REBEL FOODS ON CLOUD NINE

WAKEFIT: THE SLEEP E-MERCHANTS

DIGITAL-FIRST BRANDS

SUGAR COSMETICS' SWEET SPOT

VAHDAM TEAS' HEADY BREW

PRICE ₹200
AUGUST 14, 2020

Forbes INDIA

DIRECT TO MILLENNIALS

HOW A CLUTCH OF LOCAL ONLINE-FIRST CHALLENGER BRANDS IS DISRUPTING THE TRADITIONAL CONSUMER PRODUCTS MARKET



Founders **Varun** and **Ghazal Alagh** are building Mamaearth as a personal care brand

PLUS

I SEE A $100 BILLION OPPORTUNITY FOR A LOCALLY-DEVELOPED SUPPLY CHAIN: SAJJAN JINDAL

WHY GAUTAM ADANI IS EYEING GREENER PASTURES

ISSN 2278-0440

Network 18 www.forbesindia.com


STEFANOS TSITSIPAS


GRIGOR DIMITROV


GARBIÑE MUGURUZA


ANGELIQUE KERBER


ROGER FEDERER


KAREN KHACHANOV


SLOANE STEPHENS


JO-WILFRIED TSONGA

ROLEX AND TENNIS

The tradition between Rolex and tennis began at Wimbledon in 1978. Over the years, the relationship has deepened, at all the Grand Slam® tournaments and the most prestigious events around the world. Rolex celebrates the champions who define the sport, and today's rising stars who bring new excitement to the court. Now and in the future, the commitment to the game of tennis will continue to grow.

#Perpetual





DOMINIC THIEM





BIANCA ANDREESCU





JUAN MARTÍN DEL POTRO



OYSTER PERPETUAL DATEJUST 41

ROLEX

ROLEX WATCH COMPANY PRIVATE LIMITED. WWW.ROLEX.COM

MORRIS GARAGES
Since 1924

INTRODUCING

THE ALL NEW 6-SEATER

HECTOR

PLUS

WITH NEW EXTERIORS AND INTERIORS



Contact us @ 1800-100-6464

Book your **MG HECTOR PLUS** today across our 200+ safe and sanitized centres | Log on to www.mgmotor.co.in

IT'S A HUMAN THING TO RESPECT EACH OTHER'S PERSONAL SPACE

In a shared world, where we share moments and journeys with others, it's only human that sometimes we crave for our own space. Introducing **MG Hector Plus** that gives you the luxury of extra space, even if you are not in the driver's seat. So that while you may share the journey, you can celebrate your personal space too.

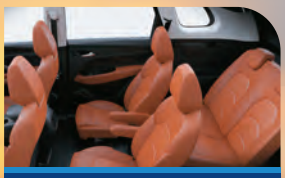
INTRODUCING



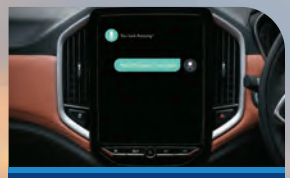
2nd ROW CAPTAIN SEATS



SMART SWIPE - FOOT ACTIVATED AUTO TAILGATE



3rd ROW SEATING FOR CHILDREN



LATEST i-SMART INCLUDING CHIT-CHAT~

Starting at
₹13,48,800(Petrol)* & ₹14,43,800 (Diesel)*

Special Introductory Price Till 13th August
Post 13th August – Prices To Go Up By Upto ₹50,000

BOOK NOW

MG SHIELD
COMPLETE OWNERSHIP ASSURANCE

- 5 Years/Unlimited km Warranty<
- 5 Years/Unlimited km Road Side Assistance
- 5 Labour Free Services#

- Best In Segment Cost Of Ownership° | @₹0.45/km: Petrol^ | @₹0.60/km: Diesel^
- Industry Best Maintenance Plans Starting at ₹8000 for 3 years°°
- 3-60 Plan: Assured Buy Back value of 60% after 3 years at an attractive price°°°

Follow us on: www.mgmotor.co.in | @mgmotorin | @mgmotorin | @mgmotorindialtd | @mgmotorindia | @mgmotorin

~The vehicle only supports pre-defined and pre-fed commands and responses. *Ex-showroom New Delhi; <For commercial use cars, coverage upto 5 Years/1.5 Lakh km. The warranty coverage for 12V/48V battery, tyres is valid for 1 year, while for infotainment system is valid for 3 years. T&C apply #For first 5 scheduled services oSegment defined by comparable models ^Above is calculated upto 1 Lakh km of preventive maintenance in Delhi-NCR and includes parts, consumables, labour, taxes ooOnly for private vehicles oooThis is applicable only for private registered vehicles. Powered by CarDekho Contact your nearest MG dealer for specific package details and T&C . Product shown is for representation purposes only and may vary from actual product due to print paper quality. All features and specifications as shown may not be standard across all variants. Prices shown are for base variants. Variants are subject to availability.

Cheil-5456/20

Digital-first brands have the capacity to disrupt their brick-and-mortar counterparts

Born to be Online

In March 2019, Glossier, known variously as a millennial makeup company, a beauty brand and a direct-to-consumer (DTC) startup, entered the hallowed unicorn club after it scored Series D funding of $100 million in a round led by Sequoia Capital. Within a week, it was the turn of Casper Sleep, an online mattress retailer, to join the league of $1 billion in valuation (although an initial public offering in February 2020 ensured that Casper would lose its unicorn status). Around the same time, DTC luggage brand Away went on to be valued at $1.4 billion after a series D round of $100 million.

DTC brands are born in the digital universe, and hence tend to be popular with the youth. That's one reason why traditional global consumer product behemoths have been watching these upstarts closely—close enough to eventually make a move on them. In 2016, for instance, Unilever acquired Dollar Shave Club for $1 billion and, a year later, Walmart bought apparel label Bonobos for $310 million.

Digital-first brands also have the capacity to disrupt their traditional counterparts in the brick-and-mortar world, which explains the latter's willingness to pay top dollar for a Johnnie-come-lately. If Unilever decided to go ahead with Dollar Shave Club, one good reason was that it gave them a contemporary weapon to take on arch-rival Procter& Gamble in the male grooming category that it dominates with the Gillette label (P&G had acquired the shaving giant in the mid-2000s).

Closer home, a number of Dollar Shave Club-inspired startups have taken shape, including Bombay Shaving Company and The Man Company. Others with quirky names like Ustraa (razor in Hindi) and Beardo also started up, making established players like Godrej Consumer and P&G-Gillette sit up and take notice. And, like Unilever, Mumbai-headquartered consumer products maker Marico acquired Beardo to give it a leading edge in the male grooming market.

India has been awash with digital commerce brands over the past decade, but building a digital consumer brand is quite another cup of tea. Quite literally for Vahdam Teas, which is trying something radical—at least in the steeped-in-tradition tea business, where distribution is multi-layered and the supply chain from tea estate to cup is long and arduous enough for the 'freshness' that the brand promises to be a casualty.

Now imagine a brand that eliminates the non value-adding middle people and delivers directly to you. That's the promise of Vahdam along with a clutch of online-first brands Rajiv Singh discovered that has started up recently and raced ahead to grab eyeballs and sales. In an India where smartphones are ubiquitous and data plans are cut-rate, these born-in-the-digital-world brands are able to deliver innovative products, a strong value proposition and a rich customer experience anywhere in India—at the fraction of the cost for traditional brands. And, as Singh points out, recent events have given another short in the arm for these made-in-India labels: A raging pandemic in which digital transformation is as real an imperative as it has ever been, coupled with the rallying call to be 'vocal-for-local' to make India less dependent on foreign products and services. Don't miss this fortnight's cover package of seven DTC digital-first brands by Rajiv Singh headlined 'Direct to Consumer'.

Be it in the digital world or the old brick-mortar-and-steel universe, Indian business is keen to display that it can stand on its own feet. Sajjan Jindal, chairman of infrastructure and energy conglomerate JSW, reckons India is staring at a $100 billion opportunity as more and more industries commit to use a locally-sourced and developed supply chain. The interview with Jindal on page 20 is a must-read.



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

Best,

STORIES TO LOOK OUT FOR





▲ (From left) Bala Sarda, founder and CEO of Vahdam Teas, has built an online tea empire by pitching the India story abroad; JSW Group Chairman Sajjan Jindal expects the economy to pick up from early October

AUGUST 14, 2020
VOLUME 12
ISSUE 17

Forbes INDIA

ON THE COVER

Contents

AMIT VERMA



PG. 34

Here's To The Crazy Ones

A clutch of online-only brands has disrupted the traditional way of doing business by shunning the herd mentality

Mamaearth co-founders Varun and Ghazal Alagh have kept their focus on excellence and the right way of doing business. "Online was the best, and the only, place to start," says the former

FEATURES

IN FOCUS

18 • EMPTY POCKETS
The pandemic has punched a hole in government finances that could lead to a period of low growth

23 • GO GLOBAL, HIRE LOCAL
India's tech services giants have been ramping up local presence in the US to navigate the recent H-1B ban

30 • LIC IPO: NO ASSURANCE AHEAD
With dipping tax revenues, the government is starting the process for LIC's listing in the face of headwinds

33 • LIC IPO CAN ADD 20 CRORE INVESTORS
Incentives for its unit holders and employees could create higher interest and increase participation

60 • STAGE WARS
Roposo and ShareChat lead a bunch of local contenders that are looking to replace TikTok

INTERVIEW

20 • 'WE ARE URGING MANUFACTURERS TO SET UP OPERATIONS HERE'
Sajjan Jindal, JSW Group chairman, on avoiding dependence on Chinese imports and if the economy can pick up from October

69 • 'RESPONSIBLE CAPITALISM IS COMING TO THE FORE'
Geeta Goel of the Michael & Susan Dell Foundation talks about how the pandemic will affect impact investing in India

ENTERPRISE

26 • NEW PORTS OF CALL
The Adani Group is entering new sectors while retaining its hold on its core business

64 • THE RURAL NETWORK
Leveraging women self-help groups for economic revival calls for bridging the digital divide and creating targeted interventions

COVER STORY

36 • ON CLOUD NINE
How Rebel Foods is churning out ₹100-crore online-only food brands from its cloud kitchens

40 • BABY'S DAY OUT
After carving a niche in the baby care segment with toxin-free products, Mamaearth has evolved as a personal care brand

Contents


PG. 64

Women self-help groups are bridging the digital divide


PG. 26

The Adani Group is focusing on renewable energy

43 • SLEEP MERCHANTS
After selling mattresses online, Wakefit is now transforming into a home solutions company

46 • FRESH DIGITAL BREW
How Vahdam Teas built an online tea empire by pitching the India story abroad

50 • LIPS DON'T LIE
How Sugar Cosmetics identified a niche and got a dominant portion of sales from lipsticks

