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INVESTMENT SPECIAL

WHEN WOMEN TAKE STOCK

Forbes INDIA

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Nestlé India Chairman & MD
SURESH NARAYANAN

KRUNCH TIME

WHY NESTLÉ, FOR LONG PERCEIVED TO BE AN URBAN INDULGENCE, IS STEPPING ON THE GAS IN RURAL INDIA

PLUS

OLA'S ELECTRIC AMBITIONS

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Forbes INDIA

Digital Edition

Rural markets today account for a third of the FMCG sector's sales

Last-Mover Advantage

In the early '90s, when economic liberalisation brought into India a flush of multinational consumer companies—makers of colas and cornflakes, burgers and ketchup—their target market was the much-hyped middle class. Discussions on rural markets mostly revolved around poverty alleviation.

Then, in the mid-'90s, Wharton School published the late CK Prahlad's ground-breaking *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*. "The problem of poverty must force us to innovate, not claim 'rights to impose our solutions'," wrote the then professor of strategy at the University of Michigan Business School.

Prahlad prescribed that consumers and consumer companies need to co-create solutions: "The process of co-creation assumes that consumers are equally important joint problem-solvers." He also demolished a few myths: That there was no purchasing power, brand-consciousness and technological acceptance at the BoP, and that there were few opportunities for growth and innovation outside urban India.

In the early 2000s, Hindustan Unilever Ltd (HUL)—no Johnnie-come-lately to India, having entered in 1933—took Prahlad's co-creation model to thousands of villages and tens of thousands of women with Project Shakti. The twin goals were to empower rural women by making them entrepreneurs; and, in the process, increase penetration of HUL's soaps, detergents and home and personal care products. HUL now has some 1.1 lakh rural women micro-entrepreneurs in 18 states.

That's just one of the many ways HUL has created touchpoints in much of rural India. Data suggests that its products are available in 9 million outlets all over India, 3.2 million of them directly and the rest via resellers.

HUL may have been relatively early in spotting the rural opportunity, although over the years, fast-moving consumer goods (FMCG) marketers of all hues—MNC and Indian—have hit the same trail. Rural markets today account for a third of the FMCG sector's sales, with giants like HUL and Dabur well above the median.

Well below that average has been Nestle, at roughly 25 percent. And if Suresh Narayanan, chairman and managing director of the Swiss foods giant's Indian operations, is on the *Forbes India* cover this fortnight, it's precisely because of the shift to rural that this hitherto urban-centric brand is making. As Narayanan tells Rajiv Singh, who has penned the cover story: "A company starts to accelerate in rural markets when two things happen: Convergence of aspiration and convergence of availability."

Could the rural push have come earlier? When Singh posed this question to Narayanan, he made the point of product relevance in rural markets. For instance, Wheel detergent or Colgate toothpowder may have gained acceptability in villages in the 1990s, but a Nescafe or a KitKat may have not been as fortunate.

That moment of relevance has come, thinks Nestle. For many reasons, the biggest perhaps being that the 'capacity to consume' has arrived—something Prahlad reckoned had to be created to convert the BoP into a consumer market. At the same time, villages are not as 'media dark' as they were in the pre-internet and smartphone era, reliant then just on audio and television access.

Nestle may well be riding on the last-mover advantage—not having to rejig a legacy distribution structure, and instead enjoying the flexibility to build one on the bedrock of ecommerce. For more on Nestle's rural gambit, don't miss 'V for Village' on *page 34*.

Brian Carvalho
Editor, *Forbes India*
brian.carvalho@nw18.com

Best,

STORIES TO LOOK OUT FOR

▲ (From left) Avni Shah, director of Mansi Shares & Stock Advisors, was a homemaker who started trading in stocks; Popi Mandal sells Nestle's Maggi instant noodles at her grocery shop in the Meerut district of Uttar Pradesh

PETROL BOY TO A CORPORATE LEADER –A TRUE MONEY MULTIPLIER WITH PURPOSE HOW N.B. NAIK'S INCESSANT FOCUS MADE HIM A VISIONARY LEADER

From nowhere to multi thousand crores and vision to serve diverse verticals globally.

A lifelong crusade of achieving one business goal after another. '*When am failed 3 years consecutively in my intermediate, my uncle said me that I cannot grow but I would only be like a labour 'he says. 'Both my mother and father were kuli, to run the household I happen to joined in a petrol bunk.'*

'There is moment in my life where i sold my mother's only gold for 70 thousand to invest in stock market. In a span of less than three months I made it 3.2 lakhs and did sister marriage with same. 'Says Naik

He also steers the caravan as a Chairman and Managing Director at Shares Bazaar. With his top-notch entrepreneurial excellence and leadership, he has been providing prolific width to several ventures. Mr Naik has made his mark as a frontrunner and new-age entrepreneur if you're recapitulating.

Mr Naik is known for creating irresistible offer to his customers, be it a Shares Bazaar or SL Agro he created a clear win-win. This has turned out into 30000+ Clients only through word of mouth.

The drive of a modern leader

Mr Naik dismisses the idea of alternatives in life. He urges business aspirants and professionals alike to pay attention to one goal at a time, and other things will transpire accordingly. Other essential things come together after a point. Attributes like academic excellence, skills and expertise would follow the path as one does themselves.

An avid believer of innovation and far vision, Mr Naik discovered his entrepreneurial calling at an early stage in life. Owing to that initial exposure, he has been an astonishing leader for about a decade. Still not skipping a chance to sharpen the tools in his metaphorical arsenal.

Multi-skilled corporate impresario

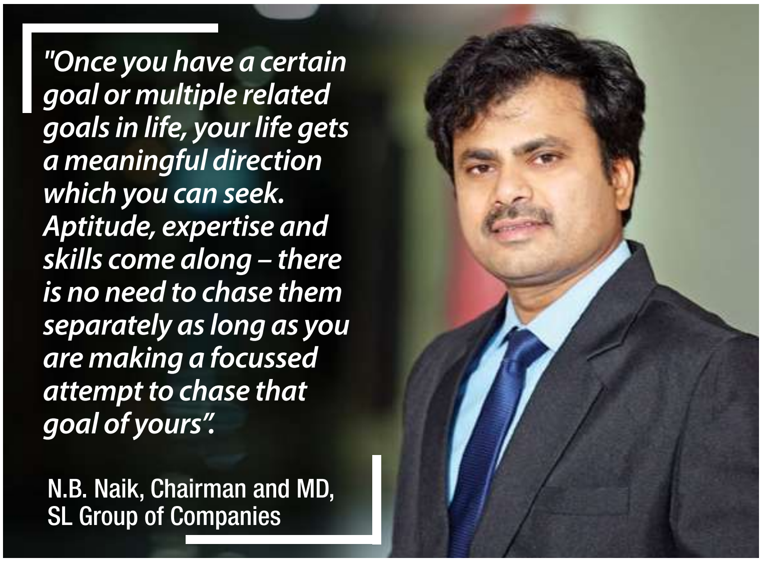
Mr N.B. Naik's distinctive qualities are a little more than his excellent governance and managerial skills. He appears to be keen to run a modern-day corporate reign with passion. Consequentially, Mr Naik has established himself out and out as a comprehensive trailblazer who has expertise in a plethora of departments.

He has played a centralised role in initiating the business expansion and grow the human capital at the ventures. A leader like him can bring more opportune chances to the business and help the internal teams to harmonise with each other. Mr N.B. Naik streamlines the processes and dawns precisely designed operational ambitions to tread the ventures to new grandeur.

With his vision, he invigorates business planning and expansion. Also, he turns out to be the one who links up the organisation as a well-functioning body.

Aspire to innovate

Mr Naik blends the perfect mixture of innovation and



potential growth strategy catering to peculiar business. He further accommodates a full-fledged growth plan to help businesses thrive exponentially. His career is a manifestation of a contemporary entrepreneur and business lead, lodging a one-track focused vision and work towards the goal diligently. Here are words of wisdom by Mr N.B. Naik, Director of SL Group of Companies.

"Once you have a certain goal or multiple related goals in life, your life gets a meaningful direction which you can seek. Aptitude, expertise and skills come along – there is no need to chase them separately as long as you are making a focussed attempt to chase that goal of yours".

What to expect from a modern-day leader?

Talk about unveiling all cards on the deck. There is no other way around for this man but going all-in to achieve the best. Precisely at SL AGRO, he spurred an innovative edge in developing and implementing effectual agricultural planning and practices.

Mr Naik inspired the business not only to create reliable and high-quality products but also to share knowledge, resources and success. His leadership style is well-elaborated that covers clinical, operational, strategic, and cultural leadership. Furthermore, an innate business sense helps him to device perfect strategies for a projected scenario.

Mr Naik does all the things in a fashion that never goes off the grid for any of the ventures he is a part of — always being mindful of the vision, mission and values of the business. One of the most promising traits in a 21st-century leader can be their style and N.B. Naik seems to have it in abundance.

Naik is on a mission of making everyone's life easy by SL Agro. This is a collaborative effort with SL Agro, Farmers, Consumers, Environment, investors and for them. This is a never before project with so much of transformation in the pipeline and still giving guaranteed yearly returns of 12% for every investor.

Out of his ever winning experiences from share market investments, he came up with a master robot. Which executes and delivers best possible results. This master is making massive money. The best part is he made it open for his customers to use and grow exponentially.

Shares Bazaar as a company believe in giving more to get more. They are on a mission to leverage 1 million investors and create financial freedom by 2025.

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CROSS BORDER

LIFE

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PERPETUUITI™
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PERPETUUITI DELIVERS FREEDOM & SIMPLICITY IN DIGITAL TRANSFORMATION FOR GROWTH AND SAVINGS USING AUTOMATION

Incepted in 2011, Perpetuuiti enables business process automation and resilience assurance for organizations in adapting to the evolving world around them. Perpetuuiti offers a unified approach that delivers leading-edge automation solutions for modernizing resiliency management, and turbo charging the performance of your applications, IT and business operations at speed and scale to drive exponential efficiencies. The platforms work together to provide super-intelligent automation embedded with cutting-edge technologies of Artificial Intelligence, Machine Learning, and Robotic Process Automation.

The Perpetuuiti Platforms provide solutions that are simple to install and run, flexible enough to fit into any environment with complete reliability. The products are designed to be modular and integrated with one another enabling SEAMLESS, RESILIENT, and INTELLIGENT business operations.

Fortune 500 global organizations from a diverse set of industry verticals like banking, insurance, telecom, government organizations, high-tech BPM and service providers use Perpetuuiti to transform their organizations. The company continues to pioneer innovative products trusted by their customers and partner ecosystem with continuing year over year growth.

Under the guidance of Sudish Kumar, Chief Operating Officer, Sales Operations, Perpetuuiti has grown to be the market leaders in the Resiliency Automation and Intelligent Automation space with more than 400 customers matched with a growing robust partner ecosystem. Perpetuuiti has contributed in the digital transformation journey of organizations by automating their mission-critical business operations and services which were previously manually driven.

DIGITAL TRANSFORMATION JOURNEY

We help organizations become more resilient through our Resiliency Automation Platform by automating and ensuring that the mission critical systems are always available, thus making organizations leaner, efficient, and more productive.

Recently, a large MNC bank experienced an outage resulting in the regulatory body putting one of their business verticals on hold, allowing their competitor to gain market share by 9% in the time they were unable to sell."We made it possible for this bank customer to be more resilient so they could remain in the market, adding customers and helping to strengthen their leadership position," says Sudish.

"On the business side, we help organizations automate their business processes using our Intelligent Automation Platform infused with AI/RPA/ML capabilities. Business processes whether it is Finance, HR, Sales or Marketing, are completely automated increasing efficiency, lowering costs, and increasing profitability-all while transforming manual processes to be now driven completely through intelligent automation," he adds.

COMPANY AND THE BIGGEST CHALLENGES

Sudish emphasizes, "when we started with this journey in 2011, we came up with products and solutions that were futuristic, forward thinking and a little ahead of their time. In the beginning it was a bit difficult to make

Sudish Kumar, Chief Operating Officer, Sales Operations, Perpetuuiti

customers understand how important it is to be more resilient as the future was going to be totally digitally driven. With global acceptance of the need for digital transformation, we overtook our competitors easily as we were well prepared with our products much in advance and grew to be the market leaders in the least possible time establishing our presence in India, Middle East, Asia Pacific and US Markets."

Sudish is extremely proud of the customer satisfaction they maintain in each customer and the repeated trust built over years in their products to manage their mission-critical businesses.

CHANGE IN THE IT INDUSTRY

In last 5 years, technology adoption and transformation in organizations has surpassed to what it was 40 years ago. Similarly, in the next 10 years, businesses will be entirely technology-driven. We are seeing this major transformative change now across IT and each line of diversified businesses.

"We do have competition but I will say that the competition isn't a major challenge for us because Perpetuuiti offers flexible platforms for both the IT side and the business side, focusing on complete automation, delivered as right-sized modules. Our competitors are missing the technology-agnostic platform that makes it possible to deliver seamlessly across every IT and business process, regardless of the elements involved. Perpetuuiti offers end-to-end automation, whereas most of the competitors are limited to piece-by-piece automation which increase touch points and add to complexity." Sudish adds.

The biggest factor that has helped Sudish to be successful as an individual is his principled and structured approach towards building businesses, addressing challenges etc.

ARTWORK

What Makes NFTs Valuable

Non-fungible tokens provide ownership and resale rights in a world full of endless digital copies

WHAT IF YOU COULD SAY THAT you were one of the only ten people in the world to own the video of an NBA game? Or the only person to own the first ever tweet? Would you spend $69 million to own a work of digital art?

A confounding hypothetical for those of us who have for long thought that mechanisation and a digital world mean endless copies with limited means of authentication. Non-fungible tokens, or NFTs, seek to change that. A cryptographically signed or authenticated copy of any artwork, including a digital photograph, is more valuable than an unsigned one.

"It is just a new way of looking at things," says cryptocurrency expert Ajeet Khurana, former CEO of Zebpay, an Indian cryptocurrency exchange. The basic idea behind an NFT is that any asset in the world which can have an ownership document can now be tokenised and have its ownership record be placed on a public, decentralised blockchain, he explains.

NFTs' close association with blockchain makes it appear as if they can only be bought via cryptocurrency such as bitcoin or ethereum, but that is not the case. Theoretically, even Indian rupees or US dollars could be used to pay for NFTs as long as the record of ownership is tokenised on a public blockchain, Khurana clarifies.

The non-fungible nature of these tokens comes from the fact that one asset cannot be exchanged for another. Currency notes, for instance, are fungible in nature, that is, one ₹2,000 note is as good as another ₹2,000 note. "But you cannot replace a Mona Lisa with another painting," says Anirudh Rastogi, lawyer and founder of Ikigai Law.

A question arises—what do you do with digital art that you cannot mount on a wall or place in a museum? The answer lies in digital museums. For instance, Metapurse, the Singapore-based NFT fund whose owner Vignesh Sundaresan ('Metakovan') and Metapurse steward Anand Venkatesvaran ('Twobadour') anonymously bought Beeple for $69 million (42,329.453 ETH), plan to create a digital museum to showcase the massive JPEG file Everydays: The First 5,000 Days.

VALUE LIES IN SCARCITY OF THE SIGNATURE

Jack Rusher, a Berlin-based computer scientist, calls NFTs "a response to the 'artificial abundance' of the internet". It is undoubtedly true that seemingly endless copies of digital art can be produced for the world's consumption, but the artist's signature remains a scarce commodity and an object for acquisition.

AN ARTIST'S SIGNATURE REMAINS AN OBJECT FOR ACQUISITION

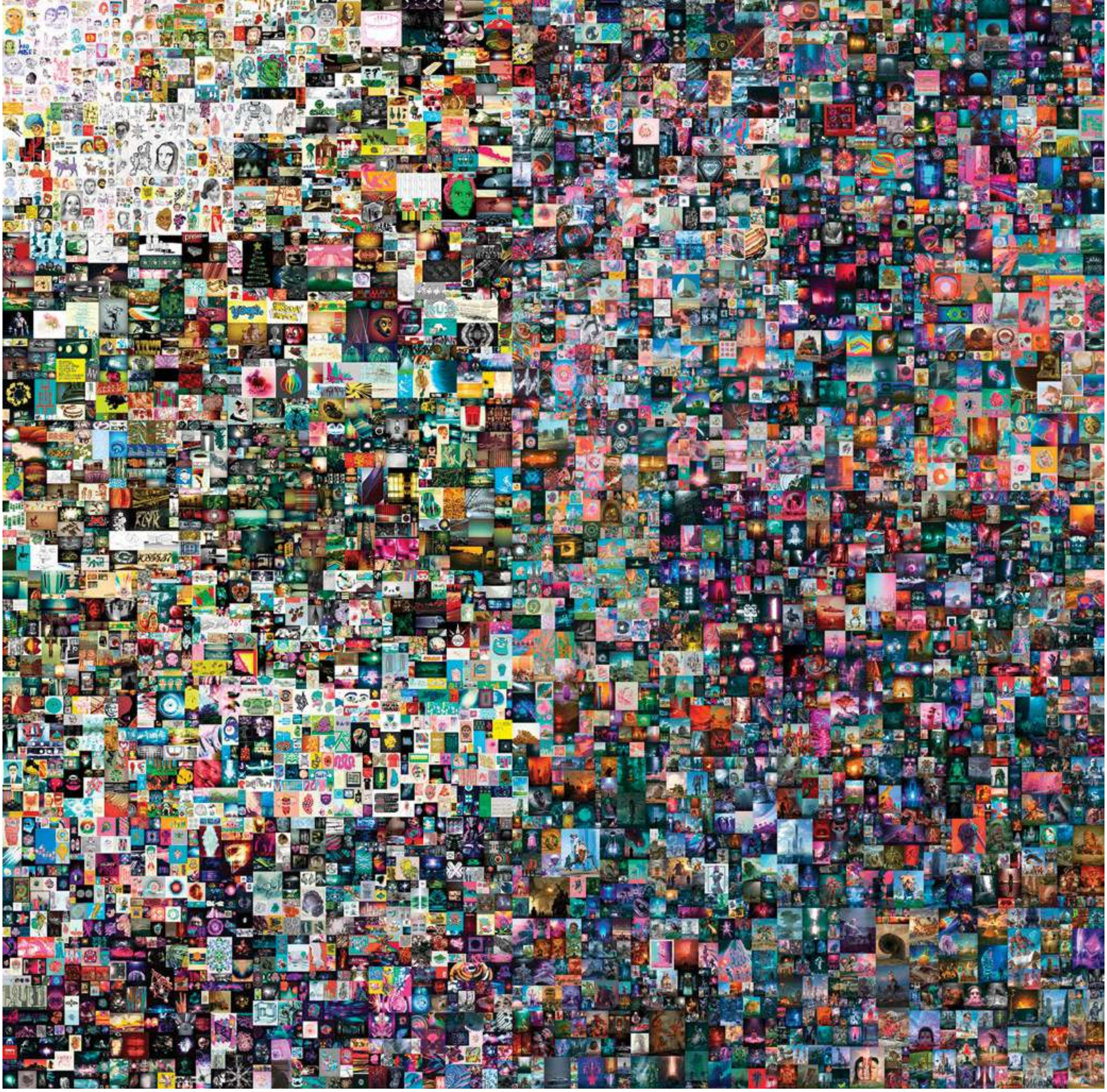
On March 6, Twitter CEO Jack Dorsey tweeted that he had listed his first tweet as an NFT on the platform Valuables BY CENT. The auction ended on March 21 and the highest bid was for $2.5 million (1630.5825601 ETH at the time).

It does not mean the owner of the tweet would have the right to delete or alter it. Rastogi explains this is akin to owning Mahatma Gandhi's letters, a piece of cultural significance that the owner does not want to alter or morph but lay a claim of ownership to.

The value will be determined by what the world or prospective buyers at large deem to be valuable. "If somebody sees value—whether it is nostalgic value, emotional value, sentimental value, commercial value—they will buy it and somebody may want to buy it for a higher price. That is how markets are created," Khurana explains.

Amrit Pal Singh is an Indian NFT artist who started tokenising his art on the public blockchain in 2020. His series of toy faces depicting Frida Kahlo, Van Gogh, Malala and Sherlock Holmes, among others, have already raked in over 15 ETH ($26,000+).

The value lies in releasing limited authenticated copies. Thus far, Singh has only released one copy



AFP PHOTO / CHRISTIE'S AUCTION HOUSE / HANDOUT

A digital art collage by American artist Beeple, also known as Mike Winkelmann, a pioneer of the exploding virtual art market, sold for a record $69.3 million, Christie's announced on March 11. 'Everydays: The First 5,000 Days' is now the most expensive NFT ever sold

of each of his NFTs. But he found a different way of making the NFTs more valuable. A day after the French electronic music duo broke up in February 2021, Singh minted two Daft Punk Toy Faces under which he wrote, "Maybe you can reunite them as NFTs." The value, he explains, lies in owning both of them. As a result, a buyer bought the two for 15 ETH ($26,700+), the highest Singh's NFTs have sold for.

Most sale of NFT art is driven through a strong sense of community. Different groups thrive on Discord and Twitter, Singh says, but not so much on Instagram.

DOES IT BENEFIT ARTISTS?

Singh explains that unlike the analogue world where third parties, such as art brokers or auction houses, charge exorbitant and variable commission fees, commission fees on NFT platforms are fixed. Foundation, for instance, collects 15 percent of the total sale price of an initial sale and the rest goes to the artist.

When an artist uploads an artwork to an NFT platform, it is "minted", that is, the artist pays a fee, called a "Gas Fee" to upload it. Singh calls this "Gas Fee" "scary" because the price keeps varying according to the market prices of ether. "It could fluctuate between $20 to $130 for an artwork. On an average, you spend around $100 to mint your artwork but there are alternative platforms where you could do it for cheaper," he says.

For an art collector in the analogue world, the value lies not only in paying homage to an aesthetic sense but also in reselling the work. Much of its quantifiable economic value is derived from sale on the secondary market. And that is where artists stand to earn a lot. In the digital world too, for every subsequent sale of their artwork on Foundation, for instance, the artist will earn 10 percent from the sale.

• ADITI AGRAWAL

INTERVIEW

'I Started in Crisis And Ended in Crisis'

Former CEO **Jeff Immelt** on why GE won in the marketplace, but not the stock market, his controversial legacy and *Hot Seat*, his tell-all book

Q What led you to write a book on GE?
The GE story is a complicated one... I felt there was just no context around the company. So, after I had a discussion (about GE) with students at Stanford, while driving home that night, I decided to write the book. I contacted a co-author and felt this would be a great way to tell a story. That's what started the process of writing the book... reflections on what the next generation of leaders wants to know and how it wants to learn.

Q You write: "My legacy was at best controversial. GE won in the marketplace, but not in the stock market." What have been the tough lessons during your tenure?
I started in crisis and ended in crisis. And then I had multiple terrorist events in between. What I try to do in the book is tell stories, and not lecture. I allow people to make their own observations about leadership. But the tough lessons are that leaders need to absorb fear, they need to keep their team moving forward and not worry about perfection... the ability to take some of it internally, while leading your team forward. Covid has proven that in many ways. I think leaders need to make decisions in public. You need to be willing to make clear decisions... make them in a room of 30 or 40, or 50. You've got to connect with people. But you also have to be willing to fight for your company, for yourself, for your team.

Q You have interviewed around 70 people inside and outside GE. What were the stories that came out differently from what you may have perceived then?
I'd say a couple, like the one on people. About the globalisation story, people said you need to write about the people that didn't support the initiative and what happened. And that was extremely uncomfortable to me. But it's a real world... in big companies, there are people who support change and those who fight change. And that was a story that I had to tell. Before the financial crisis, people reminded me that it was presented to me to sell our commercial real estate businesses. And I said, 'no'. If I'd said 'yes', that would have made our situation in the financial crisis better. And that was an uncomfortable truth that I had to confront.

Q You have written that one of the benefits of a conglomerate is that if something is going wrong, you can depend on something else to take you forward. But does it become difficult to manage so many companies together?
Diversification created consistency that was valued by customers, employees and people. And that worked for a long time. I think in the last 20 years, and the era that we live in today, it's so volatile that it's not just one business that can go wrong... it's two or three or four. So what you're constantly doing is firefighting instead of thinking about how to position and how to grow different businesses in the conglomerate. It's so volatile today that it's difficult to position yourself when you have so many different things to worry about. I still think it is okay to have a couple of businesses, but they should be linked in some meaningful ways, and not completely disjointed. I think the way GE was, you know, in the 1990s.

Q You started on a rocky note, but when did you think the ship had stabilised? Or did something or the other keep coming?
Something or the other always came. But it wasn't that we were necessarily unique. I just think that's the way the world was. We

$119 bn

General Electric's market cap as of March 17, 2021

AFP

BRIAN SNYDER / REUTERS

did a lot of repositioning after 9/11 and the company was doing well in that period. And then the financial crisis hit in 2008. That set us back… it was a difficult period because half our business was in GE Capital. And that was a big challenge. We spent most of the subsequent years getting ourselves repositioned for the future. Over my time period, we earned $270 billion of earnings and cash. It was more than the previous 110 years of the company combined. We had a lot of good years, but there was never a moment when I said, 'Gosh, everything's stable right now. Everything's calm, and I can take it easy'. That never happened

Q What was one of the things that you did right and what were some things that could have been done faster?

The company's financial performance was strong. We were a fantastic global company… I'd say probably we had the best global footprint in the world, good initiatives, good teams, good leaders, many of whom have gone on to become CEOs of companies around the world. Clearly, the share price struggled. I was never able to get as much value out of GE Capital as I wish I could have or should have. In retrospect, I ran the company to be a big company… I wish I had run it more to be a smaller company, to have more freestanding businesses, more profit and loss, and kind of delegated activity inside the company. I wasn't perfect. And there were things that if I had do all over again, I would do.

• POOJA SARKAR

LISTEN TO THE AUTHORS' PODCAST ON FORBESINDIA.COM

FILA 2020-21

‘Corporate Leaders Must Place Country, Companies Above Personal Interest’

India’s entrepreneurs must embrace compassionate capitalism and create good jobs, while the government must work to eliminate the hurdles faced by them, says Infosys founder **NR Narayana Murthy**

THERE IS SCEPTICISM IN INDIA about capitalism, but only the private sector can boost the nation’s economy to reduce poverty, and the government must help it do so, said Infosys founder NR Narayana Murthy at the 2020-21 Forbes India Leadership Awards, held on March 10. Edited excerpts from an interview:

Q Would you agree that big, game-changing ideas have been replaced by ho-hum innovations?

Entrepreneurs have always thought of ideas that make the lives of customers and consumers better, have big ideas coming in every day. We don’t recognise them as big, until they actually become big. When new entrepreneurial ideas don’t create large number of jobs, it is, of course, a challenge for policymakers.

Every country must create a think tank to identify ideas that are good for our society, the policies needed to encourage job creation from these new ideas, and how we can quickly re-skill people for these jobs in these changing environments. For example, we should have done this exercise in 1995 when electronic commerce appeared on the horizon in the US.

Q How do we use science and research to solve our problems in health care and education?

While our higher education institutions have made progress in research and education, we have not seen much impact of this progress on our lives. Somehow our culture has not emphasised on the importance of solving problems that exist around us.

I see lots of bright, hardworking and well-intentioned youngsters in India, but we have not been able to solve our own big problems. Our higher education focus must move towards finding solutions for our own problems. In my own industry, India has generated about $190 billion from the IT industry, but I have hardly seen any collaboration between institutions of higher learning and our IT companies to recognise and solve critical problems of the software services or the BPM industries.

Basic research may not have immediate applications, but even relativity and quantum mechanics have had a huge impact on our daily lives. However, all the good ideas of cloud, data analytics, artificial intelligence, machine learning, 5G and Internet of Things have all come from the West. The good thing is that today there are some youngsters in India who are working on leading-edge problems.

Q What can CEOs do to ensure their boards aren’t insular to the wealth divide in the world?

We are evangelists of compassionate capitalism in India—capitalism in mind and liberalism or socialism at the heart. Capitalism is new to India and there’s a lot of scepticism about capitalism in our country.

The only way to remove poverty in India is creation of jobs with good income. That is possible only under compassionate capitalism. It is the duty of corporate leaders, academicians, intellectuals, bureaucrats and politicians to create a positive climate for entrepreneurs, free market, and a powerful, well-informed and impartial regulator.

REMOVING POVERTY FROM INDIA CAN ONLY BE DONE BY THE PRIVATE SECTOR, AND NOT THE GOVERNMENT

Corporate leaders must demonstrate self-control over greed. They should demonstrate large-heartedness and generosity. For example, when Infosys was formed, I distributed stocks generously to my young colleagues, who had hardly one or two years of experience and were five to six levels below me in corporate hierarchy.

Leaders should first ensure that the lowest earning employees are given increments before the senior management. This is particularly true during the time of hardship.

$3.6 bln

The net worth of Infosys founder NR Narayana Murthy, as of March 18, 2021, according to *Forbes*

AFP

SELVAPRAKASH LAKSHMANAN

Q What are your hopes for the next generation of corporate leaders of India? What advice would you give them?

I believe performance brings recognition. Recognition brings respect. And respect brings power. So the only way Bharat can become '*mahaan*' [great], is through performance—particularly economic performance. Our corporate leaders have the responsibility to make it happen. Our bureaucracy and political leaders have to create an environment that is conducive for it.

Every company should have a target for exports as a percentage of revenue, so that the country becomes a leader on the global scene. And our leaders must put the interest of the country and the interest of the company ahead of their own personal interest.

Q On a personal note, how did you realise your purpose in life. How do you apply it?

The task of removing poverty from India can only be done by entrepreneurs in the private sector and not by the government. I learnt this important lesson in the early 1970s when I was working in Paris and had discussions with experts in different ideologies. This learning was strengthened by a hitch-hiking trip I undertook—from Paris to Mysore—covering Europe, Russia, Middle East, Iran and Afghanistan.

Thanks to an unpleasant brush with the police at a place called Niš in Serbia, I was transformed from a confused leftist to a determined compassionate capitalist. Today, in my 75th year, my purpose is to do whatever I can every day to encourage entrepreneurs in India.

• HARICHANDAN ARAKALI

FILA 2020-21

'Leadership is a Lifestyle. It Cannot be Dictatorship'

Indian cricket captain **Virat Kohli** on his success mantra, dealing with expectations and pushing the limits to achieve excellence

VIRAT KOHLI IS NO STRANGER TO expectations. As one of the best cricketers of the current generation with an enviable record across formats, he is expected to deliver everytime he steps out to bat. And as captain of the Indian cricket team, he is constantly under scrutiny.

At the 2020-21 Forbes India Leadership Awards—held on March 10 to honour corporate excellence—the 32-year-old spoke about his

103 mn

Number of Instagram followers (as of March 18) for Virat Kohli, who became the first cricketer to cross the mark on the platform

AFP

leadership style, fitness regimen and dealing with criticism, among other things. Edited excerpts from his conversation with Abhishek Ganguly, managing director, Puma India and South East Asia:

ON LEADERSHIP

Leadership is a lifestyle. It is a daily commitment of what you do as an individual first because you want to be able to lead by example. It cannot be a dictatorship. It is your way of living where it is represented in every way in your profession and daily life.

ON DEALING WITH DIFFERENT PEOPLE

For any good leader, man-management is important to understand how to get the best out of your players or your colleagues or people working for you. Eventually, the goal of any leader is to get the job done and, for that, you need to manoeuvre your way around situations, be aware of how people operate.

ON VISION FOR HIMSELF AND OTHERS

I look for character more than skills in people. I wasn't the most skilled player when I came into the team. But I had the belief and an insatiable appetite to win every game, and in that process, I started improving my skills. I look for people who walk into a difficult situation with their chest out, staring everyone down in the opposition because I know these are the guys who win you special games and these are the individuals who will stand up when you need them the most.

I LOOK FOR CHARACTER MORE THAN SKILLS... PEOPLE WHO CAN WALK INTO A TOUGH SITUATION WITH THEIR CHEST OUT

ON CRITICISM

Criticism for me is someone else's point of view. Everyone has an absolute right to voice their opinion. It does not necessarily mean that it is the only way to do things. But you should definitely voice what you believe in as an individual. Tell people what you think, tell them what happened on the field. Be yourself and live life in a positive manner.

ON LEARNINGS FROM SUCCESS AND SETBACKS

Success has many friends and failure has none. Success is way easier to handle. But I have learnt that tough times teach you so much about yourself. You should not only learn from the bad phases so that you can succeed again, but also you need to learn from the bad phases so that when you go back again, you are not as bothered by them. At the end of the day, peace of mind and good sleep at night are all that one needs.

ON HUNGER TO WIN

So many people would die to be in this position, to get this opportunity, to have a crack at what we do at this level. For us to feel entitled about the opportunity that we have is a very naive way of thinking. This is not a permanent or guaranteed place for me. I have to work hard for it. I am selected so that I perform on the field. Constantly, I am in that space (where I think) that this is an opportunity that God has given me and I need to be absolutely true and honest to it and be committed every day of my life.

ON HIS LEGACY

I don't want to be stuck in any kind of ideologies of this is what I want to leave behind. Because there will be a new generation, there will be a new set of players that people look up to. It's a constantly evolving process. I don't want to be stuck anywhere or be in a space where (people) keep reminding me how good I was, keep telling me what I did for this system or what I did for that system. I just want to fulfill my responsibility.

ON HIS OUTLOOK

I never looked at things negatively. I never thought, 'What if I do too many ads... will my sports suffer?' Every day, every moment is a different event. I just look to be myself to be fearless, optimistic and positive. I urge people to be the same way. I urge everyone to go out there, be themselves in a balanced, organic way—not ridiculing people, but not compromising on who we are. If you can strike that balance, everything is wonderful. You'll handle success and failure equally well.

ON STAYING FIT

Do not limit yourself on how much you can do from a physical point of view. Always try something, especially from a physical barrier point of view. Once you become a better version of yourself physically, your body is ready to take on more. You can think more optimistically or positively about things. It's not about just how you look physically, but also your capacity to do more improves your headspace because you are willing to take on more. Then you don't get flustered by the burden of work. You start looking at that as an opportunity.

ON HIS BUSINESS ACUMEN

Money is a byproduct of the right intent. If you only aim to make money, you'll make it for six months, but your product won't last long. You'll have no trust factor. I, as a consumer, always felt connected to the things that I bought. Therefore, I cannot present something that I am not intrigued by myself to the consumer. Every product has to appeal to you first and then people can be convinced about buying that product. I am being honest about what's being put out there and people eventually understand that over a period of time.

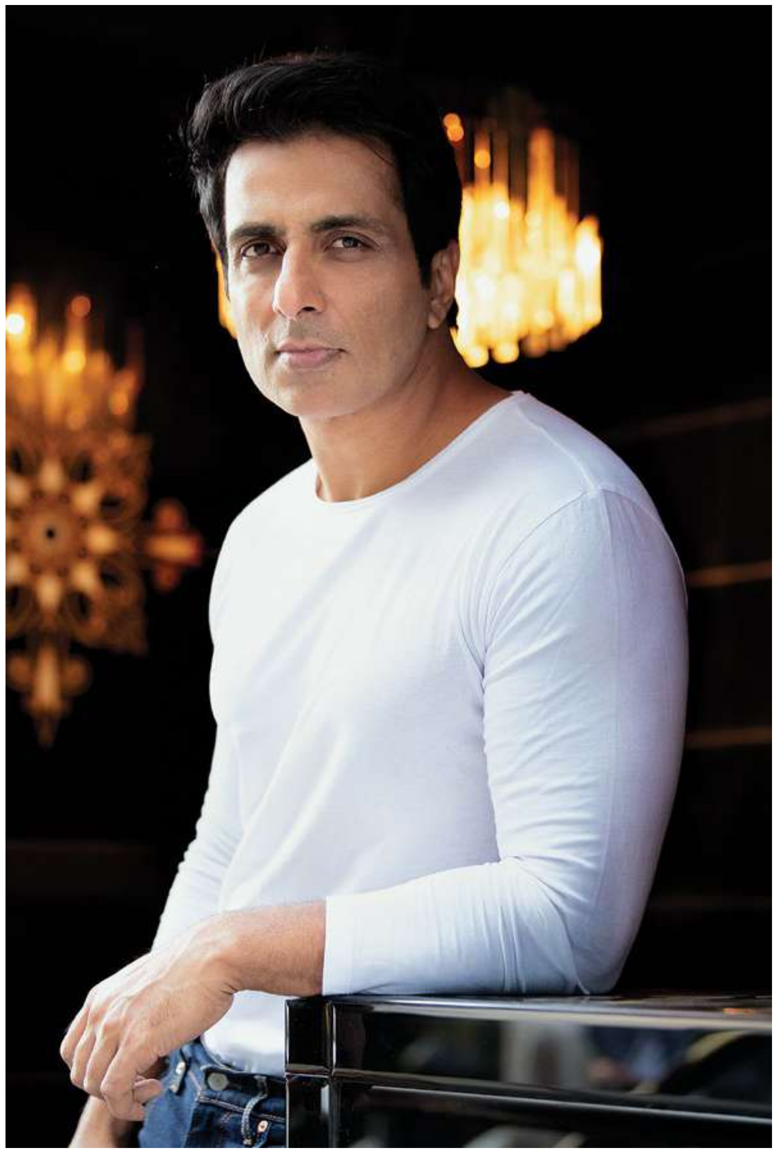
12.6%
Growth forecast for the Indian economy by the Organisation for Economic Co-operation and Development


AFP

FILA 2020-21

'I Knew We Had to Come Out of Our Comfort Zones and Help'

Actor **Sonu Sood** says his humanitarian efforts during the pandemic helped him grow as an individual



SCORES OF MIGRANTS WALKING back home in the sweltering heat became the defining visuals of the pandemic and the humanitarian crisis that it had brought about. Instead of merely looking at them with a sympathetic lens, actor Sonu Sood decided to hit the streets and help them return to their villages. What began with a single bus eventually turned into a mammoth rescue operation that included airlifting Indian students stranded overseas.

