Bestway born when Anwar Pervez opens his first convenience store in London

£3.6bn
The family-owned group's current annual turnover

33,000
Bestway's workforce, from cash-and-carry to cement, via pharmacies and banking

5
The number of families from a single region of Pakistan who own Bestway

770
Number of Co-op pharmacies it bought in a surprise move earlier this year

£725m
Amount of debt financing Bestway raised against its assets to buy the pharmacies