52 • HIGH-DECIBEL SHOW
How Noise carved a niche among millennials by offering smart wearables and audio products

54 • BEARD MENTALITY
How Beardo disrupted the men's grooming market by going online and found a buyer in Marico

56 • DIRECT TO MILLENNIALS, IN BHARAT
The growth of online-first brands is coming from outside top metros, and is driven by millennials

PHOTO FEATURE

72 • WORKSPACE ODYSSEY
People are returning to their old workplaces, but in a new world

CROSS BORDER

80 • BIG HIT GETS HIT BIG
The company behind K-pop Sensation BTS is trying to keep Covid-19 from stopping the music

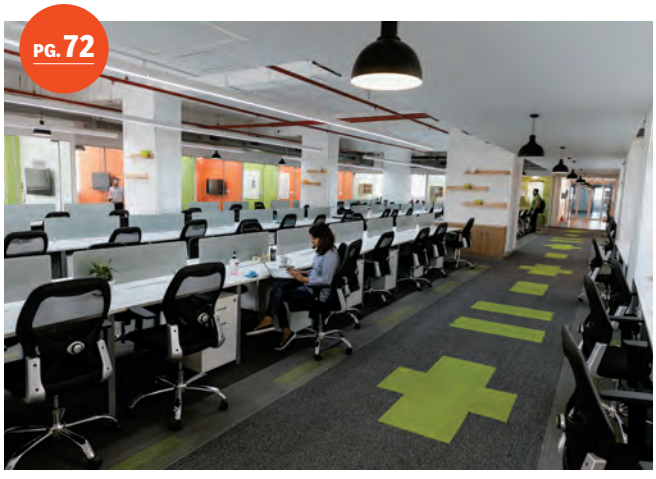
83 • CHOI'S NEW TOY
Francis Choi, who got rich making toys, is looking to add to his fortune by moving into biodegradable plastic

LIFE

86 • RUNNING ON EMPTY
As sport resumes behind closed doors, people are ready to roll with the new normal

92 • 'WHISKY IS SHAPED BY WEATHER, FARMLAND, FUEL AND DEMAND'
Diageo's Ewan Gunn deconstructs the differences between Scotland's famed whisky-producing regions

94 • SHADOW PANDEMIC
Women's rights organisations are seeing a global spurt in domestic violence cases


PG. 72

INDmoney's Gurugram office opened on July 1


PG. 86

Cardboard cutouts of spectators during a football game in Germany

REGULARS • 10/LEADERBOARD • 98/THOUGHTS

WE VALUE YOUR FEEDBACK:
Write to us at: forbes.india@nw18.com
- **Read us online at:** www.forbesindia.com
- **On the cover:** Photograph by: Amit Verma
- **Digital Imaging by:** Sushil Mhatre

Subscriber Service: To subscribe, change address or enquire about other customer services, please contact: FORBES INDIA, Subscription Cell, C/o Network18 Media & Investments Limited, Empire Complex, 414, Senapati Bapat Marg, Lower Parel, Mumbai - 400013. **Tel:** 022 4001 9816 / 9782. **Fax-** 022-24910804 (Mon – Friday: 10 am - 6 pm) SMS FORBES to 51818 **Email:** subscribe@forbesindiamagazine.com, **To subscribe,** visit www.forbesindia.com/subscription/ **To advertise,** visit www.forbesindia.com/advertise/

Forbes INDIA

Managing Director & Group Editor-in-Chief: Rahul Joshi

Editor, Forbes India: Brian Carvalho

Chief Creative Director: Anjan Das

Editor (Technology): Harichandan Arakali
Senior Editor: Samar Srivastava
Associate Editors: Monica Bathija, Salil Panchal
Senior Assistant Editor: Rajiv Singh
Assistant Editors: Pankti Mehta Kadakia, Pooja Sarkar
Special Correspondent: Manu Balachandran
Senior Correspondent: Varsha Meghani

Editor-Desk: Kunal Purandare
Deputy Editor-Desk: Jasodhara Banerjee, Kathakali Chanda
Senior Sub-Editor: Divya J Shekhar

Senior Assistant Editor (Events/Social Media): Ruchika Shah
Senior Sub-Editor: Namrata Sahoo
Sub-Editor: Naini Thaker, Naandika Tripathi
Junior Sub Editor: Pranit Sarda
Deputy Managers: Bhagwan Patil, Aditi Satam

Creative Director: Benu Joshi Routh
Deputy Creative Director: Sachin Dagwale
Associate Creative Directors: Sameer Pawar, Pradeep Belhe
Principal Designer: Pandharinath Pawar
Chief Illustrator: Chaitanya Dinesh Surpur
Chief Production Manager-Digital Imaging & Print: Sushil Mhatre
Production Manager: Mithun Anare

Photography Editor: Mexy Xavier
Chief Photographer: Amit Verma
Consulting Editor (Photo): Madhu Kapparath
Senior Photographer: Aditi Tailang
Junior Photography Editor: Prakash Rasal

Intern: Mansvini Kaushik

COO: Preeti Sahni

FORBES INDIA ADVERTISING SALES
General Manager:
North and East: Girish Sharma
West and South: Brijesh Singh

Mona Parate, Maulik Thaker, Abhishek Shah, Arijeet Sengupta, Kanwaldeep Singh, Atishay Singh, Divya Bhatia, Dilshad Ahmed Khan, Janki Modi, Daksha Solanky, Mitu Midha, Riti Menghani, Anil Bhatia, Priyanka Nalavade, Supriya Sahoo, Sheshagiri Raj

SOLUTIONS
COO-Business News Cluster: Smriti Mehra

Abhinav Gupta, D Bhattacharjee, Monica Ghose, Pratika Barua, Shehzaad Kapadia, Janardhanan Menon, Teby Sebastian, Zarrar Don

FOCUS MARKETING
Senior Vice President: Sidharth Saini

Chayya Jadhav, Siddhi Patel

BRAND MARKETING
Vice President: Suma Nair

Jitendra Gujar

SUBSCRIPTION & CIRCULATION
General Manager: Subhadra Bose

Kaushal Pillai, Vinod Parab

ADVERTISING OPERATIONS
Senior VP & Head-Business Planning & Strategy: Chaitali Karia

Smita Suvarna, Krishna Gupta, Ajinkya Tambe

Compliance Ratnesh Rukhariyar

Legal and Corporate Affairs Gautam Dubey

Accounts and Finance Ketan Ravesia
Dr Pratik Sangoi

FORBES MEDIA LLC
Chairman & Editor-in-Chief: Steve Forbes
Chief Executive Officer: Michael Federle
Chief Content Officer: Randall Lane
CEO, Forbes Asia: William Adamopoulos
Editor, Forbes Asia: Justin Doebele
Senior Vice President, Forbes Asia: Tina Wee

Views & opinions expressed in this magazine are not necessarily those of Network18 Media & Investments Limited, its publisher and/or editors. We (at Network18 Media & Investments Limited) do our best to verify the information published, but do not take any responsibility for the absolute accuracy of the information. Network18 Media & Investments Limited does not accept responsibility for any investment or other decision taken by readers on the basis of information provided herein.

"FORBES INDIA is published by Network18 Media & Investments Limited under a license agreement with Forbes IP (HK) Ltd."
"FORBES" is a trademark used under license from FORBES IP (HK) Limited".

©2009 Network18 Media & Investments Limited • ©2009 FORBES LLC, as to material published in the U.S. Edition of FORBES. All Rights Reserved.
©2009 FORBES LLC, as to material published in the edition of FORBES ASIA. All Rights Reserved.

Forbes India is published fortnightly.

Copying for other than personal use or internal reference or of articles or columns not owned by FORBES INDIA without written permission of Forbes India is expressly prohibited.

Editorial Office: Mumbai - Network18 Media & Investments Limited, Ground Floor, Empire Complex, 414, Senapati Bapat Marg, Lower Parel, Mumbai 400013, Maharashtra.
Tel:+91-22-66667777, Fax: +91-22-24910804.
National Capital Region - Network18 Media & Investments Limited, Tower A and B, Express Trade Tower, Plot No 15-16, Sector 16A, Gautam Buddha Nagar, Noida 201301, Uttar Pradesh. Tel: 0120-434 1818.
Bengaluru - Network18 Media & Investments Limited, 121, The Estate, Dickenson Road, Bengaluru 560042, Karnataka. Tel: 080-4064 9191
Gurugram - Network18 Media & Investments Limited, U and I, VR1, SCO 83, City Centre, Sector 29, Gurugram 122001, Haryana. Tel: 012-4480 3100
Subscriber Service: To subscribe, change address or enquire about other customer services, please contact: FORBES INDIA, Subscription Cell, Network18 Media & Investments Limited, Ground Floor, Empire Complex, 414, Senapati Bapat Marg, Lower Parel, Mumbai 400013.
Tel: 022 4001 9816 / 9783.
Fax- 022-24910804 (Mon –Friday: 10 am - 6 pm) SMS FORBES to 51818
Email: subscribe@forbesindiamagazine.com,
To subscribe or advertise, visit www.forbesindia.com
Forbes India is printed & published by Brian Carvalho on behalf of Network18 Media & Investments Limited & Printed at Print House India Pvt. Ltd. 847/2. T.T.C. MIDC, Rabale, Navi Mumbai – 400701 & Published at Empire Complex, 1ST Floor, 414, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013.