"They were helpless and did not have the money or means to go home. They were clueless. I knew we had to come out of our comfort zones and offer help," said Sood at the 2020-2021 Forbes India Leadership Awards held on March 10. "I was always on my toes. I was not trained or equipped to do this, but I decided to give it a shot. The zeal and love that I saw in the eyes of their families helped me do it. Their prayers and good wishes worked."

Indebted to Sood for arranging food and transportation for them in trying times, some of the beneficiaries expressed their gratitude by naming their shops after the actor and a few even naming their newborns after him. The actor is humbled by the love and affection that he's got for being the 'man of the masses'. "This is the best role that I have played in my career. Interacting with these people was a great learning experience for me," he says.

The entire episode opened his eyes to a world he was probably oblivious to. What the pandemic also taught us, he adds, is that we don't have to be an elected leader to do something in life. "You can do the impossible. You can do anything in life," he says. That's why the actor is not stopping at just this. Sood has started the Pravasi Rozgar app to provide employment to blue-collar workers in need of jobs. "We aim to connect with 10 crore people in five years. We'll upskill them, take care of their health care needs and even look after their children," he says.

It's been satisfying to bring about a change in the lives of others during the pandemic. But it's just a start. "I still have miles to go, but the journey is on," says Sood, who thanks "the Almighty" for choosing him for this role.

Spending time with the poor and seeing the hardships they go through also helped him change as an individual. It was an eye-opener in many ways. "I have grown as a human being," says Sood.

CONNEQT, THE LEADING DIGITALLY DRIVEN CUSTOMER LIFECYCLE AND BUSINESS PROCESS MANAGEMENT SERVICE PROVIDER IN INDIA

We were startled by the unanticipated and sudden impact of the Covid pandemic on our businesses. Neeraj Tandon, CEO, Conneqt Business Solutions, is proud of the way Conneqt handled the pandemic and believes that the current context is an opportunity to make bold transformative changes in the way they do business. He has been serving as CEO since early 2018 and has led the company through a smooth transition from Tata Business Support Services to CBSL. He has built a culture of performance orientation, agility, and better execution, and that has helped Conneqt grow at twice the industry growth rate. He is making large bets on Digital Inside/Digital led Process Outsourcing Services to repurpose the organization for the future. Neeraj is an alumnus of IIT Delhi and IIM Bangalore.

Conneqt is a joint entity of Quess Corp and Tata Sons that provides BPM services to 130+ Marquee customers. Its customers include market leaders, across industries including BFSI, E-Commerce, Retail, Media & Entertainment, and Government. As a top 2 BPM player in the Indian market, CBSL uses digital and analytics services to help clients be future-ready. Over the last few years, it has expanded its geographical reach and has established a presence in the US, UK, Middle East, and Singapore markets. We met Neeraj virtually and had an interesting conversation. Excerpts:

Meeting Client Business Expectations

CBSL employs almost 30,000 employees with expertise in digital technologies and BPM Services in 24 languages. CBSL's large 'feet on street (FOS)' capability is unique in the industry and it allows it to provide end-to-end services for debt management, customer service, and field sales. Industry analyst Nelson Hall had ranked Conneqt amongst top CLM and BPM service providers in India and the Middle East.

"Clients have been appreciative of our commitment and some of them have been with us for more than a decade. A US-based client awarded CBSL as "Best strategic partner" across all its partners in India, Mexico, and the Philippines. CBSL has received similar appreciation from domestic clienteles for exceeding client expectations during the Covid times. It has received appreciation from multiple customers, including a large DTH player, a large telecom player, and an E-commerce company, among others. Clients also appreciated that we were swift in adopting online processes for hiring and training", says Neeraj.

Managing Covid Crisis

Neeraj is no stranger to managing a crisis. Back in the year 2008, when the US Subprime Mortgage Crisis led to the Great Recession, the Indian Outsourcing Industry ran into trouble due to its large dependence on the US /Global business. Neeraj was working with HCL then. Sacrifices had to be made to manage stakeholder expectations and employees had to rally around a common cause. That learning, he says, helped him in managing the current crisis as well.

Neeraj Tandon, CEO, Conneqt Business Solutions

Neeraj believes, "If you are honest with your clients and employees, you build a culture and environment of trust. In such an environment, people understand the prevailing context and are willing to rally around the common cause, even if that requires making sacrifices".

Shifting Client Needs

Over the years the BPO sector has continued to grow, while the customer expectations have been changing from cost to efficiency to expertise to digital transformation. The lines between IT Services and BPO services are blurring and that opens new doors for the BPO business.

"Companies that position themselves as trusted strategic partners that combine process outsourcing and digital transformation led innovation within the framework of the same engagement, will have a competitive advantage. This is the space that Conneqt aspires to occupy," says Neeraj.

Message to Young Leaders

Neeraj believes that there is a great opportunity in the booming outsourcing sector for young professionals to sustain a lifelong, fulfilling, and progressive career. There are not many other industries that give you as much global exposure across industries and technologies. However, to succeed, one will have to constantly learn and upgrade skills and be willing to step out of comfort zones.

In Focus

The IPO Routes for India's Internet Unicorns

Will Sebi's new recommendations make public listings easier for India's internet-based startups?

By **NAINI THAKER**

Food delivery unicorn Zomato, which recently raised $250 million from five investors, is reportedly gearing for an IPO next month

DEEPAK TURBHEKAR FOR FORBES INDIA

On February 22, Zomato announced its latest—and potentially last—round of funding of $250 million from five investors, including Tiger Global Management and Kora Management. The online food delivery unicorn is now valued at $5.4 billion, a 1.4x jump from its valuation of $3.9 billion in January 2020, when it raised $660 million. The company is reportedly gearing up for an IPO next month.

"The fundraise adds to the war chest for acquisitions and price wars as the company readies for its initial public offering [IPO]," says Ankur Bansal, co-founder and director at BlackSoil, a credit platform for startups. "It has recently restructured its capital base to create 8.8 billion new shares and tripled its paid-up capital, indicating its intent in the near term." Plans for the public listing seem to have been advanced due to Zomato's better-than-expected performance during the Covid-19 pandemic. Zomato, however, reported a 160.6 percent increase in its FY20 losses, to `2,451 crore from `940 crore in FY19, while revenue increased from `1,255 crore in FY19 to `2,485 crore in FY20.

Zomato is part of a crop of internet-based companies, including Flipkart, Nykaa, PolicyBazaar and Paytm, which are planning their IPOs in the coming year or two. According to a report by HSBC Global Research, more than $60 billion has been invested in India's internet-based startups over the past five years, with around $12 billion in 2020 alone.

However, unlike traditional profit-making companies that list on Indian exchanges, these startups continue to be loss-making ventures. The Securities and Exchange Board of India (Sebi) keeps a close watch on pricing and valuations of IPOs, and the kind of companies coming into the market, with profitability being a key factor. But with the emergence of internet-based ventures over the last 10 years, things are changing.

Pranav Haldea, managing director of Prime Database, says, "These companies, which are funded by private equity [PE] and venture capital [VC] investors, require a huge amount of capital investment before they turn profitable. In line with that, Sebi has been modifying its regulations to encourage such companies to get listed in India."

Last December, Sebi released a consultation paper on 'Review of Framework of Innovators Growth Platform (IGP)', with recommendations from the Primary Market Advisory Committee (PMAC). In 2015, Sebi had introduced a similar segment called Institutional Trading Platform (ITP), but it failed to get any interest from startups. The current reforms in the IGP framework, when implemented, are expected to find far more interest among Indian startups and technology companies.

"Sebi has recognised that these startups also need to look at IPOs to provide exits to their PE and VC investors, although they are loss-making. Since most of these companies would plan to list in overseas markets, Sebi is trying to get them to list here [through the IGP framework] so that Indian investors can participate as well," adds Haldea.

Pepperfry, the Mumbai-based online furniture marketplace, is another startup planning its IPO. According to Ambareesh Murty, co-founder and CEO, the company almost broke even last August. With plans to list in the coming 15 to 18 months, it hopes to turn profitable soon. Neelesh Talathi, CFO, Pepperfry, believes the IGP could be a platform for innovative businesses, not just in India but also in South Asia. "This [the IGP framework] is a recognition that the only similarity between all these new businesses is that they're all dissimilar," he says. Pepperfry is open to listing on all exchanges, including the IGP, once the new reforms are implemented by Sebi.

IPOs, however, are not always a means to raise money for all companies; for some, it is the achievement of a milestone in a company's journey. At Freshworks, a software-as-a-service (SaaS) unicorn, which has just hit $300 million in annual recurring revenue and is growing at over 40 percent, founder and CEO Girish Mathrubootham has both time and money on his side. "We don't have a definite timeframe," he says. "But we are a VC-funded company and every VC-funded company knows that at some point, when the timing is right, you have to consider possible options."

For InMobi Group's adtech business, which is looking at an IPO this year, group co-founder Piyush Shah says, "You should think about our IPO against the backdrop of US-versus-China. All the large technology-based Chinese companies are not viable options for US investors anymore. For large investors in the US, I keep saying there is no other alternative but to look at India."

SEBI'S RECOMMENDATIONS

The recommendations that Sebi released last December aim to make the listing of internet-based ventures easier in India, and allow more Indian retail investors to participate in them.

Earlier, apart from the requirement of 25 percent of the pre-issue share capital being held by eligible investors, Sebi's regulations also prescribed a two-year holding period for them. Yogesh Singh, partner and national co-head corporate practice group, Trilegal, explains, "PMAC's proposed relaxation of the holding period to one year will allow startups to address churn of investors on their cap table, resulting in many more startups becoming eligible for listing."

Unlike requirements for the main board, earlier the IGP framework did not allow discretionary allotments to anchor investors. "Such restrictions reduced the attractiveness of the issuance to qualified institutional buyers [QIBs] or anchor investors. PMAC has now proposed that up to 60 percent of the issue may be allotted on a discretionary basis to eligible investors," Singh adds.

Traditionally, Sebi's Issue of

Sebi's key reforms recommendations for the IGP:

Earlier	Recommendation
◆ 25 percent of the pre-issue share capital should be held by eligible investors; holding period should be two years for these investors	◆ Holding period should be one year; it will allow startups to address churn of investors on their cap table, enable more startups to become eligible for listing
◆ The IGP framework did not allow discretionary allotments to anchor investors, thus reducing the attractiveness of the issuance to QIBs or anchor investors	◆ Up to 60 percent of the issue may be allotted on a discretionary basis to eligible investors
◆ Accredited investors were not allowed to hold more than 10 percent of the cumulative pre-issue share capital of the issuer	◆ PMAC has proposed the removal of this restriction, allowing more startups to be eligible for the IGP

INFOGRAPHICS: SAMEER PAWAR

In Focus

Capital and Disclosure Requirements (ICDR) regulations only permit profit-making companies to list on the stock market. Singh of Trilegal explains, “In the normal course, an Indian listing would have required the issuer to have pre-tax profit of at least `15 crore in three of the past five financial years. Few Indian tech startups have reached this level of maturity, and accordingly public market opportunities were largely inaccessible.” As per ICDR guidelines, Sebi only allows a loss-making entity to go public if 75 percent of its net public offer has been allotted to QIBs, including insurance, mutual fund companies, and alternative investment funds. This means only 25 percent of its net offer is available to investors, raising less funds from retail investors.

The earlier restrictions under the ITP/IGP alternatives, including in relation to issue size, trading lot sizes and eligible investors, did not present a compelling alternative either. “However, reforms proposed by the PMAC last December, if implemented, are likely to address many of the challenges under the IGP framework, and come to the fore as a serious alternative to overseas listing,” Singh adds.

INVESTOR & STARTUP SENTIMENTS

The IGP framework is likely to benefit startups and is, therefore, seen as a step in the right direction to change the startup landscape in India. “There is a lot of frenzy around this on both the startups’ and investors’ sides,” says Bansal of BlackSoil. Clearly, the investor appetite for a platform like this is huge, especially since the IGP is advocating for technology and innovation-led companies.

The IGP recommendations include norms for voluntary delisting and migration to the main board, both of which work in favour of startups. However, given that most tech startups are loss-making, how traditional Indian investors will perceive them is yet to be seen. “The mindset of most traditional investors is to check profitability. This will take some time to change. But just because a company is loss-making doesn’t mean they shouldn’t be listed,” adds Bansal.

“The mindset of traditional investors is to check profitability. But just because a company is loss-making, it doesn’t mean they shouldn’t be listed.”

ANKUR BANSAL
CO-FOUNDER & DIRECTOR BLACKSOIL

Covid has helped shift mindsets for a lot of traditional investors. “A lot of them realised the importance of digitisation and automation. When small [US] companies like DoorDash can go for an IPO, why can’t Indian startups?” says Jatin Desai, managing partner, Inflexor Ventures. “One of the biggest challenges in our startup ecosystem is not enough exits, and they have to happen for the ecosystem to mature. Currently, exits happen when a company gets acquired by a larger global giant, like what happened with Walmart and Flipkart, or when smaller funds exit to larger funds. Second, domestic participation for investing in tech startups is low, since most of the large deals include foreign investors.” For an early stage investor like Inflexor Ventures, these were the only two routes for exits so far; the hope is that the IGP would provide a third alternative.

“Most of these startups start with money from friends and family, go on to raise capital from angel investors. Then they fall back on VCs, and eventually reach a stage where they look at PE investors. By the end of this cycle, most of these investors end up holding 40 to 60 percent of stake and want to see a return on investments, which is why these startups wish to plan their IPOs,” says Haldea.

Would startups that are unicorns or bigger, like Paytm or Zomato, want to list on a secondary platform like the IGP? Karan Marwah, partner and head, capital markets advisory, KPMG in India, clarifies, “The IGP would only be suitable for early-stage startups. Once they achieve scale and higher valuations, they would need to graduate to the main boards.”

Talathi of Pepperfry believes the IGP is essential to encourage an innovative startup ecosystem. “We are wrong if we think of the IGP as a secondary platform; it provides more flexibility to younger organisations to list.”

The last date to send public comments on the IGP framework was January 11, 2021, and it is expected to be currently under review, and be implemented soon. Forbes India tried contacting Sebi for a comment, but did not receive any response.

Marwah of KPMG says, “We should consider allowing some exemptions from the additional listing requirements for internet-based startups in a manner similar to the Jobs Act in the US that allows businesses of a certain size significant relaxations from filing and compliance requirements until they attain a certain threshold. This can allow these companies to list and graduate to the more stringent requirements expected of mature public companies in a phased manner.”

THE LURE OF THE US

According to Tracxn, there are 34 unicorns in India, as on February 4, 2021, including the likes of Glance, Paytm, BigBasket, Zomato, Swiggy, Nykaa and Udaan. Most of these are planning IPOs, regardless of the IGP's implementation; some are planning it in India, but, according to experts, most are considering an overseas listing.

This is due to a number of reasons. R Srikanth, president, corporate finance and investor relations, Infibeam Avenues, which listed on the BSE and NSE in 2016-17, believes the main reason is valuation. "The Indian market is largely dependent on inflows from foreign financial institutions and local domestic financial institutions. In the US, the valuation methodology and metrics are completely different. Therefore, you will find an ocean of difference between overseas valuations, especially in the US, and India valuations." Like Infibeam Avenues, a number of other internet-based companies such as MakeMyTrip, Bharat Matrimony and Indiamart have been listed. Unlike most others, Infibeam found it a lot easier to list, since, as Srikanth says, "Profit-making is a part of our DNA."

Companies such as Freshworks and Flipkart are also reportedly planning IPOs in the US. For companies that are either incorporated in the US or have investors there, the option to list overseas seems more beneficial. Additionally, Singh of Trilegal says that tech IPOs that are bigger than a particular size, for instance $6-8 billion, are likely to be listed abroad on account of the depth and liquidity on offer, despite the IGP being implemented. "Overseas investors are perceived to understand these technology companies better," says Haldea, "there is no need to educate investors about 'new' businesses and business models."

For Pepperfry, an overseas IPO was never a part of their long-term plans. "Irrespective of the IGP, Pepperfry has always looked at an India listing," Talathi says. Despite the criticism around Indian investors not being educated enough, he feels, "The Indian investor is as savvy as an investor outside of India, and is capable and very much willing to understand the business from multiple dimensions."

According to Marwah, there is also a perception that companies listing overseas will attract a higher level of scrutiny by regulators in those markets, and can prove to be more expensive. "As a business that is so deeply connected with its customers and suppliers in India, I think it is a lot easier to sell your story to people who know you and your business model, than to sell your story to people who have only heard about you," Talathi adds.

THE SPAC OPTION

Despite Sebi implementing the IGP framework, companies like Zomato or Paytm, which are eligible to list on the board, are likely to choose an overseas listing, either directly (provided regulations permit) or through the special purpose acquisition company (SPAC) route. "SPAC is a shell company with no commercial operations, which is formed strictly to raise capital through an IPO for the purpose of acquiring or merging an existing unlisted company," explains Amitabh Malhotra, head investment banking, HSBC India. As per a recent report, online grocery delivery service Grofers is in talks to make its public market debut through a merger with New York-based Cantor Fitzgerald's SPAC or blank-cheque firm.

In 2020, the US saw a frenzy of Nasdaq-listed SPACs, and new SPAC listings continue to pile up in 2021 as well. The trend seems to have grown popular with Indian companies and startups as well. *(see story on Pg 24)*

Thus, apart from the successful implementation of the IGP, a separate framework must be created for SPACs in India, while protecting retail investors' interests, much like in the US and other developed markets. Experts feel SPACs might be the more suitable and faster route for the listing of Indian tech startups.

Internet-based startups have enough and more options to list, both in India and overseas. But is this ecosystem likely to be divided between small and mid-sized startups listing via the IGP and larger companies listing overseas via the SPAC route? Only time will tell. F

• ADDITIONAL INPUTS FROM HARICHANDAN ARAKALI AND MANU BALACHANDRAN

Overseas vs India Listing

Overseas Listing:

Advantages
- Better valuation
- Listing in a market that drives a large part of their business
- Access larger and more diversified pools of capital (liquidity)
- Reducing cost of capital
- Increase brand awareness and recognition of Indian startups in foreign markets

Disadvantages
- Likely to attract a higher level of scrutiny by regulators
- More expensive

India Listing:

Advantages
- Markets would know the business and profile a lot better
- Internet-based startups have differentiated business models; there can be a first-mover advantage if there are no similar company listed in India
- Benefit from a greater awareness of regulatory requirements

Disadvantages
- Indian investors might not understand the business models due to the absence of enough competitors
- Investors might be unwilling to take the risk of investing in a new company
- Most startups are initially loss-making, and may find it difficult to attract decent valuations if investors are looking at P/E multiples

In Focus

The Hottest Party in Investment Town

SPACs, the current rage on Nasdaq, offer a quicker way for new-age Indian companies to list in the US markets, tap fresh investors, and raise capital

By NAINI THAKER & POOJA SARKAR

In July 2018, India's largest renewable energy company ReNew Power received the market regulator's approval to raise money from Indian capital markets. The much anticipated share sale never took off, as the company's ask of nearly $4 billion valuation did not find any takers and the company and its shareholders did not want to raise capital at diluted valuations.

After all, two months before filing its draft prospectus with Securities and Exchange Board of India (Sebi) in May 2018, ReNew had raised ₹1,608 crore from Canada Pension Plan Investment Board at ₹415 per share at a valuation of nearly $2.3 billion, a significant premium to what Goldman Sachs had paid in 2016 when it did a follow-up round at ₹205 per share. ReNew's largest shareholder is Goldman Sachs, which owns 48.6 percent in the company. Japanese power company Jera had paid ₹375.28 per share in March 2017. But the private investment valuation exceeded what public investors were ready to pay.

Things have changed since then.

In February 2021, ReNew Power announced that it is listing on the Nasdaq by reverse merging with a special purpose acquisition company (SPAC). A SPAC is a blank-cheque company or a shell company that lists through an initial public offering (IPO) and is registered with the US Securities and Exchange Commission (SEC).

CHAITANYA DINESH SURPUR

In this case, RMG Acquisition Corp II (RMGB), which listed on Nasdaq in December 2020 by raising $345 million, has offered to acquire ReNew Power. During this process, ReNew Power will merge with RMGB and create a combined entity called ReNew Energy Global Plc, which will be listed and traded under a new symbol, RNW. When a combined business transaction is finally completed, which includes shareholder approval and financing among other things, it is called a de-SPAC transaction.

RMGB is sponsored by Riverside Management Group and during its listing it had offered to acquire companies across sectors. Till date Riverside Management Group has floated three SPACs. RMG Acquisition I has bought Romeo Power, a company focussed on designing and manufacturing lithium-ion batteries.

RMGB has offered to acquire

ReNew Power. Its shares had listed at $10.42 per share on December 11, hit an all-time high of $12.78 per share on February 5, and has tapered to $10.75 per share as on March 19.

According to the investor presentation, RMGB valued ReNew Power at $3.76 billion, and post the acquisition the new combined entity's equity value will be $4.37 billion. As part of the transaction, ReNew's existing shareholders will own 70.2 percent in the new entity RNW.

As part of the deal, RMGB will invest $1.2 billion to acquire 29.8 percent stake in RNW. RMGB will finance it via the $345 million IPO proceeds, and the $855 million it has raised from investors as private investment in public equity (PIPE). Some of these anchor investors are BlackRock, BNP Paribas Energy Transition Fund, Social Capital's CEO Chamath Palihapitiya, Sylebra Capital, TT International Asset Management Ltd, TT Environmental Solutions Fund and Zimmer Partners. Of the 29.8 percent stake in RNW, these investors will hold 19.6 percent.

Of the money that ReNew Power has managed to raise, $610 million is primary proceeds that will be used to build new capacity and reduce debt, $500 million will be paid as cash to ReNew's shareholders and $90 million as fees to underwriters. The document does not clarify which existing shareholders of ReNew are cashing out as part of the deal.

While this may look like a web of complex transactions that includes a listing, a merger, a PIPE deal, and a combined listing, India's first renewable energy company's de-SPAC listing opens the door for others who are looking to tap the US markets, and gives companies access to a class of investors who are keen on technology-enabled companies, with a focus of environmental, social and corporate governance (ESG) factors.

According to a recent media report, online grocery delivery firm Grofers is in talks to make its public

"SPACs have democratised the process, allowing the average retail investor to have an opportunity to invest alongside some of the greatest investors of all time."

BOB MCCOOEY,
SENIOR VICE PRESIDENT & GLOBAL HEAD OF CAPITAL MARKETS, NASDAQ

[redacted]

market debut through a merger with New York-based Cantor Fitzgerald's SPAC. It is expected to raise $400-500 million, at a valuation of $1 billion. "We cannot comment on rumours. Our focus continues to remain on growth and building technology that empowers the grocery ecosystem to make products more affordable and accessible for millions of Indian households," Grofers said in an email to *Forbes India*.

In 2020, the US saw a frenzy of Nasdaq-listed SPACs, and they continue to pile up in 2021 as well. Companies such as Nikola, an electric vehicle firm, and DraftKings, a sports betting company, saw their valuations soar since their SPAC listings. As Bob McCooey, senior vice president and global head of capital markets at Nasdaq, says, "five SPACs are happening today and three-four happened the day before".

According to a January report by Goldman Sachs, last year 161 traditional IPOs raised $67 billion in the US, while 229 SPAC IPOs raised $76 billion, a five-fold increase from the previous year's record high, and accounted for 53 percent of the total IPO capital raised. SPAC acquisition announcements and deal closures also hit record highs in 2020: 99 SPACs representing $30 billion in IPO capital announced merger and acquisition (M&A) targets, while 55 SPACs closed de-SPAC acquisitions worth $79 billion in enterprise value.

"The most interesting thing about the SPAC asset class is that it has democratised the entire process, allowing the average retail investor to have an opportunity to invest alongside some of the greatest investors of all time," says McCooey. Nasdaq has done 70 to 80 percent of the business combinations in the history of SPACs.

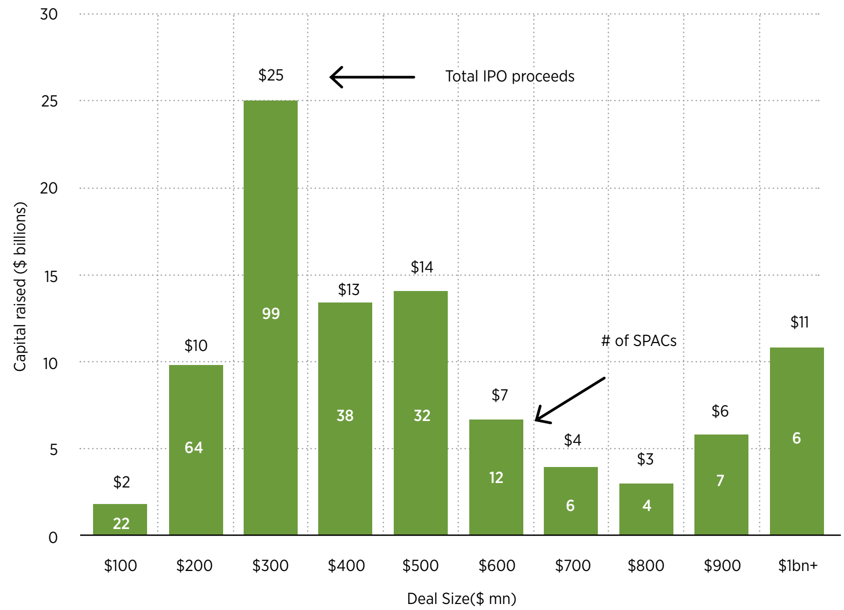
Because of the way in which a SPAC is structured, after the listing, the sponsor needs to acquire a target company within 18 months. Shareholders of the SPAC vote on the acquisition. If they are not happy with the target that is chosen, then they can redeem their warrants and shares. If the SPAC cannot find a target and complete the merger within the stipulated time, then it liquidates and winds up the shell company.

The primary advantage SPACs offer is the ability to complete the transaction in a shorter time frame as compared to traditional IPOs. "Since SPACs have a defined term they are motivated to complete the transaction within that period. It allows for a focussed process and reduced valuation anxiety for the sellers. SPAC sponsors are typically seasoned investors with experience of realising post-deal value beyond generic strategies," says Karan Marwah, partner and head, capital markets advisory at KPMG.

But what has led to this recent popularity of product class that has

A majority of SPAC IPOs have been <$500mn

Total US SPAC IPO proceeds and # of SPACs by deal size, $

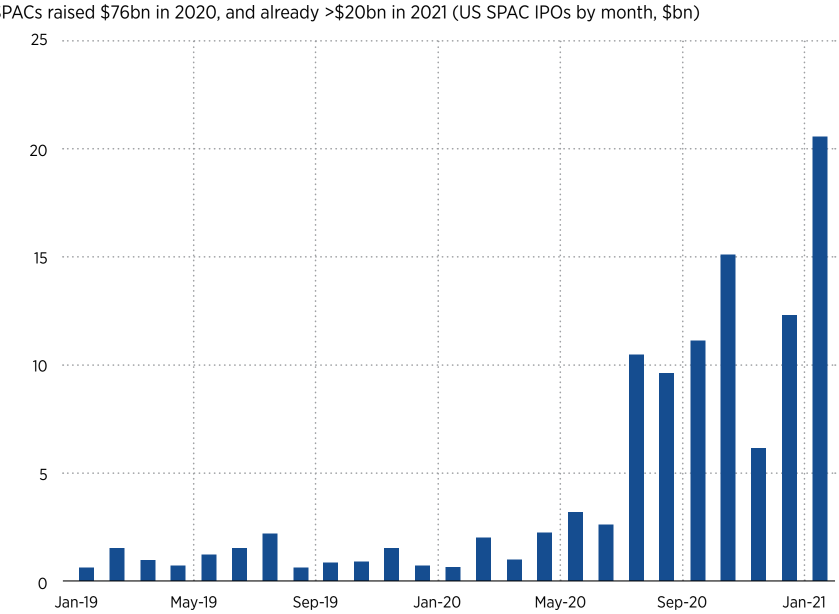


Note: Includes US SPAC IPOs from start of 2020 through January 22, 2021.

SOURCE Dealogic, Goldman Sachs Global Investment Research

SPACs: Sizing up the Surge

SPACs raised $76bn in 2020, and already >$20bn in 2021 (US SPAC IPOs by month, $bn)



SOURCE Dealogic, Goldman Sachs Global Investment Research

Note: Data as of January 27, 2021.

been around since the mid-1990s?

Experts believe one reason is the quality of sponsors. High-profile names who have been writing cheques for these companies include venture capitalist Chamath Palihapitiya, basketball legend Shaquille O'Neal, and former baseball player Alex Rodriguez, who is reportedly looking to raise $500 million through Slam Corp's SPAC listing. Be it private equity funds, hedge funds, institutional investors, high-net-worth individuals (HNIs) or the so-called 'Robinhood investors', everyone seems to be betting on SPACs.

Although Nasdaq hasn't made too many changes on the regulation front, there are a lot of innovations being done with SPACs. For instance, McCooey says serial SPAC sponsors are creating families of SPACs and are looking at different types of structures: "As more and more SPACs come to the market, you find that the sponsor wants to stand out from the crowd. This could mean a lot of things: Going to different sectors that have not attracted as many SPACs, tapping into another geography, and having different structures." Mutual funds and hedge funds are now slicing out a portion of their portfolios to exclusively invest in this asset class.

"Companies that are seeking to list through SPACs are of very high quality," says Raj Balakrishnan, head of India investment banking at Bank of America. Over the last decade, SPACs were dominated by traditional sectors like industries, BFSI and energy, but over the last three years, sectors that are 'hot' include electric vehicles and allied services firms, technology-backed companies, fintech, insure-tech, space and environmentally sustainable companies.

Companies from mainland China, Hong Kong, Singapore, Latin America, Brazil, Mexico, the Middle East and Europe are now vying for a share of the pie. "We know that there are some coming from India," says McCooey.

An investment banker directly familiar with a clutch of SPAC deal negotiations in India believes that while it looked attractive last year and a lot of companies started ground work on it, many are now shying away. Where de-SPACs are concerned, the valuation of the company and future projections are done in a manner similar to regular M&A transactions and then the listing process takes place. However, in an Indian IPO, a company cannot provide future-looking guidance and projections and the price discovery happens on listing.

For Indian companies, especially new-age ones, which are listing via merging with SPACs, it is an easier access to the US capital markets and a chance at a broader set of investors.

"If the SPAC's target company is in India and it is majority held by non-residents, then it is easy for them to do these combinations outside India. In such de-SPAC transactions, the Indian regulatory implications are minimal as the Indian target is only the underlying asset and the transaction is happening outside India. The non-resident shareholders are free to structure the combination as per applicable laws outside India. Consequent to the de-SPAC, the combined entity is able to borrow, raise funds and attract global capital," says Akila Agarwal, partner and head of M&A at law firm Cyril Amarchand Mangaldas, which has advised ReNew Power on its SPAC deal; Agarwal declined to make any specific comment on ReNew Power.

When it comes to traditional sectors like cement, infrastructure and consumer goods, companies have a chance to get a valuation advantage when listing in the Indian markets, as investors understand the sectors extremely well. However, in sectors like consumer tech, fintech and biotech, says Balakrishnan, the valuations are based on comparisons with others. Hence, US becomes the logical option for these companies.

Marwah of KPMG adds, "Any Indian company that doesn't have an overseas holding company will need to evaluate the right path to doing a SPAC, keeping in mind the relevant tax, corporate law and foreign exchange control regulations." For example, companies will need approval from their respective regulators, competition commissions and others, just as they would need in an M&A process.

There is also the risk of not being able to find an acceptable business combination. Of the SPACs that have

"Close to $1 trillion worth of companies will be listed via this route based on the volume of SPAC capital raised."

RAJ BALAKRISHNAN,
HEAD OF INDIA INVESTMENT BANKING, BANK OF AMERICA

[redacted]

been raised in the last two years, only a small fraction have managed to go through the de-SPAC process. According to Balakrishnan, as long as people do quality deals with due diligence, the performance should be good. He adds, "Close to $1 trillion worth of companies will be listed via this route based on the volume of SPAC capital raised. This is why people are moving away from looking only at US targets, and instead are looking for targets globally."

It is also believed that SPACs tend to bring in relatively less mature companies with riskier business models to the market. But McCooey differs: "We're very supportive of this [SPACs] because we, as an exchange, think that companies should go public earlier in their lifecycles. So I don't know about it being riskier, since all investments have a certain level of risk involved."

Experts believe rising bond yields make SPAC investments more volatile than other investment avenues. "We all recognise that a growth company's stock price will always be more volatile than a more established company," says Balakrishnan. "An established company is less likely to be impacted by things like changing interest rates, as opposed to a company that needs to raise a lot of capital."

However, McCooey feels otherwise: "If you get higher bond yields, they might take some money out of the market and go into fixed income, if yields rise significantly. Currently, they're at such a low level, an average investor would rather have the opportunity to be involved in a SPAC than to take money out of equities and put them into bonds. I don't think it creates volatility."

Will this SPAC bubble burst?

According to Marwah, Sebi has formed a group of experts to examine the feasibility of introducing SPAC-like structures in India. It will add another option for domestic investors to further deepen our capital markets. SPACs can be an option to evaluate Indian companies that wish to raise capital and be listed on overseas stock exchanges until such time that the regulations are changed to allow for such companies to be directly listed overseas.

And despite the excitement around SPACs since 2017, experts believe not many will find targets. The Goldman Sachs report from January states: "Of the de-SPACs completed in 2020, the post-acquisition median 1-month, 3-month, and 6-month excess returns relative to the S&P 500 index have been -13 percentage points, -6 percentage points and -27 percentage points, respectively. The samples are small and the range of outcomes is wide. The highest and lowest 6-month relative return vs the S&P 500 following deal closing was +135 percentage points and -108 percentage points, respectively. If weak returns persist, investor appetite for new SPACs may wane."

But for now the party is just getting started for Indian promoters who are looking to be acquired and listed in global markets. F

Electric Ambitions

Bhavish Aggarwal's Ola Electric is setting up a two-wheeler manufacturing facility in Tamil Nadu to herald an EV revolution that is likely to make it a frontrunner in the segment

By MANU BALACHANDRAN

Besides two-wheelers, Bhavish Aggarwal, founder and group CEO of Ola, is also busy firming up plans to manufacture three-wheelers and four-wheelers

PHOTO COURTESY: OLA

Bhavish Aggarwal is in a hurry. A sort of mad rush.

What else perhaps explains the last few months at Ola Electric, one of India's fastest unicorns and part of the larger Ola group founded by Aggarwal? The Ola group comprises a mobility business, Ola Cabs and Ola Electric, the electric vehicle arm.

In December 2020, as India's economy began swinging back to normalcy after months of a nationwide lockdown, Aggarwal and his team at Ola Electric signed a memorandum of understanding with the government of Tamil Nadu to set up a manufacturing plant in the state to produce electric vehicles (EV). It was only a month before that, in November, that the company had signed off on the budget to set up a manufacturing facility.

Then, in January 2021, the company identified a 500-acre plot in Krishnagiri, a tiny hamlet in Tamil Nadu, also known as the mango capital of India, before conducting its ground-breaking ceremony on February 7. A month since, the company has been working at breakneck speed, including replanting trees and excavating land, to turn the land into what will be the world's largest two-wheeler factory.

Once completed, at 10 million units a year, the company will account for 15 percent of the global two-wheeler market in the world.

Even Hero MotoCorp, the world's largest two-wheeler maker, doesn't boast a manufacturing facility of this scale. In comparison, across its six manufacturing facilities in India, Hero MotoCorp manufactures 11.6

million units a year, a tad higher than Ola's proposed facility.

By June, the company will complete the first phase of its manufacturing facility that will be capable of manufacturing some two million two-wheelers. A year from then, the company intends to work at full capacity, capable of manufacturing 10 million units of two-wheelers a year, or one two-wheeler every two seconds. All that means some 10 million man-hours have been planned to bring the factory up in record time, and by next year, the company will be ready with over 10 million units of its electric two-wheeler.

"Is there any other way?" Aggarwal, chairman and group CEO of Ola, quips about the pace at which the company is planning its EV foray. "In the EV space, the only way we can create impact is to play the scale game. We have to build this business at scale. That's the only way the adoption of EVs will be faster. Because, unless we build at scale, you can't bring the cost down enough, and you can't get consumers excited."

Getting customers excited, Aggarwal knows, is certainly the only way out. For years now, India's consumers have been rather wary about embracing EVs despite a mammoth push from the government. India is a signatory to the Paris Climate Agreement, which means that the country needs to reduce its carbon emissions by some 35 percent of its 2005 levels by 2030 and the government has tried everything—from tax cuts to manufacturing incentives in the automobile sector—to kickstart an EV revolution in the country.

Yet, despite all the narrative around EVs, there haven't been substantial gains. Last year, India sold some 156,000 units of EVs in the country, of which 126,000 were two-wheelers. In contrast, over 21 million vehicles that run on internal combustion engines (ICE) were sold in FY20, of which 17 million were two-wheelers. China sold some 1.3 million EVs in 2020, according to Singapore-based market research firm Canalys, in a year marked by a pandemic, accounting for over 40 percent of the global EV sales.

Aggarwal wants to change all that and sees a massive opportunity. Not that he doesn't have the necessary credentials to bring about a transformation. After all, he changed India's mobility scenario with the launch of Ola, the ride-hailing service that became a mainstay for shared mobility in the country. "Our vision from the start has been to completely transform all mobility to electric and to do that we have to build a very large integrated manufacturing facility," says Aggarwal, who co-founded Ola Cabs in 2010.

"In the EV space, the only way we can create impact is to play the scale game. Because, unless we build at scale, you can't bring the cost down enough, and you can't get consumers excited."

BHAVISH AGGARWAL
CHAIRMAN AND GROUP CEO, OLA

[redacted]

That's precisely why Ola Electric has decided to take to manufacturing at such a scale. Within its manufacturing facility is planned a massive supplier park, a battery manufacturing facility, a welding, and general assembly unit, and a test track among others.

"The need to transform mobility to electric is there, and we can see what's happening with pollution, so we have to build for the future paradigm, we have to build for future technology, and in mobility, it has to be electric," Aggarwal says. "It absolutely has to be done as fast as we can." Perhaps, it's that commitment to the environment that has also led Aggarwal to set up some 100 acres of forest within the manufacturing facility.

THE BIG PLAN

For now, as much as 90 percent of the components required to manufacture the two-wheeler will be built at the facility in Tamil Nadu. The new facility includes a mega block that's as big as 150 Olympic-sized swimming pools or the combined size of the T2 terminal at the Mumbai airport and the T3 terminal at Delhi airport.

Barring the battery cells, which the company is importing from South Korea, the rest of the components that go into manufacturing the bike will be sourced from the company's massive supplier park being built along with the facility. Battery packs are made up of many smaller cells, mostly lithium-ion cells, connected into a battery module, which when wired together determine the final capacity of the battery.

"The cells are coming from outside, but we are making the battery ourselves, including the battery management system," Aggarwal says. "We want to bring that manufacturing (of cells) to India also." While there is no definite timeline to when cells will be manufactured in India, it is crucial to do so in India as it can bring down costs even further in the future. Already, the government has announced a production-linked incentive (PLI) scheme to provide financial incentives to manufacturers in the country.

Among others, South Korea, China and Japan account for over 85 percent of the global cell production, and companies such as LG Chemicals, Panasonic, BAK Group and Samsung are the frontrunners in manufacturing them. Lithium-ion batteries can be recharged and have a longer lifecycle with lower maintenance.

Having its own supply ecosystem and localisation are critical for an automaker as they help with reducing costs, bolstering the domestic supply chain, agile need-based customisation, and faster service response. That's also something that has been missing in India's electric two-wheeler segment, as EV manufacturers have largely relied on importing parts and simply assembling them within the country. Even others, who have been building from ground-up, are yet to ramp up scale and currently boast of capacities less than 100,000 units a year.

"Suppliers will be coming here and investing in this facility, making it a fully vertically integrated plant that also helps reduce cost, and time to market. Those things are critical to driving the adoption of EV," Aggarwal says. "We're controlling some core technology elements in-house. The battery and motor are designed and manufactured by us, and the vehicle computer and the software too are being designed and engineered by us."

That means, the company will also use some 3,000 robots, a number the company claims is the largest in the country, and will use 10 production lines to help with the massive growth plans.

"From a supply perspective, let's acknowledge that we currently have a cross-border dependency in the EV supply chain and while one may want to localise components such as battery pack, motor, vehicle computer and software, such localisation may be limited to a gross level only and not at a net level," Harshvardhan Sharma, head of automotive retail practice at Nomura Research Institute Consulting & Solutions India, says. "Furthermore, in terms of demand-side challenges, at a price point of $1,000 (₹75,000), the users are spread thinner. Remember, we are primarily a motorcycle market, not an automatic transmission scooter market, and EV scooters at a premium positioning will have a lower total addressable market compared to an entry-level ICE motorcycle."

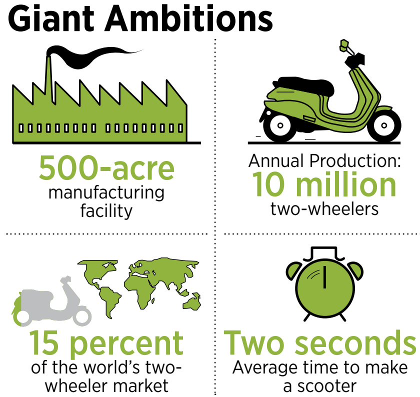
PHOTO COURTESY: OLA

Aggarwal is looking at an attractive price for the Ola EV scooter, which will be at par with the ICE variants

But that's something Aggarwal hopes to change. The company is yet to announce the price for its two-wheeler, although it reckons that it will be rather aggressive, and match that of two-wheelers made by gasoline two-wheeler manufacturers. For comparison, the popular Honda Activa, manufactured by the Japanese automaker Honda, sells at between ₹67,000 and ₹71,000, while Bajaj Chetak, the electric variant of the yesteryear legendary scooter, retails at over ₹100,000. Ola could price its scooter at less than ₹100,000. The company will also likely use subsidies provided under the government's Faster Adoption and Manufacturing of Hybrid and EV (FAME) scheme, launched in 2015, which provides subsidies and upfront incentives on the purchase of EVs.

"When we launch our product, they'll see the significant advancement we've made on the product itself," Aggarwal says. "The consumer wants a product which enables better convenience for them and is also available at a reasonable price. So once the technology and price points are there, consumer adoption will be very fast. Our ethos as a company is not to wait for the market to be ready because by that time, you're already too late as an innovator. So we have to create the market and that's what we're doing."

Giant Ambitions



INFOGRAPHICS: SAMEER PAWAR

WILL IT FIND TAKERS?

Yet, creating a market may not be particularly easy, although Aggarwal has done that before with the success of Ola. For one, while the upfront costs of EVs remain relatively high, there are also serious concerns about range anxiety and poor charging infrastructure in the country.

According to the Central Electricity Authority (CEA), India has 933 public charging stations across the country as of June 2020. Of that, Andhra

PHOTO COURTESY: OLA

An artist's impression of Ola's electric vehicles facility in Tamil Nadu when completed. Spread over 500 acres, it will be the world's largest two-wheeler factory

Pradesh, Telangana and Karnataka have the highest numbers with 433, 160 and 126 units, respectively.

"We have to get the market ready," Aggarwal says. "The need to do it is there. Unless we transform to electric, we will never be able to get away from our challenges."

India is currently home to 14 out of the 20 most polluted cities in the world. EVs provide a glimmer of hope by reducing dependence on fossil fuels, and in turn pollution. Of all the vehicles in the country, two-wheelers account for some 79 percent of the total number of vehicles, according to government think tank Niti Aayog. Three-wheelers account for four percent of the total number of vehicles while buses and large goods vehicles like trucks account for three percent.

Economy four-wheelers, which cost less than ₹10 lakh, account for 12 percent of the total number of vehicles while premium four-wheelers, costing higher than ₹10 lakh account for two percent.

That's precisely why Aggarwal has turned his focus to two-wheelers before moving to three-wheelers and four-wheelers over the next few years. "If you look at the electric manufacturers around the world, most of them are focusing on luxury products," Aggarwal says. "That's large pickup trucks or luxury sedans or heavy SUVs. The Indian market and most of the world do not need that kind of product. Across most of the world, what's needed is what I would call urban mobility or mass mobility products. That's two-wheelers, three-wheelers, four-wheelers, hatchbacks, sedans and small SUVs."

India's EV market is expected to grow to 6.3 million units per year by 2027, according to consultancy firm India Energy Storage Alliance, growing at a compounded annual growth rate of 44 percent between 2020 and 2027. That's precisely why iconic EV manufacturer Tesla has also decided to foray into India. But while Tesla may remain unaffordable for many buyers in India, Ola is busy firming up plans to manufacture three-wheelers and four-wheelers soon.

"We're starting with the two-wheeler play... we want to be the world's largest two-wheeler manufacturer in the next few years," Aggarwal says. "This factory is in that direction, towards that vision of being the world's largest, and will also continue to expand into other segments. We have begun work on that front." The arrival of Tesla, Aggarwal reckons, will only help catalyse the ecosystem, helping bring excitement among government, customers, and even suppliers.

"The mobility space is such that no one company can transform [it]," Aggarwal says. "It's a massive space and it needs a massive transformation where the whole ecosystem has to work together."

Yet, splurging ₹2,400 crore (and that's just for the first phase of the factory with two million annual capacity that will be ready this summer) to kickstart an EV revolution in India is a big gamble, even for Aggarwal, despite the enormous opportunity. "If you want to change the landscape, you have to have the vision, and also move rather quickly," says an industry expert who has worked closely with Ola and Aggarwal. "Bhavish is certainly a visionary who has clearly caught the incumbents off guard."

Ola Electric is also planning to set up a charging infrastructure, and is currently laying out plans for the same. India is expected to need a network of over 2.9 million public charging points by FY30, beyond the in-home charging points, requiring an investment of over ₹20,000 crore until 2030, according to Niti Aayog.

"If you look at the future of mobility, the future of mobility will be a multimodal solution," the 35-year-old Aggarwal says. "There will be shared mobility, where they will use solutions like Ola across the world, but there will be a lot of people who want their own vehicles. But that vehicle needs to represent future technologies and needs to be built using future paradigms. And that's what we're doing. The future of mobility is going to be a balanced one between shared and personal ownership. And we believe we can play a role in it."

That way building at scale and disrupting the markets could help Ola in the long run, and it could emerge as a frontrunner when the market shifts to EVs over the next few years. India has laid out elaborate plans to have an EV sales penetration of 30 percent for private cars, 70 percent for commercial vehicles, 40 percent for buses, and 80 percent for two- and three-wheelers by 2030, fuelled by incentives. Besides, the government is also planning to set up at least one e-charging kiosk at each of the around 69,000 petrol pumps across the country.

"There is a huge opportunity for Ola," says Puneet Gupta, a director for automotive sales forecasting at consultancy firm IHS Markit. "Existing players such as Hero MotoCorp and Bajaj may not be frontrunners in the segment going forward and that's an opportunity to cash in on as the first mover. While there are thin margins in EVs now, it will change over a period of time."

According to Niti Aayog, the country's EV financing industry is projected to be worth ₹3.7 lakh crore in 2030, about 80 percent of the current retail vehicle finance industry. Between 2020 and 2030, the estimated cumulative capital cost of the country's EV transition will be ₹19.7 lakh crore across vehicles, electric vehicle supply equipment, and batteries (including replacements).

"Existing players such as Hero MotoCorp and Bajaj may not be frontrunners in the segment going forward and that's an opportunity to cash in on as the first mover."

PUNEET GUPTA
DIRECTOR FOR AUTOMOTIVE SALES FORECASTING, IHS MARKIT

"We are at an interesting cusp of mobility disruption in India," adds Sharma of Nomura. "There is action happening on all four areas on CASE (Connected, Autonomous, Shared & Electrical) and electric is at the forefront of it. However, mass adoption of premium EV scooters may percolate from metros to Tier I and eventually Tier II cities. If we were to draw a parallel with the innovation adoption lifecycle, it may be fair to assume that innovators and early adopters may join the bandwagon for this disruption but the critical mass of early majority and late majority customers may take time."

Many Indian companies, including market leaders such as Maruti Suzuki and Hero Motocorp, are yet to pivot entirely into EVs or invest massively in setting up EVs, even as fuel prices in the country have been seeing record highs. Global automakers, including General Motors and Volkswagen, meanwhile, have taken decisive steps to move into an all-electric fleet between 2030 and 2035. In India, companies such as Tata Motors have begun building EVs, while Hero MotoCorp has a 34.58 percent share in Bengaluru-based electric two-wheeler maker Ather Energy. Hero MotoCorp is also developing a few models in-house, and plans to set up charging stations, according to the company's annual report.

"The incumbents are not ready," Aggarwal says. "The incumbents haven't invested in enough R&D and enough manufacturing capacity to build products that consumers like in India. The Indian consumer is the smartest, most discerning, and value-conscious customer. They are always ready. The products need to be ready. When we say that markets are not ready, I believe sometimes people mistake that the consumer is not ready."

On The Fast Track

Nov 2020	Dec 2020	Feb 2021	Jun 2021	Jun 2022
Budget sign-off	Scouting for land, MoU with the government of Tamil Nadu	Ground-breaking ceremony at 500-acre plot in Krishnagiri in Tamil Nadu	Completion of phase 1. Capacity of 2 million two-wheelers	Completion of phase 2. Capacity of 10 million two-wheelers

WHAT HAPPENS NOW?

Much of Ola's decision to manufacture two-wheelers in the country comes on the back of its acquisition of Etergo BV, an electric scooter maker based out of Amsterdam.

Etergo, founded in 2014, had built an all-electric state-of-the-art AppScooter that uses swappable high-energy-density batteries to deliver a range of up to 240 km and class-leading acceleration. "It is the same vehicle that will be sold in India," an insider at Ola Electric tells *Forbes India* on condition of anonymity. "It has been designed in Europe and is much ahead of its rivals."

That means the two-wheeler could even match the range provided by electric car makers in the country, and will have more than twice the range offered by Indian electric two-wheeler companies. For instance, one of India's most popular EVs, the Tata Nexon, has an advertised range of 312 km while Ather Energy's 450X, according to the company, has a range of 116 km.

"Our pricing will be significantly better than any incumbent EV player in the market," Aggarwal says. "We're not releasing the pricing right now, but it will be very, very attractive and at par with the ICE variants." That means going for a direct-to-customer strategy, followed by the likes of Tesla, in addition to working with partners. At the heart of that sales plan, Aggarwal says, will be the leveraging of digital assets. Already, India's automobile ecosystem has begun moving into virtual sales or online models, as a result of the pandemic.

Meanwhile, even as the Indian market picks up, the company isn't shying away from exploring the lucrative export market, where EVs have found steam. That means half of the units produced at the manufacturing facility in India will be exported globally, across key markets such as Europe and South America, among others. "We will be doing a significant amount of exports from here, so you can assume about half of our capacity here will be exported across the world," Aggarwal says.

"India offers the dual advantage of offering strong domestic demand due to a consumption-led economy as well as a favourable export destination advantage due to our cost arbitrage," adds Sharma of Nomura. "So one option could be taking the mass premium route, what a Tesla, Nio and Xpeng have done in their markets, but economies of scale is the key here. Another option could be using exports as a strategy. That can bring significant gains quite early in their balance sheet."

"One option could be taking the mass premium route, what a Tesla, Nio and Xpeng have done in their markets. Another option could be using exports as a strategy."

HARSHVARDHAN SHARMA
HEAD, AUTOMOTIVE RETAIL PRACTICE, NOMURA RESEARCH INSTITUTE CONSULTING & SOLUTIONS, INDIA

[redacted]

That's something even Aggarwal could be interested in. For long, Ola Electric had largely remained low-profile since its inception in 2017, without much to show on the books. The company started as a subsidiary of ANI Technologies, the parent company of Ola. By March 2019, it was spun off as a separate unit, with Aggarwal buying out most of the stake in the venture. That was followed by a spate of investments from SoftBank, Hyundai, Kia, Tiger Global, Ratan Tata and the Pawan Munjal family trust, among others, propelling it to a unicorn.

"Shared mobility has been on the backfoot since the Covid-19 crisis," adds Gupta of IHS Markit. "That's probably why he has begun focusing more on personal mobility. There have also been significant changes in the business with organisations such as ecommerce and ride-hailing companies looking at moving their entire fleet to EVs. That has given us the confidence to look at this category in a big way." Aggarwal, meanwhile, reckons that the mobility business is returning to normalcy, and will be back to pre-Covid levels by next quarter.

For now, Aggarwal has his hands full between the mobility and EV business. Every Friday, he travels over three hours from Bengaluru to Krishnagiri to personally inspect the pace of work at the construction site, and holds detailed discussions with the contractors and workers. He knows time is ticking rather fast as June approaches. And, that's precisely why he is in a rush. F

"WHEN DOES A COMPANY START TO ACCELERATE IN RURAL MARKETS? IT DOES SO WHEN TWO THINGS HAPPEN: CONVERGENCE OF ASPIRATION AND CONVERGENCE OF AVAILABILITY."

SURESH NARAYANAN,
CHAIRMAN AND MANAGING DIRECTOR, NESTLÉ INDIA

AMIT VERMA

V *for* VILLAGE

CITY SLICKER NESTLÉ IS AGGRESSIVELY FANNING ACROSS RURAL INDIA IN SEARCH OF ITS NEXT LEG OF GROWTH. NIRVANA FOR THE MAGGI MAKER, FOR SURE, WON'T BE A TWO-MINUTE GIG

By **RAJIV SINGH**

Chittawala Khaddar village, Meerut, Uttar Pradesh

Papi Mandal doesn't know how to pronounce diaper. The 36-year-old can't get the spelling right, and in all probability, doesn't even know the names of the top diaper brands. But what the gritty homemaker, who looks after a teeny-weeny store whenever her husband is out in the fields, knows for certain is one singular reality. In her sleepy village, tucked some 163 km away from the national capital and 445 km from the state capital of Uttar Pradesh, the demand for *bachcho ki chaddi* (kids' underpants) is quite high.

"Mami and Hoogi *ka dus rupaya waala* packet *ka* demand *hai* (There is demand for ₹10 packs of Mami and Hoogi)," says Mandal, alluding to MamyPoko pants and Huggies. "There are other brands too that fly off the shelves," claims the class V dropout, pointing towards a clutch of low-unit packs hanging from a slender rope at the store front: Tata Tea, Colgate, Sunsilk, Boroplus, Glow & Lovely, and Patanjali. A bunch of bright yellow packs of Maggi in a small basket breaks the dull monotony of the store. A string of ₹2 pouches of Nescafe too adds some colour. The facade of the shop is covered with an iron grill to keep the products safe from the monkey menace. As *Forbes India*'s photographer clicks with his Nikon camera, a few kids who had assembled at the store out of curiosity break into a giggle. "Camera *dekh* (look at the camera)," says a 12 year old. "DSLR *hai, aur* remote flash trigger *hai* (it's a DSLR with a remote flash trigger)," replies his friend, who checks the name of the model on his smartphone.

Five years back, in August 2016 in Gurugram, a bunch of analysts wanted to know Nestlé's business model in India. It had been a year since the Maggi crisis—over 35,000 tonnes of noodles were voluntary withdrawn and destroyed over the alleged issue of excess lead in the product in 2015—and the Man Friday of the Swiss multinational giant was addressing the analysts' meet. "We have to look at the reality of where we are and what portfolio we have to offer," declared Suresh Narayanan, chairman and managing director of Nestlé India. His pitch was clear. The maker of Maggi, KitKat and Nescafe was in no mood to shed its urban tag. After all, that's where the 'aspiring, seeking, inspiring and global consumers' of Nestlé resided. Maggi noodles were largely consumed in the cities; KitKat and Munch wooed urban millennials; Milkmaid had takers among homemakers in the metros; Nescafe had urban vibes to it; and the milk and nutrition products of Nestlé appealed largely to young consumers in cities.

Nestlé's product portfolio meant that the company had identified its target group: 315 million city residents. "This does not mean that Nestlé is going to be a clearly urban company with no rural contribution," Narayanan clarified. To be fair, Nestlé did have a rural reach, albeit of just 1,000 villages. The ground reality, he stressed, was that the growth vectors for Nestlé were loaded more towards the urban markets.

Two years later, in August 2018, Nestlé's approach didn't change much. "The strategy of going where the lion hunt is has not changed," Narayanan remarked at an analysts' meet. The brand was still going where the consumer was. This time, though, Nestlé's battery of brands was making its way into the hinterland. KitKat was getting into rural areas. So was Maggi. "Our nutrition portfolio is also getting into the rural market," he said. Nestlé was silently undergoing a transformation. The city slicker brand had hit the country roads. From 1,000 villages covered in 2016, the number jumped over 50 times to 51,584 villages.

Nestlé's top honcho was gradually getting a hang of how rural India was mimicking its urban counterpart. The digital divide in India was breaking down at an alarming rate. Rural and urban people, Narayanan underlined to the analysts, see the same advertisement. "We can call it the Jio effect where people tend to watch more videos." This, he stressed, is becoming a brand equaliser as far as brand aspirations are concerned.

Fast forward to March 2021. Nestlé has donned a 'plural' (urban plus rural) avatar. The world's biggest food company is fanning across 89,288 villages to hunt for its next leg of growth. "Rural is an important dimension of the next phase of Nestlé," points out Narayanan. Reason: The portfolio, reach, relevance, price point and convenience of most of the Nestlé brands resonate well with consumers in Bharat. "Today, rural India buys multipacks of Maggi," he tells *Forbes India* in an exclusive interview. "They are medium to heavy users of the brand," he asserts, explaining how the new paradigm has been changing the DNA of the company. If you look at the performance of the company, Narayanan underlines, in the last couple of quarters, Tier II, III and IV towns and rural areas have been growing at almost twice the rate, if not three times, of urban India. "The balance is gradually shifting."

Papi Mandal sells Maggi, a Nestlé product, at her store in Meerut's Chittawala Khaddar village

AMIT VERMA

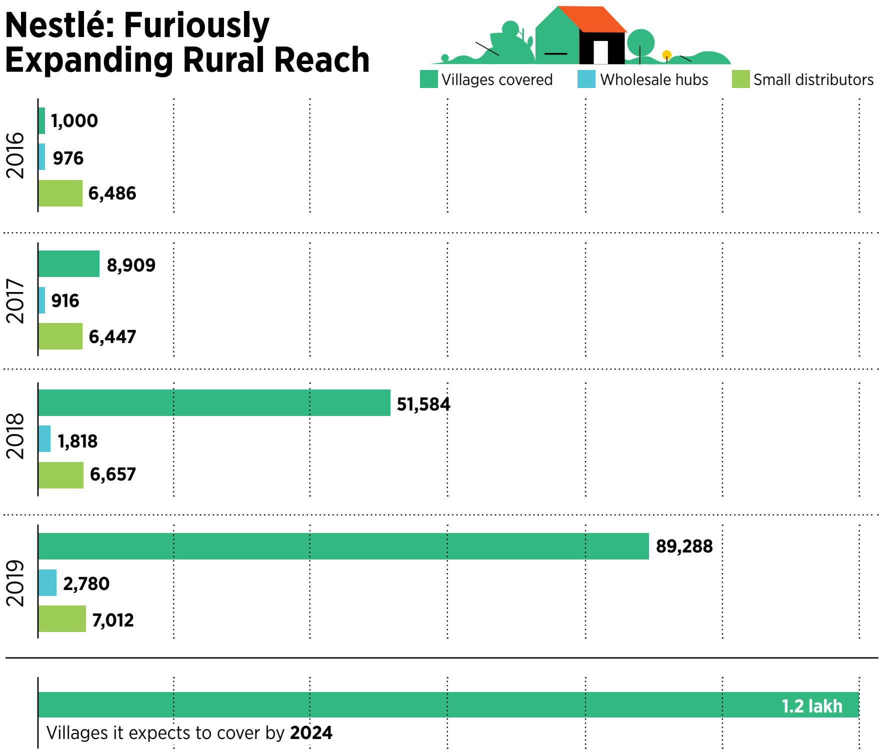
Nestlé now gets around 25 percent of its revenue from rural India, lagging the industry mean of over 35 percent. The interesting part, though, is that the sales come on the back of only 30 to 40 percent of the products that the company has made available across the hinterland. The early success has made Narayanan more audacious in his approach, and ambition. "We are now targeting 120,000 villages," he asserts. The expansive reach is going to be equally matched by smart marketing. Nestlé will explore tailor-made products for semi-urban and rural markets. What this means is separate products, separate packs, and a different route to the market. "We are preparing ourselves for the future quite strongly," he says.

Nestlé's big bet on rural India comes at a time when, especially during the pandemic year, villages showed immense resilience and growth for FMCG players. "Rural markets for FMCG performed much better than the metropolitans and smaller towns in 2020," says Sameer Shukla, executive director (retail intelligence, India) at NielsenIQ. The performance, he adds, comes on the back of multiple tailwinds, including good monsoon in the last two years, an increase in government spending on rural employment schemes, and the pandemic having negligible impact on rural activities. Gauging this trend, FMCG manufacturers are putting greater focus on rural markets where they are investing to increase their distribution reach, and are innovating with low-unit packs, and trade and consumer promotions, he adds.

For Nestlé, the foundation of a strong future was laid in 2017-18 when it adopted a 'cluster' approach to marketing. And it was the chinks in the armour that triggered the birth of a fresh approach and perspective. Till then, consumer targeting was influenced by precedents and performance. New products planning and launches were also based on largely legacy performances. The definition of big cities and large metros also underwent a change with the emergence of smaller towns such as Ranchi and Raipur as consumer power hubs. Nestlé badly needed to update its view on Indian consumers. The need of the hour was to look for 'many Indias within India'.

This is what Nestlé did with its cluster approach. A fairly extensive exercise using big data and analytics was unleashed to map out every single area that the company operated in. The idea was to reach out to consumers more efficiently. What it also entailed was a sharper understanding of the users to know their demographic, typographic, attitudinal, media and

Nestlé: Furiously Expanding Rural Reach



Strong Urban Presence

7,935 Number of **urban towns** Nestlé has been consistently present in over the last five years

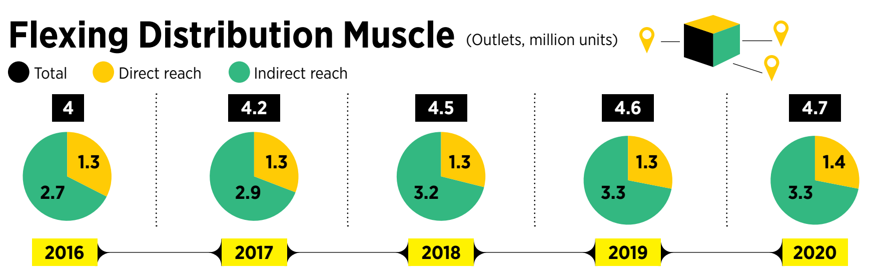
Bullish On The India Story

₹2,600 crore

Investment in the country over three-four years, announced last October

SOURCE Investor presentation February 2021; Financial Analyst and Institutional Investor Webcast

Flexing Distribution Muscle (Outlets, million units)



shopping habits. "What sells where and who buys what and why were looked into," Narayanan pointed out in the analysts' call in 2018.

What came next was mapping out the country into 15 clusters. While three of them were geographic branches, three others were billed as metropolitan clusters. The clusters were the prism through which every decision was made in terms of marketing. From consumer-led activities to distribution and brand-led initiatives, and even innovation-powered decisions, everything was filtered through the lens of clusters. "This made performance tracking a lot sharper," says Narayanan. The company was able to track what was working, and what wasn't, within a geography. What this meant was quick decision-making. The message that perpetrated down the organisation was clear: Don't waste time going after things that didn't work. "Don't keep trying it out in different geographies. Take it out, improvise and do something else," adds Narayanan.

The cluster strategy was complemented with a flurry of new launches and innovations. In the last five years, Nestlé entered into two new categories of breakfast cereals and malted drinks and launched around an unprecedented 80 new products such as Ceregrow, KitKat dessert delight, and baked noodles. "There are about 40 to 50 new projects we are working on, including new categories," says Narayanan. The innovation rate, he lets on, over the last five years is about three times the rate Nestlé had ever done in the past. Work was also done to tackle counterfeits in rural areas. A QR (quick response) code-enabled anti-counterfeit solution was created for Maggi's Masala-Ae-Magic to ensure the authenticity of the pack. "We also initiated an awareness campaign titled '*Har peela* noodle *ka* packet Maggi *nahi hota* (every yellow pack is not Maggi)," informs Nikhil Chand, director (foods & confectionery) at Nestlé India. From participating in local *haats* (markets) to advertising in local languages, Nestlé started reaching out to rural consumers in a much more aggressive manner.

In spite of the fact that Nestlé is the last among the big FMCG players to chant the rural mantra, the clip at which the rural juggernaut has rolled on is astounding. Narayanan, though, doesn't reckon that Nestlé is late in joining the rural party. He explains: Time, orientation and relevance of the brands in rural markets should also come before a company starts investing in the infrastructure. Colgate dental cream and Colgate toothpowder, he points out, had a lot of relevance in the rural market and that's why Colgate had a strong rural distribution system. "As far as Nestlé is concerned, our convergence of aspirations started to happen over the last couple of years," he says. That's why the presence of nutrition, milk and coffee portfolio is more ubiquitous now than what it was before.

INFOGRAPHICS: SAMEER PAWAR

Though Nestlé's rural contribution to sales (around 25 percent) is the lowest among its peers—Dabur gets 47 percent—Narayanan is not worried. "If I am able to ramp it up quickly, the contribution would increase significantly," he says. Nestlé's acceleration in rural India, he adds, happened only because of the interplay of two factors: There was a convergence of aspiration, and convergence of availability.

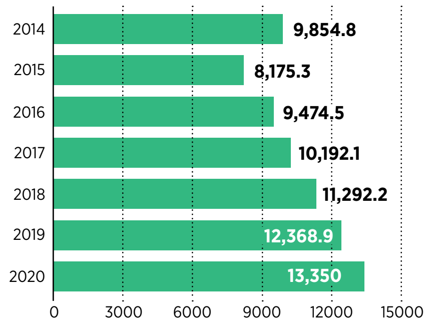
A joint study conducted by the World Economic Forum and Bain & Company in 2019 pointed out a seminal shift in India's consumption landscape. "Aspirations are fast converging across urban and rural India," the report underlined, adding that internet and smartphones have significantly bridged the information divide between consumers in urban and rural India. Beyond the top 40 cities, the report titled 'The future of consumption in fast growing consumer markets' outlined, developed rural and small urban towns have a similar income profile. "At a given income level, both these consumer groups desire a similar standard of living, aspire a similar set of brands and are equally comfortable with technology-enabled consumption," it observed.

Back in Gurugram, Narayanan adds another insight. "Convergence of aspiration in the digital age has been far sharper than what we had imagined," he says. Today, the content on YouTube watched by a young person in any of the smaller towns or villages is not different from what is watched by their urban counterparts. Rural India will continue to drive internet adoption and is expected to witness double-digit growth for the next few years. Rising internet consumption, aided by tumbling data rates, plunging cost of smartphones and an increase in rural penetration of smartphones, has given wings to the aspirations of consumers in the hinterland. Thanks to the progress made by ecommerce, especially during the pandemic, goods

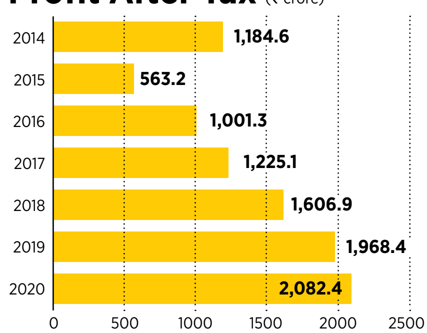
Robust Top Line and Bottom Line (₹ crore)

Minus the 2015 blip due to the Maggi crisis, sales have increased handsomely

(Revenue from operations)



Profit After Tax (₹ crore)



2020 Report Card

Growth
Contribution to sales

Milk Products and Nutrition

Products: Nestle a+; Ceregrow, Nangrow, Lactogrow, Resource

8.9%
45.8%

Performance Dishes and Cooking Aids

Products: NesPlus, Koko Krunch, Maggi, Sauce, Masala-Ae-Magic

11.4%
30.1%

Confectionery

Products: Munch, KitKat, BarOne, Milkybar

7%
13.6%

Powdered and Liquid Beverages

Products: Nescafe, Nestea

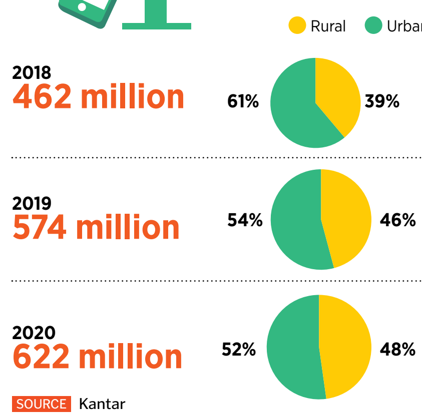
0.9%
10.5%

Rural-Urban Divide: Bridging The Gap

Galloping Internet Adoption

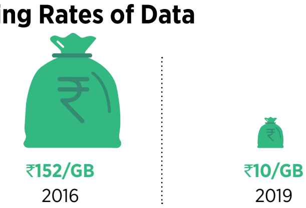
Rural India will continue to drive internet adoption and is expected to witness double-digit growth for the next few years

Internet users

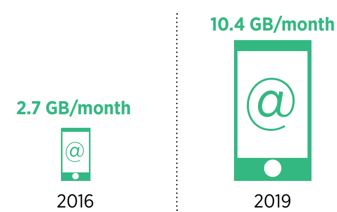


SOURCE Kantar

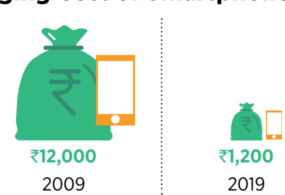
Falling Rates of Data



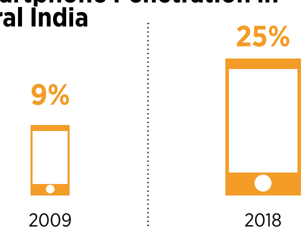
Rising Data Consumption



Plunging Cost of Smartphones



Smartphone Penetration in Rural India



SOURCE Study by India Cellular & Electronics Association July 2020; industry estimates are available at an arm's length across villages. Nestlé's rural footprint, Narayanan underlines, has expanded on the basis of five key vectors: Wider penetration; expansion of the portfolio; deploying suitable structure of people; ensuring visibility of products where they matter; and consumer connect in terms of campaigns and activations.

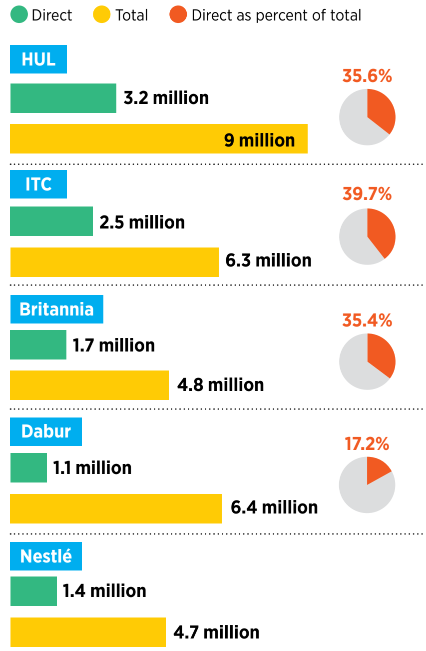
Industry analysts are not surprised by Nestlé's success. Nestlé India, brokerage firm Edelweiss pointed out in its report in February, has been among the most consistent performers, clocking double-digit domestic sales growth in 12 of the past 13 quarters. In the fourth quarter of 2020, its domestic sales (10.1 percent year-on-year) outgrew peer Britannia's 6.1 percent. "We continue to expect Nestlé's high innovation and 'premiumisation' agenda, and cluster-based distribution strategy to hold it in good stead," it concluded.

Marketing experts too laud Nestlé's early success in the hinterland. Being a late mover, they reckon, helps. "Powerhouse brands can always find a market, even if they enter late," says Jessie Paul, chief executive officer of Paul Writer, a marketing advisory firm. Nestlé does not have an umbrella branding strategy. Each of its products is positioned as an independent brand. As a late entrant, it can leapfrog competition by not being tied down to a legacy distribution structure, and instead build one on the foundation of ecommerce, using a third-party distribution network, she adds.