Editor: Brian Carvalho

Network 18

TO OUR READERS

The pages slugged 'Brand Connect' are equivalent to paid-for advertisements and are not written and produced by Forbes India journalists

Change of Guard
Roshni Nadar Malhotra appointed chairperson of board of directors at HCL Technologies P/12

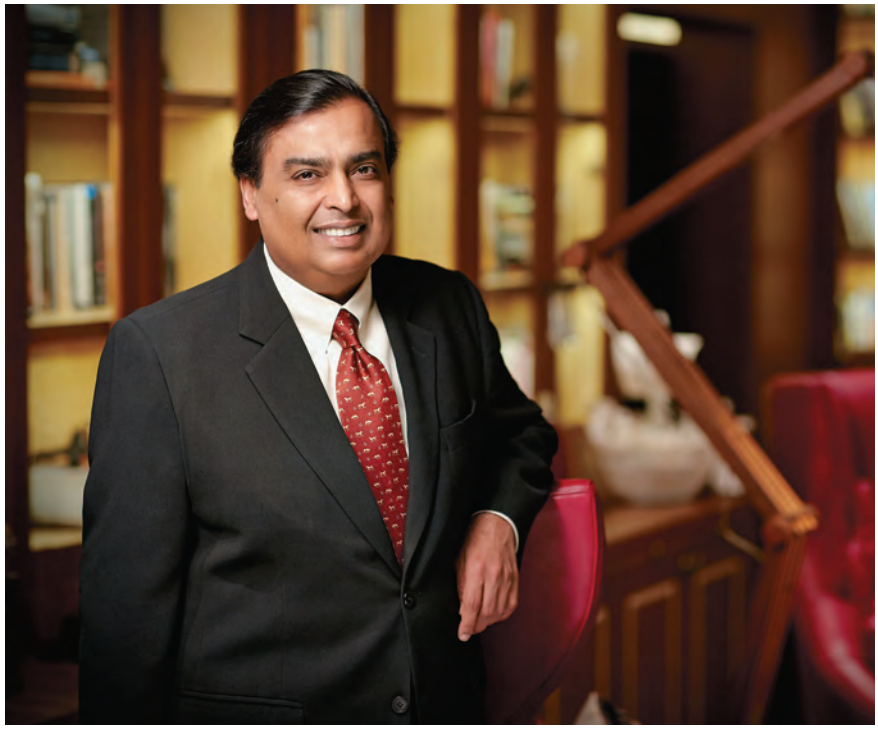
Marketing and Pharma
Journalist and author Gerald Posner on the opioid crisis and gender biases P/14

Pandemic Casualty
Girls' access to education has been disrupted by the Covid crisis P/15

NEW BEGINNINGS

Top Gainer

Reliance Industries' fund raising spree has pushed the stock to a lifetime high, taking its chairman's net worth to $80 billion, making him the fifth richest in the world



A NEW, AFFORDABLE ANDROID based smartphone; an accelerated rollout of JioMart; and a spinoff of the oil to chemical (O2C) business into a subsidiary are among the top priorities for Reliance Industries (RIL)—owner of Network 18, publisher of *Forbes India*—as it aims to transform itself into a consumer-led technology and platform company.

This transformation announced at its keenly watched annual general meeting resulted in a beeline for the stock and pushed its chairman Mukesh Ambani's net wealth to $80 billion. He is the only Asian to feature in the top 10 and trails Facebook CEO Mark Zuckerberg, LVMH Chairman Bernard Arnault, Microsoft co-founder Bill Gates and Amazon CEO Jeff Bezos.

This year, Ambani hinted at deals for the retail business and O2C business that would be announced in due course, even as he closed the door on further investments in Jio Platforms. Jio Platforms confirmed a ₹33,737 crore investment by search giant Google for a 7.73 percent stake, at an equity value of ₹4.36 lakh crore. The deal, along with partnerships with Facebook, Mubadala, KKR, Vista Equity Partners and Silver Lake, among others, brings in ₹152,056 crore in Jio Platforms.

MUKESH AMBANI HINTED AT DEALS FOR THE RETAIL BUSINESS AND O2C BUSINESS

Jio now plans to work on offering enterprise and cloud solutions to startups and entrepreneurs across India as well as working with Google on an Android-based smartphone, 4G or 5G, which can be used by low-income consumers. In addition, the company announced the launch of Jio Glass, a mixed reality product that allows users to teleconference in both 3D and 2D forms. Lastly, there was the launch of Jio TV+ that connects various OTT platforms such as Netflix, Amazon Prime and Disney Hotstar on a Jio set top box with a single login. Their Jio Fiber home broadband service has signed on a million users.

As Jio begins to contribute more to profitability, Ambani said that Ebitda growth for their consumer-led businesses (telecom and retail) had been 49 percent in the last year.

Reliance Retail, which launched its home delivery service JioMart in April, has scaled to 250,000 orders a day. As it partners with kirana stores, Reliance Retail is working with them on supplying their inventory assortment as well as remodelling stores for self-service. The same kirana merchants will help Reliance Retail in delivering last mile orders.

Electronics, fashion, health care

and pharma are next on JioMart's agenda, bringing into its fold higher margin categories and competition with online retailers Amazon and Flipkart, as well as offline stores such as Shoppers Stop and Lifestyle. There is no news so far on a rumoured buyout of Future Retail.

Reliance's legacy O2C business has seen its prospects transformed on account of a significant amount of specialty chemical manufacturing moving to India. Its petrochemical products provide the feedstock for manufacturing these chemicals and have so far been used to manufacture mainly polymers. The company can now get into new value chains for acetyls, acrylates, phenols and polyurethanes that are more margin accretive.

"Reliance has been approached by global companies for strategic partnerships in its petrochemical business, including in utilising these feedstocks," said Ambani. The company plans to separate its O2C business into a subsidiary and has applied to the National Company Law Tribunal for permission, which it hopes to receive by early 2021.

Reliance's share prices have had a dream run in the last three months, more than doubling from its March 23 lows of ₹875. The company has since then added ₹736,878 crore to its market cap, making it India's most valuable company at ₹13,52,000 crore. The stock has been responsible for 38 percent of Sensex gains since its March 23 lows. "Although it may not happen immediately, the markets are vulnerable to a hiccup in the Reliance stock," says Ambareesh Baliga, an independent market expert.

Analysts have, in the last two months, been forced to revise its sum of the parts (O2C, refining, telecom and retail) valuation of the business upwards. With the new announcements on the O2C business, there is a chance that those projects may have to be revised upwards again.

• SAMAR SRIVASTAVA



AVINASH GOWARIKER

TRIALS AND RESULTS

The Smart Bet

Adar Poonawalla's gamble on a coronavirus vaccine seems to be paying off, with early trials showing positive results

PLACING A BET PERHAPS COMES naturally to Adar Poonawalla. After all, the Poonawalla family has a rich legacy of having bred horses that have rewritten the rules of horse racing in India. In all likelihood, it's that knack that helped the 39-year-old CEO and owner of the Pune-based Serum Institute of India go big on a vaccine for Covid-19 much before it had even completed clinical trials.

Now, that bet seems to be paying off. On July 20, the medical journal *The Lancet* said the ChAdOx1 nCoV-19, commonly known as the Oxford vaccine, is safe and induces an immune reaction to fight Covid-19 after the vaccine completed its phase I and phase II clinical trials. "ChAdOx1 nCoV-19 showed an acceptable safety profile, and homologous boosting increased antibody responses," the *Lancet* report said.

Poonawalla had taken a massive gamble, first by signing a deal with British pharmaceutical company AstraZeneca to manufacture and sell the vaccine in India and other developing countries. Then, he decided to sacrifice a facility meant for producing another lucrative vaccine to manufacture the Oxford vaccine, in an attempt to stockpile the vaccine by the end of the year. "The trials have shown promising results and we are extremely happy about it," says Poonawalla. "We will be applying for the licensure trials to the Indian regulator in a week. As soon as they grant us permission, we will begin with the trials for the vaccine in India. In addition, we will soon start manufacturing the vaccine in large volumes."

The group has also partnered with American biotech firm Codagenix and Austria's Themis to potentially manufacture vaccine candidates that are still in development. "We are working with multiple partners across the US, UK, and Europe on four different vaccine candidates," Poonawalla had told *Forbes India* earlier.

For now, the vaccines are likely to cost around ₹1,000 per dose. Poonawalla had said he expected the government to purchase them and then undertake mass inoculation. "We are not asking for any money for dedicating a ₹700-crore manufacturing plant, including the manpower, energy cost, and other things from the government," he said. "All we are saying is buy the vaccine and give it free to everyone."

• MANU BALACHANDRAN

576

The number of deals across PE and mergers and acquisitions in the first half of 2020, compared to 984 in the same period last year



SHUTTERSTOCK

NEXT GEN

Change of Guard

At HCL, Roshni Nadar Malhotra takes over at a time firms are working to reimagine themselves amid the pandemic



RAMESH PATHANIA / MINT VIA GETTY IMAGES

Roshni Nadar Malhotra has been elevated as the chairperson of the board of directors in the company founded by her father

HCL TECHNOLOGIES ELEVATED Roshni Nadar Malhotra, 38, as chairperson of the board of directors, while her father Shiv Nadar, who built India's third biggest IT company, will serve as managing director. He will also hold the designation of chief strategy officer.

Nadar, 75, also one of India's biggest philanthropists, is handing over the baton at a critical juncture as large companies around the world are working to reimagine themselves in the wake of the Covid-19 pandemic. HCL Tech is at the forefront of those helping the world's biggest corporations make a transition to a digitally-enabled future.

The company's first-quarter profit rose by 31.7 percent from the year-earlier period to ₹2,925 crore for the three months ended June 30. Revenue rose by 8.6 percent to ₹17,841 crore. HCL has signed also 11 new contracts, it said recently.

Nadar credits many of his key decisions to a "strong instinct". Today, HCL Tech is a $10 billion company by revenue with some 150,000 employees. Nadar is valued at $14.14 billion, making him the sixth richest Indian, according to the 2019 Forbes India Rich List.

"Shiv is a close friend and a mentor. He is an institution who has built many other great institutions. This took guts, intellect, passion and perseverance," says Vineet Nayar, former CEO of HCL Tech. "That's why I call him the *shehenshah* (emperor) of the tech world. I am sure HCL will fly high under Roshni."

• HARICHANDAN ARAKALI

ECONOMIC SLUMP

Deals Slow Down

PE investments fell by 8.5 percent in the first half of the year

SHUTTERSTOCK



DEAL ACTIVITY IN INDIA HAS slowed down in the first half of the calendar year as uncertainty looms large due to the coronavirus pandemic. According to a report released by PwC India on July 21, private equity (PE) investors deployed $16.1 billion during the period compared to $17.6 billion during the same period last year.

The drop may look insignificant at nearly 8.5 percent year-on-year, but, of the five largest deals, four came in Jio Platforms, the technology and internet arm of Reliance Industries [owner of Network 18, publisher of *Forbes India*].

A report by EY in July says PE and venture capital (VC) investments in 2Q20 (ex-Jio Platform deals) closed at $3.7 billion, 27 percent lower than 1Q20. "If we keep the Jio Platforms deals aside, 2Q20 would have been the lowest since the past 15 quarters for PE and VC investment activity," the report said. "Deal activity in 2020 is expected to remain uncertain and largely dependent on how quickly the economy recovers. However, a number of investors continue to view India as a key investment destination."

As the country grapples with the Covid-19 crisis, the number of deals across mergers and acquisitions and PE collectively fell to 576 in the first six months compared to 984 deals for the same period last year.

PE exits witnessed a 47 percent decline compared to the same period last year. "While investment activity appears to be in a slump, deal levels would eventually pick up with investors tapping into opportunities emerging from the Covid-19 crisis. Protectionism and nationalism could impact cross-border deals; however, as an emerging economy, India remains a lucrative destination for foreign investors," says Sanjeev Krishan, partner and leader-deals, PwC India.

• POOJA SARKAR

AN INFLUENCE WHO INSPIRES ENTERPRENEURS

Business consultant, motivational speaker and author are just a few of labels that Mr Narsi Grewal is the proud owner of. Through his direct selling distributor channel, the entrepreneur credits his success to helping and empowering others.

Born in humble beginnings in a small village in Haryana, Mr Narsi Grewal always aspired to do something big for the nation. In 1985, he joined the Army Medical Corps and also served during the Kargil War. It was on November 25, 2002, that he was introduced to an influencer programme with a direct selling company. Back then, the concept of direct selling was still new in the market, but having always had an entrepreneurial spirit, Mr Grewal seized the opportunity to get a head start in the still growing market.

Entrepreneurial Responsibility

Mr Grewal's entrepreneurial drive paid off and today, he has accomplished almost 18 years of success in the industry, due to which he has travelled extensively, twice or thrice a week, getting the chance to conduct 15 to 20 monthly meetings across India. He says, "The philosophy of earning wealth is to duplicate yourself. When your income is not dependent on your ability, you become financially independent. If some day, something happens to me yet source of income won't stop as it's not dependent on me. I have successfully duplicated myself into lakhs of individuals working for their time/money/security."

Newcomer on the Scene

Being a novice in the field, he did not let his lack of sales and marketing be a deterrent but worked hard to build up his knowledge. He did not let his struggles pull him down but continued to be a learner. His determination and his thirst for learning helped him to reach the highest achiever level, breaking into the top earner ranks of a reputed national organisation. He then utilised his knowledge to build his own distributor channel of successful sellers.

Where many people gave up easily, Mr Grewal strove onwards, taking on responsibility and training individuals in his distributor channel to build the business. For Mr Grewal, the most profound strategy was to train and guide others through an organised education system, using the help of literature, starter kits, training seminars and mobile application. His passion to empower others to fulfil their dreams through entrepreneurship has made him a success in the industry. He believes that if followed properly, the training tools will help one's business for decades.



Mr Narsi Grewal, Business Consultant, Sales & Marketing Strategist

Family Business

Blessed with two children, son Ankur Grewal and daughter Navita, Mr Grewal ensured that he imparted his business skills to them, right from their childhood. Though his son went to UK to pursue a degree in computing and business management, in 2019, he joined his father in his social selling business. Today, his son helps out full time.

Future in the 'New Normal'

The pandemic, which took the world by storm, has upended the traditional 9-to-5 office culture. As companies have been forced to reconfigure to a remote work culture, the direct selling industry , which is a home-based business was quick to adapt and has emerged as a career option for many. Only the physical meetings and conferences had to shifted online. The industry was set up as an option favourable to everyone from a housewife to professional to student. With the support of a distributed workforce used to operating in off-site conditions, adapting to the pandemic-imposed lockdown was easy. With in-store sales taking a sharp hit, e-commerce picked up the volumes. It is estimated that direct selling clients grew by 40% in April 2020.

Motivating Others

Mr Grewal, along with his son, have devoted their valued time to helping many start-ups in the industry by training them in creating volume, character and personality building, developing the right mindset, etc. Today, Mr Grewal is not only a leading sales and marketing strategist, but his training and teaching skills have made him an expert in business networking and one of India's leading motivational speakers. He has also co-authored the best-selling Pragati Sutra, which has sold over half a million copies and delivered thousands of talks on leadership and ethical practices in business.

Achievements & Awards

- Rs.800 crore annual sales turnover through distribution network
- Co-founder of Success Support System (an education system)
- Responsible Business Leadership Award by Asian-African Chamber of Commerce & Industry
- Associated with brands Raymond, Reebok, Nokia, Vimal, Grado (Aditya Birla Group) and Sri Sri TATTVA (Initiative of Sri Sri Ravi Shankar).

narsigrewal.com

@narsigrewal

@narsigrewal

@narsigrewal

@narsigrewal



INTERVIEW

‘Pharma Companies Sell Addictive Products, Over-market Them’

Gerald Posner, award-winning journalist and author of *Pharma*, talks about the early days of the US pharmaceutical industry, and the current opioid crisis

Q Cannabis and heroin were legal in the 19th century. Cannabis has become a large pharma category globally in the last five years. How did the current opioid crisis evolve?

We hear about drug legalisation in places like Portugal, which are talking about decriminalising cannabis and marijuana. In the 19th century, even in the early part of the 20th century, every drug was legal in America, and in most of Europe. The birth of the pharmaceutical industry in America was from morphine for the Civil War and World War I, and then it all dried up overnight. In 1914, the US passed a law that banned all narcotic opioids, cannabis to cocaine, and we saw similar laws in Europe as well. The US experimented with an alcohol ban too.

Now, America and many other countries are in the middle of an opioid epidemic because we’re back to seeing legal pharmaceutical companies selling addictive products and over-marketing them. So things go in cycles, but nothing is as crazy as it was in the uncontrolled market of the early 20th century.

Q A penicillin dose that cost $20 in 1944 fell to 30 cents three years later. Streptomycin followed, dropping 70-fold in price between 1946 and 1950. These were the most popular medicines, then what led to the fall in prices?

These were important drugs during the World War era. It’s hard to overestimate the importance of penicillin; it is one of the most important discoveries in human history. So penicillin became a miracle drug and streptomycin, an advanced version of that, protected against more illnesses and bacterial infections, and saved even more lives.



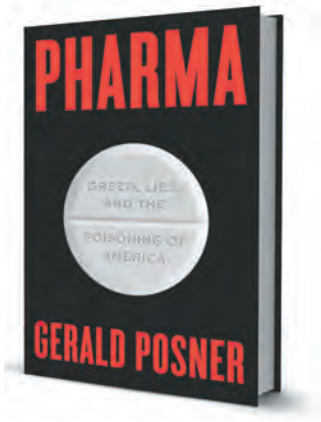
PATRICK MCMULLAN/PATRICK MCMULLAN VIA GETTY IMAGES

The US government made it as a secret project; right behind the development of the atomic bomb was the development of penicillin. And it worked. So why did the free market allow the prices to fall so low? That’s because when the government put penicillin as high priority, streptomycin came in. They stripped away exclusive selling rights and patents to drug companies. So everybody had a right to the research, everybody could produce penicillin. Two dozen companies were producing it non-stop. As a result, they competed on price, and the price kept falling. Pharmaceutical companies complained that they weren’t getting any profit margins. Same thing happened with streptomycin.

Q A lot of medical sales and advertising were targeted towards women.

Over the decades, women have been targeted by pharma companies to sell their products in a way that they did not understand they were being targeted. Arthur Sackler [marketer of pharmaceuticals] and pharma advertisers experimented on monkeys in the 1960s to understand reaction behaviour to say, alright, this is the basis for advertising. We will say that the executive monkey—that’s men—have all the stress of operating the lever, they have to earn the living for their families, appear strong, and therefore we will market the drugs to men so that they can be better competitors in the business world and they won’t get ulcers.

Women, on the other hand, are hysterical and neurotic, and we will advertise to them so that they won’t be as hysterical and neurotic.



• POOJA SARKAR

12 mln

The number of women who lost their jobs in India in April and May because of the pandemic



SHUTTERSTOCK

SHUTTERSTOCK



GENDER GAPS

Covid-19 Casualty: Girls' Education

Not applying a gender lens while designing plans for school operations during the pandemic will push female education back by several decades

COVID-19 MAY HAVE STARTED as a health pandemic but it is ravaging the economy and social institutions. Nearly 89 percent of India's school-going children are out of school, leading to a resurgence of gender gaps in education. The Malala Fund estimates that close to 10 million secondary school girls could drop out, and a large number of them can be Indians.

In India, girls' access to education has improved tremendously. Female literacy rate has risen from 9 percent in 1947 to 65 percent in 2011. Primary-level female gross enrolment ratio (GER) rose from 61 percent in 1970 to 115 percent in 2015, almost 17 percentage points higher than male GER. At the secondary level, female GER rose from 14 percent in 1970 to 75 percent in 2015, narrowly exceeding the male GER.

Four factors have contributed to this improvement, and each of these has been disrupted by the pandemic.

Mid-day Meal Scheme: This scheme, introduced in 1995, has helped reduce gender gaps in education as it cuts the cost of schooling and food for families. In the absence of this incentive, families may withdraw daughters from schools. The Supreme Court has issued notices to states in March to continue mid-day meals, and a few states have begun complying with the order.

Access to schools: The fear of harassment in transit and lack of transport deter families from sending daughters to distant schools. About 96 percent of the rural population now has a primary school within 1 km. This has improved girls' enrolment. With classrooms closed, prevalent gender-based digital divides are exacerbating inequalities. Harvard Kennedy School found that Indian women are denied access to technology, with their use of mobile phones governed by male relatives. Only 33 percent of urban, and 28 percent of rural women have internet access. About 38 percent women own a mobile phone versus 71 percent men.

WOMEN ARE DENIED ACCESS TO TECHNOLOGY, WITH MALE RELATIVES GOVERNING THEIR USE OF MOBILE PHONES

Return to education: In a country where just 23 percent of working-age women are part of the labour force, the economic shock will have a gendered impact. Women are over-represented in sectors hardest hit by the pandemic—hospitality, retail and travel. The unemployment rate in May was 30 percent for women and 23 percent for men. In April and May, about 12 million women lost their jobs, about 9 million in rural and 3 million in urban areas.

Policy priority: Covid-19 has led to a reshuffling of funds. Nearly a third of corporate social responsibility (CSR) investments were made in education and skilling in the past four years. But CSR funds are now being directed towards the pandemic, reducing investments in education.

Girls, especially from low-income homes, are likely to be engaged in unpaid care work, making return to school expensive. The government should increase education expenditure from 3 to 6 percent of the GDP, ensuring that at least 50 percent of funding supports girls' education.

Without such efforts, this crisis stands to push female education back by several decades.

• MITALI NIKORE
THE WRITER IS AN ECONOMIST FOCUSING ON SUSTAINABLE DEVELOPMENT AND PUBLIC POLICY

To read the full article, visit **www.forbesindia.com**

MEET AMIT SHARMA: THE SUPPLY CHAIN VISIONARY

An alumnus of NITIE, Mumbai, Amit Sharma is the Cofounder of Trinamix Inc., a global leader in strategy, consulting, digital technology, and operations within the global supply chain transformation domain



Amit Sharma, Co-founder, Trinamix

Amit graduated from Indore and completed his post-graduation from NITIE, Mumbai, which is a prestigious educational institution in the area of Supply Chain, founded by the International Labor Organization (ILO). During his study, he and his colleagues founded Lakshya - On the Job Achievers Contest for achieving outstanding work in the area of the supply chain. It is now India's most prominent on-the-job competition of its kind under the chairmanship of Anand Mahindra.

Amit is one of the leading practitioners of progressive supply chain transformation in the world. He has demonstrated experience in expanding operations to include solutions for complex supply chain problems globally. Even before he founded Trinamix along with his fellow co-founders, Amit proved himself to be an entrepreneur at heart.