In spite of Nestlé's decent headway, the countryside is set to be full of surprises. Paul mentions one potential challenge for the Swiss major: A smaller portfolio of products compared to HUL, Dabur or ITC, which have more SKUs (stock keeping units) to offer the retailer; they can, therefore, demand better shelf visibility. While Maggi and Milkmaid are generic terms for their category, other brands in Nestlé's lineup will have to invest in building their recall against category leaders like Cadbury's, Bru and Kellogg's.

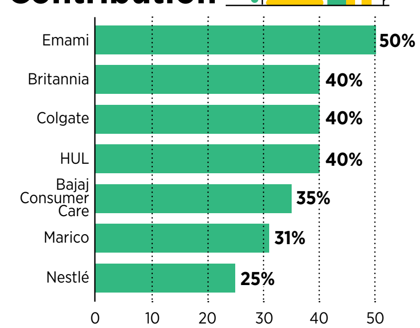
How Nestlé Stacks Up Against Its Rivals

Direct reach (outlets)



SOURCE Edelweiss

Sales: Rural Contribution



There is another red flag. Except Maggi, no other brand of Nestlé has a strong pull factor. The company, says a big stockist of a rival FMCG brand in Meerut, has not been aggressive in pushing its products. The massive reach among villages that it's talking about is not direct. "It's largely indirect reach, dependent heavily on the wholesaler and the small distributor," he explains. Another pain point is the absence of a dedicated rural sales team on ground. "Even if there is one, it's invisible," the dealer adds. Rural, he continues, is a combination of pull and push. "One can't be at the cost of other," he says, adding that the absence of low-priced units of most of the products in the milk and nutrition segment only adds to the company's urban bias.

There might be another bend round the corner: Absence of more global brands in India. Though Nestlé has 35 billionaire brands—ones that sell more than one billion Swiss francs per annum—there are only nine of them in India. Nestlé does well in marketing scientifically-backed products, but most of its existing ones won't be able to meet the new-age nutritional expectations unless they bring in new products from outside, reckons Jaspal Sabharwal, a private equity veteran and CEO of TagTaste, a sensory analytics and product development platform.

Narayanan lists a different kind of challenge. "For Nestlé, it is not about 'what to launch' but 'when to launch'," he says. Pointing towards a rich bank of over 2,000 brands that Nestlé has globally, he underlines the massive product and innovation runway that the company has.

Meanwhile, back at Chittawala Khaddar village, Mandal knows what is best for her family: Trusted brands. Last year, she opted for a few small packs of some obscure Mango drink brand as it offered a hefty margin. The gambit backfired as nobody in the village wants to buy an unknown brand, however cheap that might be.

Trust, points out Narayanan, is back with a bang. Thanks to the pandemic, people are veering more towards trusted, safe and better nutrition brands. Nestlé is well-placed to benefit. "Nestlé's time has come," he says. Underlining that focus on rural doesn't mean that urban is off the radar, Narayanan says the company will woo consumers of all kinds: Urban, semi-urban, rurban and rural. But the V for victory will now have to start from the village. F

'WE ARE NOT AN EMPTY CALORIE COMPANY'

There is more to Suresh Narayanan than just being chairman and managing director of Nestlé India. He is a timekeeper. After joining the world's largest food company in 1999 as executive vice president for sales in India, he was elevated to managing director in August 2015 when the Swiss multinational found itself in crisis management mode in India. Narayanan didn't have the luxury of time to save the blockbuster product of Nestlé India, Maggi noodles, which regulators banned for allegedly excess lead content. Every second was used judiciously to restore the brand's credibility and trust. "It was an existential crisis," he recalls. Apart from firefighting on a war footing, Narayanan looked at the silver lining. "In every crisis, there is an opportunity."

For Nestlé, it was the right time to do two things. First, reduce excessive dependence on the flagship noodles brand. Over the last five years, the FMCG major has rolled out around 80 new products, which now account for 4 percent of sales. There are another 40 to 50 new projects in the pipeline. "The innovation rate in the last five years is about 3x the rate we have ever had in the past," asserts Narayanan.

The underlying message was to stay fearless and not take the foot off the innovation pedal. Post-pandemic, he stresses, consumers are veering more towards trusted brands, safe brands, better nutrition brands, and brands that offer greater immunity. "*Har aadmi ka waqt aata hai. Usi tarah, har* company *ka bhi waqt aata hai* (Like humans, there is a right time for every company as well). Nestlé's time has come," he tells *Forbes India* in an exclusive interview. Edited excerpts:

AMIT VERMA

ON THE CULTURE OF ACCEPTING FAILURE

I have tried to incorporate, in a modest way, a culture of accepting failure... failing to succeed is also a learning experience. Most organisations do not like to fail. They try to plan and programme themselves into a zero-failure option. And, therefore, they either delay or deny themselves the opportunity. So, we said, it doesn't matter if you fail. And if there is a failure, I—as the head of the family or the captain of the ship—will take responsibility. It is happening under my watch.

Failing to succeed gives the impetus for succeeding to succeed. You can't be successful in everything that you do. There would be some failures. Our strike rate is 60 to 70 percent. So there are cases where we do not hit the yardsticks that we want to, but it helps us to learn from that experience and to recalibrate and improve ourselves for the future. I hit the target seven times out of 10. It's fine. It's better than hitting once out of 10 and hitting it perfectly.

ON HOW NESTLÉ SPICED UP MASALA-AE-MAGIC

Masala-ae-Magic is a fairly big brand, upwards of ₹300 to 400 crore today. It was launched in 2010, and to date has got an annual average growth of about 30 percent in volume terms, and about 40 percent in value terms. It started humbly in Eastern Uttar Pradesh as a spice mix, and we fortified it with iron and iodine. Today the brand has spread into Western India, Eastern India, and we are making inroads into Southern India. We have launched Panner-ae-Magic. We have got into fried rice mixes.

ON WHY IT'S NOT EASY TO MAKE FOOD BRANDS

In the food industry, it's always that much more difficult to get the proposition right and to get success. You might try a new shampoo, soap, skin cream because these are all applied outside your body. But when it comes to the ones that you consume, or take inside your body, you would be doubly cautious, so that you don't have any problem with your health. And that's why the trust, technology and the culture of the organisation that produces it are so very important. This is again a tribute to my team.

ON ROTI, KAPDA, MAKAAN, AND MAGGI

At Nestlé, we are a longer-term thinking company. Perhaps you may not know this, but for the first 10 years, Maggi noodles made a loss. *Yeh ghate ka sauda tha* (It was a loss-making proposition). Any other company might say, let's close this. What sense does it make to run a brand for 10 years, and make a loss. But we didn't. We persisted. And, today, it is an iconic food brand in the country. I have heard people saying that after daal, chawal and khichdi, the next most-consumed product is Maggi. Even if it is economically not necessarily true, this is how it has occupied mind pace.

In the last quarter (ended December 2020), noodles grew by 20 percent, which is a very healthy growth. It is a market leader. It came back to leadership position within three months of its relaunch, thanks to the consumers. There are numerous products that we are working on. We have spinach-infused noodles. This innovation path will continue in terms of vegetables, grains and other aspects of enriching the portfolio of the company.

ON THE TURNAROUND OF KITKAT AND MUNCH

It was a three-pronged strategy. The first was to focus on the core proposition. 'Have a break, have a Kitkat' is over 80 years old. We ensured that we put enormous distribution and infrastructure muscle, relevant innovation and a premiumisation strategy. We also ensured that we consistently invested in the brand with communication that was contemporary and in tune with the young generation. What we also identified with Kitkat and Munch is that a number of people like to have a light snack. The price-value equation was also right.

"THERE ARE THREE CHARACTERISTICS THAT ARE IMPORTANT TO ORGANISATIONS: QUALITY OF PEOPLE AND BRANDS; TENACIOUS SPIRIT AND FINALLY RESILIENCE."

ON INDIA AS A MARKET FOR KITKAT

Today, India is one of the largest markets for Kitkat. Five years back, we were globally among the top 15 to 20. Today, we are in the top five. Numbers (size/sales of Kitkat) are difficult to share, but globally it's a brand which is important for the company. And for the role that India plays in this brand, our head of business (Nikhil Chand) sits on the global Kitkat council. We have earned this position.

ON WHY BISCUITS AND BREADS ARE NOT A NESTLÉ THING

These are big segments, and are large markets. For Nestlé, the questions to ask are: What is your competitive proposition? What is your compelling reason to get into this business and what is your sustainable business model? If I were to attract empty turnover and produce glucose biscuits, in what way am I different from a Britannia or a Parle? And why should the consumer be willing to pay XYZ amount for this product?

In terms of route to the market, what is the compelling proposition that I have to offer? Third question to ask is: If I am introducing a product which is making wafer-thin operating margins, what are my sustainability plans? This is where playing the game for the long term and short term comes into the picture. If I am trying to show you empty turnover, then I can sell a lot of products and show you that. But you prize me as a company and give me the valuation because of the kind of top line and operating margin I make. If a company that makes 21 to 22 percent operating margins gets into a business that makes 2 percent operating margin, you will start asking, 'What are you guys doing? What is your strategy?' That's why we are careful in what we do. We are not an empty calorie company. We have 10 years of accelerating profit from operations.

ON RIDING THE COVID STORM

Consistency and resilience in a storm are the big stories for us over the last three years. We have stuck to our purpose, value and play, and have delivered this in a difficult environment. And that's why I am so proud of my team.

As we go through a storm, there are three characteristics that I believe are extremely important to organisations. One is the quality of people, and quality of brands. Second is the tenacious spirit; a spirit of never-say-die which gives them the strength and the fortitude to combat the future. Finally, resilience, which is an important characteristic of many organisations. F

Commodities

WILL METALS STRIKE GOLD?

After collapsing during the pandemic, prices have bounced back quickly, but they may not be enough to indicate a super cycle as yet

By SAMAR SRIVASTAVA

Last March, as the global economy shut down, commodity producers knew they were in for a harrowing time. Demand fell off a cliff and producers scrambled to cut capacity. Mines shut shop, rolling mills ground to a halt and oil transporters had to pay buyers to take delivery.

One year on, they'll readily admit the speed of the bounce-back in prices (and demand) has caught them by surprise. While a part of the surge in prices is on account of the 'everything rally' phenomenon that commodities along with other assets from stocks to bitcoin and gold to oil have been swept into, a part of the increase in demand is on account of inventory restocking as well as anticipated spending on infrastructure.

The net result is that prices look set to stay elevated for an extended period. Already some commodities have hit prices last seen at their past peaks. At $175 per tonne, iron ore costs as much as its 2012 peak. Copper prices are up by 70 percent in the last year to $9,100 a tonne and oil has doubled in the last year to $70 a barrel. "Even now, demand continues to surprise. This, coupled with inventory restocking, has led to prices rising," says Naveen Mathur, director, commodities, Anand Rathi.

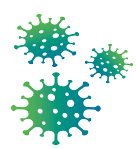
This sharp swift rise has stoked inflation expectations, which were largely absent from the developed world for the last decade. Commodity bulls are asking whether we could be in for a commodity super cycle—an extended period of prices rising for years, even decades. Exchange-traded products that track commodities are proving to be popular again. These were popular in the 2000s before falling out of favour after 2014. A point to note is that the price rally looks steep on account of an extended downcycle. Adjusted for inflation, oil, copper and iron ore are still off their peaks. Most commodities are globally traded and prices often track a global benchmark.

There are others who believe this to be a more cyclical upturn in prices. "Super cycles are part of decades-long shifts that come about with a structural shift," says Kieran Clancy, assistant commodities economist at Capital Economics. A structural shift, such as the infrastructure building post-World War II, or the rise of Chinese consumption, is absent this time. "Our view is that the strength in prices will not last and come down in the second half of the year," says Clancy.

Lastly, there is the shift in demand patterns for certain commodities on account of the green economy. Demand for oil could fundamentally decline even as it rises for aluminium, cobalt and lithium that are used in electric vehicles.

GILES BARNARD / CONSTRUCTION PHOTOGRAPHY / AVALON / GETTY IMAGES

Commodities During the Pandemic



- The pandemic saw a quick shutdown of global industry
- The resumption of business activity resulted in increases in commodity prices not seen for the last five years
- Investors are asking if this could be a new super cycle
- Last big structural demand story was Chinese consumption
- Not sure if new stimulus spending can create a new structural demand story
- Indian demand looks robust, but unlikely to make a difference on a global scale
- Commodity prices look set to stay elevated this year, but premature to call this the makings of a super cycle

An iron ore mine in Brazil. Demand for iron ore is expected to remain for the next three to five years

THE PANDEMIC RESET

As the last decade drew to a close, demand for commodities had reached a peak. This was primarily on account of new sources of supply as well as lower demand from China, which had seen the largest infrastructure build-out the world has seen. It had seen steel production rise from 128 million tonnes in 2000 to 970 million tonnes in 2020. Along with steel, it became the world's second-largest consumer of oil and at 1.6 million tonnes, the second largest producer of copper, after Chile.

As demand rose, so did production, while prices were flat for much of the decade. Seshagiri Rao, joint managing director of JSW Steel, estimates that investment from commodity producers hit a 62-year low by the end of the decade. While this maintained an equilibrium in supply-demand, there was little incentive to invest in new sources of supply.

When the pandemic struck, both producers and customers saw a simultaneous shutdown in capacity. Analysts say this was a unique event, as the world had never seen such a shutdown before. With no sign of demand returning, producers scrambled to cut costs. What surprised the markets was the quick resumption in business activity. By June, industrial units were up and running, and with a lack of supply, they began to run down inventory. "Initially we thought the upturn was on account of restocking, but the way things have evolved, it is giving us the impression that demand could be longer than the three to four quarters we initially believed it would be for," says Rao.

At the same time, the fiscal policy response to the pandemic was stronger than the 2008 response after the Lehman crisis. The US has promised to spend a total of $5.4 trillion, with a large part of it going for infrastructure spending. "The purse strings have been loosened for infrastructure spending. Once this starts, it is usually a three-to-five-year cycle," says Malay Mukherjee, former CEO of ArcelorMittal. He estimates that of every ₹100 spent on infrastructure, ₹30 is spent on commodities. Given these circumstances, he believes there will be an extended cycle.

"DEMAND COULD BE LONGER THAN THE THREE TO FOUR QUARTERS WE INITIALLY BELIEVED IT WOULD BE FOR."

SESHAGIRI RAO,
JOINT MANAGING DIRECTOR,
JSW Steel

RAO: VIKAS KHOT

In India, too, the response to the crisis has been different from the 2008 response, when it was more of a monetary policy push. There has been more fiscal support and the government has indicated that it is comfortable with an elevated deficit level as long as spends are channelled into asset creation. As a result, the demand pick-up is expected to remain for the next three to five years for commodities like iron ore, steel, copper, zinc, aluminium and cement.

Fresh capacity investment usually has a three-year lag, according to Rao, who believes this cycle should continue till then. Along the way, there could also be shorter term issues like supply disruptions on account of mine closures or shipping problems. In the recent past, there has been a shortage of long steel products on account of working capital issues at the mills that supply them, but disruptions like these are expected to be short-lived. Mukherjee expects prices to stay within a 7 to 10 percent range.

SUPER CYCLE?

Given the quick pullback in demand, the case for a commodity bull market is clear. First, there has been a lack of investment due to climate change concerns. Second, as economies become more green, there would be an increased use of commodities in that transformation. Third, fiscal deficits look here to stay for the foreseeable future. Fourth, in a world with negative interest rates, equities are seen as an asset class with a positive yield. Commodities have also begun to occupy that position. For instance, the difference between the spot and January 2022 price of iron ore is 38 percent. In other words, owning commodities even for short periods can prove to be beneficial.

Super cycles, however, demand a decades-long shift in demand patterns to take prices with them. They are, at times, accompanied by short boom-and-bust cycles but the general trend

"PURSE STRINGS HAVE BEEN LOOSENED FOR INFRASTRUCTURE SPENDING. ONCE THIS STARTS, IT IS USUALLY A THREE-TO-FIVE-YEAR CYCLE."

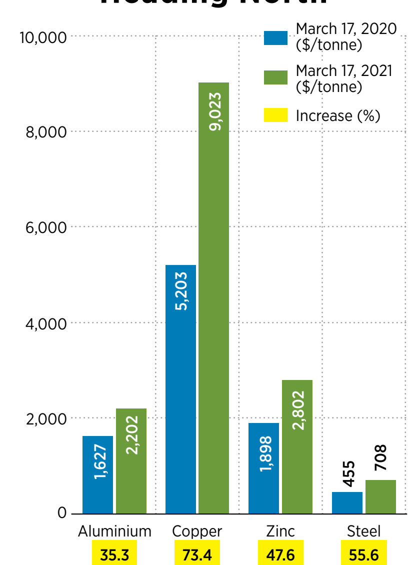
MALAY MUKHERJEE,
FORMER CEO,
ArcelorMittal

remains upwards. Also, within a super cycle, different commodities behave differently, but they all come out on top as a basket. As of now, it is not clear whether such a shift is likely to take place. There are enough signs that demand is cooling in China, and the fact that it is unlikely that demand from India or infrastructure spending in the West can pick up the slack. Clancy of Capital Economics points out that policy stimulus is rarely a driver of decades-long trends. These can, at best, lead to shorter cycles, but these are not super cycles. From what he has seen of the US stimulus plan so far, it doesn't have anything to make a difference to demand on a global scale. Instead, China, the last big consumer, is on track to contribute 200 million tonnes of scrap to the global steel market every year starting 2025, putting another leg of downward pressure on prices.

"China growth was the last structural bull story for commodities. Since then, there has been oversupply and falling investments," says Mahesh Sethuraman, country head of global sales trading at Saxo Capital Markets, while pointing out that the strong rally in metals is triggering talks of a commodity super cycle partly because of the poor baseline since the peak of China's growth-driven boom.

There is one silver lining though. The demand for electric vehicles will result in increased demand for commodities, especially aluminium. Manufacturers of electric vehicles prefer aluminium as it is lightweight and has enough tensile strength. Compared to an internal combustion engine, cars that run on batteries have up to 20 percent more aluminium content, according to the CM Group, that specialises in commodity research. Add to that demand for lithium, cobalt and nickel for batteries even as demand for oil declines. Watch this space to see which way the commodity graph is headed.

Heading North



SOURCE London Metal Exchange; steel prices are for hot-rolled coil FOB China

Fixed Income

BALANCING ACT

In a low interest world, it is hard to beat inflation with only fixed income products. Whether you stick to the tried-and-tested real estate, debt, equity, gold, or add REITS and global investments, diversification is key to building a retirement portfolio

By MONICA BATHIJA

Until 10 years ago, when Sumeet Sinha's father retired, about 90 percent of his savings were in fixed deposits and other fixed income products. It is not that he was not a savvy investor—since the early 90s he had been participating in initial public offerings, and would check annual reports and balance sheets and pick up stocks, but the equity portion was not more than 10 percent.

Ten years later, 40-year-old Sinha's portfolio also comprises similar elements, but the investment style and ratio is vastly different. "He would not invest 50 percent of his savings in equity, he was doing it in a much smaller ratio, with me that ratio is a lot bigger," says Sinha, director, global sales operations at Aruba Networks, who started investing when he was about 26, and invests both through Systematic Investment Plans (SIP) and lump sums.

With few investment options to beat inflation and grow wealth, asset allocation for most investors—whether they are working towards goals like children's education or retirement—is geared towards equity in some form or another with only the ratio changing as per their age and risk profile.

"Generally, people in their 40s are in their accumulation phase and need to be aggressively growing their wealth. And unless they have some constraints, like huge liabilities or family constraints in which case they can't take a huge risk, they can go anywhere up to 70 percent in equity," says Srikanth Bhagavat, MD and principal advisor, Hexagon Capital Advisors Pvt. Ltd. The ratio is brought down to 30 percent by the time of retirement, when cash flows are paramount, and "having more will only add to the instability of the portfolio", he adds. It can be higher than 30 percent only if a person "has a larger than minimum cost… so that you can afford the volatility and it will not impact the cash flow".

Sumeet Sinha, director, global sales operations at Aruba Networks (seen with his family), retains the elements his father used to invest in, but has amped up the equity portion in his portfolio

HEMANT MISHRA FOR FORBES INDIA

RISK AND RETURNS

Asset classes usually encompass real estate, bonds and equity and the investing approach and ratio of these are decided on the basis of the risk profile of the person, in turn a factor of an investor's willingness and ability. While someone may have the ability to take a high risk, they might not have the willingness for it, and vice versa, points out Harsh Kumar, co-founder and managing partner at Zvest Financial Services.

As an example, if you have a 90-year-old with a heart condition who wants to drive at 200 km an hour, and a 25-year-old who is not willing to learn driving because he or she is afraid of an accident, the 25-year-old has a higher ability and a lower willingness, while vice versa for the 90-year-old. "So on the basis of analysis, return expectations and goals, we design asset allocation models for clients, defining the percentage of fixed income, equity, cryptocurrency, gold etc," says Kumar.

While real estate rents might provide a stable and steady passive income, the returns, even on, say, a ₹5 crore property, will not be very high. "Besides, you can't sell one tenth of it and go buy groceries. So it becomes a constraint," says Bhagavat. An investment into real estate is fine if the corpus size allows it without having to liquidate, but otherwise having liquid instruments is preferred.

Gold, too, can form a percentage of the corpus, but mostly finds favour in a good cycle, like the one we have just gone through. "Practically, we allocate to gold but when its utility is over, we will exit it. It will not be a strategic component of the portfolio, only tactical," says Bhagavat.

It is important that the asset classes are unrelated or, in other words, the co-relation between the asset classes is low to ensure that not all the classes go down in a bad period and vice versa, because on a bad day if one needs the money, one would have to book losses. It is also important that portfolios are rejigged periodically—when an asset class goes low, you add to it, and when it goes high, book profits and move them to another asset class.

Arnab Chattopadhyay, associate director, IBM, who started his investing journey in 2012 when

"TEN YEARS AGO, WE DID NOT HAVE GLOBAL INVESTING. NOW IT'S EASIER... IT'S A GOOD THING TO HAVE IN YOUR PORTFOLIO."

SRIKANTH BHAGAVAT,
MD AND PRINCIPAL ADVISOR,
Hexagon Capital Advisors

he returned to India from the UK, ensures he reviews his portfolio at least once a month and if things are stable, then every quarter. He initially started saving for his son's education, and once that was in place, started thinking of a retirement portfolio—a mix of debt, equity as well as a percentage of SIPs into gold bonds. "If the market goes low, we go a bit more on the equity side, if the market is doing well, we come back a bit to the stable side, depending on the correction happening," says Chattopadhyay, 50, adding that the current market cycle through the pandemic gave him a decent hike in returns—nine percent became 12 percent.

NEWER ELEMENTS

While the current market cycle may be just another cycle in a 20-year investment journey, there are things that have changed in the past few years, in terms of awareness, investor behaviour and newer avenues.

Global investing for one. "Ten years ago, we did not have global investing, now it's easier," says Bhagavat, adding that over the last couple of years they have seen a positive impact in terms of investing, and for its diversification value it makes a good addition even in retirement portfolios. "India is just a drop in the whole global economic ocean. There are many opportunities out there that we don't have access to and it's a good thing to have in your portfolio," he says.

While investing in bitcoins and cryptocurrency remains a grey area, another option advisors are bullish on are REITs, or real estate investment trusts. Global private equity (PE) firm Blackstone Group-backed Embassy Office Parks REIT (Embassy) had launched India's first REIT in April 2019, and currently there are three REITs available in India. "Over the next four to five years, we would have very good REITs coming in and they should bring a lot of

Investing Basics

- Invest as per your risk profile
- Ensure liquidity at all times by investing in uncorrelated assets
- Asset classes can be a hybrid or combination of real estate, debt and equity, and a portion into gold, while options like global investing, REITs and cryptocurrency open up newer avenues
- Invest a certain percentage in equity and REITs to beat inflation
- Tactical rebalancing is a must. When markets and yields from one asset class are higher, move to more stable funds and vice versa—adding more to equity assets when markets are low

formalisation into real estate for investment purposes," says Kumar.

According to Bhagavat, in addition to REITs playing a major role, infrastructure investment trusts or InvITs, which manage income-generating infrastructure assets, will also be an important part of investment portfolios. "The government is talking about monetising assets. So highways will be carved into an investment vehicle and all the toll that comes out of the highway is distributed as income. Or in the case of India Grid Trust, it has power distribution rights, so the charges they collect becomes income, and it is a certain, stable income. So it would be exciting to have these."

The Union Budget this year announced that dividend payments made to REITs and InvITs be exempted from TDS, and enabled debt financing of InvITs and REITs by foreign portfolio investors. Sinha, who has invested some money in REITs, is waiting to see the returns on his investment. "Historically they are able to deliver 9 percent or so. So in my mind I categorise them as a debt option," he says.

For those with surplus funds or those looking for exoticism in their portfolios, options like angel and PE investments, exposure to sectors like the technology sector in the US, long short products, futures and options, and smallcase products also play a role.

What also differentiates this cycle from previous market cycles is that in the current scenario, inflation seems to be poised to make a return to the financial dictionary this year. While it may just be another cycle and not affect those with a 20-year investing journey, it might change investor outlook making them reset and think more about generating returns higher than inflation.

Chattopadhyay, who invests 60 percent of his take-home income through SIPs, says he would rather be prepared for a higher rate of inflation than lower. He is set to increase investments to even 70 to 75 percent to beat inflation, as his 17-year-old son's education gets taken care of and he has the leeway to invest more after a year or two.

IBM associate director Arnab Chattopadhayay is set to hike SIP investments to 70-75 percent of his take-home once son Aritro's education expenses are taken care of in a year or two

HEMANT MISHRA FOR FORBES INDIA

Though interest rates seem to have stabilised for now, and may remain low, investors are expecting interest rates to firm up over the next couple of years as the economy grows. "It is possible that in the next one or two years we see inflation going up, but interest rates will be kept down. So that could happen temporarily," says Bhagavat, adding that since the interest rate cycle follows the inflation cycle, if inflation goes up, so will interest rates. But even if interest rates are one percent higher than inflation, post-tax, it remains a lower yield.

"IF THE MARKET GOES LOW, WE GO A BIT MORE ON THE EQUITY SIDE, IF THE MARKET IS DOING WELL, WE COME BACK A BIT TO THE STABLE SIDE."

ARNAB CHATTOPADHYAY,
ASSOCIATE DIRECTOR,
IBM

In such a scenario, even as one makes changes in strategy and practical adjustments, reducing exposure to fixed deposits in a low-interest world, the base of the retirement portfolio—asset allocation—doesn't change and equity retains its place. "The only reason equity is there is to combat inflation," says Bhagavat. "Without that you will suffer. Not having that growth factor in your portfolio will be a luxury. It means you have so much money that you can afford to retain your standard of living through the years even though your wealth is deteriorating in real value.

Midcaps

NO MIDGETS THESE

Though Covid impacted aggregate demand and the economy reached a technical recession, midcaps have managed to sustain themselves. Is this the start of a 2 to 3-year outperformance by the battered sector?

By POOJA SARKAR

CHAITANYA DINESH SURPUR

"If you are buying for common stocks, choose the way you would buy groceries, not the way you would buy perfume," said Benjamin Graham, regarded as the father of value-investing. One segment that mirrors this theme in the markets is midcaps.

After nearly two-and-a-half year of underperformance, midcaps are finally turning around. On March 2, for the first time, the BSE Midcap index hit a lifetime high of 20628.2 points and peaked at 20,984 points on March 4. Since then, the indices have recoiled, but over the last year, markets have sustained their buoyancy.

Midcap companies are those whose market capitalisation is above ₹5,000 crore but less than ₹20,000 crore, and represent the top 100 to 300 companies in the country in the listed universe. While they are traditionally considered a riskier asset class than large cap firms, midcaps offer higher growth potential and returns during market rallies.

Even in July 2016, the midcap segment had hit an all-time high since 2008, when markets were at their peak and the global financial crisis was yet to hit hard. There are multiple factors why they are doing well: Lower interest rates, easing of liquidity globally and the global vaccination uptake that is likely to have a positive impact on the economy.

Since September 2018, mid and small caps underperformed the indices. And historically, after years of underperformance, they usually catch up and underperform again.

"The larger economy is turning around," says R Venkataraman, co-promoter and managing director at IIFL Group.

When markets kickstart their rally, money usually first flows into large caps as they have stronger balance sheets. However, since the market crash of March 2020, after the government announced one of the strictest lockdowns in the world due to the coronavirus pandemic, Indian markets managed to hit 50,000 points by the end of the calendar year. Over the last six months, money has found its way into mid and small caps. Data from Prime Database indicates that 29 companies managed to raise ₹78,039 crore through qualified institutional placement during 2020-21, which is the highest mop-up in the last 15 years.

Venkataraman explains, "As interest rates fall, midcaps and small caps with robust business will do well. Last March, they were beaten down to near-bankruptcy valuation. Many of the mid and small caps with better balance sheets will now gain a disproportionate amount of market share and we have not seen any demand destruction in the economy. We are expecting large number of midcap companies in the IT, pharmaceuticals and engineering sectors to do well."

Indian companies aren't usually capex-heavy, but with the China story playing alongside and new duties that are being levied on imports, a lot of them are now announcing new capex.

Over time, the valuation gap of mid, small and microcaps over large caps is reducing as the risk appetite of investors has gone up. Most brokerages are betting on the shift in market share from unorganised to organised segment, and that the pick-up of Gross Domestic Product (GDP) growth in FY22 will positively impact the smaller organised companies.

"During early 2020, we saw that midcaps and small caps had a reasonable amount of risk-spread assigned to them, which was rational behaviour in terms of pricing of assets. This was in contrast to 2017, when we had reached a situation where investors were not differentiating between large, mid and small caps, which were all trading at the same valuations," says Vinod Karki, head of strategy at ICICI Securities.

If one tends to look back at previous instances, whenever the economy goes through a downturn, mid and small caps usually tend to hit rock bottom as investors believe they do not have the financial muscle to wriggle out of uncertainties. But this time, even though Covid impacted the aggregate demand and the economy reached a technical recession, these stocks have managed to sustain themselves. Experts are betting on the fact that India's GDP numbers are being revised by various global agencies, including the International Monetary Fund (IMF). The IMF expects India's GDP to contract by 8 percent in 2020 and forecast a growth of 11.5 percent in 2021.

"In an environment where the broader economy is seeing an aggregate demand recovery, we have seen a significant shift in the market share towards the organised players as compared to the unorganised ones during the last year," adds Karki.

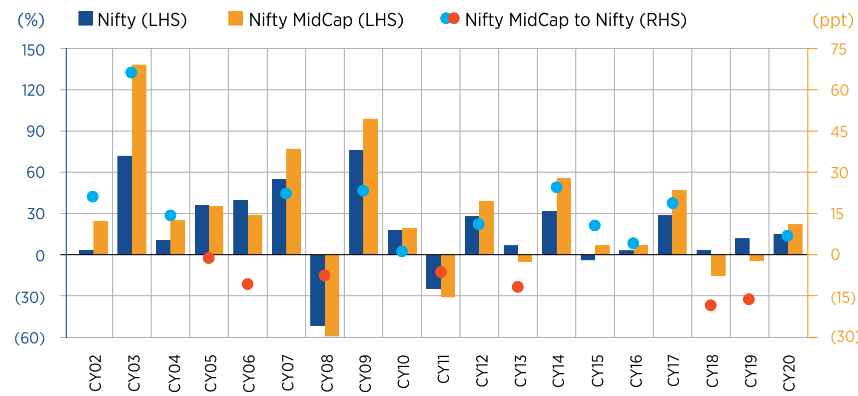
Indices are on an outperforming streak and Karki believes that can well continue for a couple of years, though it is dependent on how the development environment unfolds in the country. With domestic cyclicals are showing traction, some of the sectors he is bullish on include utilities, industrials, telecom, corporate banks and cement.

Investors are also lapping up the story because of earnings. The S&P 250 large midcap index has seen companies report profit after tax of ₹1.91 lakh crore during the December quarter compared to ₹1.6 lakh crore in the preceding quarter, a jump of 15 percent. Across all the segments, the top set of companies have posted growth in sales and profit.

Venkataraman warns that because of the sharp rally in this segment, it is time for caution too. "Many of them are already trading at high valuations and they have outperformed the large cap, but the economy is certainly on the mend," he says. F

Large Caps VS Midcaps

Nifty Midcap generally outperforms the Nifty Index when Nifty Index returns are positive



SOURCE IIFL

> **"AS INTEREST RATES FALL, MIDCAPS AND SMALL CAPS WITH ROBUST BUSINESS WILL DO WELL...THOSE WITH BETTER BALANCE SHEETS WILL NOW GAIN MARKET SHARE."**
>
> **R VENKATARAMAN,**
> CO-PROMOTER & MD,
> **IIFL Group**

Unlisted Stocks

SCOUTING FOR HIDDEN TECH GEMS

Technology is emerging as one of the favourite sectors for retail and institutional investors in the unlisted, private market space, as they bet on sustained growth in the current decade

By SALIL PANCHAL

Entrepreneur Yash Poddar, looking to add an unlisted technology company to the investments of his family office, bought stock in hyperlocal delivery startup Dunzo

NISHANT RATNAKAR FOR FORBES INDIA

For a year, second-generation entrepreneur Yash Poddar had been looking to add a new-age unlisted technology-led company to the basket of investments of their family office. Flush with funds after the family had exited a joint venture in their Bengaluru-headquartered PVC pipe business in 2018, Poddar, 26, wanted to be an early investor in companies that will emerge as builders of India's growth story in the current decade.

Through his business network, he met private wealth manager Krishna Raghavan, deputy CEO of UnlistedKart, a market maker for unlisted stocks. Raghavan offered Dunzo—the Google-funded, hyperlocal delivery—stock to Poddar who seized the opportunity.

THE DUNZO INVESTMENT

Growing up in Bengaluru, Poddar was no stranger to Dunzo and its business. Founded in 2015, Dunzo provides delivery from meat-to-medicines

“THEY [INVESTORS] LOOK AT AN UNLISTED STARTUP’S GROWTH STORY, POTENTIAL MULTI-YEAR CASH FLOWS, THE ABILITY TO RAISE CAPITAL AND MANAGEMENT QUALITY.”

KRISHNA RAGHAVAN,
DEPUTY CEO, **Unlistedkart**

across Bengaluru, Delhi, Gurugram, Pune, Chennai, Jaipur, Mumbai and Hyderabad. Like most startups, Dunzo’s topline has seen impressrive growth—₹27 crore in FY20 against ₹1.27 lakh in FY17. Its losses, too, have been ballooning—₹338.4 crore in FY20 against ₹10.79 crore in FY17. The Ebitda (earnings before interest, taxes, depreciation, and amortisation) burn per order has improved to ₹162.18 in FY20 from ₹217 a year ago while the number of orders surged to 20.3 million from 6.54 million in the same period.

Dunzo, armed with a fresh Series-E funding from Google, Lightbox, Evolvence and other investors, aims to build a massive logistics network, strengthened by a large number of delivery partners.

Poddar is not too worried about its rising expenses or cash burn. “The pandemic gave us a snapshot that the world is dependent heavily on technology,” says Poddar, who is chief investment officer at the Vikas Poddar Family Office. Customer stickiness to Dunzo was seen during the pandemic. Poddar will look more closely at the gross merchandise value, sales, additional margins above transaction value, free cash flows, geographical expansion, revenue streams coming in and future rounds of funding to decide how to treat his upwards-of-₹3 crore Dunzo investment.

The challenge is that since they are in the unlisted space, authentic research and a steady stream of data on these stocks may not be easily available. It is a Catch-22 situation even for savvy investors like Poddar.

Unlistedkart is among the few companies that offers a balanced research report to its clients, listing out director holdings, profit and loss, and balance sheet statements, financial ratios, comparative competition, compliance and news about the company.

Poddar was clear that he did not want to wait till the startup lists at the markets. “By the time something lists, the juice has already gone,” he says. Dunzo’s co-founder and CEO Kabeer Biswas is yet to disclose the startup’s listing plans, and Poddar is confident that getting in early—and staying invested for at least five years—will ensure that the rewards will be higher.

Poddar’s assessment has some merit, particularly seen from experiences across international markets.

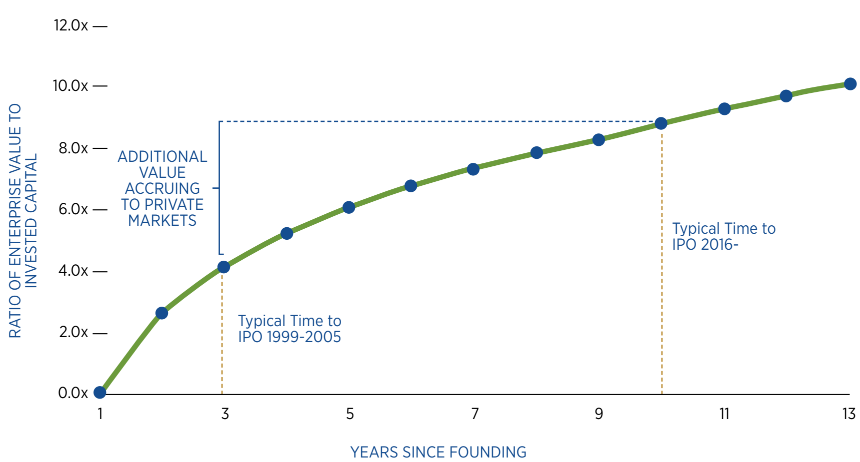
TECHNOLOGY MATTERS

The pandemic disrupted businesses big and small. Internationally, the companies that reported the greatest gains in market capitalisation in 2020 were largely technology-led, including Amazon, Microsoft, Alphabet, Apple, Facebook, online gaming giant Tencent and graphic chip maker Nvidia. Several of these are top components of the S&P 500 index.