He established his first company when he was graduating from NITIE, Mumbai. He created a portal that allowed freelancers to earn money solving "day-in-the-life" problems. The project picked up well before it became an unfortunate victim of the 2000 dot-com burst.

"The failure of my first venture taught me several lessons that have helped me throughout my career. In fact, it was a blessing in disguise as today I understand that I was destined for bigger things in life and that one failure was to be my catalyst," says Amit.

Not one to be deterred by a short lived first business, Amit played a critical role in another startup called eZdia, which allowed freelancers to promote themselves and as a result, be hired to perform independent remote assignments. eZdia gained a lot of attention and a significant number of users. Soon, the platform was more or less running on auto-pilot.

"After the earlier debacle, the success of this venture helped me a lot in regaining my confidence. It was also immensely satisfying to see our crowdsourcing based solution helping tens of thousands of freelancers from countries like India, Bangladesh, Srilanka, etc., to showcase their skills and pick up assignments online. At the same time we were also helping a lot of small to medium sized businesses in the developing countries to get quality services at much affordable cost from quality freelancers through our platform," elaborates Amit.

Soon Amit ventured into co-founding Trinamix, an opportunity that saw Amit working closely with recognizable companies such as Facebook, Cisco, AT&T, Sony and Logitech, to bring excellence to their supply chain and reduce costs by millions of dollars while at the same time establishing overall efficiency in the business process.

It is due to the significant contribution of the co-founders that has enabled Trinamix to evolve into a top-tier leader in implementing End to End Supply Chain, Supply Chain Planning, and Industry 4.0 Solutions. In partnership with Oracle, Trinamix has committed to delivering it's customer's future-ready supply chain management solutions.

"Trinamix was born as a humble, yet determined Partner with a goal of improving supply chain efficacy in the marketplace. Soon, Trinamix emerged as the number one partner in the area of Supply Chain in North America due to our dedication, hard work and passion. Gartner recognizes Trinamix as a top supply chain implementation partner, which we feel is a testament to the hard work the team has put in over the years," says Amit, with obvious pride in his voice.

Trinamix is also known as one of the premier implementation specialists for Oracle Cloud Applications with a global presence. It is known for its unique approach to implementation, which incorporates best practices for processes and technology together.Today, Tirnamix is a global company that operates in multiple countries, including the US, Japan, Australia, Dubai, Canada, and India. Prior to founding Trinamix, Amit was the Director of Global Consulting for Triniti Corporation. He helped the firm through a nine-year period as a successful start-up by leading several global Oracle implementations. He was responsible for building and managing their Oracle applications practice that included the US, Japan, and India consulting services groups.

While with Triniti, Amit spent quite a few years of his life in Japan working with Sony Semiconductors where he helped perfect their systems along with manufacturing processes. He also helped build several creative solutions that enabled Sony to increase business process efficiency and drive profitability. While on this long term assignment, Amit was deeply inspired by Japanese culture and their attention to detail.

"I learnt the significant role that meticulous planning plays in the success of any venture. It has a huge impact on expedited execution and helps build fail-proof systems. The importance of pictorial and structured communication that the Japanese are renowned for, are now imbibed in my work ethic forever," concludes Amit.

MOLLY CHAKRABORTY: BREAKING THE GLASS CEILING IN HI-TECH INDUSTRY

Molly is aptly described as a visionary and a thought leader by her peers

Coming from a family where very few women went to college before her, to earning her engineering degree along with a gold medal, to finally becoming a successful entrepreneur in the technology industry, Molly Chakraborty has a penchant for breaking stereotypes.

"What's really important to me is to have the freedom to dream and the courage to fail. Without either of them, our life would not really be ours," says Molly.

After having graduated in Electrical Engineering with a gold medal from the Jadavpur University, Calcutta, Molly embarked on her professional career with a dream of making a difference. She was accepted into the PhD program at the University of Maryland to pursue research in neural networks, an emerging field at that time. However, she returned to India leaving an incomplete PhD to care for her toddler son she had left back home.

While growing up, Molly pursued several art forms and has a Visarad degree in Indian classical dance and a diploma in vocal music. These creative pursuits shaped her personality and interests. Molly understood the value of art and science in everyday life. This defined her penchant for pursuing creativity and excellence in everything she did.

She has extensive experience in Supply Chain management and has worked with global firms like Tata Consultancy Services and Oracle. At Oracle she was a technology and thought leader. She took a lead role in shaping the product by fitting market needs with technology and creativity. After several years in Oracle, Molly realized that it was time to make a bigger impact in the industry.

The passion in her to make a difference, her vision to gauge the future opportunities and her inclination for disruption made her found Trinamix in 2008 with a vision of providing innovative solutions to complex business



Molly Chakraborty, Co-founder, Trinamix

problems in the supply chain in an ever changing market. Trinamix is a US based global company today that facilitates business process transformation of organizations into integrated supply chain and Industry 4.0. "I could clearly see and understand the importance of sensing the market trend and creating solutions for industries to lead in the supply chain innovation space. This spurred me, along with my partners to transform Trinamix into a global business", says Molly.

Molly believes in the principles of leading by design, putting the 'Customer First', employing the best professionals in the market, inculcating a culture of creativity and nurturing a collaborative environment where everyone can innovate, perform at their best and thrive for excellence.

Trinamix also plays a key role in building pieces of solutions to create an end to end supply chain and I4.0. Trinamix has built several cloud based products that complement Oracle products available in the market. Trinamix plays a key role in the semiconductor industry with its cloud based MES solution, an innovative offering that competes with SAP offering in similar industries. In CPG, retail space promotions planning and trade settlement is critical and Trinamix has built a competitive solution available on Oracle Marketplace.

On Industry 4.0 Trinamix has emerged as an early player with offerings on design thinking, Industry 4.0 lab and use case for IOT, block chain and adaptive intelligence. Trinamix brands and exchange ideas through sponsoring events such as "Oracle Open World" and Platinum sponsor for Oracle's "Modern Business Experience", besides being the co-host for webinars along with Oracle. Trinamix maintains an effective relationship with Oracle senior management.

Molly says, "I ascertain to provide all my employees an environment of continual learning. We promote free thinking, collaboration and exchange of ideas between peers. We have mentorship programs, and a training department to foster continual learning. Our employees are regularly certified by Oracle solutions. We also have incentive driven innovation programs as reflected by our track record of innovative solutions developed by our team."

In 2018, Molly was accepted by the Stanford Executive Program at Stanford Graduate School of Business, where she learnt the latest innovation techniques, got associated with world class executives and became a proud member in the community of industry leaders. Coming from a middle class family from Calcutta, Molly developed empathy towards others in her growing years. At Stanford she organized a fundraiser to fund the higher education of children of the staff of Stanford University.

Molly also likes to contribute to her community and the society at large. She regularly participates in overnight marathon-like walks to fund organizations that support prevention of suicide. She is currently working towards a program to improve opportunities for girls in need in India to pursue careers in STEM. Molly is a global traveler and appreciates art in any form.

SAMEER PAWAR



Empty Pockets

The pandemic has punched a hole in government finances limiting its ability to spend that could lead to a period of low growth

By SAMAR SRIVASTAVA

In early June, as India tentatively got back to work, businesses cheered. At 10,000 Covid cases a day, the count seemed manageable. If Indians could learn to live with the virus, it was hoped that the hard stop to economic activity in April and May would soon be behind us.

During the two-month lockdown, government revenues had evaporated with GST collections falling to ₹32,172 crore in April and ₹62,151 crore in May, lower than the ₹100,000 crore monthly run rate. State coffers had run dry primarily around the ban on alcohol sales.

Simply put, a government that does not earn cannot pay its bills. With the lockdown lifted on June 1, markets rallied. Two-wheeler companies spoke about demand coming back to pre-Covid levels. Retailers stocking everyday items saw sales resume.

Global ratings agencies were more circumspect. At exactly the same time as India reopened, they either lowered ratings or revised the outlook to negative. April had seen growth projections for FY21 at 1 to 2 percent, but these had been steadily revised downwards. The decline in growth has a direct impact on government revenues.

Although India has never defaulted on its sovereign debt, those that assign sovereign ratings—Fitch, S&P and Moody's—were concerned about the loss in output punching a hole in government finances. "We're watching this closely, with a particular emphasis on the potential for structural damage to the economy should conditions deteriorate beyond our expectations," Andrew Wood, analyst at S&P Global Ratings tells *Forbes India*.

Now, as the four month-long pandemic shows no signs of slowing and the rising case load (now averaging 40,000 daily cases) resulting in city and district-wise lockdowns, growth projections have been lowered even further. Both Fitch and S&P have pencilled in a 5 percent reduction in output in FY21. Indian rating agency ICRA recently downgraded their growth projection to 10 percent and Pronab Sen, former chief statistician, has

spoken about a 12.5 percent decline.

Three points bear mention. First, a large part of India's growth has been powered by consumer spending since 2013. As banks and NBFCs cut back on consumption loans, it remains to be seen whether government spending, investments and exports can drive growth. So far there is no evidence to suggest that these three can pick up the slack.

Second, going into this pandemic, government finances were in poor shape. India's central government deficit was budgeted at 3.8 percent for FY21. Add states and government of India-guaranteed bonds for undertakings like the Food Corporation of India or Air India and the number stood at 8 percent. Third, unlike the 2008-09 Lehman crisis, there is now a synergistic relationship between central and state finances. They have to work with each other. "While we may come out of this with the central government numbers smelling like roses, it is the state government numbers that could retard growth for a long time," said Sen.

A poor growth outlook and already high deficit numbers paint a dismal picture for FY21. The duration and severity of the pandemic is still unknown. In estimating what government finances could look like, economists have evolved a framework that looks at the decline in growth, the tax elasticity and what specific taxes could bring in and what the deficit numbers would look like. At the same time, defence, health, the rural employment guarantee programme and a bank recapitalisation programme would almost certainly need more money than has been budgeted for. Major areas of decline would include money from disinvestment and telecom spectrum auctions. Increased revenue from higher excise on petroleum products is likely in FY21.

How steep could the decline in taxes be? Abheek Barua, chief economist of HDFC Bank, predicts that tax buoyancy will fall from 1.2 to 0.7 even as he has predicted only a 5 percent fall in growth. Gross tax revenue, according to HDFC, would decline to ₹2,000,6000 crore compared to a budget estimate of ₹2,400,2000 crore—a decline of ₹360,000 crore. For Sen, that number is at ₹450,000 crore. He puts the deficit number for states at ₹300,000 crore. Most of this is likely to come from GST with income tax, corporation tax and customs duties accounting for lesser falls.