In India, too, the pandemic, accentuated growth and valuations,

Value Creation for Private Investors

With companies staying private longer, most (~80%) of the value creation accrues to private investors



SOURCE Carlyle Analysis; Brown, Keith C., Wiles, Kenneth W., “The Growing Blessing of Unicorns: The Changing Nature of the Market for Privately Funded Companies,” Journal of Applied Corporate Finance, 2020 but most of them were privately held startups. Around 11 startups turned unicorns last year, including Unacademy (edtech), Razorpay (fintech) and Zenoti, the software-as-a-service-based service provider to the wellness space.

Globally, while public market opportunities are arguably expensive, valuations in private markets still remain attractive. "Data from *Pitchbook* and *Bloomberg* show that the 2021 estimated median EV/Ebitda multiple for private markets is 13.9x. This is notably lower than the 15.5x multiple for technology companies in the Nasdaq 100," says Narayan Shroff, director (investments), India, at Barclays Private Bank.

It has been seen that the benefits of value creation often go to private investors. Researchers Keith Brown and Kenneth Wiles in their 2020 paper 'The Growing Blessing of Unicorns: The Changing Nature of the Market for Privately Funded Companies' for the Journal of Applied Corporate Finance have noted that as companies stay private longer (see graph), nearly 80 percent of the value creation accrues to private investors.

This also indicates that disruptive innovation tends to take place at an early stage of a company's formation and slows once companies are public. All of this calls for early entries into technology companies.

"A solution could accommodate getting access to innovation and technology in a more disruptive fashion and at an earlier stage in private markets," says Shroff. Barclays offers private market investments to its clients, in India and overseas, through the Structured Solutions Group, in the form of curated and researched funds besides direct investment opportunities across seed- and venture capital and private equity, in the country and globally.

Companies also seem to be staying private longer. In fact, globally the average median age of technology companies filling for initial public offerings (IPOs) has grown to 12 years from about five years a decade earlier, and valuations at the IPO stage have consistently been higher.

RAGHAV SHARMA FOR FORBES INDIA

Mudit Gupta, 31, a strategic consultant with Accenture who also runs a family office, invested in Nazara Technologies, a diversified gaming and sports media company, a few months ago

SERIOUS BUSINESS: GAMING

The diversified gaming and sports media company Nazara Technologies, backed by Rakesh Jhunjhunwala, is on the cusp of listing through an IPO, but continues to find interest in the unlisted market. Mudit Gupta, 31, a strategic consultant at Accenture, who also runs a family office, is one such investor, who has bought Nazara a few months back.

Nazara attracts a buy rate of ₹1,370 and a sell rate of ₹1,500, quoted by Altius Investech, one of the oldest market makers for unlisted securities in India. Gupta, who has been investing in unlisted stocks since 2019, approached Altius CEO Sandip Ginodia to help identify fast-growing public companies, which have yet to go public.

With an issue price fixed at between ₹1,100 to ₹1,101 a share, its interest and rates in the unlisted space remain unchanged, with a buy rate of about ₹1,380 and a sell rate of ₹1,450. In the grey market, Nazara is quoting at near ₹1,900, a premium of ₹850. The company has raised a little over ₹260 crore from anchor investors.

Nazara Technologies gets over 40 percent of its revenue from India and an equal amount from North America. With listing around the corner, an investor who has invested in Nazara through the unlisted space, will be viewed as more loyal and discerning than the one applying for shares through the IPO, expecting a premium on listing.

Being a pre-IPO stock, there is a lock-in period of one year placed by a company, which means that the selling date cannot be one year before the IPO. Nazara in the unlisted space will get locked in now.

This has hardly dampened the buzz factor for Nazara. The same goes for other unlisted stocks such as Studds Accessories, Chennai Super Kings, National Stock Exchange and Tamilnad Mercantile Bank, all of which are in Altius's top ten stocks (see table).

Gupta has an 80:20 investment strategy, where 80 percent of funds go towards equities. This is split equally between listed and unlisted stocks. "Having a family office makes investment options easier," says Gupta, whose size is of around ₹10 crore between 18 family members.

But his portfolio is well-diversified with "not more than 15 percent investment in any one stock", says Gupta. Discipline and the ability to move on [if strategies go wrong] are a must while investing privately, he says.

MARKET MAKING

Gupta was lucky to find Ginodia, whose proprietary-run firm Altius is one of the oldest in the business and offers market making for the past 17 years in over 60 private companies, including about 29 startups such as Meesho, Speedlabs and Navars (an astronomy edtech firm).

Altius serves over 5,000 clients, several of them high net-worth individuals. Altius Investech, which claims to have found several multibaggers for its clients, reported a share trading profit of ₹2.15 crore for the period between April 2020 and February 2021. With interest in unlisted securities growing and 40 percent of revenues coming from non-resident Indians, Ginodia plans for an overseas expansion next year, by offering offshore funds and alternative investment funds to its clients. A listing of Altius at the stock exchanges is also not ruled out.

Ginodia sees huge interest from both retail and institutional investors, considering "there are several triggers left for investors before a company lists". Altius keeps inventory of all stocks, which includes sourcing startup stocks through the Employee Stock Ownership Plan [ESOP] route. The seller drives prices, which are determined largely by demand/supply, last valuation price and peers' listing price.

Raghavan formed Unlistedkart after in his previous venture, Astute Advisors, he created a market to help professionals liquidate their positions that were locked in close-ended funds, before the tenure of the fund got over.

Unlike Ginodia's Altius that is a bootstrapped B2C company, Unlistedkart is a bootstrapped B2B2C firm, which has most of India's leading private banks and wealth advisory firms as its clients. Inventory is sourced either directly from the company or these wealth advisory firms. Unlistedkart deals mainly with institutional investors who have a mandate to buy/sell in large deals. Raghavan claims Unlistedkart to be the fastest-growing market maker in the unlisted space in the past 30 months, reporting a profit before tax of ₹1.94 crore, on a topline of ₹170 crore, as of December 2020.

As seen with Poddar and Gupta, investment decisions into unlisted startups are not necessarily based on ratios. "They look at the growth story, potential multi-year cash flows, the ability to raise capital and management quality," says Raghavan.

Both Gupta and Poddar have more to add to their bucket list of unlisted stocks. Gupta is keen to eye SaaS-based companies and startups and fintech firms. Poddar is looking to add more technology stocks to his portfolio, including investor favourites Zomato and Dream 11. Being savvy and disciplined investors who keep an eye for detail, both Poddar and Gupta will neither chase prices, nor just a short-term goal when investing privately. These attributes will work well in technology stocks, which will continue to be a driver for growth in the coming decade. F

Most Sought-After Unlisted Stocks

Altius Investech's Top Unlisted Stocks

	*Buy Rate	*Sell Rate
Studds Accessories	1,370	1,415
Chennai Super Kings Cricket Ltd	82	86
National Stock Exchange	1,600	1,750
Tamilnadu Mercantile Bank	470	500
Indofil industries	715	745
Ncl Buildtek	195	210
Av Thomas ind	8,250	8,750
Kurlon ltd	375	400
Bharat Nidhi	9,200	9,700
Elcid investments	82,000	88,000

Unlistedkart's Top Unlisted Stocks

	*Price (As on 12-03-2021)
HDB Financial Services Ltd	950
HERO Fincorp ltd	1115
Tata Technologies	1645
Studds Accessories	1405
Merino Industries	2875
Mohan Meakin Ltd	900
Care Insurance Ltd	143
Motilal Oswal Home Finance Ltd	13.25
Reliance Retail	1450
Chennai Super Kings Cricket Ltd	78

*All prices/rates in ₹ Values in ₹ per share

SOURCE Companies

Women Investing In Equity Markets

LADIES OF THE TICKER

Despite challenges of culture and access to capital, female participation in trading and investing is increasing, though cautiously

By DIVYA J SHEKHAR

Do you even know what volumes mean in the stock market?" Mahek Shah was asked this question in 2017. She had just started trading a year earlier, as a 19-year-old, and was asked this question by a man who found it difficult to take her, or women in general, seriously when it came to trading on Dalal Street. But Shah let her work speak for itself.

Intrigued by the stock market, Shah first tried her hand at intraday trading in 2016 while she was still in college, armed with savings of ₹20,000. She was fascinated by the thrill of it all: The dynamic price movements right in front of her eyes, the constant tracking and monitoring of stocks, the determination to understand technical terms, and the rush of earning good profits when she made the right decisions. Shah gradually started trading with ₹1 lakh or ₹2 lakh, and the highest profit she has made in a day's trade went as high as ₹77,000. She started day trading full-time after graduating in 2018, her eyes glued to her laptop screen between 9 am and 4 pm, five days a week.

There were losses too: Three months into her trading in 2016, Mumbai-based Shah lost ₹10,000, while trading with a capital of ₹40,000. Later, she lost ₹40,000 while taking up multiple trades to cover up for the loss made in one trade on a single day. "That disheartened me, but I decided to learn from my mistakes. That way, no day will be wasted and eventually, my money will grow," she says. Shah learnt how to be more cautious, how to implement stop-loss limits to trades every day, how to be calm and focussed even when the markets are volatile, and how to tirelessly keep learning.

Shah is now pursuing a postgraduate degree in finance and investment banking in the UK. Even after a 25 percent scholarship, the tuition fee came to ₹12 lakh, half of which she paid from the profits she made as a day trader. The rest was sponsored by her family, which she intends to repay soon. She has just moved to the UK for her year-long course, but has no intention of quitting intraday trading. "Once a stock trader, always a stock trader. I want to trade in the foreign market here by putting into practice what I've learnt in India," says Shah, 23. "I have seen the power of trading and value investing now, and I know that if done correctly, it can give you high profits and quick financial independence in a couple of years."

MAHEK SHAH, 23

Started trading/investing in: 2016

Initial Corpus: ₹20,000

Best trade/investment: Tanla Platforms—invested ₹240,000 in November 2020, which appreciated 116% in 25 days; sold

Advice to women investors: "Young women should consider financial markets as a career option. There are great resources available, you can start small, and the sky is the limit."

PANDEMIC PUSH?

The stock market, with all its number-crunching, technicalities, risk and volatility, has traditionally been a male domain. It continues to be largely so, but more women in the country are gradually participating in trading and investing, particularly in equity, with the upsides being money, financial independence and a flexible career.

The widening reach of the internet, the freedom to work remotely, low initial investments, access to training resources and inspiration from other successful women are encouraging them to take this up.

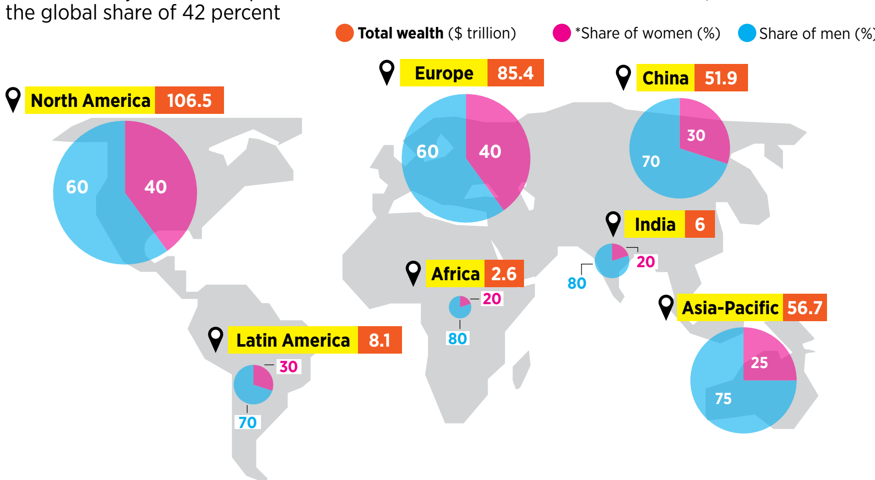
The number of women on brokerage firm Zerodha's online trading platform, for instance, has increased to 7.2 lakh, up from 3.5 lakh last year, and they form 16 percent of the total traders on the platform. The average age is 30, says co-founder Nikhil Kamath, and the average ticket size women invest is about ₹80,000. "A lot of them have bought into the corrections that the pandemic got with it. Hopefully, this is a precursor of increased participation and more women coming on board," he says.

A survey conducted by online investment platform Groww among 28,000 women investors in March indicated that more of them are emerging as primary decision-makers for their wealth, as opposed to turning to the men in their family. In the 18 to 25 age group, almost 60 percent women say they take their own financial decisions.

Close to 10 percent of Groww's one crore-odd customers are women. "We have seen a significant growth in the number of women investors on our platform in the past year compared to previous years," says Lalit Keshre, co-founder, Groww. "The pandemic-induced lockdowns and work-from-home conditions have given them more time to research about investing in stocks and mutual funds," he says. According to a September 2020 report in *The Hindu*, stock broking fintech startup Fyers acquired 20,000 new customers between last May and September, 10 percent of whom were women. Overall, women form around 15 to 20 percent of the platform's customer base. Lxme, a financial platform dedicated to women, conducted several bootcamps to improve financial literacy last year, which saw participation from over 25,000 women. The transaction

Wealth Gap at the Household Level

Women own just 20 to 30 percent of the total wealth of a household in India, which is less than the global share of 42 percent



SOURCE Credit Suisse Global Wealth Report 2018; *lower limit considered

platform was launched in 2018, an online community in 2020, and currently, Lxme has over 15,000 women investors. The 6,400-odd women on its members-only Facebook page will be onboarded on the app by April. "Women make great investors. They understand what they are investing for, they are disciplined and not fickle-minded, and constantly commit more money over time, depending on their financial goals," says Priti Rathi Gupta, founder of Lxme, a venture seed-funded by Anand Rathi Financial Services.

Gupta believes women are increasing their participation despite market conventions being stacked against them. "First, manufacturers and distributors of financial products have a 'communication by men, for men' approach, reinforcing that men take charge of money better," she explains. Second, markets are often projected as a zero-sum game. "From *The Wolf of Wall Street* to *Scam 1992*, the narrative is that either you make vulgar amounts of money, or you lose it all. Women, being cautious investors, want to protect what they have instead of taking huge amounts of risk. So they are put off by the perception that they should enter the markets only if they are willing to lose all their money."

Third, she adds, while men

"THERE IS UNDER-PENETRATION OF WOMEN IN THIS SECTOR, THOUGH FUND MANAGEMENT ITSELF IS GENDER-AGNOSTIC."

LAKSHMI IYER,
CIO-DEBT AND HEAD-PRODUCTS
Kotak Mahindra AMC

INFOGRAPHICS: SAMEER PAWAR

build trust by way of immediate transactions, women try to discover products and instruments—particularly big-ticket purchases—by reading, talking to people and taking advice from experts and the community. "That's a long journey. Typically, a financial firm does not have the patience for that," Gupta says.

Most of the previous generation stuck to investment options like fixed deposits or gold, thus nurturing the mindset that markets are not for everyone. "We do what our parents do. So either many women do not have the time or inclination to get into trading, or many of them still turn to the men of their family to make financial decisions for them," says Apeksha, 35, who mainly does intraday trading, apart from positional index and stocks trading.

She started trading three years ago without a mentor, poring through books, online resources and social media, where she found other helpful traders who introduced her to different trading methods and strategies like technical analysis, market profile, options trading etc. "You just have to keep trading, test what you're reading, and implement it in live markets," says Apeksha, who primarily follows the Nifty index for intraday trades. She believes she's just a beginner who has not seen her share of bull and bear runs, and has not experienced "life-changing" profits or losses so far.

The Mumbai resident says anyone who is serious about trading has a journey where they go from big losses to small losses to break evens to small profits and finally big profits. But they have to be willing to put in the hard work. "Even today, people keep asking me what to buy. Or they are just trying to pick up tips from brokers, the media or others, without really putting the effort to read and research stocks," she says. "You have so many options today, and many of them are free. But you have to be willing to put in the time. You cannot survive only on tips from others."

She believes women can become successful traders or investors only once they intrinsically feel the need to take control of their own money. Priyal Anil Bagri, 25, agrees. According to her, coming up with one good investment idea every 12 months is more rewarding than coming up with 12 trading bets in one day. Bagri dropped out of chartered accountancy training in 2016 to pursue equity investing. She swears by three rules for thriving in the stock market: Analysing the intrinsic value of only businesses she can understand, being agile in the market by taking losses on her chin and constantly learning, and chasing an aim to compound and double her wealth every three years.

Bagri started off with a ₹60 lakh initial capital from her father. She claims she doubled the amount in 30 days, but just when she started thinking she had understood the ways of the stock market like the back of her hand, she faced a ₹11 lakh loss in

RAJESH BANSOD FOR FORBES INDIA

PRIYAL ANIL BAGRI, 25

Started trading/investing in: 2016

Initial Corpus: ₹60 lakh

Best trade/investment: ₹33 lakh in Adani Green Energy, which gave returns of 800% in nine months; still holds the stock

Advice to women investors: "Working on tips is deadly. I neither take nor offer any. Patience is the only way to create wealth."

"WOMEN MAKE GREAT, DISCIPLINED INVESTORS. THEY CONSTANTLY COMMIT MORE MONEY OVER TIME."

PRITI RATHI GUPTA,
FOUNDER, LXME,
a venture seed-funded by Anand Rathi Financial Services

a single day, and then another one, followed by one more, until her entire earnings were close to being wiped off. The loss shocked her, she says, but she wanted to succeed in investing so badly that she did not give up.

Her aim was to create wealth, and not just make money, for which she had to be patient, she adds. "The biggest challenge is to balance your greed and fear. But I think no other profession can give you these kind of returns, so I decided to increase my threshold of pain and keep learning in the markets," says Bagri, who has founded Nathibai Tulsidas Investments in Nagpur and is also working on building a tech startup.

GOOD FOR MARKETS AND GDP

Even though losses are an inevitable part of the trading and investing game, women tend to face harsher repercussions than men due to long-standing prejudices, say experts, which adds to their cautious and fearful attitude toward the markets. "Even today, if a man loses money, it's fine. But if a woman loses money, everyone says, 'Oh, I told you so. You can't handle it'. These unconscious biases are reinforced time and again, and women are reprimanded more than men for making the same mistakes," says Mrin Agarwal, founder director of finance education platform Finsafe. "Lack of knowledge and confidence are also not helpful."

Another factor that does not help is that women are underrepresented on the other side of the spectrum too: As fund managers. The Groww survey quoted earlier states that 78 percent of women invested in mutual funds, making it their most preferred asset class. However, only 30 of the 378 fund managers in India are women, according to a Morningstar report released in March.

India has added just two women fund managers since last year, as opposed to 26 men. Out of the approximately ₹30.5 lakh crore assets being managed as of January, women manage 13.5 percent. Out of the total open-ended assets under management (AUM) by women fund managers, 80 percent of the AUM outperformed the peer group on a one-year and three-year basis, and 74 percent of the AUM outperformed on

Stellar Returns, Stagnant Representation

	Fund managers in the industry	% of women fund managers	AUM of open- and close-ended mutual funds (₹ crore)	Assets managed by women (₹ crore)	% of overall assets managed by women
Male	346	8%	30,50,989	411,470	13.5%
Female	30				
Total	376				

◆ While the total number of fund managers increased to 376 from 352 the previous year, only two more fund managers were added to the count, which was 28 last year

◆ Therefore, irrespective of the total increase in the number of fund managers, representation of women is stagnant at 8 percent

Out of the **₹4.11 lakh crore** assets managed by women:

Funds	Share
Fixed income funds	**43%** [₹1.77 lakh crore]
Money market funds, liquid funds and overnight funds	**26.6%** [₹1.09 lakh crore]
Equity funds	**25.1%** [₹1.03 lakh crore]
Allocation funds	**4.5%** [₹0.18 lakh crore]
Solution and others	**0.7%** [₹0.03 lakh crore]

◆ Out of the total open-ended assets managed by women, 80% outperformed peer group average on a one-year basis and three-year-basis, and 74% outperformed on a five-year basis

SOURCE Morningstar Direct, data as of January 31, 2021

NEHA MITHBAWKAR FOR FORBES INDIA

AVNI PARESH SHAH, 51

Started trading/investing in: 2009

Initial Corpus: ₹50 lakh

Best trade/investment: Vidhi Specialty Food Ingredients, bought for a share price of ₹55 in May 2017; still holding at ₹165 today

Advice to women investors: "Many homemakers like me have made a successful career out of the stock market while working remotely at home. This is sure to inspire other women to take the first step."

a five-year basis—"a feat truly worth commending", the report notes.

"There is under-penetration of women in this sector, though fund management itself is gender-agnostic," says Lakshmi Iyer, chief investment officer, debt, and head-products at Kotak Asset Management Company. According to her, the sector is structured in a manner that makes it easier for women to enter.

"There are niche specialisations within fund management and the definition of wealth itself has evolved. Work hours have become more flexible compared to what they were when I entered the industry around two decades ago, and many entry barriers have been eliminated. So the biggest impediment, I think, is one's own mental block," Iyer says, adding that formal mentoring while starting out will always help. "Fund managers are easily accessible on formal platforms like LinkedIn, while getting quick information via social media also helps. All these platforms create scope for formal mentoring and streamline access to information. One just has to grab these resources with both hands." Gupta of Lxme believes that if half the country's population is left out of the financial markets, the disparity in wealth-creation will only grow wider, and worsen the existing income disparity between men and women. Kamath of Zerodha, agrees. According to him, only 1 to 1.5 percent of the country's population has access to financial markets, which is "abysmally low".

A crucial part of improving this statistic is to improve the number of women who trade and invest, he adds. Kamath explains that even though the number of women traders on Zerodha has doubled in absolute numbers over the past year, their proportion to total investors on the platform has remained stagnant at 16 percent. "So for every 100 people who are investing and trading, only 16 of them are women and 84 are men. This gender ratio itself is not changing," he says.

Kamath points out how women account for only 19 percent of the workforce in India. "We have to match countries like China and Bangladesh when it comes to female workforce participation, particularly if we have to achieve the $5 trillion Gross Domestic Product target or progress as a country," he says. "Only once you reduce the gender pay gap by bringing more women into the workforce can you improve women's access to capital, which will in turn expand their investible surplus and enable better participation in the financial markets."

It is important for men to enable women to participate more in equity markets, says Avni Paresh Shah, promoter of Mansi Share and Stock Advisors, which deals in shares and securities, investment advisory and equity broking. Shah made a full-time career on Dalal Street, with the help of her husband after being a homemaker until a little after the turn of the century. She now manages financial assets with a net worth of about ₹20 crore.

"Women, by virtue of running homes, are naturally good at handling money, and this is a business that offers flexibility to earn money with just a laptop and a demat account. You can start with a low investment too," Shah says. "I know many homemakers like me who have made a successful career out of the stock market while working remotely at home, and this is sure to inspire other women to take the first step."

Apeksha says it is also fine to second-guess yourself every morning, with every trade. "You will keep making mistakes and losses, which will get lesser with time. But until then, you need to be cautious while having confidence in yourself. Just let the markets teach you."

Why Women Invest

A March 2021 survey conducted by investing platform Groww around the investment habits and approaches of women in India highlighted the following:

50% women invest to achieve personal goals

43% want to add to household income and support family

1 in 4 women invest to be able to travel more

Overall, about **25%** women have also invested in gold, while **78%** have invested in mutual funds

Only **6%** women making more than **₹30 lakh** per annum invest in cryptocurrencies, as compared to **4%** women earning less than **₹10 lakh** per annum

An eye on early retirement: **70%** women earning more than **₹30 lakh** annually invested with early retirement as a goal; the number was **36%** for women making between **₹10** lakh and **₹30** lakh a year and **26%** for women making between **₹5 lakh** and **₹10 lakh**

64% women over the age of **35** invest mainly for marriage and children's education

"ONLY BY BRINGING MORE WOMEN INTO THE WORKFORCE CAN YOU IMPROVE WOMEN'S ACCESS TO CAPITAL."

NIKHIL KAMATH,
CO-FOUNDER,
Zerodha

SELVAPRAKASH LAKSHMANAN

THEREFORE DESIGN HELPS BUSINESSES DESIGN THEIR PRODUCTS AND BRANDS STRATEGICALLY

We were at Therefore Design, a vibrant design studio in the middle of Pune, talking to the founding partners and soaking in all the creativity that is around. Excerpts:

Clockwise from top: Dhun Patel, Nitin Virkar, Vrishali Kekre Deshmukh and Gauri Barve Kale Co-founders and Directors, Therefore Design

Q What is your story? Why Therefore Design?

A "We started back in 2009, as a small boutique studio out of my drawing room. We are 4 partners from very diverse backgrounds bringing in different perspectives, and everything to do with our philosophy. At, therefore, we believe that unlike art, design has to always have a context, a solid set of insights, sound logic and 'therefore' good design is the result." says Vrishali.

"What started off as a small dream for the four of us, is now a thriving design studio with a heterogeneous team of 35, comprising of graphic designers, product designers, strategists, content writers, illustrators and more," adds Dhun, whose extensive work in research has given her a keen eye for people, context and psychology.

Q What were your greatest challenges in this journey?

A "Moving businesses up the design ladder is a big challenge", says Gauri. The Design Ladder, a tool developed by the Danish Design Centre, helps rate how companies use design. It starts with not using design at all, to leveraging design as a strategic tool. "In India, we find that companies are traditionally stuck at step two, which is using design for aesthetics. But, as a team that is ingrained with Design Thinking methods, we see that there is so much potential for us to contribute both at a process and at a strategic level, which are steps three and four of the ladder. Businesses that have engaged with us across the steps have seen immense value."

"We see however that this is slowly changing, with the start-up culture, there are some shining success stories of design-led companies with a new generation of leaders who have been exposed to this concept", says Nitin, winner of acclaimed awards such as the Red Dot and Japan's Good Design Award.

Q How do you ensure creativity in each design?

A "Back at NID, it was drilled into us that design is a process. Sometimes it can get subjective, where personal preferences may influence outcomes, however, over the years, we at Therefore have built processes that ensure that the designs we create, are a result of a well thought-out strategy", says Nitin.

We focus on the clients' objectives, rather than a creative agenda of 'design for design's sake. The result is out there, for everyone to see! If you were to walk into any grocery store today, you would see a minimum of 5 products that have been designed by us says Gauri. "Like Dieter Rams says, "Good design makes a product useful". "Being useful is a constraint we love to work with. And we believe that the most creative solutions come when there are interesting constraints in place" adds Nitin.

Q Tell us about your biggest achievements?

A "For me, it is and will always be winning the Red Dot and the G-mark" quips Nitin. Dhun adds, "Our biggest achievement remains our long-standing relationships. Most of our clients have been with us for many years, while it is about the value we deliver, it is also about the relationships we have carefully nurtured."

Q What's next?

A "When we started out 11 years ago, creative companies worked in isolation. Now that concept has toppled on its head", says Vrishali "Today, it's all about collaboration, identifying and leveraging the strengths of partners, pooling in people with specialized skill-sets. This has revolutionized the creative industry and opened up many opportunities. We are looking at expanding exponentially, but unlike traditional companies, we will look at collaborative expansion, as a multi-speciality hospital."

"Armed with this collaborative strength, we are looking at providing integrated design and marketing services to our clients" Dhun elaborates. "Brands today have realized the importance of seamless experiences across platforms. This also means that clients have to spend all their energies coordinating with multiple agencies and aligning them. We have now taken the reins of many brands in our hands, where we become the 'sutradhaars' of the brand, ensuring that the brand's value proposition is never diluted and the brand story remains consistent."

Column

HOW INTEREST RATES MAKE NARRATIVES

They are like gravity in valuation. If the rates are nothing, valuation can be almost infinite. But if extremely high, it's a huge gravitational pull on value

By SUSMIT PATODIA

The first lesson we are taught in investing is to focus on the value of a company (which is largely a function of its cash flows) and not the price.

But what if price itself could create value? How? If the price is so high that the company can use it to create significant moats, it can possibly create value. The best examples of this are probably the leading tech companies in the US, where they continuously use their stock as currency to acquire smaller companies that could be potential future challengers.

And what causes prices to go much beyond the value of a company? There are a multitude of factors like flows, low float, star CEO, narratives, or recently even Reddit.

In this column, we will focus

CHAITANYA DINESH SURPUR

on one factor—interest rates and how they impact valuations.

Cost of Equity (CoE) is a function of risk premium and risk free rates. Risk premium is the extra return that we would want from any investment that promises but does not guarantee returns.

Valuation Of Companies

	Company A (₹)	Company B (₹)	Difference (%)
Terminal value	915	915	0
Present value at 8% CoE	517	392	32
Present value at 7% CoE	711	580	23
Present value at 6% CoE	1,103	964	14
Present value at 5% CoE	2,288	2,139	7

CoE= Cost of Equity

SOURCE Motilal Oswal AMC

In India, apart from sovereign guarantee and ₹5 lakh in every fixed deposit, everything else has a risk premium attached to it. Equities have the highest risk premium as the cash flows accruing to equity holders are after all interest payments and government dues are paid. Equity risk premium over the long term does not change materially and has seen to be in the range of 4 to 5 percent. The second variable into the cost of equity is the risk-free rate. A good reference point is the 10-year government security of the country. The change in this over the long term has been significant and this has impacted the overall cost of equity. The US has seen long term yields go down to 1.5 percent now from 4 percent in 2002 and 12 percent in 1980. In India, yields have dropped to 6 percent now from 14 percent in the mid-1990s.

To understand the impact of the fall in risk-free rate and subsequently overall cost of equity, we take up a simple valuation exercise

We have two companies, A and B. Company A generates cash flows every year and grows them at 15 percent every year. At the end of 10 years, we assume a simple terminal value to get the value of the stock.

On the other hand, Company B does not generate any cash flow, but is busy creating a unique business with a promise of a large terminal value. For arguments sake, we assume the terminal value to be same as Company A.

Assuming an 8 percent cost of equity and a 4 percent terminal growth, the difference in valuation of companies A and B is A being higher by around 30 percent, but if the cost of equity drops to 5 percent, the difference shrinks to 7 percent (see table).

This math is the key to understanding why companies that are cash guzzlers now, but have the promise of a bright future are getting priced at levels similar to or maybe even more than that of companies which are already established and delivering cash flows. In a low interest rate regime, higher growth (expectation) not only gets handsomely rewarded but delayed cash flows get a lower penalty as well.

There is an interesting pro-cyclicality that plays out with non-cash flow-generating companies in a low interest rate environment. If a growing company does not generate enough cash flows to fund its growth, it would have to borrow, which is much easier to do in a low-rate environment. Conversely, not only does valuation get impacted as rates go up, but the path of growth also starts looking more uphill than before. When things turn (which is when interest rates go up) for such companies, it has an effect of a snowball down a steep hill.

"IN A LOW INTEREST RATE REGIME, HIGHER GROWTH [EXPECTATION] NOT ONLY GETS HANDSOMELY REWARDED, BUT DELAYED CASH FLOWS ALSO GET A LOWER PENALTY."

If one believes that interest rates have bottomed out, why are valuations still going up? I am reminded of what Warren Buffet said: What the wise do in the beginning, fools do in the end. Advise caution.

The intriguing aspect about talking of value that will be created 10 years down the line is that it has more to do with imagination than reality. The victorious claim visionary status while the fallen are termed dinosaurs. There are many alternate histories that could have played out but like in most uncertain decision-making situations, the deterministic results decide the correctness of probabilistic decision-making.

I should submit that this is a simplification of the much-touted current advancement led by technology that is underway (probably comparable to the industrial revolution and/or the invention of the wheel) and I may not have the "vision" to look into the future. But it is important to not get carried away when valuing businesses.

Until the fundamental reason which is that value of company is the sum of all the cash flows that it would generate changes, it will be unwise to ignore cash flows for eternity. F

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Column

WHO MOVED MY GOLD

The yellow metal, also a hedge for stock market volatility, reacts more to real interest rates and not nominal interest rates

By GAURAV RASTOGI

The price of gold in Indian rupees is up roughly 10x in the past 20 years, which translates to a respectable 12 percent per annum returns. Add to this the commonly known characteristics of gold as one of the better-known hedges to equity market volatility, especially around market crashes, and a hedge to rupee depreciation against the US dollar, and we have an asset that we all should have higher allocations too.

Extremely few investors, however, stayed invested for the whole time as almost all the gains came in two small windows. Between 2008 and 2013, international gold price tripled and then between 2019 and 2020, it roughly doubled again.

The last decade was remarkably interesting for gold price movement. Gold doubled to ₹3,000 per gram from ₹1,500 per gram between 2010 and 2013, but then stayed in a narrow band between ₹2,000 and ₹3,000 per gram for six years. At the time when people were writing it off as an asset, it made a remarkable run past ₹5,500 per gram in late 2020. Indians who own physical gold were probably the only ones who stayed invested as they bought the yellow metal for different purposes.

The pandemic ravaged the demand for gold in India, down by 35.34 percent to 446.4 tonnes in 2020, a 25-year-low, data from the World Gold Council (WGC) showed. Per capita consumer demand is at its lowest in the past 11 years—it was 0.3 grams in 2020. There are still too many variables—on consumer behaviour, prices or length of the disruption—which prevent an accurate guidance on gold demand in India, in the near future. Analysts now fear that gold might be in a bear grip, with international prices of the yellow metal at a near-nine-month-low of $1,735 per oz, down 16.06 percent from its peak of $2,067.15 last August.

To understand how gold prices can move from here, it is helpful to have a quick look at the history and understand what has driven the price of the yellow metal in the past. Gold as a currency was first used in 550 BC and quickly spread across many countries. Even when paper currency was introduced, it was still linked to gold.

It is only as recently as the mid-20th century that sovereign currencies decoupled from gold. Still, habits of over two millennia die hard. If a country is in distress, it would not be odd for a central banker to say, "In God we trust, everyone else bring gold." The same applies to how people think globally: If things go bad, you can always barter your gold for goods, services and safe passage.

Thus, most of the mined gold is kept in central bank lockers or with individuals as coins and bars. We do not see this changing soon either even though bitcoin is in some sense gunning for the same status as a digital alternative.

Gold as jewellery is a relatively small market and has marginal impact on its price. The numbers corroborate the same.

The WGC puts the value of all mined gold at $7.5 trillion based on 2017 prices. By our estimate, that number would swell to $12 trillion at today's prices. In comparison, the annual jewellery market is pegged at about $350 billion. So, while there may be a small element of jewellery demand, it is just not big enough to make any significant impact on pricing.

In our opinion, thus, gold should be priced as a currency and for its low correlation to other risk assets.

"THE DUALITY OF GOLD THAT PROTECTS YOU FROM INFLATION AND FROM THE STOCK MARKET MAYHEM IS WHAT MAKES IT A CANDIDATE FOR PERMANENT ALLOCATION IN A PORTFOLIO."

SHUTTERSTOCK

Kind of like a hybrid currency that also moonlights as a fear gauge.

Some measure of interest rates and growth should then be a good predictor of gold price. As it always is in finance, pricing and drivers of pricing are never easy to identify.

Common consensus is that higher US treasury rates are bad for gold, and that is what has caused the current correction in gold price. However, over the long run, gold price shows little correlation to US treasury rate movements.

In the 1970s, US treasury rates and gold price were going up at the same time. Rates peaked in 1981 and have since been on a one-way street—lower. Gold, at the same time, has had two lost decades of the 1980s and 1990s, and two big bull-rallies from 2000 to 2013 and then from 2019 till the recent correction. Attributing the current dip in gold prices to taper tantrum would be to discard all that history is telling us.

What a survey of research on gold pricing tells us is that gold reacts more to real interest rates and not nominal interest rates, as increasing inflation affects US treasuries and gold quite differently. The 10-year inflation indexed treasury rate, which is a proxy of US long-term real interest rates, then becomes a better marker of gold prices.

The sudden jump in expectations for higher real rates has caused some jitters in the gold price and it may continue for some time. Eventually, the US Federal Reserve's ability to manage real rate expectations will matter a lot. Again, if real rates rise quickly, it may not be all bad for gold, given where we are in the growth cycle. Remember, gold is also a hedge for stock market volatility.

Rise in rates usually affects growth stocks heavily and if the rotation from growth to more inflation-led value stocks does not happen in an orderly fashion, there is a risk for markets to crash. In such scenarios, gold has benefited as a haven or a low correlation play to markets.

This duality of gold that protects you from both inflation and from the stock market mayhem is what makes it a candidate for permanent allocation in your portfolio. We would recommend a 10 to 15 percent allocation to gold with periodic rebalancing to get the best benefit out of gold's peculiar characteristics.

Mutual funds, ETFs and digital gold are all good methods to own gold digitally in your portfolio, without worrying about storage and security. Each comes with its own set of pros and cons, so do your own research on what works best for you before you buy. F

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Poised for Take Off

Harpreet A De Singh, the first woman pilot hired by Air India, is entrusted with the responsibility of turning around the fortunes of its subsidiary Alliance Air as its first woman CEO

By MANU BALACHANDRAN

AMIT VERMA

For much of her life, Harpreet A De Singh has been busy shattering glass ceilings. In 1988, as a 21-year-old, she was the first female pilot to be selected by India's flagship carrier Air India to fly its aircraft, at a time when the government-owned airline ruled the Indian skies. In the mid-1990s, she became the first female instructor for Air India's pilots before going on to become the country's first female chief of flight safety, in 2015.

Even then, by her own admission, she had not seen this one coming. In fact, she had neither applied nor was she called for an interview. Yet, it was perhaps her penchant to break barriers and her long-drawn credentials at Air India that propelled her to become India's first female CEO of an airline late last year.

"They must have seen something," Singh says. "When you're going up, people are watching you. They know how you're performing and how you are working. Somewhere down the line, they may have trusted my ability."

On November 3, Singh took charge as the CEO of Alliance Air, the New Delhi-headquartered subsidiary of beleaguered national airline, Air India. "I was pleasantly surprised that they thought of me for this role," the 54-year-old tells *Forbes India* over a video call. "I knew that I was up to take up the challenge because I have had one advantage, having worked 360 degrees in an airline in the past."

That's precisely what Alliance Air also desperately needs to turn around

its fortunes in addition to laying plans for its next phase of growth. Ever since it was carved out of the government-owned Indian Airlines in 1996, largely as a feeder service for Indian Airlines, the company has nothing significant to show on its records. The airline has been operational for over 25 years, and yet it barely finds a spot among India's top five. The company has 18 operational aircraft, all of which are Toulouse-manufactured ATRs, which are short-haul regional airliners with 72 seats.

"I've had so many ups and downs, and many times you are not given what you truly deserve. But I've taken that as a gift from the Almighty because it allows you to overcome a challenge and to learn new skills."

HARPREET A DE SINGH
CEO, ALLIANCE AIR

[redacted]

A significant number of its routes are in India's small towns, including Dharamsala, Dimapur, Pantnagar, Ludhiana and Pathankot. In contrast, IndiGo, currently India's largest airline by market share, began operations a decade after Alliance Air, and currently controls nearly 60 percent of the market. The airline operates a fleet of 279 aircraft, a bulk of it in the Airbus A320 category.

"I can see so many things which I want to fix," Singh says. "I know it will happen slowly and steadily, but we will definitely fix it. It takes time and we have to have the willingness and passion to do it."

Passion and grit aside, it is unlikely to be easy. For one, the airline continues to operate as a subsidiary of the debt-laden Air India group. The government has also not made Alliance Air a part of the stake sale plan for Air India, which means that it will likely hold control of the airline in future. The Air India stake sale has been moving at a dawdling pace since it was first announced in 2018.

Second, India's aviation sector has undergone significant changes since Alliance Air began operations two decades ago. Today, 90 percent of the Indian aviation market is controlled by the private sector, led by IndiGo, SpiceJet and Vistara, among others. Between them, these airlines have also been foraying into routes traditionally operated by Alliance Air.

"Currently Alliance Air is an ATR operator that connects hubs to smaller Tier II and Tier III cities and is also a feeder to Air India," says Sanjiv Kapoor, former chief operating officer of SpiceJet and senior advisor at New York-based Alton Aviation Consultancy. "It is not an independent airline in that it does not have its own distribution or website and commercial functions appear to be handled by Air India. It will need to convert to an independent entity and stand on its own feet."

Despite all that, Singh has set some ambitious plans for the airline.

BIG DREAMS

To begin with, over the next few months, the airline is looking to expand its capacity as well as routes, including international ones, to be commercially viable. "It's exciting to know that you can do something to ensure that an airline, which was not very well known and sitting as a subsidiary of a large airline, can come to the forefront and provide support in every way to the passengers," Singh says.

In February, as part of its plan to increase its existing fleet size, the company announced the purchase of two made-in-India aircraft, which Singh reckons is in line with Prime Minister Narendra Modi's ambitious Make-in-India initiative. The company signed an agreement with Bengaluru-based Hindustan Aeronautical Limited to purchase two Dornier 228 turboprops and is expected to start commercial flights on those aircraft shortly.

"Within the three months that I've taken over, we've taken a lot of important decisions," Singh says. "We're the first airline in the country to go ahead with what people would call a risky adventure, which is to purchase aircraft made in India. But to me, we need to encourage our own made-in-India products."

The 19-seater light transport aircraft are likely to be deployed in the country's Northeast—a region where airlines have been looking to increase their operations.

The plan would also play well into the company's focus on the government's regional connectivity scheme (RCS), launched in 2017. Udan, as the scheme is called, is aimed at enhancing connectivity to remote and regional areas of the country and making air travel affordable. Under the scheme, nearly half of the seats in Udan flights are offered at subsidised fares, and the participating carriers are provided a certain amount of viability gap funding, an amount shared between the Centre and the states concerned.

"Right now, regional connectivity is our scheme," Singh says. "I want to connect to people, I am passionate about bringing people together all over the country."

Besides, the airline is also planning to ramp up its commercial operations, both newer routes and cargo operations. Over the last few months, it has begun operating on routes like Mumbai-Goa, Mangalore-Mysore, and Bengaluru-Kozhikode. "We also have to survive as an airline," Singh says. "We have to be commercially viable. That's equally important."

Currently, the airline flies to 44 destinations in the country. "Alliance Air is a good feeder, a good regional connectivity airline, where the Tier-II and III cities can get connected," Singh says. "But having said that, we are going beyond RCS-structured routes into pure commercial routes. Both Mumbai-Goa and Mysore-Mangalore are not RCS sectors, but we have still gone ahead."

That also means, apart from buying the 19-seater Dornier aircraft, the airline is also looking to purchase more ATR ones. "We are looking to expand," Singh says. "Apart from the two Dornier coming in, we're also going in for an ATR 42 lease. We're trying to get into Shimla operations and some of

GETTY IMAGES

"It is not an independent airline... Alliance Air will need to convert to an independent entity and stand on its own feet."

SANJIV KAPOOR,
SENIOR ADVISOR, ALTON AVIATION CONSULTANCY

[redacted]

our other operations, where there was a payload restriction, with the ATR 72. If everything goes well, we will be adding to our ATR fleet as well."

Adding more aircraft to the fleet will also allow the airline to start looking at options outside the country, particularly in India's immediate neighbourhood. "But that would not happen immediately due to Covid-19 restrictions," Singh says. "On the international front, we may look at Jaffna and some of our neighbouring countries, but it will take us some time. Today, we are not allowed to operate at 100 percent capacity."

India had halted airline operations last March, after which the government has been slowly permitting airlines back into service. As of March 2021, the government has allowed 80 percent of the capacity to be used by airlines, after starting with 33 percent capacity at the end of May when the country lifted lockdown restrictions.

"What is the best path forward is for them and the government to decide," adds Kapoor. "I would expect domestic regional connectivity to continue to be an area of focus for the government. If the airline goes international and gets mainline Boeing or Airbus aircraft, then the question arises whether the goal of the government to largely get out of the business of running airlines will be fulfilled. Some close-range regional, international routes that can be served by their fleet of ATRs may, however, be a possibility."

TAKING IT SLOW AND STEADY

Singh, meanwhile, isn't in any rush. "First, we have to come back to normalcy and then gradually work towards the international," Singh says. "The trend is positive. We can see that our passenger numbers per day are steadily increasing. We were down to hardly anything on a daily basis, then it grew to less than 2,000 passengers a day before going to 3,000 in November. In February, we crossed 4,000 passengers a day."

A slowdown in passenger movement had meant that many Indian airlines had been busy pivoting towards cargo operations to sustain themselves. This year, Indian airlines are expected to post a net loss of ₹21,000 crore following travel restrictions amid the Covid-19 crisis, according to rating agency ICRA, and will also require an additional funding of ₹37,000 crore from FY21 to FY23 to recover from the losses and debt.

That has meant Alliance Air has also initiated proposals to convert two of its aircraft for cargo operations. "Two of our aircraft are getting ready to do freight operations along with passenger combination flights," Singh says. "Those could likely be deployed into transportation towards remote areas. We have also helped the government of India to transport vaccines and other urgent material into distant areas. We are progressively increasing our insight into the cargo operation as well."

Much of that decision to ramp up its play in the cargo segment also came from Singh's expertise as the head of flight safety at Air India, where during the lockdown, the company had been engaged in evacuation and cargo movements. "I did all the coordination to make the cargo operations happen because we had to do a full safety risk assessment, we had to make sure the procedures were in line and we were doing something which we had never done before," Singh says. "And we needed a lot of regulatory approvals. We were transporting through Vande Bharat with restrictions. So, coming from that background, I know that a lot of work was done for cargo."

That means, the company is likely to go head-to-head with many private companies who have also been flocking to smaller towns to propel growth. "In fact, what is challenging for me and what some of my predecessors did not have is the kind of competition that we have now," Singh says. "Now I'm faced with a huge challenge because we also have our competition which is expanding on ATR. And somehow ATR seems to be the new trend. Airlines are seeing the merits in connecting Tier II and III cities. It's going to be a challenge, but we have our ways and thought processes built around that to overcome this challenge, and I'm sure we'll overcome."

In October, Alliance Air had said it had made an operating profit, for the first time since inception, of ₹65.09 crore for FY20. While the company did go on to make a net loss of ₹201 crore during the period, it had also managed to rake in revenues of ₹1,181.15 crore.

"This airline has been running for many years and the very first-time last year, it did make an operating profit," Singh says. "But unfortunately, Covid came in, so it immediately became loss-making. But it was a good step. Our first target is to come back to the operating profit. Covid has really messed up the whole situation and we're not even operating at full strength."

Singh now wants to take the airline into the black in the coming years. "My goal is to make net profit," she says. "As long as I'm here I'm going to stay focussed on that goal and I want to make it happen. But it will take some time as these things don't happen quickly. After all, there are historical debts that we have to clear for so many years."

"In my mind, the most attractive space that is available is largely in underserved Tier II and III cities, which can be quite lucrative especially in the post-Covid-19 era as people migrate away from trains and buses," says Kapoor of Alton. "The rest of the market has a lot of competition and it will not be easy to go up against the established players head-to-head.

"For too long, Air India has been a CEO-centric organisation," says Jitender Bhargava, a former executive director of Air India and the author of *The Descent of Air India*. "Whenever a new CEO comes, they do away with everything that the previous one had done. Having said that, Singh's initiatives are a welcome move, but one has to be realistic about them."

BREAKING THE CEILING

Much of Singh's ambitions to fight it out in a market dominated by private companies also comes from her years of being battle-hardened.

As a young girl and an NCC cadet, Singh, the daughter of an Indian Air Force (IAF) officer, had always wanted to fly. "I just loved seeing airplanes fly," Singh says. But she couldn't join the IAF, her first love, as the existing rules then did not allow women to fly. The IAF inducted its first batch of female pilots only in 1994.

"I've had so many ups and downs, and many times you are not given what you truly deserve," Singh says. "But I've taken that as a gift from the Almighty because it allows you to overcome a challenge and to learn new skills."

In 1988, Singh was selected by Air India as its first woman pilot. "I made it through the Indira Gandhi Rashtriya Udaan Academy (IGRUA) which I still owe a lot to," Singh says. (The IGRUA is a pilot training institute located at Fursatganj Airfield, in the Amethi district of Uttar Pradesh. Established in 1985, it was the first such institute in India.)

But much before that, Singh had done her private flying licence in Hisar, Haryana. "I still remember there were no women that time and I was told, there's no toilet for the women." That meant she had to rent a house many miles away and commute on her moped through the jungles every day, to get to her training institution. "It was just my faith in God and a belief that nothing will happen," Singh says of those days.

After her selection at Air India, however, Singh's career was cut short by a health problem. A brain scan indicated a minute possibility that Singh might black out at the sight of lightning. Soon after, she headed to the US to convert all her licences into 'US licences' before becoming a trainer. "I got reselected by Air India as an instructor and was the first lady who was teaching pilots," Singh says.

Over the next few years, Singh worked across various departments of Air India, including training, operations, flight planning, flight dispatch, quality, and even audit. "I used to write all the safety procedures, documents and get regulatory approvals," Singh says. "I broke a lot of barriers, but I didn't think too much about it because it was just a good opening for other women also to come up".

While her new role means she has a lot on her plate, Singh is only getting started. "I really want to prove that you do not need to be unfair or corrupt or do anything wrong to be successful," Singh says.

All her life, Singh has never given up a good fight. It's unlikely that she will now. F

Razorpay's 'Full Stack' Ambition

The fintech unicorn has gone beyond payments into neobanking and facilitating loans and insurance. The dream is to become the only financial platform a business will ever need

By HARICHANDAN ARAKALI

Deepak Abbot, co-founder of Indiagold, had a small story about fintech unicorn Razorpay, which he recently recounted on Twitter. Indiagold, a Gurugram-based startup that offers gold loans and coins via an app, ran out of balance at one of its bank accounts one Saturday night in early February, after Abbot missed the email alert about it. The startup had regular payouts using that balance, and to make matters worse, the bank's systems were under maintenance that night for eight hours.

Abbot tried transferring money from his personal account, but his bank had a 24-hour restriction after adding a beneficiary. And a transfer via unified payments interface couldn't be done as the account where the balance was fast diminishing was a virtual one. A few other options didn't work either, he recalled.

"I pinged Harshil Mathur at 10.30 pm and asked for help," Abbot wrote. He requested Mathur, co-founder and CEO of Razorpay, to add ₹5 lakh to Indiagold's balance. He knew it was a long shot because it wasn't the payments platform's responsibility to do this, but he tried his luck anyway.

"I expected Harshil to pause and think, but he said 'let us add 10 lakhs just to be on the safer side'." And even as the two were chatting, one of Mathur's colleagues sent Abbot a WhatsApp message that money had been added to the account.

"This is the startup collaboration and support system we need. This is how we grow the ecosystem together. I just can't thank the whole Razorpay team enough for being so supportive and thoughtful," Abbot wrote on Twitter the Monday after that weekend. "Customer for life," he promised.

If Abbot's experience is less an outlier and more the norm for how Mathur and co-founder Shashank Kumar operate, it explains a bit about how and why Razorpay is doing so well in a crowded field where many payments services providers are vying for customers. And Covid-19 has helped, because tens of thousands of businesses added digital payments options using Razorpay's payments platforms, and millions of consumers took to making payments online using smartphones.

Covid accelerated and compressed several years' worth of adoption of digital tech into a year. It put an already vibrant fintech ecosystem in India into a high gear, and investors in fintech startups anticipate the rise of many multi-billion dollar ventures in the sector.

> **"Our goal has always been to help customers go fully digital, and that doesn't happen with just payments being digital."**
>
> HARSHIL MATHUR
> CO-FOUNDER & CEO, RAZORPAY

"The fintech space today is structurally poised for the big league—the founders are a powerful mix of financial services insiders and tech hackers," says Vikram Vaidyanathan, a managing director at Matrix Partners India, which was an early backer of Razorpay. Banks and infrastructure are now more ready for scale and speed, and consumers have more trust in technology to define their relationship with money, he adds.

"So, today I can tell you there will be multiple 'decacorns' in Indian fintech. I couldn't make that statement in 2015," Vaidyanathan says. By decacorns, he means startups privately valued at $10 billion or more. Razorpay became a unicorn—being valued at $1 billion—last October.

The fintech market in India was valued at ₹1,920 billion in 2019 and is expected to reach ₹6,207 billion by 2025, expanding at a compounded annual growth rate of 22.7 percent, according to a May 2020 estimate by Research and Markets.

At Razorpay, by July things were back at pre-Covid levels. And in roughly the last 12 months, payments volumes tripled over the previous year, Mathur tells *Forbes India*.

Razorpay's efforts to simplify

Money matters: Harshil Mathur (left) and Shashank Kumar, co-founders, Razorpay

payments with its tools such as payments links, pages and buttons offer ways for merchants to quickly start accepting payments online without any cumbersome integration of their systems with Razorpay.

This not only brought in many first-time users, including small businesses, schools and restaurants, but freelancers and individuals as well. A whole 'creator economy' got a boost from the Covid-19 pandemic as people started monetising a wide range of activities from home—be it teaching music online or organising game shows or accepting donations for various causes. Many chose Razorpay.

While no one could have anticipated something like the pandemic, Razorpay's strong focus on products, churning out several of them every year—10 last year—helped the company add customers in multiple segments. When the pandemic hit, "we had a product for every use case," Mathur says. The demand from freelancers, for example, was unexpected, but Razorpay already had the technology for individuals to quickly start accepting payments. Payments links, for instance, can be shared to accept payments straight from WhatsApp, Instagram, Facebook, and even SMSes.

Second, the company has continually worked with banks and regulators to make it ever more easy for people to use its platform. When Razorpay started, some six years ago, it would take at least a week between a customer signing up and being ready to accept a payment online. Today it can be as fast as a couple of hours.

Third, Razorpay's tech infrastructure has been built with the need for scale in mind, especially as it serves customers like Flipkart, for instance, where there can be surges in transaction volumes during a popular flash sale or events like the Big Billion Day sale. "Today our platform handles 2,000 to 3,000 transactions per second, and that's the highest in the country," Mathur says.

Amid the pandemic, Razorpay raised $100 million in its biggest funding round so far, in October, in a deal that made the six-year-old Bengaluru-based fintech startup a unicorn—valuing it at a bit over $1 billion. Investors in the funding round included Singapore's GIC, Sequoia Capital India, Ribbit Capital, Tiger Global, Y Combinator and Matrix Partners India.

Over the last 18 months, Mathur and Kumar have expanded their flagship payments business, but also added a neobank, called RazorpayX, and a lending unit, called Razorpay Capital. They see their venture as a 'full stack' fintech provider. Last year they also started offering group insurance through partnerships with two insurers, Plum and ICICI Lombard.

"Our goal has always been to help customers go fully digital, and that doesn't happen with just payments being digital," Mathur says. From

NISHANT RATNAKAR FOR FORBES INDIA

paying suppliers to disbursing salaries to paying taxes, there are still many manual transactions that add a lot of friction to business operations today.

One advantage of making more of this digital is that it generates more data, which in turn can help businesses build a credit history and get better loans. With its neobanking unit RazorpayX, the startup allows customers to digitalise a multitude of different payments and money flows needed for their businesses. Or with salaries, a company has to only enter the 'cost to company' figure on RazorpayX and the platform will compute the different components such as contribution to provident fund, taxes to be deducted and so on. "With one click, you compute and your compliance is met too," he says.

Having built the tech to help customers go digital with various payments processes, the next step was, of course, to add a lending unit too, which could take advantage of the data being generated. This unit was Razorpay Capital. Razorpay has tied up with various banks and NBFCs (non-banking finance companies), which can use the data on its platform to credit-score businesses and use those scores to give them loans.

This really took off during Covid-19, Mathur says, because it was a time when businesses needed money—and the data on Razorpay's platform was more up-to-date compared with older balance sheets, reflecting how a business was actually doing during the pandemic. Today about ₹250 crore in loans are being disbursed by the partner lenders monthly, based on credit scores computed with data from Razorpay's platform.

Starting these units wasn't easy, Mathur says, especially because many banks were unconvinced that neobanking is the way of the future. While some banks understood the promise of these branchless digital banks, it took Razorpay over a year to convince a critical mass of banking partners so that RazorpayX could

Funding Rounds

Date	Round	Money Raised ($Million)	Lead Investors
October 2020	Series D	100	GIC, Sequoia Capital India
June 2019	Series C	75	Ribbit Capital, Sequoia Capital India
January 2018	Series B	20	Tiger Global Management
July 2016	Corporate Round	Undisclosed	Mastercard
October 2015	Series A	9	Tiger Global Management
March 2015	Seed Round	2.6	—

SOURCE Crunchbase, company statements

INFOGRAPHIC: SAMEER PAWAR

go live, although "we were talking about neobanking before it became the buzzword that it has," he says.

Razorpay makes money by charging fees for the transactions on its platform and for the various software-as-a-service tools it offers. It also gets a fee from the lenders for helping them get customers for their loans. Revenue rose to ₹509 crore ($70 million) for the year ended March 31, 2020, compared with ₹193 crore for the previous fiscal year. And in the last one year as well, revenue has surged about 2.5 times, Mathur says. Payments volumes on Razorpay are currently at $35 billion on an annual basis and the CEO expects it to double in the year ahead.

On the payments gateway front, Razorpay competes with larger companies such as BillDesk and other startups such as PayU. Razorpay, however, differentiates itself with the features it can provide customers and end-consumers, Mathur says—for example, the option to split a payment into instalments or automatically bringing up a method a person has previously used on a website the next time she visits it, or vernacular language support for check-outs, which was launched recently.

Not every business can afford the expense or even the time needed to build a payment experience for its end customers that is smooth and easy to use, like at Flipkart or Swiggy. Razorpay has invested in building that experience and any business can start using it with only a few clicks, Mathur says. Some 5 million businesses use Razorpay today, including Airtel, BookMyShow, Facebook, Ola, Zomato, Swiggy, Cred and ICICI Prudential, and Mathur expects the number to triple in the year ahead. He further wants to reach 50 million businesses by 2025.

Razorpay has also built multiple software tools that make it easy for businesses to collect recurring payments—like say ₹200 every month for a content streaming service—and to handle tasks such as sending invoices. This extensive suite of software tools that a business gets access to with no fuss is another important differentiator that sets Razorpay apart, he adds.

A couple of acquisitions have also helped enhance the software solution suite. Razorpay acquired Thirdwatch, a provider of artificial intelligence (AI)-based fraud detection software for ecommerce businesses, and Opfin, a payroll automation software company, in August and November of 2019 respectively.

And Mathur and Kumar have worked hard to make the backend incrementally more efficient. For example, when Razorpay started out, the rejection rate of payments was as high as 30 percent, Mathur says. Today it is at 10 percent. It has done this by building features like 'OTP on payment page', so a user gets to enter an authentication one-time password (OTP) on the same page she is on and not leave it or redirect to a bank's site to enter it. Such features have helped reduce rejection rates.

Razorpay has also established direct links to the networks of card providers such as MasterCard and Visa and India's National Payments Corporation to ensure payments go through even when a particular bank's network is down. Further, the company has built its payments flow to work even on 2G or 2.5G cellular networks.

While the payments business, which is currently the oldest and the largest unit, is running at near break-even, the neobank and the lending unit are new and will need more investments for growth for some years to come. That means a public listing isn't on the cards for a few years.

"On the payment side, which is our largest business unit today, we'll break even sometime by next year, because we continue to scale up very rapidly right now," Mathur says. "But RazorpayX and Razorpay Capital, which are still fairly early, we'll continue to invest, so at an organisational level we will still be investing money—primarily to scale up these newer businesses."

On RazorpayX, the neobanking unit, for example, the startup is building a platform for businesses and it will have to continue to invest for the next two to three years before that unit can break even. Similarly for Razorpay Capital, the lending unit. "Therefore, from an IPO perspective, we'll still take some time," Mathur says, adding, "our goal is to build an independently sustainable public company, but I don't think we will be looking at an IPO in the next three to four years."

Mathur (30) and Kumar (29) are alumni of Indian Institute of

"Customer centricity is the superpower of Razorpay. It is the cultural fabric that binds the entire organisation."

ISHAAN MITTAL
PRINCIPAL, SEQUOIA CAPITAL INDIA

[redacted]

Technology Roorkee. They started Razorpay in 2014 in Jaipur, but moved the following year to Bengaluru to tap the talent pool in India's tech capital. Today the company has about 1,350 employees and is a sought after place to work at. The founders have just announced their venture's third stock buyback plan in as many years to reward employees. At $10 million, this latest one is their biggest stock repurchase commitment yet.

"Razorpay is one of the few companies that have been able to transition from startup mindset to institution-building in a short period of time. This shows in the way they think about organisation, compliance, as well as scale," says Vaidyanathan of Matrix. "At the core is a commitment to having the best product in the market and every decision internally is dictated by that."

Even when they started out, the promise was to make payments acceptance simple, with a couple of lines of code. Today the platform is far more sophisticated with many more features, but the vision of freeing up customers from backend financial processes so they can focus on their own core businesses is stronger than ever.

For example, Mathur and Kumar recognise that the ease with which personal banking happens today, with most people owning a smartphone using apps like Paytm or PhonePe or Google Pay on an everyday basis, is not found in business banking. Salary payments is a classic example, which still requires a cumbersome process involving a senior finance executive going through multiple steps on at least a laptop, if not a desktop, to approve disbursals, month after month.

"You receive a notification on your phone, tap on it, pull up a document, review it and tap 'approve'. That's not possible today," Mathur says. In terms of tech, that's eminently possible, but rules and existing, entrenched, processes have to change. That's the promise of neobanking—a consumer-product-like, pleasant and user-friendly experience for business banking. And that's what Razorpay has set out to build with RazorpayX.

"Customer centricity is the superpower of Razorpay. It is the cultural fabric that binds the entire organisation from product to engineering and sales to support," says Ishaan Mittal, a principal at Sequoia Capital India. "Customers are at the very core of Razorpay's decision-making framework and they define every design choice made. This is extremely well complemented by the culture of innovation that Shashank and Harshil have nurtured over the last six years."

Mittal adds: "Razorpay is becoming the platform for businesses to manage their entire financial system. We believe that this is one of the most foundational companies that is being built in India today, and one of the pillars on which other entrepreneurs will build the digital future of India." F

RAHUL GOYAL / SPORTZPICS FOR BCCI

Perfect Match

As IPL gets bigger in scale and viewership, marketing tie-ups with the tournament are fetching greater visibility and returns for brands across sectors

By **KATHAKALI CHANDA & NAINI THAKER**

There was a time menstrual hygiene startup Niine struggled to extract payment from stockists for nearly 40 days. The brand was nascent, barely visible and was expected to wither away in the face of competition from

With the largest viewership for an Indian sports tournament, IPL 2020 brought about a visibility windfall for its advertising partners

multinational behemoths like Procter & Gamble (P&G) and Johnson & Johnson (J&J). Not anymore. “Now, all our distributors know what Niine is, markets that didn’t give us shelf space earlier are calling us to place orders, and stockists are paying up within 15 days,” says Sharat Khemka, founder of Niine.

“If I had ₹500 crore [of marketing budget] to spend in a year, I’d rather spend it on the 50 days of IPL rather than throughout the year.”

ABHISHEK MADHAVAN,
SVP, GROWTH AND MARKETING, MPL

[redacted]

Khemka’s magic wand has been an association with the Indian Premier League (IPL) franchise Rajasthan Royals as its principal sponsor. In September 2020, the three-year-old company tied up with the then-Steve Smith-led team for a logo placement on the back of their jersey. Despite the team ending up at the bottom of the table, Khemka’s business has only gone north since. Following the two-month-long tournament, played in the United Arab Emirates last year due to the Covid-19 surge in India, Niine gained a 3 percent pan-India market share, and upwards of 9 percent in Rajasthan. In its first three years of operations, the company raked in ₹14 crore per month in sanitary napkin sales, while following two months of the IPL, the number shot up to ₹20 crore. “Our competitors like P&G and J&J have now started taking us seriously. There is no better property than IPL to improve a brand’s image,” adds Khemka.

Be it sponsorships (with teams as well as the league) or on-air tie-ups, an IPL association is moving the marketing needle for brands, bringing an uptick in brand awareness among consumers. With 400 billion viewing minutes during its last edition—the largest viewership for an Indian sports tournament—at a time the country was under house arrest due to the pandemic, it has brought about a visibility windfall for its advertising partners.

2020 title sponsors Dream11, the fantasy league platform that bagged the rights for ₹222 crore after Vivo stepped away for a year, crossed 100 million in registered users during the tournament. The company that conceptualised six ad films starring MS Dhoni, Rohit Sharma, Rishabh Pant, Hardik Pandya, Shikhar Dhawan and Jasprit Bumrah championing gully cricket, and nine 10-second films goading fans to pick their fantasy teams, experienced a 44.4 percent surge in traffic during the final match as against the 2019 one.

“As online fantasy sports is entirely based on live sporting events, it was a good opportunity for us to be visible at different fan touchpoints. Pitch report, toss, giving the ‘Dream11 GameChanger of the Match’ to the cricketer with the most fantasy sports points and so on were some richly organic moments where fans connected and interacted with our brand,” says Vikrant Mudaliar, chief marketing officer, Dream Sports & Dream11. Mudaliar added that they served more than 80 million requests per minute during the tournament.

Mobile esports platform MPL not only advertised during the IPL but also sponsored a couple of teams (Kolkata Knight Riders or KKR and Royal Challengers Bangalore or RCB) and signed on RCB captain Virat Kohli as its brand ambassador.

"Approximately 30 to 40 percent of our marketing budget was allocated for the IPL. In terms of advertising, we had four to five slots during every match throughout the season," says Abhishek Madhavan, SVP, growth and marketing, MPL. The returns? MPL's user base grew 10x through the entire year, and between 1.5 and 2 times during the tournament. "We started the year around 40 million users and ended around 70 million, most of the traction came during the IPL," says Madhavan, who is looking to double his IPL ad spends this year. "If I had ₹500 crore to spend in a year, I'd rather spend it on the 50 days of IPL rather than throughout the year because the amount of viewership it's able to generate is huge for anyone looking to build a brand."

"From a business metrics/ROI point of view, there are much better channels at a much lower cost. But the scale that IPL gives you is something else."

ARJUN MOHAN,
CEO-INDIA, UPGRAD

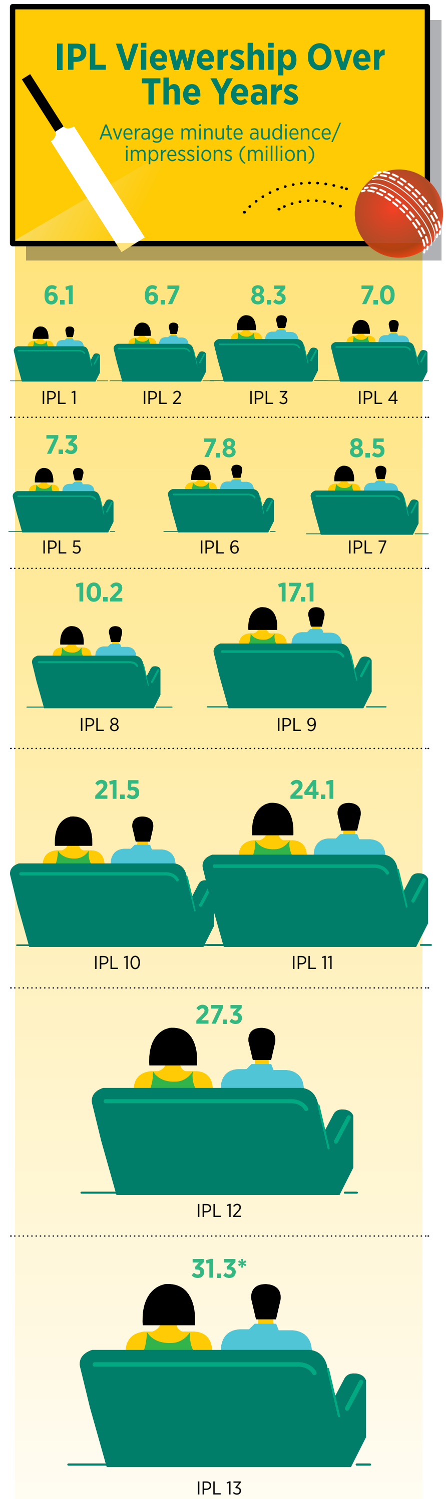
Not just brands with a connection to sports, but even those far removed from it are looking to latch on to the IPL bandwagon to amp up their visibility. Consumer electronics brand boAt was the audio sponsor for six teams: It released limited edition products with five teams and bagged a branding on the helmet for Kings XI Punjab (now Punjab Kings). "Our website traffic increased by 50 percent due to the IPL, especially since its last leg that coincided with the Dussehra-Diwali festival season," says Damandeep Singh Soni, VP, growth. Edtech startup upGrad spent almost its entire branding budget in the IPL quarter on the tournament to see its brand searches rise by 100 percent in the initial phase, and then settle at an enviable 50 percent towards the latter half of the tournament. "From a business metrics/ROI point of view, there are much better channels where you can generate leads and get conversions at a much lower cost. But the scale that IPL gives you, the awareness that it brings among consumers is something else," says Arjun Mohan, CEO-India, upGrad.

Last year's official IPL partner Cred, with its clutter-breaking ads featuring Bappi Lahiri, Madhuri Dixit-Nene, Anil Kapoor, Govinda, Udit Narayan and Alka Yagnik poking fun at themselves, is said to have added 2.4 million new users during the two months. The trend was confirmed halfway through the tournament by Shailendra J Singh, managing director at Sequoia Capital, a Cred investor, who tweeted that the app has seen 6 to 7x daily sign-ups since the launch of the IPL campaign. While the fintech brand declined an interview with *Forbes India* or to confirm the numbers, ads and marketing portal Afaqs quoted AppAnnie, a global provider of mobile data and analytics, to claim that downloads of the app increased 8x compared to pre-IPL days.

"Right from imagery to consumer

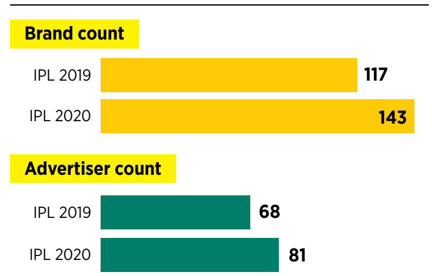
IPL Viewership Over The Years

Average minute audience/ impressions (million)



* Average from the first 58 matches

SOURCE YouGov



SOURCE Nielsen and Barc—Television Viewership And Advertising Consumption of IPL 13

INFOGRAPHIC: SAMEER PAWAR

engagement to brand linkages, IPL lets you do everything under one roof. Therefore, traditional as well as new-age companies have found their way to embark on the IPL journey and embrace the kind of opportunities it offers," says Vinit Karnik, business head, GroupM ESP Properties.

Many brands have attempted to leverage such opportunities during the tournament by launching products that help differentiate themselves. Muthoot FinCorp, the non-banking finance company headquartered in Kerala, part of the 134 years old Muthoot Pappachen Group, picked IPL to foray into the financial landscape of the north and the east, where it is launching the latest of its 4,500-odd branches. A first-time IPL endorser in 2020 with RCB, the company rolled out an interest-free gold loan for its customers—mostly MSME owners and small traders—to coincide with the tournament.

The association brought Muthoot FinCorp a 54 percent spike in brand awareness from its pre-IPL days. "We logged about 140 million digital impressions and received close to 20 lakh inquiries at our branches and call centres during and post IPL," says Thomas Muthoot John, head-innovation lab. "We have seen close to ₹6,500 crore disbursed during the two months of IPL, raising our total AUM by 25 percent. This is incredible growth after we had to slow down operations for three to four months due to Covid."

The strategy of a big-bang, differentiated IPL-focussed product has also yielded dividends for My11Circle, the fantasy games platform of Games24x7, in a sector crowded by over 150 players. Launched in 2019, My11Circle devised a format in which users could pit themselves against cricket legends like Shane Watson, Sourav Ganguly and Rashid Khan (with VVS Laxman as their latest signing). "We took this game to the users during the

"We have seen close to ₹6,500 crore disbursed during the two months of IPL, raising our total AUM by 25 percent. This is incredible growth."

THOMAS MUTHOOT JOHN,
HEAD-INNOVATION LAB,
MUTHOOT FINCORP

[redacted]

IPL, using TV and Hotstar to create brand recall. In a year and a half of our operations, we are among the top three players in the market," says Saroj Panigrahi, the VP of My11Circle. From IPL 2019 to 2020, the platform saw a 9x increase in contest entry amount, while total player registrations have grown eight times compared to the 2019 edition, to reach 17 million-plus people. "Our focus at this point is to acquire as many users as possible and keep entertaining them with new and innovative propositions," adds Panigrahi.

While the IPL has unfurled visibility opportunities for legacy and startups brands alike, Bhairav Shanth, the MD and co-founder of ITW Consulting, feels the pendulum has conclusively swung from legacy brands in its early days in 2008, when the tournament started, to startups now. "Back then, except a few, most of the advertising brands were FMCGs, automobiles etc. The advertising ratio was 90:10 for legacy companies. Now it's 70:30 in favour of startups. Even among legacy brands like Tata Motors, the advertisement tie-up for 2020 was for a new product like Altroz," says Shanth.