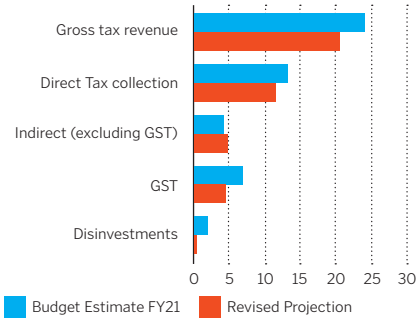
All economists and ratings agencies that *Forbes India* spoke to pointed to a fiscal deficit number of 10 to 12 percent for FY21, with the central government deficit at ₹650,000 crore, states at ₹400,000 crore and ₹120,000 crore for government-guaranteed borrowings by companies. The new borrowing programme by the Centre gives it leeway to borrow ₹400,000 crore more in FY21 while states can borrow up to 2 percent more of their state gross domestic product.

In effect, this means that while the central government would have some extra cash to spend, the states will almost certainly have a spending deficit even after the extra borrowing. "Virtually every ministry is cutting back on expenditure. It is across the board and we still don't know the specific numbers as yet, but the axe could come on capital expenditure on roads and railways," says Barua. Dearness allowance increases for government employees have been suspended till July 2021.

What could the limited spending capacity mean for growth? This is something economists are watching closely. "It remains to be seen what impact the crisis will have on India's medium-term economic growth and whether a growth rate of 6 to 7 percent, as previously estimated, will be achievable, especially if financial sector weaknesses persist," says Thomas Rookmaaker, director, sovereign ratings, at Fitch Ratings.

So far, at 1.9 percent of GDP, the Aatma Nirbhar package has been restrained in its spending. With state and central governments limiting spending, the potential for inflation flaring up is also limited. In a July 22 FICCI conference, chief economic advisor Krishnamurthy Subramanian spoke about a stimulus announcement once the virus is under control. While it remains to be seen if that will be enough to take care of lower demand on account of wage loss, a lesser decline in growth would do the trick for this fiscal. F

Revenue Deficit (₹ lakh crore)



SOURCE HDFC Bank

Low Revenues, Low Growth

- India's sovereign ratings and outlook have been lowered
- GDP contraction forecasts range from 5 to 12.5 percent
- Fiscal deficit expected to climb to 10 to 12 percent leading to an increase in public debt
- Government's limited ability and willingness to spend mean India could be in for an extended period growth below its trend of 6 to 7 percent growth

While the Centre would have some extra cash to spend, the states will almost certainly have a spending deficit

‘We Are Urging Manufacturers To Set Up Operations Here’

Sajjan Jindal, chairman of JSW Group, on avoiding dependence on Chinese imports, the likelihood of the economy picking up from October and opportunities during the coronavirus crisis

By POOJA SARKAR

Q What does the JSW Group import from China and what is the quantum of those imports?

Our imports from China are classified into two broad segments: Direct and indirect. The former is valued at about $400 million annually and comprises raw materials or consumables required in our manufacturing process. The second can be attributed to our purchase of equipment and machinery. While we purchase equipment from German, Italian, South Korean or Japanese manufacturers, they have workshops or an assembling facility in China. We are looking to avoid these indirect procurements from China and urging these manufacturers to set up operations in India or elsewhere.

Q How long would it take to start a vendor base in India and has the company taken any concrete steps in this regard?

We have identified potential suppliers for these critical raw materials within India as well as in other countries. We will work closely and support them in achieving the right quality at the right price. As these companies scale up in time, the price differential over China would become negligible. This transition will not happen overnight and we have set ourselves a target of 24 months for it to happen. There is a possibility of a slight discomfort in the next few months as we groom new vendors for our raw material requirements. This will have a small impact on the overall cost of production in the short term, but I see it regularising over a period of time. In the long term, I see us being much better placed than we currently are, as most of our vendors will be producing a high quality product within India; it will also shorten our lead time, given the location of production. I believe that as we set an example by building a supply network in India, other industries will see the benefit in doing the same. For example, Indian auto manufacturers import a number of their parts, but Indian ancillary units in that sector are exporting to a number of manufacturers globally, which means the product and vendor base are available locally, but not being utilised. These supply chain modifications would have to be made consciously to make India a more self-reliant nation and we hope to lead the way. As more industries commit to use a locally sourced and developed supply chain, I see a $100 billion opportunity for the Indian industry.

“As more industries commit to use a locally sourced and developed supply chain, I see a $100 billion opportunity for the Indian industry.”

Q What is your opinion on the stimulus package announced by the government?

The ₹20 trillion stimulus package for making India self-reliant (Atma Nirbhar) is a step in the right direction. The increased focus on strengthening the micro, small and medium enterprises (MSMEs)—considered to be the backbone of the economy—is also a welcome move. At JSW Steel, we have made a commitment to support the MSME sector by making our wide range of high-quality steel products available to domestic engineering goods manufacturers at international prices. This initiative, in partnership with the Engineering Export Promotion Council, will



VIKAS KHOT

enhance the global competitiveness of locally manufactured products and make India a new exporter of engineering goods.

Q Most of your businesses—steel, power, mining, cement etc—are allied with core manufacturing. What impact has the coronavirus pandemic had on your businesses?

The JSW Group was not immune to the impact of the coronavirus pandemic. Our first response to the crisis was to institute a number of measures and protocols to ensure the safety of our colleagues and their families. Like most other manufacturing units, we had to bring down our capacity utilisation during the lockdown across most businesses. Now, as the country starts to unlock, we are starting to bring back production levels to optimum capacity. Power is the only business which ran operations at a near-normal run rate.

Q How long will it take to recover from this? The Reserve Bank of India has predicted negative growth... how will it affect manufacturing companies?

We are still in the middle of challenging times. A predicted negative growth rate of 4 to 5 percent will make the revival of our economy quite a task, with domestic demand remaining subdued. With a favourable monsoon and buoyant rural demand, expected infrastructure spending push and better foreign direct investment inflows, I expect the economy to start picking up early October onwards.

Q Which businesses do you expect to come out of the woods first? And has the pandemic forced you to rewire the company's plans?

We are present in the core sectors of the economy and as economic activities gain momentum through these phase-wise unlocks, I see all our group businesses moving towards normalcy. There is often an opportunity in a crisis... we at the JSW Group have used this time to implement a number of initiatives to rebase our cost structure and align our business model through an accelerated adoption of technological tools and digitalisation initiatives.

Q JSW Steel has taken board approval for raising ₹14,000 crore. By when do you plan to start the capital raising process and is the market conducive for that?

These are enabling approvals as part of a regular process. There are no immediate plans to raise equity in JSW Steel. However, we continuously evaluate various scenarios and remain in a state of preparedness. Our focus is to conserve liquidity, prioritise all discretionary spending and complete key strategic projects.

Q Would you be looking to reduce the debt at some of your companies or would it remain at the same levels?



The JSW Steel Vijayanagar plant, located in the Ballari-Hospete iron ore belt, is the world's sixth largest steel plant with a capacity of 12 million tonnes per annum

At the JSW Group, we remain committed to maintaining fiscal discipline and prudence in capital allocation... our target is to maintain leverage ratios at healthy levels. At JSW Steel, our net debt—which stood at about ₹53,000 crore at the end of March 2020—may appear to be high. If not for the lockdown-related disruptions in March, which led to a drop in sales and a subsequent inventory build-up, leverage at year-end could possibly have been lower. However, of this amount, about ₹18,000 crore is leverage on account of new projects which are currently under implementation and at various stages of completion. In other words, our core leverage for the current 18 MTPA (million tonne per annum) capacity is only about ₹35,000 crore, which is one of the lowest in the industry. As some of these projects get progressively commissioned during FY21 and start generating returns, it will set in motion a natural deleveraging process in FY22.

Q Would you be looking at restructuring any businesses?

If at all any restructuring has to be done, it will be suitably communicated in accordance with all applicable regulatory requirements.

Q As a group, will you be curbing your capex plans? If yes, for which businesses and by when will you restart them?

We have undertaken a detailed exercise to prioritise all planned and discretionary spends with the twin objective of conserving liquidity and completion of strategic projects which are in advanced stages of completion. We have announced a calibrated spending plan of ₹9,000 crore in JSW Steel for FY21.

Q Given the situation in Chile, when do you expect mining to stabilise?

The mines in Chile are under care and maintenance, and we have provided for the value of investments there.

Q Have you restarted construction at any of your sites? Also, by when do you expect the migrant workforce to come back?

At Dolvi Works, we received permission to restart activities in end April. We were able to ramp up our existing operations in an efficient and timely manner. However, progress on the 5 MTPA expansion project has been delayed as we face the fallouts of the pandemic. Further, non-availability of foreign experts (from our technology and equipment suppliers) due to international travel restrictions has impacted our commissioning schedule. With regard to the migrant workforce shortage, I see it as a temporary issue that we have had to deal with. I see the situation normalising in the next two to three months. A lot of the workforce that went home is now returning to the cities/towns they left and reporting back to their jobs. A number of organisations have also made efforts to ensure their smooth return.

Q How are you preparing to restart the engine when things start opening up?

We have adapted to the new normal at all our locations across the country. We have benchmarked our standard operating procedures with global industries while restarting and are using effective technological solutions for screening and testing our people to ensure safety across our business locations. Also, with a gradual demand recovery, for capital-intensive industries, it will be imperative to remain in the lowest quartile of the cost curve, to operate plants at high capacity utilisation, and develop new customers and markets for our products. I think the resilience of a developing economy such as India is enough to give us hope.

Q What lessons has this pandemic taught you, personally and professionally?

Society has always had historical milestones that define it—Pre and Post AD, Pre and Post BC, and even a Pre and Post Spanish Flu period, for example. Similarly, we have to acknowledge that there was a pre-pandemic world and there will be a post-pandemic world too. The individuals and organisations that will gain post pandemic are those that adapted to the changing circumstances effectively and found opportunities in the crisis. A post-pandemic world will also be highly digitalised, where digitalisation will complement most forms of human activity.

Go Global, Hire Local

India's tech services giants have been ramping up local presence in the US, their biggest market, and experts say the recent H-1B ban will be more of an irritant than a challenge in the long run

By HARICHANDAN ARAKALI

They are two sides to a coin: The June 22 order by US President Donald Trump to suspend the H-1B and a few other non-immigrant visas could see companies sending more IT services work to centres outside the US, both India and elsewhere; at the same time, India's biggest IT companies are likely to see minimal impact from the ban, according to experts, because they have been ramping up their local presence in the US.

"On the H-1B visa [ban], obviously, it does not really make any logical sense. Various independent studies have clearly demonstrated the value that Indian IT service providers are adding to the US economy and how they make American companies competitive," said UB Pravin Rao, COO of Infosys, on July

PHOTO COURTESY: INFOSYS



Infosys's Technology and Innovation Center in North Carolina, US. The company has recruited more than 13,000 US nationals till date

15 while discussing the company's quarterly results. "Having said that, in the short term, we do not see any impact because anyway there has been zero travel due to the travel restrictions, and even the consulates are shut down. So, in the short-term till December it does not make any difference."