While for legacy brands, adds Shanth, advertising is a tool to create spontaneous recall and build the product category, startups are far granular in their analysis of consumer behaviour, meticulously monitoring user acquisition, growth, behaviour and monetisation, and targeting a specific demography. Just like Khatabook, a Bengaluru-based digital book-keeping startup, which channelled $1.2-1.5 million on marketing spends during IPL 2020 through an association with digital broadcaster Disney+Hotstar.

Says Ved Prakash Yadav, VP, growth and marketing, Khatabook: "When MS Dhoni—our brand ambassador—came out to play, Khatabook's banners would appear on the screen. Second, we did an exclusive property on Hotstar, shot with Ashish Nehra, Irfan Pathan and Gautam Gambhir, making them go through the memories of how they started their career." The campaign had a regional focus and used eight languages, one of the factors contributing to a high click-through rate across various digital platforms. Khatabook claims to have reached more than 50 million unique merchants and the campaign also helped them effectively re-engage with users who had fallen dormant during the Covid lockdown. "Post and during the IPL, we saw about 1 million dormant users come back to our platform. For the existing users, engagement increased by 30 to 40 percent," says Yadav.

The combined broadcast offering of Star Sports on TV and Disney+Hotstar for digital streaming also opens up the doors for a wider bouquet of brands with disparate financial might. "IPL offers a solution for every advertising need. One needs to have national ambitions to advertise on TV during IPL—the on-air association is high-reach but certainly expensive entry-level costs," says Navin Khemka, the CEO of MediaCom South Asia. "Having said that, digital viewership, which is emerging and growing fast now, gives you a segmented audience at an efficient cost: An exposure on Disney+Hotstar is able to dissect the audience based on geography, age group etc, and give you the cuts that you are able to afford. That apart, one can always tie up with one of the teams for local activations and run the TVC nationally or locally in regional networks for smart, lower-cost alternatives."

While startups dominated the advertising space in IPL 2020, it doesn't necessarily mean legacy brands are turning away. While they have a headstart in communicating with consumers outside of the IPL too, cricket, and especially IPL, remains a key lever for engagement and long-term brand-building. For hardware company Astral Pipes, advertising during IPL is a strategy to enter the mindspace of its core customers—plumbers—and trigger recall every time they are asked to renovate a bathroom. "Which is not every day. We don't see an immediate rise in sales due to the IPL, but get immense visibility through the tournament," says Kairav Engineer, its VP, business development. "For two months in a year, IPL is the national pastime. And due to slashed data prices and increased access to smartphones, the games have reached unprecedented corners of the country. If you track Hotstar metrics, a few million people are watching IPL matches at any given time."

400 billion
Total viewing minutes for IPL 2020, the highest for any Indian sports tournament

108 million
The cume reach* of IPL 2020 for the first 41 matches, 11 percent higher than the previous season

23%
Viewership increase for IPL 2020 over 2019, with 65 percent contribution from the Hindi broadcast

* Cume reach is the number of individuals that viewed at least one of the events in a set of events

Astral spends about ₹15 crore for IPL-centric brand play, about 20 percent of its overall marketing budget, betting big on winning horses. "For our main business of pipes, we are sponsoring Mumbai Indians, Chennai Super Kings and KKR in 2021, who hold 10 championship titles out of 13. Obviously, these are expensive picks, but they have a cult-like following in their respective states and give us all-round exposure," adds Engineer. Having three teams also ensures that an Astral logo is visible in at least 39 matches. "In matches where Astral-sponsored teams play each other, the exposure is doubled."

Advertising strategies are also tweaked according to weekly viewership patterns. Khemka of MediaCom says their research shows the first few weeks and the last leg, when the points table becomes crucial, garner the maximum eyeballs, a trend confirmed by the publicity plans that upGrad had drawn up. The edtech startup bought a high number of secondages (IPL ads are bought in secondage slabs and not slots) during the first and the last mile on both Star Sports and Disney+Hotstar, while reducing visibility on TV during the middle weeks and stopping entirely on digital. "The long duration of the tournament means interest wanes in the middle and picks up towards play-offs and finals," says Mohan of upGrad.

As the tournament continues to sprint on a growth path, the money it commands and the time spent on it are also moving on a similar trajectory. With two more franchises expected to be added in 2022, the number of matches and deal values are expected to go up as well. Says Khemka, "My sense is, in future, IPL options on-ground and on-air are going to be big daddy's game. IPL is already India's answer to the Premier League or any other top sporting leagues in the world, and it is just expected to keep growing, given its increasing global popularity. F

PHOTO COURTESY: BCCI

Menstrual hygiene startup Niine has gained a 3 percent pan-India market share following its tie-up with IPL franchise Rajasthan Royals

REUTERS

Levchin says he taught himself to program computers at age 10 to help his mom, a physicist, who had been instructed by her Soviet state employer to learn the new skill

Credit Card Killer

Millennials were shunning plastic and supposedly wary of consumer debt. Affirm's Max Levchin saw a way to repackage buying now and paying later for younger folks—and it's made him a billionaire

By **JEFF KAUFLIN**

On April 26, 1986, 10-year-old Max Levchin and his family were living in Kiev, Ukraine—90 miles south of the Chernobyl nuclear power plant. While the Soviet government scrambled to cover up the scale of the disaster, Levchin's mother, a physicist, understood the radiation risk and immediately packed Max and his brother off to live with his grandmother in Crimea, hundreds of miles away. Five years later, the family arrived in Chicago as Jewish refugees with just $700; the ruble had collapsed and the government had limited how much money people could take out of the country.

"Part of the experience coming to the US from a socialist country is that I just wasn't prepared for a lot of the things that existed here, good and bad," Levchin says. "I got my first credit card a couple years after coming to America and promptly destroyed my credit, because I had no idea how to use this power tool." He's speaking on January 13, the day Affirm Holdings—the buy now, pay later fintech Levchin co-founded and runs as CEO—went public. Its shares doubled that day to $96, making the company worth $24 billion and his stake worth $2.5 billion.

He's talking to *Forbes* from the Big Island in Hawaii, where he has been with his wife and two kids since the December holidays. He's shoeless, decked out in gym shorts and a black Affirm T-shirt. Wardrobe is the only thing even remotely laidback about this serial entrepreneur. A math prodigy with an immigrant's drive, he co-founded PayPal, which revolutionised online payments, at 23. His ventures include Yelp, where he was chairman until 2015; Slide, a media-sharing service he sold to Google for $182 million in 2010; and Glow, a fertility-tracking app. His obsessive fitness and cycling regimen—a far cry from what he describes as a sickly childhood—was the subject of a breathless 2014 feature in Men's Fitness magazine.

Still, at 45, Levchin is arguably a late-blooming billionaire. Other PayPal founders (aka the PayPal mafia) long ago reached ten-figure status; Elon Musk, Peter Thiel and Reid Hoffman are worth a combined $190 billion today. Now Levchin has finally made it, too, thanks to the surge of online commerce during the pandemic and an insight he had nearly a decade ago. Drawing on his own early misadventures with credit, Levchin concluded that the then-conventional wisdom—namely, that Great Recession–scarred, student loan–burdened millennials were allergic to credit cards and consumer debt—missed the point. It wasn't debt or even, remarkably, high interest rates that turned them off. Instead, they hated certain aspects of credit cards: Late fees, big banks (remember Occupy Wall Street?) and the fact that it was deceptively easy to rack up too much debt—particularly for those who didn't understand the way interest charges on revolving credit cards compound.

Affirm's interest rates are not low, but it never charges late fees and shows buyers upfront the total interest they will pay for a purchase

Affirm's interest rates aren't low, necessarily—they run from 0 percent to 30 percent a year, depending on the borrower's creditworthiness and whether a merchant is subsidising interest-free payments. But Affirm never charges late fees and shows buyers upfront the total interest they'll pay for a specific purchase, with fixed payments typically lasting from three to 12 months—or, for large purchases, up to four years. Consumers can instantly finance an expensive item through Affirm while paying off routine credit card charges in full each month. By contrast, once a cardholder carries a balance on a standard revolving credit card, every new purchase—even a $4 latte—typically incurs interest. (About 40 percent of cardholders carry balances). Point-of-sale financing has proven so appealing to younger buyers that upscale brands including Peloton, Mirror and West Elm now subsidise interest-free installment loans through Affirm. Retailer payments made up half of Affirm's $596 million in revenue in the 12 months ended September 30. The company has yet to book a profit, losing $97 million over those 12 months.

For now, however, investors are buying growth, and buy now, pay later will become the fastest-growing ecommerce payment method on the planet by 2025, predicts Worldpay. Affirm and its competitors, Sweden's Klarna and Australia's Afterpay, financed more than $10 billion in US transactions in 2020, up from roughly $100 million five years ago. Meanwhile, US credit card balances have been dropping, and card charge volumes are still down from their pre-Covid levels. Each of the buy now, pay later companies has imagined the business somewhat differently. For example, Afterpay doesn't run credit checks on customers or charge interest but

Dramatis Personae

The Tesla Mafia

Max Levchin is a made man in the PayPal mafia, the group of co-founders and early employees that would go on to found or fund companies including Yelp, LinkedIn, Palantir and Kiva. But Elon Musk, the PayPal mafia's most famous capo, is also at the center of a newer mob: Former Tesla employees who have gone on to form electric vehicle and battery companies, mostly in California, that are poised to have an outsize impact on the $6 trillion global auto industry in the decades to come

Sterling Anderson
Co-founder, Aurora Innovation

The MIT-trained scientist worked on Autopilot at Tesla before leaving in 2016 to start Aurora. The self-driving car company has raised more than $1 billion and bought Uber's autonomous unit in December

Gene Berdichevsky
Co-founder, Sila Nanotechnologies

Tesla's seventh employee and the principal battery engineer for the Roadster. Berdichevsky's Daimler-backed company makes energy-dense lithium-silicon materials for more-efficient batteries.

Henrik Fisker
Co-founder, Fisker Inc.

He styled a BMW for James Bond and consulted on Telsa's Model S. Now the new billionaire's publicly traded Fisker Inc. is readying a $37,500 electric crossover

Peter Rawlinson
Co-founder, Lucid Motors

Rawlinson, a veteran of Jaguar and Lotus, was chief engineer for Tesla's breakthrough Model S back in 2012. His Lucid Air, a $169,000 ultra-luxe ride, is due this spring and promises to outdo Tesla's best

JB Straubel
Founder, Redwood Materials

One of five Tesla co-founders, Straubel left in 2019 to concentrate on his new startup, which recycles used batteries from electric vehicles gets 14 percent of its revenue from late fees, which Levchin abhors.

"I'm probably more in tune with consumer naivete," he says. In a letter to investors in Affirm's pre-IPO filing, he vowed to hasten the decline of companies that "peddle toxic financial products and derive profit from their consumers' missteps"—citing in particular the credit card model that finances big purchases interest-free but hits the customer with deferred back interest if the tab isn't paid off in time. Over the years, Levchin has made much of his own hapless-immigrant story. As he tells it, he ended up in the University of Illinois at Urbana-Champaign's computer-science program because his public-school counselor had never heard of "MTI," the school he wanted to attend. (He had scrambled "MIT" when translating from a Russian show he'd seen as a kid). Levchin launched several failed startups during and after college before heading to Silicon Valley, where he got Thiel interested in his cryptography work. At PayPal, he created a way to securely transfer money from one device to another (starting with the PalmPilot) and later helped design a crucial system to detect fraudsters. Levchin was CTO when PayPal went public in 2002. By then, it had raised several funding rounds and merged with Musk's startup X.com. When eBay acquired PayPal for $1.5 billion a few months later, Levchin walked away with $33 million for his 2.2 percent stake. He reportedly earned a similar amount from Slide, which Google shut down in 2011, a year after buying it.

In 2012, Levchin was brainstorming startup ideas with friends when Alex Rampell, then-CEO of payments company TrialPay, suggested a service that could make it easier to finance purchases online by assessing risk based on Facebook profiles. Rampell, Levchin, Palantir co-founder Nathan Gettings and serial entrepreneur Jeff Kaditz—whom Levchin had met through cycling—became Affirm's co-founders and began work on lending algorithms.

When the team decided in 2014 to offer its own loans—and ultimately other bank products, too—Levchin became CEO. "If you want to build a bank, you need to be able to raise a lot of money, and Max is basically a celebrity entrepreneur," Kaditz says. By mid-2015, Affirm had raised $325 million in debt and equity from investors including Thiel and Lightspeed Venture Partners.

Pre-Covid growth came in fits and starts, as Affirm signed up major new merchants. It issued $2 billion in loans in 2018 but was burning cash. By 2019, Affirm had raised $1.1 billion in debt and equity, and its valuation was $2.9 billion, according to PitchBook. "Any other company would have struggled early on to keep raising money," says one venture capitalist who passed on Affirm. "Max assembled a machine with a cost structure that needed a lot of volume to make [it] work."

Ultimately, Affirm is aiming to profit by selling more financial services to a loyal customer base that is buying its fee-transparency pitch

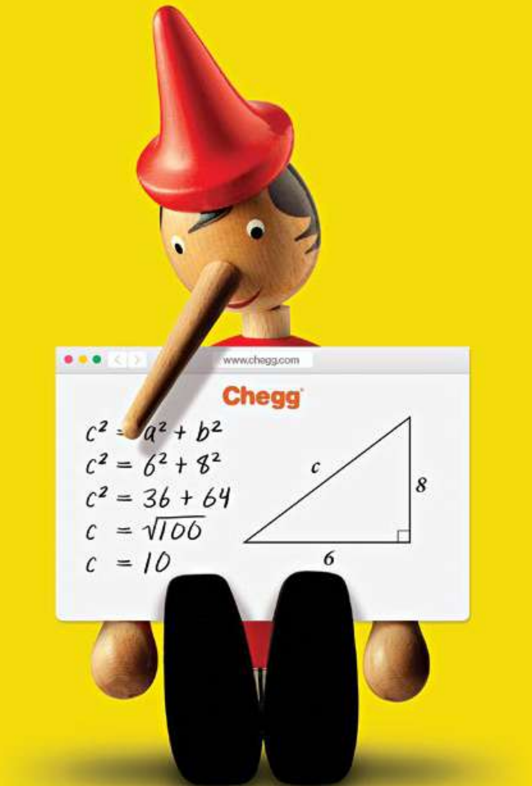
The pandemic has delivered the volume, but not yet the profits. Between November 2019 and July 2020 Affirm's US borrowers nearly doubled, to 5.6 million. Loan volume in the 12 months ended September 30 hit $5.3 billion—with a big assist from Peloton. The seller of $2,000-plus in-home exercise bikes saw sales nearly triple this past summer from the year prior. In the third quarter, Peloton made up 30 percent of Affirm's revenue. Without it, Affirm's growth that quarter would have been 61 percent instead of 98 percent, figures Bill Ryan, a managing director at Compass Point.

Clearly, Affirm will be challenged to live up to its valuation (eight days after going public) of $26 billion—at 44 times trailing 12-month revenue, it's priced like a tech company, not a lender or even a mature payments company. To keep growth going, Levchin has made some big and expensive moves. In July, in a deal to become the exclusive installment-financing service for ecommerce platform Shopify's US merchants, Affirm gave Shopify warrants for 5 percent of its equity—securities now worth $2 billion. In December, Affirm bought Canadian buy now, pay later company PayBright for $264 million.

Meanwhile, competition could put pressure on Affirm's merchant fees—it extracts an estimated 6 percent of sales financed from retailers, compared with Afterpay's 4 percent to 5 percent and Klarna's 3 percent to 4 percent. And the credit card companies are fighting back: JPMorgan Chase, Citi and others have started inviting some customers to convert large purchases into separate installment loans—in effect allowing these items to be financed without subjecting other card charges to interest. Then, too, the lending environment could shift, with interest rates eventually ticking up and Affirm's default rates (currently low, at about 4 percent) possibly rising.

Ultimately, like other fintechs that have started out focused on one segment, Affirm is aiming to profit by selling more financial services to a loyal customer base that buys its fee-transparency pitch. In June, it began offering a no-minimum, no-fee, high-yield savings account. Now that it has $1.2 billion of IPO cash in the bank, what's next? It could just be a reimagined, millennial-friendly credit card. F

ILLUSTRATION BY MATT CHASE



Cheat For Profit

Students have always cheated, but the Covid-19-driven shift to online learning has turned a problem into an epidemic. Meet superspreader Chegg, which has become the most valuable edtech company in the US by connecting college students to test answers on demand

By SUSAN ADAMS

It's called "chegging." College students everywhere know what it means. "If I run out of time or I'm having problems on homework or an online quiz," says Matt, a 19-year-old sophomore at Arizona State, "I can chegg it."

He means he can use Chegg Study, the \$14.95-a-month service he buys from Chegg, a tech company whose stock price has more than tripled during the pandemic. It takes him seconds to look up answers in Chegg's database of 46 million textbook and exam problems and turn them in as his own. In other words, to cheat. (Matt asked that his real name be withheld.)

Chegg is based in Santa Clara, California, but the heart of its operation is in India, where it employs more than 70,000 experts with advanced math, science, technology and engineering degrees. The experts, who work freelance, are online 24/7, supplying step-by-step answers to questions posted by subscribers (sometimes answered in less than 15 minutes). Chegg offers other services students find useful, including tools to create bibliographies, solve math problems and improve writing. But the main revenue driver, and the reason students subscribe, is Chegg Study.

"If I don't want to learn the material," says a University of Florida sophomore majoring in finance, "I use Chegg to get the answers."

"I use Chegg to blatantly cheat," says a senior at the University of Portland. *Forbes* interviewed 52 students who use Chegg Study. Aside from the half-dozen students Chegg provided for *Forbes* to talk to, all but four admitted they use the site to cheat. They include undergrads and grad students at 19 colleges, including large and small state schools, and prestigious private universities like Columbia, Brown, Duke and NYU Abu Dhabi.

Subscriptions to Chegg have spiked since nearly every college in the world went virtual. In the third quarter of 2020, they grew 69 percent over the previous year, to 3.7 million. Nine-month revenue surged 54 percent to \$440 million through September 2020 and is projected to hit \$630 million for the year. Its market cap, meanwhile, has nearly quadrupled since March 18 last year, when the country began to lock down. Chegg is now valued at more than \$12 billion.

Chegg CEO Dan Rosensweig's holdings of Chegg plus after-tax proceeds from stock sales add up to \$300 million. Rosensweig, who declined to speak to *Forbes*, has said that Chegg Study was "not built" for cheating. He describes it instead as the equivalent of an asynchronous, always-on tutor, ready to help students with detailed answers to problems. In a 2019 interview, he said higher education needs to adjust to the on-demand economy. "I don't know why you can't binge-watch your education," he said. "My view is education is going to have to come to us over the devices we have."

Two Chegg executives, vice presidents Arnon Avitzur and Erik Manuevo, support Rosensweig's claims about Chegg's intent. "It's there to offer students personalised service to help them get unstuck," Avitzur says.

In a written statement, a Chegg president, Nathan Schultz, says: "We are not naive that [cheating] is a problem. And the mass move to remote learning has only increased it. We remain 100 percent committed to addressing it, and are investing considerable resources to do so. We cannot do it alone and are working with faculty and institutions, and will continue to do more, including educating students."

Their investments don't appear to be paying off. Undergrads in a finance course at Texas A&M last fall used Chegg to cheat on multiple online exams. Timothy Powers, who heads the university's honor system office, says hundreds of students submitted answers they copied from Chegg more quickly than it would have taken them to read the questions.

"We're trying to stop academic misconduct, and students are convincing themselves that all their peers are doing this," Powers says.

Throughout the pandemic, schools have spent millions on remote proctoring, a controversial practice in which colleges pay private companies like Honorlock and Examity to surveil students while they take tests. The proctoring outfits lock students' web browsers and watch them through their laptop cameras. Critics say the services invade students' privacy.

Although most students *Forbes* interviewed say remote proctors make them too scared to cheat on exams, several note that they chegg their online exams regardless of whether they're proctored. "As long as you're not using the school's Wifi, you won't get caught," says a sophomore at a large state school.

Students have always cheated. In the 12th century, Chinese test takers sewed matchbox-sized copies of Confucian texts into their clothes so they could cheat on civil service exams. Henry Ford II dropped out of Yale in 1940 after he was exposed paying someone to write his senior thesis.

The size of the problem is difficult to measure, says Penn State professor Linda Treviño, co-author of the 2012 book *Cheating in College*. Part of the challenge is defining what constitutes cheating. Is it getting an answer to a homework problem from a friend, peeking at a classmate's paper during an exam, paying someone to take a test for you, plugging in answers from Chegg? It's also tough to get reliable information. "You're depending on people who cheat to be honest with you about whether they cheated," Treviño says. Her book pegs the share of college students who cheat at roughly two-thirds.

Students cheat for several reasons. To get better grades so they can get into an elite law or medical school. To pass required distribution courses (engineers forced to study Shakespeare and vice-versa) that they don't care about. To save time so they can play varsity football or work a job that pays for school and supports loved ones. And because they feel that everyone else does it, and they don't want to be at a disadvantage if they don't cheat too.

They don't worry about getting caught. Even more troubling, they either don't think they're doing anything wrong or they don't care.

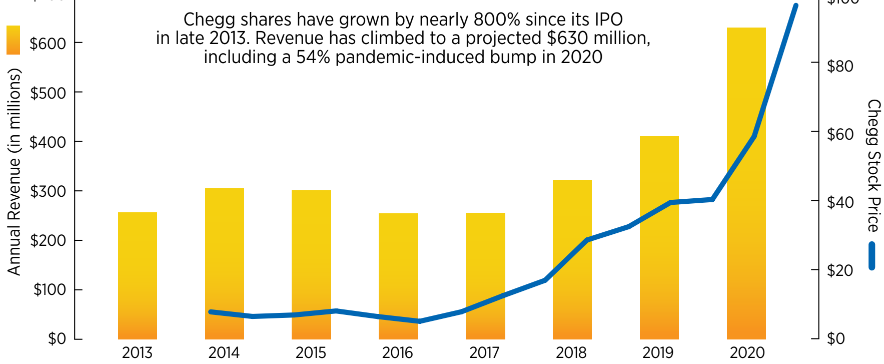
A 2020 George Washington University graduate who is applying to grad school says she tried to use Chegg the way company executives say it was intended, "more as an instructional tool." But her mechanical physics course was very tough, and she chegged her physics homework at the last minute. Chegg Study started life as Cramster, a Southern California startup founded in 2002 by a recent UCLA engineering grad, Aaron Hawkey, then 24. In college, Hawkey wished he had a place to look up answers to tough problems. His idea: Build a website that had carefully outlined solutions to math, science and engineering problems.

He and his partner Robert Angarita, then a 23-year-old undergrad at the University of Southern California, knew they needed to generate a lot of high-quality answers. One of Angarita's professors had a cousin in India and encouraged them to recruit well-educated freelancers there who would respond to questions students uploaded. In late 2010, Chegg acquired Cramster for an undisclosed sum. Chegg had launched just two years before Cramster, in 2000, as CheggPost, an online campus flea market founded by University of Iowa sophomore Josh Carlson, who combined "chicken" and "egg" to make the name. After teaming up with an ambitious Iowa State MBA student from India, Aayush Phumbhra, he bowed out in 2005. Phumbhra and new partner Osman Rashid shortened

Dan Rosensweig took over as CEO of Chegg in early 2010, but things have really accelerated during the pandemic. "The growth of the company is just extraordinary right now," he said in late October 2020

GETTY IMAGES

Answering to Investors



the name to Chegg and switched their strategy to textbook rentals.

Students were happy to pay $30 to rent a $250 textbook for a semester. But book purchases, warehousing and shipping bled cash. Venture capitalists invested $280 million anyway, and by 2010, lead investor Ted Schlein, a partner at Silicon Valley powerhouse Kleiner Perkins, recruited Dan Rosensweig to turn Chegg around.

Rosensweig, now 59, had proven leadership chops, first at New York publisher Ziff Davis, where he ran a Ziff spinoff, tech news site ZDNet, in the late 1990s. After serving as Yahoo's COO from 2002 to 2007, Rosensweig worked briefly in private equity and then as CEO of Guitar Hero.

Though none of his pre-Chegg experience touched on education or textbooks, Rosensweig likes to say he was attracted to Chegg because his mother taught public school while he was growing up in Scarsdale, New York, and he had two daughters who were getting ready for college. As soon as he started at Chegg in early 2010, he added a tagline to his email signature that read, "We put students first." "I thought it was a little cheesy," says Chi-Hua Chien, then a Kleiner Perkins partner, "but Dan had a vision to turn Chegg into a complete end-to-end platform for learning."

In November 2013, with a balance sheet in the red and competition from Amazon, which had started renting textbooks in 2012, Rosensweig took the company public. The stock sunk from an initial $12.50 to a low of $4 in early 2016. In early 2015, book distributor Ingram agreed to buy and distribute Chegg's inventory while Chegg continued as the marketer for textbook rentals under the Chegg brand (in 2019 Chegg switched distributors to FedEx). Rosensweig acquired more than a dozen companies he thought would fit his plan to offer services students needed, including Internships.com and Study Blue, which helps students make online flashcards. But most such companies haven't produced much revenue and some simply failed, including Campus Special, a daily deals site for students that Chegg bought for $17 million in April 2014 and shut down the same year.

Fortunately for Rosensweig, Chegg Study was enjoying steady growth and little competition. Its only serious rival, privately held Course Hero, is a much smaller operation, valued at $1.1 billion, that generates most of its answers from students.

"I don't know why you can't binge-watch your education," says Chegg CEO Dan Rosensweig. "My view is that education is going to have to come to us over the devices we have."

In mid-January, Chegg issued a press release about a new program called Honor Shield. It enables professors and instructors to pre-submit exam or test questions, "preventing them from being answered on the Chegg platform during a time-specified exam period". Eleven months after colleges switched to remote learning, it quotes Chegg president Schultz as saying that because of the "sudden impact" of the pandemic, "a small number of students have misused our platform in ways it wasn't designed for."

It's doubtful that Honor Shield will dent students' chegging. At UCLA, physics lecturer Joshua Samani says that he believes "an astonishingly large portion" of his students have used Chegg to cheat on his exams and quizzes. But he doesn't try to catch them. "If you're spending your time attempting to battle Chegg, you're going to lose," he says.

At the end of the 2020 spring term, North Carolina State University lecturer Tyler Johnson caught 200 students who had used Chegg to cheat on the final exam in his intro to statistics course. Johnson says, "It's just unconscionable. Chegg absolutely knows what students are doing."

It's unreasonable to lay all the blame for cheating at the feet of Chegg, of course. Human nature is at fault, especially when studying from home makes it much harder to get caught. But Chegg has weaponised the temptation and is cashing in on students' worst instincts. Our arsenal of digital tools and global connectivity should be deployed to transform education for the better. Instead, Chegg is using them to outsource cheating to India. That is a tragedy. F

• WITH REPORTING BY CHRISTIAN KREZNAR

CHRISTIE HEMM KLOK

Can Instacart Deliver?

The pandemic transformed Apoorva Mehta's grocery delivery service into an essential—and booming—business. Now the 34-year-old billionaire is under pressure to outdo Jeff Bezos—all while dodging an avalanche of new competitors, rebellious workers and restless partners

By CHLOE SORVINO

Apoorva Mehta pauses for a moment to consider the past ten months of chaos. A year ago, he was running Instacart as a popular app that was gaining momentum. Then last spring came a massive Covid-fueled boost. Things quickly morphed into a nightmare: Striking shoppers, inventory shortages and the challenge of meeting the kind of blistering demand Mehta wasn't expecting until at least the next presidential election.

> **"Most retailers in the very early days didn't want anything to do with us. It took us many years of just showing up. It is entirely about trust."**
>
> APOORVA MEHTA, FOUNDER AND CEO, INSTACART

As it turns out, the tribulations of March were just the beginning. As the country's leading grocery delivery app, Instacart is now besieged by a growing number of well-funded competitors. Mehta himself is under pressure to justify a valuation that more than doubled during those 10 months to $18 billion, a highly anticipated public offering and a strategy aimed at proving Amazon—when it comes to supermarkets, at least—has it all wrong. Understated and wonky, Mehta deftly sidesteps any hint of urgency.

"I'm playing a 20-year game," he says, sporting a T-shirt in his sun-filled home office north of San Francisco, when asked about Instacart's IPO and the CFO he hired away from a 20-year stint at Goldman Sachs to help with it. He happily shifts the conversation to the long term. "Grocery is the largest retail category in the world, and yet it's still not digitised. We're excited by what the future looks like."

That future is one in which traditionally tech-averse supermarkets are transformed into digital fulfillment outfits that stock, promote and package groceries for pickup or delivery. For customers who order $35 or more, Instacart charges as much as $9 per delivery—or free delivery with an annual $99 subscription. The grocers pay too, forking over an average 10 percent per order, a painful proposition in an industry where net margins have historically averaged 2 percent or less. Mehta says the high fees are necessary to cover the hundreds of Instacart engineers, designers and technicians toiling to turn a purely physical transaction into an almost entirely virtual one. So far he has signed on 600 retailers including Costco, Wegmans and Eataly.

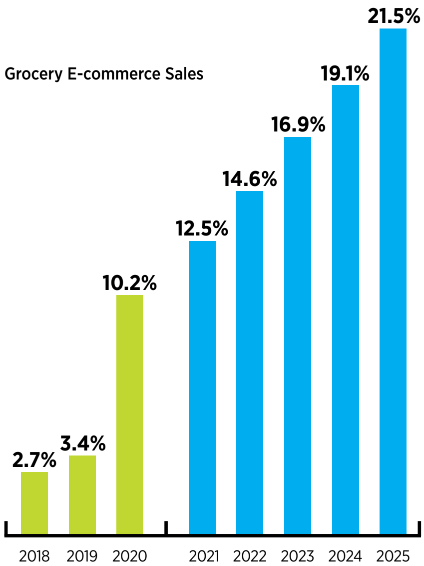
They can use the help. Years of decreasing profits have fueled a spate of mergers, bankruptcies and consolidation. The sector's wafer-thin margins don't easily support Instacart's fees, forcing many grocers to inflate their prices on the app. At the same time, though, no one can ignore the sudden shift feeding Instacart's rise: Online grocery purchases have jumped to 10 percent of the $1 trillion industry, more than triple what they were at the end of 2019. Of course, that hypergrowth underscores one of the biggest risks of all: That significant chunks of Instacart's customers will return to picking out their own produce once the pandemic passes.

"We saw five years of growth in a matter of five weeks," says Mehta, a former supply-chain engineer for Amazon and member of the 2015 Forbes 30 Under 30 class. "And the growth has continued. We grew over 300 percent year-on-year."

He can blame—and thank—the coronavirus for that. During the first two months of pandemic panic buying, Instacart was delivering more food than Walmart, America's largest grocer, according to data firm

On The Rise

Shopping for groceries is a $1 trillion business in the US. Most Americans still do it with a trip to the supermarket, but online grocery shopping is finally starting to pick up, driven in part by the pandemic.



SOURCE Mercatus

Second Measure. At the time, it was second only to Amazon. The number of chains Mehta serves increased by 60 percent. There are now 500,000 Instacart shoppers cruising more than 45,000 stores across the US and Canada; revenue has hit $1.5 billion.

Each purchase is becoming more valuable, too. According to an investor presentation obtained by *Forbes*, Instacart was grossing more than $3 per order by mid-2020, up from a loss of more than $2 per order at the start of 2019. Since the pandemic started, Mehta has delivered three consecutive quarters of positive cash flow as measured by earnings before interest, taxes, depreciation and amortization. That's a first for the company, which was losing a whopping $15 per order as recently as 2015.

Of course, turning a profit is easier when you've outsourced the sizable real estate footprint normally required to operate a food business. Instacart has no warehouses, no stores, no freezers, no delivery trucks—pretty much no physical assets at all. What it does have is the intellectual property that powers its app and the people who maintain it. All that existing (and expensive) brick-and-mortar infrastructure is paid for by supermarkets, while Instacart's hourly delivery people are contract workers who pay for their own transportation and their own health care. This setup has helped Mehta raise $2.5 billion in eight years from blue-chip investors that include Andreessen Horowitz, Sequoia and Khosla Ventures. Mehta holds an estimated 10 percent stake in the firm, making him a billionaire.

"Apoorva has cracked the code on one of the most operationally complex industries to ever come online," says billionaire Marc Andreessen, whose VC firm first bet on him as part of a $44 million investment round in 2014. "Where others have failed, he has created a sustainable, successful same-day delivery model that allows customers to shop from the same local grocers that they've loved for generations."

That hasn't gone unnoticed. Amazon, which stole Instacart's most valuable partner three years ago when it paid $13.7 billion for Whole Foods, now delivers groceries in 18 cities. In July 2020, Uber spent $2.7 billion to acquire Postmates, the restaurant delivery firm that during the pandemic started curbside pickup of bottles of wine and bags of groceries. Postmates' competitor DoorDash started delivering groceries for Walmart in 2018 and is now coming hard at Instacart, flush with cash and valued at $61 billion following a blockbuster December IPO. It all has Mehta defending his early edge with a new effort to build and operate grocer websites and run ads for food products, digging deeper into their digital business.

"They have let the fox into the henhouse," says Joel Warady, a former Mondelez brand executive. "The more [grocers] partner with

Instacart, the more vulnerable they might become. If I was a retailer, this would really scare me."

That Mehta might strike fear into the hearts of American retailers is surprising, given his beginnings. Twenty days after he was born in 1986, his parents moved from India to Libya, where his father was a general manager for an electric transmission line company under the Muammar Qaddafi regime. It wasn't until they moved to Canada in 2000 when Mehta was 14 that he first saw a Western grocery store. Walking into one in Ontario, he was agape. "I had never seen so many Kit-Kats in my entire life," Mehta recalls, shaking his head.

"That was just a massive culture shock," he adds. "I would be lying if I were to say that starting Instacart wasn't a direct consequence of that."

After graduating from the University of Waterloo, he spent four months at BlackBerry before joining Amazon in 2008, where he worked in Seattle as a supply-chain engineer managing warehouse inventory and merging shipments to cut costs.

But he dreamed of having his own company, and spent his evenings reading business books and brainstorming. He quit and moved to San Francisco in 2010, determined to become a successful entrepreneur. The result was mania. Over a two-year-period Mehta launched 20 startups, including a Groupon for food, a rating app for restaurants and a social network for lawyers. They all flopped.

"Reed Hastings had this enterprise company before Netflix. Elon Musk had a classified company before PayPal," Mehta says. "To expect that my first company was going to be successful out of the gate was not an expectation that I had. The failure was expected."

He landed on Instacart one day when he opened his fridge in San Francisco and noticed it was empty except for a single bottle of Sriracha. Within months, he had built a prototype app. His first break came when he collected $150,000 after being accepted to Y Combinator's 2012 class—he missed the application deadline but got in after sending the head of the business-accelerator programme a six-pack of beer via his app. Through Y Combinator, Mehta met two entrepreneurs whom he brought on as Instacart co-founders. Both are still at the company and hold less than 5 percent stakes in it: Brandon Leonardo leads an engineering team dedicated to customer growth; Max Mullen supports employee experience and culture.

Looking to capture the feel of being inside a well-stocked supermarket, Mehta posted photos of available items on the app for customers to peruse. In the early days, he did most of the shopping himself, making deliveries via Uber. What

Apoorva Mehta's next step is advertising: "Facebook and Google have done such a wonderful job landing people on others' websites. The fact that we have a grocery-focussed ad business is something very few companies have ever built."

he didn't do was build warehouses. Or overhire. Using contract workers as shoppers, he solved the payroll problem that had plagued dot-com-era grocery bust Webvan.

Instead, Mehta faced a different problem: He was shunned by the industry. "Most retailers in the very early days didn't want anything to do with us," he says. "It took us many years of just showing up. It is entirely about trust."

His persistence led to a deal in 2014 with Whole Foods, which quickly became the biggest piece of Instacart's business. Three years later, Mehta was scrambling again after Amazon announced it was buying the chain—and kicking Instacart out.

"Instacart without Whole Foods was like Pizza Hut without pizza. It was that big," Mehta says. "But look, frankly, this was not going to be a 21st startup for me. There was absolutely no chance I was gonna allow that."

The good news: Whole Foods agreed to wind down the partnership over two years. Mehta used that time to hit the road and visit every major grocer. It turned out that the Amazon deal spooked many of them as much as it rattled Instacart. "Everyone had read the same books, the story of what happens when Amazon enters an industry," says Mehta, who at the time seemed like the far lesser threat. By the time Whole Foods left, he had added Kroger, Costco, Albertsons, Wegmans and Publix.

"This was incredibly difficult but definitely made us stronger," he says. "Now, as a company, we have the scar tissue that allows us to take on very hard challenges."

If ever there were a time to appreciate that scar tissue, it's now. Instacart's woes with workers involve both contract shoppers, who sign up to shop for and deliver specific orders, and in-store shoppers, who are stationed in certain supermarkets. At the peak of the early pandemic chaos, contract shoppers publicly rebelled over the lack of safety precautions or extra compensation for the risk of exposure to the coronavirus. Workers walked out in the spring, demanding more protective gear and $5-per-order hazard pay. Instacart, which began distributing safety kits in April, relented somewhat by June with expanded paid sick leave and free telemedicine visits for exposed workers. But Mehta didn't roll over.

Ten part-time in-store workers at a Kroger in suburban Illinois joined one of the nation's biggest unions right before the pandemic. In January, Instacart announced that about 2,000 of its roughly 10,000 in-store shoppers would be terminated by March, which the union called "outrageous." Instacart insists the move is part of a long-planned transition away from having workers stationed in stores, and that grocers prefer to have their own employees fulfill those orders, adding that the cuts total far less than 1 percent of Instacart's total shopping workforce.

A second skirmish concerns Cornershop, a startup of which Uber bought majority control in 2019 for $459 million. Instacart says the company stole thousands of its copyrighted food photos, while Cornershop says it used a third-party vendor and did not knowingly infringe on Instacart's copyrights. In September the startup agreed not to scrape any more data or use images, and the fight is now headed for a public trial.

Mehta's biggest battle, though, is for trust, especially as more grocers grow leery of the control Instacart is gaining over their customers. After all, relationships are his most valuable asset. Stew Leonard Jr., who runs his family's popular six-store Northeast grocery chain, says that while Instacart helped grow his business, it also holds leverage over the chain through its ownership of the data from the orders it fills. "With our website, I learn about who you are," says Leonard, who wants to use that information to send more targeted promotions and ads. "There's a lot of competitors now, and we're talking to two of them that will offer everything Instacart

Mehta and the entire Instacart staff huddle in 2014, the year they signed Whole Foods and raised a $220 million Series C round that catapulted the business to unicorn status offers, and you own 100 percent of the data.” Instacart says that Stew Leonard’s and all its partners already have access to plenty of data—if customers agree to share it—and that it is launching a new portal this spring that will allow retailers to access even deeper analytics.

Erewhon, a celebrity-beloved organic grocer in Southern California, has taken an even tougher stance. “We used to literally have Instacart on our homepage. I don’t do that anymore,” says Tony Antoci, Erewhon’s owner, who has six locations in and around Los Angeles. “We’d rather own our customer, because once they go to that Instacart platform, they’re an Instacart customer.”

Antoci, who credits Instacart with creating a “tremendous” amount of business for the chain, launched his own delivery service a month into the pandemic after six years of feeling like he was competing with Instacart. To do so, he turned to ECRS, the North Carolina company that provided his cash register software. A 31-year industry presence, ECRS jumped into the e-commerce game four years ago and signed up 355 grocery chains in 2020.

“We’re not trying to take away their customers,” Mehta insists, adding that Instacart has no plans ever to sell groceries directly—unlike DoorDash, which has its own warehouses. It’s also actively hiring dedicated Instacart analysts who will be embedded in retail partners’ headquarters to support them. It says it already has data analysts in place at three of North America’s 10 largest chains.

“One of the main reasons why retailers work with us and not with Amazon is because Amazon has not treated retailers as well,” Mehta says. “That is not lost on us at all.”

Instacart raised $625 million last year, in part to support a strategy that would make it the ideal tool for grocers who want to build their own e-commerce offering—and make it harder for them to justify walking away. Instacart, Mehta argues, understands the minutiae of the highly complex industry better than the competition because that has been its focus from the start. More than 175 retailers, including Wegmans, Food Lion, Costco Canada and The Fresh Market, pay Instacart to power these websites.

“Focus is a competitive advantage,” Mehta says.

And a matter of survival. One former manager says holding that advantage also means holding onto the chains with the strongest customer loyalty. “They’re terrified of losing Wegmans and Publix,” the manager says.

“They have let the fox into the henhouse. The more grocers partner with Instacart, the more vulnerable they might become. If I was a retailer, this would really scare me.”

JOEL WARADY,
FORMER MONDELEZ EXECUTIVE

[redacted]

Looking forward, Mehta is building an advertising platform that he says makes Instacart as much of an alternative to Facebook as it is to Amazon. It was born after countless hours at a whiteboard with his former CFO Ravi Gupta. Gupta, who left in 2019 for Sequoia, the VC shop that invested in both Instacart and DoorDash, recalls the thinking: “We don’t want customers to be charged more, but we want to earn more revenue. We don’t want retailers to be charged more, and we want to earn more revenue. How does that happen?”

Early adopters of the platform, including big companies like Hormel and fast-growing startups like Utah-based JoJo’s Chocolate, are seeing big returns. “Instacart has become a really important source for us to allocate marketing spend, because it’s just incredibly effective at connecting that dollar to that sale,” says Eat Just founder and CEO Josh Tetrick, whose sales of vegan eggs on Instacart grew sixfold in 2020. “We’re always cranking it up on Instacart.”

Mehta is loving it, too: By the end of 2020, Instacart was booking more revenue every single day than it did during all of 2019 (though he’s mum on specific figures). He now needs to keep grocers convinced that his ads aren’t just another way to cut into their margins. Food companies have only so many dollars to spend on advertising, and some of that cash ends up in grocers’ pockets to pay for in-store promotions and shelf placement. A portion of that $225 billion annual spending is now being diverted to Instacart.

If some grocers are wary of Mehta, others offer full-throated support. Among them is Dan Wegman, the third-generation family owner and CEO of Wegmans, a chain of more than 100 supermarkets in the east.

“As a founder of a fast-growing technology company, his openness to evolve and seek input and industry knowledge is a true testament to the partner he is,” Wegman says. “After a 500 percent increase in his business this year, he is still asking how to get better. That is a key reason for his success.”

True to form, Mehta is looking past present challenges and reaching for more, including an expansion beyond supermarkets and deals with Sephora, Best Buy and 7-Eleven. He says, “I’m on the phone with a retail CEO almost every day.” He adds, “The trajectory of the company has forever changed.” F

IN THE LIMELIGHT

Scam 1992 has opened the floodgates for Pratik Gandhi in Bollywood. But it's taken the actor over 15 years, and a strong foundation in Gujarati theatre and cinema, to earn national recognition

By **KUNAL PURANDARE**

Pratik Gandhi was shooting for a Gujarati web series in a no-connectivity zone near Gir National Park in Gujarat in January when a few children requested the actor to pose for photos with them. He was surprised to hear that they had watched his web series *Scam 1992*, in one corner on their terrace—the only place where the show streamed perfectly on their mobiles, despite network issues in the region. It's almost ironical that the man who once sold pre-paid SIM cards of Hutchison Essar and later convinced customers to convert them to post-paid connections in his hometown Surat was now a national star because of the internet boom and content consumption on over-the-top (OTT) platforms.

The success of *Scam 1992*—a 10-episode web series based on the life of 'Big Bull' Harshad Mehta—has given Gandhi the mainstream recognition he had been longing for. The 40-year-old has been on a signing spree over the last couple of months: He's scheduled to start filming a Hindi movie with actor Taapsee Pannu later this year; is shooting for director Tigmanshu Dhulia's screen adaptation of Vikas Swarup's *Six Suspects*; and has given his nod to a Gujarati film with wife Bhamini Oza. His overnight popularity seems like a fairy tale, but for the holder of a diploma in mechanical engineering and a degree in industrial engineering, it's been a wait of more than 15 years.

ROLE PLAY

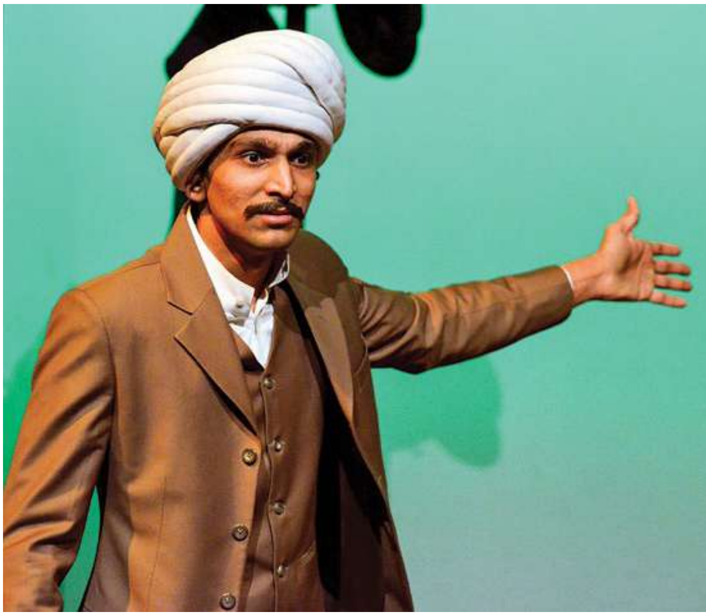
Gandhi, the son of teacher parents, came to Mumbai in 2004 to become an actor. "I wanted to do something big in this industry. I desired to carve my own space... where people will watch something in my name," he says. It was easier said than done, especially for an outsider whose only achievements were performing on stage in school since the age of four, and doing local theatre in Gujarat. Yet, the lanky youngster believed in himself. It was a time when *India's Best Cinestar Ki Khoj*, a television show to discover new talent, had premiered on Zee TV, and a couple of Gandhi's friends from Surat had cracked three rounds with one of them ending up as a finalist. He thought work would be easy to come by, but what he had to endure was a struggle to survive in a competitive and expensive city like Mumbai.

> The success of *Scam 1992* has given Pratik Gandhi the mainstream recognition he had been longing for. He has been on a signing spree in the last few months

After staying with his cousin for three months, Gandhi and his brother Punit rented a small house in an old housing society in Vile Parle (East). With a monthly rent of ₹6,500 as additional expenditure, the actor could not afford to wait for an acting opportunity. He began scanning newspapers for job advertisements while keeping his hope of finding work in theatre alive. After spotting a vacancy for industrial and production engineers, including fresh graduates, he emailed the National Productivity Council (NPC), but it bounced twice in the days of dial-up internet. He was third-time lucky, though, and bagged freelance projects for the company.

After finishing his first project for NPC—for Garware Industries in Wai, a town in the Satara district of Maharashtra—Gandhi decided to do the rounds of theatres in Mumbai in search of work. He first met theatre veteran Manhar Gadhia, who introduced him to a few groups. But nothing worked out. At Mumbai's Prithvi Theatre in 2004, Gandhi was mesmerised after watching *Mariz*, a Gujarati play directed by stalwart Manoj Shah. He told himself that he should be a part of his troupe and approached him for the same.

NEHA MITHBAWKAR FOR FORBES INDIA



Stills from plays *Hu Chandrakant Bakshi* (top) and *Mohan No Masalo* (right)

"I was rehearsing a play called *Maestro, Master, Swami* with 30 actors when Pratik barged in, saying he wanted to act. I asked him what he could do apart from acting. He said gymnastics, and performed some impossible acrobatic stunts with ease. My team was stunned. He was too passionate and eager to work," recalls Shah. However, it was only when another actor backed out that Gandhi made his debut on stage with *Aa Paar Ke Pele Paar*, with his entry prior to the interval and a brief role in the second half. "I was paid ₹400 per show. They do 25 to 30 shows a month, so that meant ₹10,000 or so… it was good money to take care of my expenses. More importantly, I was getting to do what I wanted to do… get into the circuit. It helped me greatly understand the grammar of professional Gujarati theatre," says Gandhi.

It was a start, but Gandhi was hungry for something more challenging and rewarding. The multiple auditions that he gave for films did not elicit any response, while television was considered dreary by the actor who thought he was a misfit in '*saas-bahu*' serials and among the fair-skinned beefcakes on screen. "Looking at the 12 or 15 men at the auditions, I used to feel I am at the wrong place. But the moment they opened their mouths, I would decide to stay put. That world used to scare me," recalls Gandhi.

NPC, meanwhile, was regularly offering him projects, three of which took him to Satara, for six months at a stretch. Gandhi feared it would disrupt his acting ambitions, so he would unfailingly call industry insiders from there, asking for work, saying he would take a day's leave to do a play. But no offer came his way.

After finishing his assignments, the actor returned to Mumbai and sat idle for a while. One day, his cousin, who ran an event management company, requested him to fill in after the compere for a birthday party met with an accident. Gandhi enthralled the children with games and dance for close to an hour, and was paid ₹600 for it. The amount went up to ₹800, ₹1,200 and ₹1,500 for subsequent shows. At a New Year's party at Fariyas Resort in Lonavla, he earned ₹20,000. Though he was growing in confidence in his new role, he had set his sights on other goals.

An employment offer from Reliance Infrastructure in 2008 put an end to his monetary concerns. "My plans to negotiate my salary went for a toss when I saw ₹8.5 lakh as my annual package. I just grabbed the opportunity," says Gandhi, who joined the industrial engineering team for corporate excellence.

A regular job meant he had to adjust his rehearsal timings for theatre, where he was slowly making a name for himself with plays like *Apurva Avsar*—in which he played six characters—and *Mohan's Masala*—staged in English, Hindi and Gujarati. "We used to rehearse from 6 am to 8.30 am in Borivali, after which Pratik would take the train to his office in Navi Mumbai," recalls Shah, director of the plays. "I used to travel by train so that I could rehearse my lines during my commute. I did not want to waste the time of others who were adjusting their schedules for me," says Gandhi.

Around the same time, Abhishek Jain, who had directed the Gujarati film *Kevi Rite Jaish* (2012), saw Gandhi in the play *Hu Chandrakant Bakshi* and thought of casting him in his next movie, *Bey Yaar* (2014). He messaged the actor on Facebook and met him at Prithvi before signing him up. There was one hindrance though: Gandhi had a full-time job. The actor assured the filmmaker that he would take leave and remain as committed to the film as he was

to his job. "It was a wild thought in my mind that if I ever get such an offer, I would use my leaves. I had accumulated over 150 days of leave by then. We wrapped up the shoot in Gujarat in 22 days... nobody took a penny for the film. I just liked the script and Abhishek's passion for filmmaking," says Gandhi.

Jain says he was initially a bit sceptical about a theatre actor understanding the nuances of cinema. So, he kept instructing Gandhi on the sets. "Once he got into the groove, I had to step back. I realised he is extremely adaptable... he is very human, not a fake actor who'll carry a banana with him or walk with a gym bag," says the filmmaker. "Between takes, Pratik would rush to his laptop and attend to his office work. He would be immersed in work in the hotel at night too. But there was no hangover or fatigue that reflected on the sets. His energy was always high... he never lost the essence of the character or the energy of a scene. As a director, I did not feel insecure even for a second that he was doing a dual job."

Divyang Thakkar, who co-starred with Gandhi in *Bey Yaar* and shared a room with the actor, concurs. "He used to give a perfect shot and then rush to his laptop while the setup was being readied for the next. That switch-on, switch-off was something... I haven't seen someone multitask so well. He's a gifted actor," says Thakkar, who turns director with the Ranveer Singh-starrer *Jayeshbhai Jordaar*, scheduled to hit screens in August.

Word-of-mouth played a big role in the critical acclaim that *Bey Yaar* got. But it was Gandhi's next film that proved to be the turning point in his career. Directed by Mikhil Musale and produced by Phantom, *Wrong Side Raju* (2016) won the National Award for Best Feature Film in Gujarati. Musale, who was associate director of *Bey Yaar*, says casting Gandhi was an organic decision, having followed his work on stage. "He is an intelligent person, apart from being a good actor. His understanding, humility and innocence come across in his performances. He's a sucker for logic. If we are going wrong, he'll come and point it out without hurting anyone. He's upfront and clean, not aggressive," says Musale, who has also directed the Bollywood film *Made in China* (2019).

▲ To play Harshad Mehta in *Scam 1992*, Gandhi relied on his learnings from theatre. "I treated the web series like a monologue," he says

A month before *Wrong Side Raju* released, Gandhi quit Reliance Infrastructure to focus on his acting career. He was deputy general manager then, and had three offers, including one from Deloitte that could have taken him to Kuwait.

TURNING POINT

Hansal Mehta, director of *Scam 1992*—an adaptation of journalist Sucheta Dalal and Debashis Basu's book, *The Scam*: *Who Won*, *Who Lost*, *Who Got Away*—had zeroed in on Gandhi to play Harshad Mehta after watching *Wrong Side Raju*. He was convinced after casting director Mukesh Chhabra showed him the actor's photos. "I didn't have to look any further," he says. Gandhi had auditioned for the series, without knowing what he was auditioning for, at Chhabra's office in Juhu. It was only a few weeks later, when he met Mehta, that he realised something serious was brewing. "I have yet to see his audition. I was quite certain about Pratik. There was a checklist that I had made: I wanted a Gujarati actor, someone who had a tall frame, belonged to that age group, and most important, he had to be a terrific actor," says Mehta.

Once Gandhi came on board, the director asked him to put on weight. He went from 71 kg to 89 kg to essay the lead role, and watched the late stock broker's interview with journalist Pritish Nandy multiple times. He consciously decided against mimicking him and treated his debut in a web series like a stage performance. "My theatre background helped me as I had done biopics on stage, where I had never met or seen those people. I just picked up the nuances or characteristics. I treated the series like a monologue," explains Gandhi.

Agrees Mehta, who calls Gandhi a "fine actor, someone right up there". "His *riyaaz* [practice] and discipline of theatre came into play. He gave himself up to the character."

Gandhi's portrayal of Harshad Mehta was hailed by one and all. It took his craft to a wider audience that was oblivious to his work in regional cinema and theatre. However, those who have worked with him previously are not surprised at the recognition he is getting.

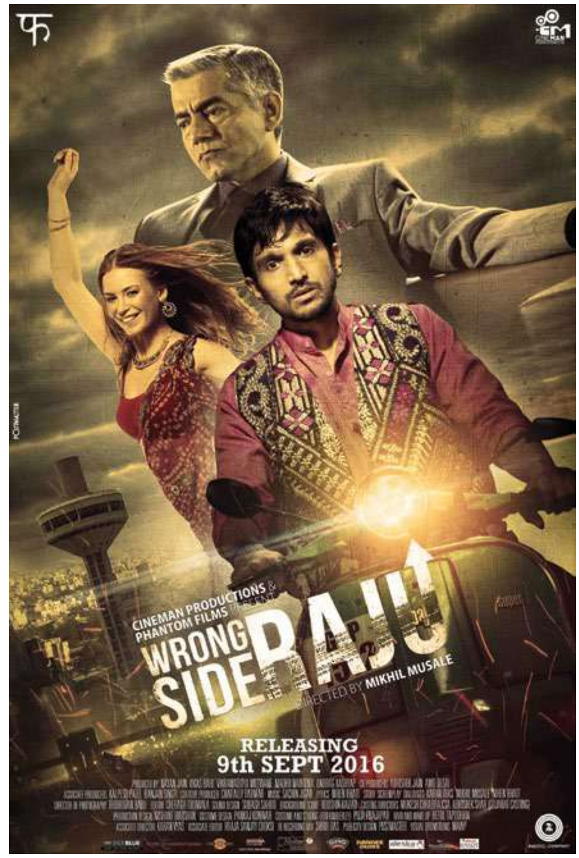
"He deserves every bit of adulation coming his way. It was a matter of time. He was equally dedicated to his plays as he was to *Scam 1992*. I haven't seen him less committed. He's broken out now," says Thakkar. Jain, who recently shot a web series with Gandhi and considers him more as a friend and collaborator, says the overwhelming attention hasn't made him a different person. "There is no hangover of the success or appreciation from people across the country, including the who's who," he says.

Musale believes coming from a middle-class family, and understanding corporate affairs and politics closely by virtue of doing a proper job helped him play Harshad Mehta flawlessly. "I was feeling guilty that such an exceptional actor was not getting his due. Pratik as a discovery was a shock to the world, not for me. Not that we had predicted this show would be so successful… but we knew he was going to get noticed someday for sure," he says.

Gandhi admits that things have changed drastically since *Scam 1992* released. It marks his rebirth as an actor. "It looks like I have broken through. People have started taking me seriously as an actor. The belief in me as an actor has also changed," he says. The actor, who has learnt martial arts and enjoys working out, says the last 15 years have been about perseverance and hard work. "I never felt like giving up ever. In fact, I used to get more excited. I enjoyed the near-misses because I felt I am almost there… something nice is going to happen."

He's indeed come a long way—from taking up contracts of cleaning water tankers in Vile Parle's societies, selling pesticides at exhibitions, and installing cellphone towers in the city, to finding himself in a position where he had to reject projects due to the abundant acting offers coming his way. "He's going to be talked about in the industry," says Shah. "We had once done a play in Malad with only two people [a European couple] in the audience. His intensity, whether it's in front of two spectators or 30,000, is the same. He's adaptive and obedient. He'll do whatever you say and then suggest other ways of doing it."

"He is immensely talented and this is just the beginning. I tell him this industry is like a vulture and keep advising him to choose wisely. My hope is that he picks the right projects," says Jain, who calls the actor 'Bachchan', after the legendary Amitabh Bachchan because of his dedication to his craft.

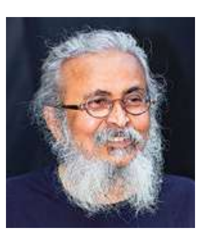


Director Hansal Mehta picked Gandhi for *Scam 1992* after watching him in *Wrong Side Raju*

Mehta, too, is "cautiously optimistic" about Gandhi's future. "He has delivered something special. It's a pleasant burden and it's also a challenge," he says. Adds Thakkar: "The sky is the limit for Pratik. He will get parts that are deserving of his calibre. He will be venturing into a zone where he will be able to choose his roles. As actors, one strives for that place where one can choose their work. It's the best thing for an actor."

It's a happy space to be in for someone who is the first in the family to buy a scooter and a car—his father would travel to school on his mother's 'lady's bicycle'. Gandhi, who his peers describe as a positive, grounded and humble individual, looks back at his journey as a steep learning curve. "On one hand, it looks and feels like it [success] has come late. On the other hand, I think it is a correct time because I was given this time to prepare myself. What if I was not ready and unprepared? I don't think I would have made it big then. And it's a good time for actors to be around. As far as time is concerned, I don't have any regrets. I enjoyed climbing the staircase to the top where I learnt at every step." F

"HE'S GOING TO BE TALKED ABOUT IN THE INDUSTRY. HE'S ADAPTIVE AND OBEDIENT. HE'LL DO WHATEVER YOU SAY AND THEN SUGGEST OTHER WAYS OF DOING IT."



MANOJ SHAH, director and theatre veteran

TIME FOR TEMPEH

The fermented soybean product of Indonesian origin is finding more takers among chefs, restaurants and startups who are selling it as a protein alternative to health-conscious Indians

By **DIVYA J SHEKHAR**

Shawn Rodrigues believes he was possibly the first in India to include tempeh in a restaurant menu.

His restaurant Bean Me Up in Vagator, Goa, is in its 25th year of business, but it was 12 years ago when he did away with all dairy products and turned vegan. His quest to add more protein alternatives to the menu resulted in Rodrigues travelling to Indonesia to understand how to make its indigenous tempeh. He learnt how to hull, boil, add starter culture, and incubate soybeans at the right temperature, the duration and level of moisture that make the beans bind together in a fluffy patty. Since then, he has been making tempeh from scratch, after importing the starter culture (containing fungi rhizopus oligosporus) required for fermentation from Indonesia.

▲ At Bean Me Up in Goa, tempeh lends itself to a variety of dishes, ranging from pan-fried starters to curries

Today, dishes with tempeh are among the most popular on his menu. Rodrigues says he has used its versatility to experiment with dishes such as Malabar tempeh, where the tempeh is cooked with organic ground spices from the Malabar region of Kerala and is served as a curry, along with brown rice; then there is a barbeque tempeh, which goes into sandwiches and wraps, and tempeh pan-fried with soy sauce, served as a starter alongside a spicy peanut dip.

Earlier, while it was mostly international tourists who ordered tempeh, Rodrigues has been finding more and more Indians ordering it too. Many of them have become repeat customers. “We have people flying down to Goa just to eat tempeh here, and also find people from other cities wanting to take the tempeh with them when they fly out,” he says. “Urban India today

EDRIC GEORGE FOR FORBES INDIA

Bean Me Up founder Shawn Rodrigues travelled to Indonesia to learn how to make tempeh from scratch, and now has customers from across the world is willing to experiment with food options, and for health conscious Indians who break down nutrients of everything they consume, tempeh turns out to be a good, healthy protein option."

The plant-based protein market in India is estimated to be worth $565 million by 2023, up from $374 million in 2018, according to a 2018 report by Hypercube Insights, a Bengaluru-based consulting and market research firm. The report adds that the protein market in India accounts for 10 percent of the Asia-Pacific region.

According to nutrition experts, the reasons for this include increasing awareness about healthy and organic food, innovation and advancements in vegan diet options, the need for people to find alternatives to meat, and the increasing availability of funding to back health-food ventures. Globally, the plant-based protein market is estimated to be worth $15.6 billion by 2026, recording a compound annual growth rate of about 7.2 percent in terms of value, according to a February 2021 global market forecast report for plant-based protein consumption by Research and Markets, a market research organisation.

"A 100 gm tempeh provides 20 gm protein as compared to 10 to 12 gm in cottage cheese and 8 gm in tofu, making it a great plant-based source of proteins for vegans, vegetarians and flexitarians in India," says Shoba Suri, senior fellow with Observer Research Foundation's Health Initiative. "Apart from proteins, calories and fat, tempeh has fibre, calcium, iron and potassium, which can be attributed to the use of legumes, grains and nuts that are used for making tempeh." According to her, regular consumption of tempeh improves cholesterol levels, lowers blood pressure, improves insulin resistance and promotes bone health. "With the rise of non-communicable diseases, tempeh can be an ideal supplement in the diet for better health." While tempeh is most commonly made of soybean, it can also be made of black beans and chickpeas. Additional ingredients like flax and sesame seeds or quinoa can be added ahead of the fermentation and incubation processes.

"WHILE DEMAND FROM RESTAURANTS REDUCED IN THE WAKE OF THE PANDEMIC, OUR SALES HAVE NOT REDUCED DRASTICALLY BECAUSE OF OUR INDIVIDUAL CUSTOMERS."

TUSINI, CO-FOUNDER, TEMPE DI MUMBAI

Siddharth Ramasubramanian, founder and CEO of Vegolution. The Bengaluru-based nutrition startup chose to launch a product line focusing solely on tempeh

Bengaluru-based startup Vegolution launched its first series of products under the brand Hello Tempayy in February. According to founder Siddharth Ramasubramanian, the nutrition startup chose to launch with a product line focusing solely on tempeh because of a few key reasons. "We saw that there is monotony and lack of options for the new class of vegetarian consumers looking for power-packed, and not just low-calorie, nutrition," he says. It was, he adds, important to find something that suited their palate, and also fun and easy to cook. "So we said that if we want to win the nutrition game, we have to capture the main Indian plate. That's what led us to tempeh."

Vegolution, which Ramasubramanian founded with Rajit Malhotra, investor and former managing partner at McKinsey, is funded with a $1 million seed investment from external investors, including KS Narayan, former president of VKL Seasonings, and Ashok Barat, former CEO of engineering organisation Forbes and Company. The founders have additionally invested $500,000. Netherlands-based Schouten, which specialises in plant-based protein foods, has set up a manufacturing unit in Bengaluru to exclusively conduct R&D and produce tempeh for the startup.

The product line comprises natural tempeh cubes (₹130 for 200 gm), and tempeh marinated in pepper szechuan, sriracha and tawa masala (₹150 for 200 gm). "Apart from versatility and taste, if we have to find a place in people's staple diet, it is important to

Vegolution's brand Hello Tempayy helps people make versatile dishes like baos, kebabs and tacos using tempeh

be priced right, so we ensure that the pricing is at par with good quality paneer," Ramasubramanian says. For people who do not know how to use tempeh in day-to-day cooking, the Hello Tempayy website offers videos on how to make a variety of dishes, ranging from makhni, ghee roast and cutlets to tacos, donburi bowl and Bolognese.

Vegolution plans to take its tempeh to Bengaluru, Chennai and Hyderabad by year end, and scale to about 25 cities by 2026. Apart from a brick-and-mortar presence, they are listing with ecommerce platforms like Amazon, Flipkart and BigBasket. They are also working with restaurants and food tech startups.

One such collaboration is with health food tech startup GrowFit, which has raised close to $6.5 million in funding over five years. Founder Jyotsna Pattabiraman says the idea behind the collaboration is to include tempeh in GrowFit's subscription plans (which provides nutrition-guided lunch and dinner options that are portion and calorie-controlled) and their cloud kitchens that deliver cooked food through Swiggy, Zomato and Dunzo.

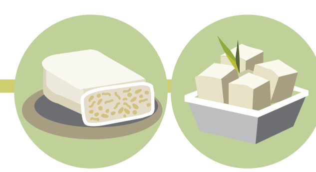
Jyotsna says tempeh helps her cater to consumers who have health goals but turn to startups like GrowFit to solve their nutrition problems. "We are trying to give low-carb food options to vegetarians. So far, our only alternatives were tofu and paneer, and the latter does not even absorb flavour that well," she says, adding that tempeh is also more climate friendly. "As a company, we'd like to be ahead of the curve by evaluating which foods are more climate friendly compared to others. The impact of the dairy industry on climate is well-documented and we feel that it is only a matter of time before customers start asking us about the climate footprint of the food that we are serving."

According to online publication *Our World In Data*, the greenhouse gas emissions across the supply chain (from land-use and farming to packaging and retail) for beef are the highest, followed by mutton and cheese. The carbon dioxide emissions for plant-based food are 10 to 15 times lower than most animal-based products. "And within plant-based foods, tempeh, being fermented soybean, has even lower greenhouse gas emissions compared to paneer and many other plant-based proteins," Jyotsna says. According to January 2020 numbers from *Our World In Data* that tracked greenhouse gas emissions per kilogramme of food products, milk was at 3, while soymilk (used to make tofu), legumes and peas were at 0.9.

That said, the meat, egg and dairy industries drive global soybean cultivation. According to a 2014 report by WWF called 'The Growth of Soy: Impacts and Solutions', three-quarters of the world's soybean is used primarily as a livestock feed, rather than consumed by humans. This increases the overall environmental footprint of producing soybeans. However, as more people start consuming it directly as a protein alternative instead of indirectly through livestock food chains, cultivating soybean becomes more eco-friendly and land-efficient.

An August 2020 article in *Food Unfolded* by Molly Melvin puts this in perspective: If you wanted to have the same amount of proteins as soy from chicken, it would require three times the area of land; for pork it is nine times and beef, 32 times. Swapping meat for soy-based protein would also reduce agricultural deforestation by almost 94 percent. "Reducing our dependence on animal products by increasing our consumption of soy-based alternatives would help us feed more people while using dramatically less land, and protect the planet in the process," the article says.

Given that an increasing number of people in India are conscious towards both the environment



Tempeh vs Tofu

- While tempeh is made out of fermented, whole soybeans, tofu is made out of coagulating soy milk extracted from ground, cooked soybeans
- Tempeh can also be made with black beans and chickpeas
- Tempeh can have additional ingredients like sesame and flax seeds, quinoa and spices
- Since tempeh contains seeds, legumes or whole grains, it is richer in calories, proteins, fibre and potassium compared to tofu
- Tofu has lower calories, and more than double the calcium than tempeh
- Tempeh has a nutty flavour profile, while tofu is neutral or bland
- Tempeh is rich in prebiotics, which improve gut health; it is more easily digestible compared to tofu
- Tempeh originated in Indonesia while tofu originated in China

and their health, tempeh can also be a good alternative to meat, says Uma Duggal Arora, who sells tempeh under her brand Culturebake Mumbai. The home chef who started her journey close to four years ago with fermented food used to conduct extensive workshops on sourdough-making for individuals and chefs across the country, when she came across tempeh.

"Soy as a legume is difficult to digest, but has been part of Indian cuisine for decades now. Tempeh is easier to digest due to fermentation. Being rich in prebiotics, it has anti-inflammatory properties that support gut health and the digestive system," says Arora, who says that when refrigerated, tempeh can be stored for about five days, while frozen tempeh will remain fresh up to a year. She makes and sells raw tempeh from scratch. She sells 200 gm of tempeh for ₹350, and makes between 5 and 10 kg every month, depending on the demand.

According to Arora, there is a need to popularise tempeh and create more demand for it, which will also enable the handful of startups, restaurants and chefs producing and selling tempeh to experiment more, and scale up their offerings. Tusini and Charanraj Gujaran, founders of the venture Tempe Di Mumbai, agree. They believe there is a loyal and growing customer base for tempeh. "While demand from restaurants reduced in the wake of the pandemic, our sales have not reduced drastically because of our individual customers. Even when there was no transportation and trains, so many of them from South Mumbai came to Vasai to collect the tempeh," says Tusini, an Indonesian settled in Mumbai since 2016, when she launched the venture. Initially catering to just members of the Indonesian consulate in Mumbai, the duo started delivering to people across the country.

"At the start, all our clients were Indonesian, Malaysian or Singaporeans. Now, it is 50:50 [Indians and Southeast Asian], given the increasing number of Indians becoming aware of tempeh," adds Charanraj, who had a business dealing with industrial pipes before he decided to concentrate full-time on building Tempe Di Mumbai in 2018.

"TEMPEH IS EASIER TO DIGEST DUE TO FERMENTATION. BEING RICH IN PREBIOTICS, IT HAS ANTI-INFLAMMATORY PROPERTIES THAT SUPPORT GUT HEALTH AND THE DIGESTIVE SYSTEM."

UMA DUGGAL ARORA OF CULTUREBAKE MUMBAI

Making Tempeh

Soybeans soaked overnight are hulled, washed, boiled/steamed, cooled in room temperature, and then mixed with vinegar and starter culture. The fermentation process requires the beans to be incubated in a warm temperature between 29°C and 33°C, up to 48 hours. Fermentation time depends on weather conditions. After 24 to 48 hours, the beans become a single mass, held together by white spores. Then, the tempeh can be refrigerated.

Their outreach has been mostly through word-of-mouth or receiving endorsements from celebrities on social media. "For example, Kuntal Joisher, the first vegan to climb Mount Everest, used to eat tempeh when he was in the US. In India, he tried our tempeh for the first time and posted on social media as he found it to be authentic," says Charanraj, adding that the venture has more than 400 clients from Mumbai, Delhi, Hyderabad, Chennai, Bengaluru and Gujarat.

The duo has recently received a food license that will allow them to take their small business to retail and ecommerce outlets. Each 100 gm of their organic tempeh contains 21.77 gm of protein, says Tusini, claiming that it is among the highest for organic tempeh currently available in India. They make close to 100 kg of tempeh every month, and sell in two package sizes of 250 gm and 500 gm.

Rodrigues of Bean Me Up says one challenge in scaling up availability of tempeh is availability of the starter culture. "I don't know if there is an Indian manufacturer who makes starter culture for tempeh yet. We still buy it from Indonesia. The costs will be much more effective, and the quantity of supply can be more consistent if we have startups or labs making starter culture in India," he says. Arora thinks it is time the health sector adopts tempeh too. "It will certainly help a lot to make tempeh mainstream if nutritionists start including it as part of their diet recommendations," she says.

Suri, who is also a member of the Right to Protein initiative that seeks to increase awareness about protein consumption in India, believes that while there is a possibility to drive acceptance for tempeh, it boils down to more people developing a taste for it. "Like tempeh is to Indonesia, cottage cheese is to India. So making changes in traditional diets will take some time," she says. "But with tofu gaining popularity as a vegetarian and vegan source of protein, tempeh may be the next big thing in the market." F

RAHUL MAHADIK FOR FORBES INDIA

ON MONEY

GETTY IMAGES

Too many people spend money they earned… to buy things they don't want… to impress people that they don't like.

—WILL ROGERS

Wealth consists not in having great possessions, but in having few wants.

—EPICTETUS

Money never made a man happy yet, nor will it. The more a man has, the more he wants. Instead of filling a vacuum, it makes one.

—BENJAMIN FRANKLIN

I'd like to live as a poor man with lots of money.

—PABLO PICASSO

Frugality includes all the other virtues.

—CICERO

GETTY IMAGES

Annual income twenty pounds, annual expenditure nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pound ought and six, result misery.

—CHARLES DICKENS

KAMMERMAN / GAMMA-RAPHO VIA GETTY IMAGES

There are people who have money, and there are people who are rich.

—COCO CHANEL

GETTY IMAGES

Happiness is not in the mere possession of money; it lies in the joy of achievement, in the thrill of creative effort.

—FRANKLIN D ROOSEVELT

Formal education will make you a living; self-education will make you a fortune.

—JIM ROHN

It's good to have money and the things that money can buy, but it's good, too, to check up once in a while and make sure that you haven't lost the things that money can't buy.

—GEORGE LORIMER

The money you have gives you freedom; the money you pursue enslaves you.

—JEAN-JACQUES ROUSSEAU

Money often costs too much.

—RALPH WALDO EMERSON

GETTY IMAGES

If money is your hope for independence you will never have it. The only real security that a man will have in this world is a reserve of knowledge, experience, and ability.

—HENRY FORD

Spend your money on the things money can buy. Spend your time on the things money can't buy.

—HARUKI MURAKAMI

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