"In the short term, and by that I mean the next six months, the real impact of this will be minimal," says Peter Bendor-Samuel, founder of Everest Group that advices large corporations on technology and strategy. Agreeing with Rao, he says that while it will interrupt companies' ability to bring in talent, most companies have been stepping up US-based recruiting to strengthen their teams in the country for some time now.

Furthermore, the talent they already have in-country will not be affected by these regulations. "When we add the Covid-19-induced reduction of demand, it seems highly likely that they will be able to make do," says Bendor-Samuel.

Infosys's focus on localisation in the US has helped and more than 60 percent of the Bengaluru-headquartered company's employees are "visa independent", Rao said. In May 2017, the company announced it would recruit 10,000 US nationals over the next two years and build four technology and innovation hubs in the US. Rao said the company has recruited more than 13,000 US nationals till date. "So, from our perspective, we are entirely de-risked and I mean even in the medium to long term we do not see an impact... we should be okay in dealing with this."

However, if these restrictions persist after the US presidential elections in November, then companies will face a more complicated situation. Despite moving to hire more US employees, they are still dependent on importing talent. Making a complete switch-



"Even in the medium to long term we do not see an impact... we should be okay in dealing with this."

UB PRAVIN RAO,
COO, INFOSYS

over will raise costs but not prove insurmountable. A further annoyance will be the constraint on moving managerial and leadership talent in and out of the US. Once again, they will be able to cope, but over time this will affect career planning and trajectories, Bendor-Samuel says.

Many, but not all, of the Indian IT companies have been strengthening their in-country recruiting, and have been replicating in the US their training and development structures perfected in India.

"We have been building a talent pool that is distributed, local and diverse. Approximately 70 percent of Wipro's workforce in the US are locals," says Saurabh Govil, president and CHRO, Wipro. Similarly, in all other geographies, Wipro has been expanding its localisation footprint. "We do not anticipate a big disruption based on the recently announced changes," he says.

Automation has also helped drive the shift from labour to technology arbitrage, says DD Mishra, senior research director at consultancy Gartner. Increased dependence on collaboration tools has helped to drive down physical deployment. In addition, automation and localisation have helped to address the dependency on offshore resources. "In my view, American businesses will be more impacted as this will slow down their growth. Especially at a time when they require to drive down the cost and recover fast, this comes as a blow to them," Mishra says.

This temporary ban will impact the ability of both US and India tech industries to bring in non-immigrants, including H-1B visa holders, to the US till Dec 2020, says Shivendra Singh, vice president and head of global trade development at Nasscom, Indian IT industry's lobby. The impact would be seen more between October and December 2020, the period when the new H-1B season commences if the current travel restrictions are relaxed. The announcement could have a negative impact on US economic recovery and will harm local job creation. Such sentiments have been expressed by leading US associations and CEOs as well, Singh says.

Even though Indian IT companies have hired tens of thousands of Americans and invested billions of dollars in recent years, they, like others in the sector, utilise high-skilled individuals who bridge a critical skills gap to service US clients. Nasscom is lobbying for this temporary restriction to be shortened to 90 days.

In the long run, the US might return to an open stance towards immigration, particularly for high-end talent, Bendor-Samuel says. He feels it is also likely that the allocation of H-1B and other visas could evolve and be less favourable toward the services industry. This will further necessitate the need of the services industry to strengthen its hiring of local US talent.

"As an American company with

GETTY IMAGES

global operations, Cognizant is committed to hiring the best and brightest people to meet our clients' needs, no matter where they are from. This includes US citizens and residents. Cognizant is investing in and supporting training and retraining initiatives across the country," says a spokesperson for Cognizant Technology Solutions.

Enabling a strong supply of skilled technical talent is important to US competitiveness and to the company's client base. Accordingly, it follows relevant legislative and regulatory actions that could affect its employees, business and clients, the spokesperson says. "Our current H-1B visa-holding employees are not affected by the suspension."

Gartner's Mishra believes that business and technology are intertwined and inseparable. "I am not sure there is any strategic thinking behind this ban and, even from the political perspective, if it will be helpful." US businesses will explore alternatives to this, which will cause bigger impact on jobs, he says. "It's a lose-lose situation for everyone."

The top seven Indian IT companies for FY 2019 took around 6 percent of the 85,000 H-1B visas given out that year, Singh says. This has been due to a number of factors including digital transformation, having the need for domain knowledge and need to be near the client. However, Indian nationals overall get around 75 percent of the H-1B visas, which is a testimony to their skill set, he says.

Singh adds that there is still a lot of speculation as to what policy changes will come into force in a



"We have been building a talent pool that is distributed, local and diverse. About 70% of Wipro's workforce in the US are locals."

SAURABH GOVIL,
PRESIDENT AND CHRO, WIPRO

Covid-19 recovery era. While the current proclamation is in place till the end of 2020, a set of regulatory promulgations are in the offing with the ostensible objective of making efficient allocation of H-1B visas.

It is still early to predict implications, but the rate at which the industry is transforming in the new normal proves its ability to find the right balance to cater to global challenges. With the Covid-19 driven contraction in the global economy, Mishra says that customers of IT companies have already started offshoring more work. Many customers are now driving this aggressively to bring down the costs.

Bendor-Samuel has a slightly different view: One of the easiest ways of meeting the increasing demand for cost savings due to the recession caused by the pandemic is moving work to low-cost India.

Having said that, the IT industry has been surprised that many customers are looking for other ways to save money, which involves accelerating their digital transformation and then have this tech stack managed from the US. The Indian firms are doing well in these opportunities so they look to be well positioned to win business but it may not result in as much new work for their Indian operations.

Indian IT companies have successfully adopted a hybrid working model for the 4 million employees in the industry, wherein they can work remotely as well as from physical offices. This has ensured business continuity during the pandemic, entailing that organisations in any part of the world will not require their workforce to be physically present on-site and employees can continue to work remotely from any region.

The global delivery model continues to evolve and India enjoys a 55 percent market share in global tech services sourcing. This is due to a combination of multiple factors: India has a growing innovation ecosystem comprising startups and global capability centres and the world's largest base for skilled talent.

Singh is confident that if the US ban on visas extends beyond a temporary period, it may lead to more offshoring since there is a lack of local talent available. This is because, he explains, virtually every segment of the American economy, including manufacturing, technology, accounting, medicine, among others, employs skilled workers from other countries for the innovation, productivity, and skill they bring to their companies or for their clients.

H-1B visas: Falling numbers for top Indian IT firms

Company	Approved for FY19	Approved for FY15	Rate of Denial for FY 19	Rate of Denial for FY15
TCS	1,742	4,771	31%	6%
Cognizant	1,598	3,849	56%	8%
Infosys	767	2,765	35%	2%
Wipro	609	3,185	47%	7%

SOURCE Forbes.com, USCIS Data



Over the next five years, Adani Group has lined up investments of ₹112,000 crore to transform the company into the world's largest renewable energy firm by 2030

PHOTOGRAPHS COURTESY: ADANI GROUP

New Ports of Call

The Adani Group is entering new sectors, as diverse as green energy and defence, while retaining its hold on its core business

By MANU BALACHANDRAN

For long, Gautam Adani has been synonymous with ports, coal, power and infrastructure.

Along with a value of $30 billion, his companies have, however, amassed serious brickbats over their poor environmental track record, particularly the flagship company Adani Ports and Special Economic Zone (APSEZ), in Gujarat, and Adani Australia, over the controversial Carmichael coal mine in Australia.

But this could well change, with the 58-year-old billionaire emerging as an unlikely champion of clean energy. Over the past few years, he has been laying the groundwork to diversify his empire, and renewable energy seems to be at the heart of this transformation.

In June, Adani Group's renewable energy arm, the Adani Green Energy Limited (AGEL), won a contract from the Solar Energy Corporation of India (SECI) to develop 8 GW of solar projects, along with a commitment to build 2 GW of additional solar cell and module manufacturing capacity over the next five years. The entire project is expected to cost ₹45,000 crore, and will create about 4 lakh direct and indirect jobs.

With this, AGEL will have about 15 GW of capacity of renewable energy under operation. "By 2025, the capacity of AGEL will be 25 GW, while Adani Power's thermal

capacity will be less than 20 GW," says Adani, chairman of Adani Group. Today, Adani Power's thermal capacity stands at 14 GW.

AGEL, set up in 2015, has become the group's second-most valuable company in terms of market capitalisation, at ₹54,000 crore, a notch below APSEZ. In fact, in June, it had become the group's most valuable company as its share prices swelled; over the past two years, AGEL shares have rallied as much as 1,000 percent on the bourses.

Over the next five years, Adani has lined up investments of ₹112,000 crore to transform the company into the world's largest renewable energy firm by 2030. "India will have between 20 percent and 25 percent penetration in renewables by 2030," he says. "I feel that renewable penetration will continue to grow because it offers clean, economical energy solutions. Technology has changed the world dramatically and also helped in climate change adaptation." While there is an undeniable business opportunity in the green energy gamble, it is also a shot in the arm for the group, particularly when it comes to addressing years of allegations over its poor environmental record.

Yet, green energy is only one leg of the group's transformation and diversification. Over the past few years, Adani has ventured into numerous new areas, including defence, airports, metro rails, data storage and petrochemicals. "The foundation of Adani Group is built on strategically meeting India's needs and requirements, addressing some of the cornerstones in India's growth ladder," says the group's spokesperson.

GREEN FRONTIERS

"As a group, they are always willing to take two steps forward, and step back and reflect if the need arises," says G Raghuram, director, IIM-Bangalore, and member of the board of directors at APSEZ. "As far as diversification goes, it is simply one of competence and with the bandwidth to handle it. Gautam has a good nose for business. He has also built good managerial competence and professional management that can complement his entrepreneurial skills."



"I feel that renewable penetration will continue to grow because it offers clean, economical energy solutions."

GAUTAM ADANI,
CHAIRMAN, ADANI GROUP

Headquartered in Ahmedabad, AGEL has an installed capacity of under 3 GW across 11 states. It owns and operates utility-scale grid-connected solar power, wind power, hybrid projects and solar parks, and has an order book in excess of 10 GW. Solar power accounts for 76 percent of the portfolio, while wind power and hybrid projects account for 12 percent each.

"Today, if you are to set up a coal-based power plant compared to a solar and wind-based one, it makes more sense to go after renewables," says Chandra Bhushan, environmentalist and CEO of New Delhi-based think tank iForest. "Under Indian laws, renewables have the first right over the [power] grid, and unlike coal, where it makes sense to have a power purchasing agreement, the government has to buy the [renewable energy] power. In many ways, Adani's foray into renewables, especially the latest project, signals that the sector has finally arrived."

India, a signatory to the 2015 Paris Agreement on climate change mitigation, has been trying to ramp up its use of solar power, especially since it committed to ensuring that 40 percent of its power capacity would be from non-fossil fuel sources. Prime Minister Narendra Modi also launched in 2015 the International Solar Alliance, a treaty between 121 countries, to work towards promoting solar energy. India's solar power capacity has grown more than 11 times in the last five years, from 2.6 GW in 2014 to 35 GW in 2020. India's total installed power capacity is about 371 GW as of June. Renewable energy, which includes small hydro power and solar power, accounts for 87 GW, and thermal power accounts for 231 GW.

"When we are talking about only climate change and not giving economical solutions, things will never work," Adani says. "The cost of renewable energy was about five times higher than today five to seven years ago. But the reduction in price has seen wide acceptance. People want development at an affordable price. The challenge is to continue development and make things good for the society. Economically viable solutions driven by improving technology will make climate change adaptation faster."

It also helps that it takes far less time to set up renewable power sources, compared to coal-based power plants. "It takes six months to set up a solar power plant, while it takes four to five years for a coal-based plant. The cost advantage is phenomenal," adds Bhushan of iForest. "Now, there is a lot of venture capital money involved in green energy, and India has massive potential for solar power, much more than wind. Therefore it is

GETTY IMAGES







Clockwise from top left: The Adani port in Gujarat; the Adani Group has bagged the rights to run six government-run airports; it also has a tie-up with aircraft maker Airbus in the area of aircraft services

also a case of business acumen."

Adani Group is also firming up plans to raise up to $12 billion through sale of green bonds over the next four to five years. If it goes through, it will be the country's largest sale of green paper. There seems to be good merit in that: Over the past year, AGEL has seen a 292 percent growth in its revenues, while net profits rose to ₹134.26 crore in 2020 from a loss of ₹35 crore in 2019.

"Normally all our projects are 70:30 or 75:25 debt-equity ratio," the company spokesperson explains. "AGEL has the distinction of being the only renewable company outside the OECD that has garnered sovereign rating. This gives us the leverage to raise a 25-year bond, which significantly cuts the requirement of refinancing during the project execution, and ensures timely completion of the project."

WAITING FOR TAKE OFF

Adani Group has also been busy expanding into areas such as airports, defence and data centres.

Last year, it bagged the rights to run six government-run airports, making it India's third-largest private airport operator in passenger volume after the GMR Group and GVK group. Under the contracts, Adani Group is to develop and operate airports at Jaipur, Ahmedabad, Lucknow, Mangaluru, Guwahati and Thiruvananthapuram, through a 50-year public-private-partnership with the Airports Authority of India (AAI). It also signed concession agreements for three of them this February, with plans to take over their operations within 180 days.

ICRA, a credit rating agency, reckoned that the group could earn over ₹650 crore in the first year, after paying its share to the AAI. At that time, the six airports together handled 30 million passengers, growing over 22 percent over the previous year. However, for now, those plans seem to have hit a glitch. In June, Adani Group asked the ministry of civil aviation for an extension in taking over the three airports, and was given time till November.

Industry experts say it is a deliberate attempt at staying away from taking over the airports, largely due to the aggressive rates that it offered to the AAI. "None of their bids ever made any sense," says an industry executive. For instance, at ₹115 per passenger for Manguluru and ₹171 for Lucknow, Adani Group's bids were over 500 percent more than the lowest bids received from the GMR Group and PNC Infratech. Similarly, Adani Group bid ₹177 for Ahmedabad airport, nearly 200 percent more than the lowest bid of ₹60 from Autostrade Indian Infrastructure Development Pvt Ltd. "It's ridiculous, and clearly the move now seems deliberate to realign their bids."

The group is also in the midst of a legal tussle with the GVK group, which runs the Mumbai airport, for purchasing a 13.5 percent stake held by South Africa-based Bidvest. "Considering the slowdown, the Adani Group may not look at airports immediately and might wait out until 2023-24 before recovery and a fresh round of financing," says Mark Martin, founder of Dubai-based aviation consultancy Martin Consulting. "They are a formidable group and have the intent. Instead of going after low hanging fruits such as the Mumbai airport, they should look at the Delhi airport, which has much to offer, especially in the real estate space."

Then there is a tie-up with aircraft maker Airbus for collaboration in the area of aircraft services for the Indian and South Asian markets. "With Adani's recent foray into airports, this potential collaboration will leverage the synergies between the product

and services excellence of Airbus and infrastructure, engineering and mega-project execution capabilities of Adani," Airbus said while announcing the partnership in February.

DEFENCE & DATA

Adani Group has also doubled its efforts in the lucrative defence sector, which has received an impetus under the Modi government; it is in the midst of a $250-billion modernisation plan.

In April 2019, the company acquired Bengaluru-based Alpha Design Technologies, which specialises in design, development, and manufacture of defence electronics and avionics. It also stitched a partnership with Swedish defence and aerospace company Saab to design, develop and produce the Gripen fighter aircraft for India. This February, Adani Group's joint venture partnership with Israel-based Elbit Systems exported the first-ever India-made military drone to an undisclosed customer. This partnership includes the design, development and maintenance of Hermes 900 and Hermes 450 unmanned aircraft systems in India.

Adani Group has also forayed into the small arms business by acquiring a facility owned by Punj Llyod in Gwalior late last year to produce machine guns, carbines, and other weapons for India and export markets.

"Today, Gautam delegates far more than before," adds Raghuram. "He finds value in professional management, and they also have a role in fitting newer opportunities into the overall institutional growth. But, at the same time, Gautam is in a position to absorb all the risks."

This enables Adani to venture into entirely new areas, such as data centres. As India's internet users surge alongside smartphone subscribers, Adani Group has sensed the opportunity in setting up centres that collect, store, process, and distribute data. As a part of its initial plan, it is building data centres in Delhi, Mumbai, Chennai and Hyderabad. Last year, the group said it would invest up to ₹70,000 crore to set up solar-powered data parks in Andhra Pradesh.



"Our objective has always been to avoid focusing on numbers, and focus on the strategy and execution that generates the numbers."

KARAN ADANI,
CEO, APSEZ

"India offers a huge market when it comes to data centres," says Prachir Singh, senior research analyst, Counterpoint Research. "The earning potential is massive, and companies such as Facebook, Amazon and Google are all entering the data centre market in India. With the new data privacy law, companies will need to store certain data in India and data centres require a lot of real estate and energy. The Adanis have the expertise there, and it could emerge as a good money churner." The India data centre market is expected to be worth $4 billion by 2024, according to Research and Markets, an Ireland-based market research firm.

SAFE HARBOUR

Yet, despite its diversification, the Adani Group isn't forgetting its mainstay, the ports business.

Gautam Adani had set up Adani Port in Gujarat after bagging the rights in 1994 from the Gujarat Maritime Board for setting up a captive jetty at Mundra, then a fledgling town in Gujarat. In 1998, Gujarat Adani Port, a joint sector company promoted by Adani Port and Gujarat Port Infrastructure Development Company, was incorporated; in 2003, Adani Port merged with Gujarat Adani Port.

Since then, Adani Group has emerged as India's largest private port operator, and operates 11 ports and terminals across Gujarat, Odisha, Goa, Andhra Pradesh, Tamil Nadu and Kerala; it accounts for about 22 percent of the country's total port capacity, and handles over 200 million tonnes of cargo a year. "Unlike the major ports controlled by the government, they can take quick decisions and have always been customer-oriented," adds Raghuram.

Earlier this year, the group also bought a 75 percent stake in Krishnapatnam Port in Andhra Pradesh for an enterprise value of ₹13,572 crore, helping it improve its market share to nearly 27 percent. It also purchased Odisha's Dhamra Port in 2014 and Tamil Nadu's Kattupalli Port in 2016.

"We believe our actions will allow us to emerge stronger on the other side of the Covid-19 crisis and put us comfortably on the path to achieve 400 million tonnes of cargo by FY25, and thereby make progress towards becoming one of the most valuable port companies in the world by the end of the next decade," says Karan Adani, CEO of APSEZ. "Our objective has always been to avoid focusing on numbers, and focus on the strategy and execution that generates the numbers. In this context, the two areas that we continue to focus on are the logistics and industrial economic zone strategy."

Clearly, the Adani juggernaut is only starting out.

LIC IPO: No Assurance Ahead

With dipping tax revenues, the government is starting the process for LIC's listing in the face of headwinds such as asset quality concerns and an untested primary market

By SALIL PANCHAL

The government is putting the wheels into motion for the partial disinvestment of one of its prime assets: Life Insurance Corporation (LIC) of India, five months after Minister of Finance Nirmala Sitharaman announced an ambitious ₹2.1 lakh crore-disinvestment target for FY21. This target is four times higher than the disinvestment it achieved—₹48,417 crore—for the year ended March 2020.

Two advisors to the pre-IPO transactions will be chosen in the coming weeks, who will be involved in preparatory work ahead of the IPO, and advise and assist the government on the timing of the minority stake sale as well as the capital structure of the institution. The Department of Investment and Public Asset Management (DIPAM) has clarified that a separate team of legal advisors will decide on the embedded value of LIC. Book runners to the issue will be chosen in coming quarters.

The government—which has a 95 percent stake in LIC—is yet to decide on the quantum it seeks to sell through the IPO and the timing of the offering. Finance Secretary Rajiv Kumar's assessment of an offering in the second half of the current fiscal year was made prior to the coronavirus outbreak. But if LIC seeks to repeat the success of Coal India in 2010—becoming India's largest such offering with bids for ₹2.36 lakh crore, more than 15 times its target of ₹15,475 crore—it will need to move fast.

LIC is India's largest insurer and a leader in market share but there are several headwinds: Asset quality concerns continue to impact its balance sheet, it is losing market share to private insurers, there are growing employee concerns over privatisation moves and uncertain market trends that are likely to impact the offering at the time of listing.

HAVING MUSCLE

LIC, which is India's largest financial institution and insurer, had 66.24 percent of market share in total first year premium and 74.71 percent share in new policies in FY19. Its total net premium is over three times that of the combined amount of the top three listed life insurers—SBI Life, ICICI Prudential and HDFC Life. LIC still largely sources its business through its agents—a network of 11.8 lakh and 3,642 branches across India—while other private insurers acquire their business mainly through bancassurance channels.

"The government will continue to have a disproportionate say in policy for LIC... it has no option but to continue to use LIC as a lender of last resort."

GAURAV RASTOGI,
FOUNDER-CEO, KUVERA

"The government is actually planning to divest in a public sector undertaking that is at the top of its game. The disinvestment is not happening when the asset has been bled dry," says Gaurav Rastogi, Singapore-based founder and CEO of online mutual fund investment firm Kuvera. Rastogi, whose firm has several high net worth clients, is confident that the LIC IPO could see a "huge demand" when it hits the market.

India's life insurance penetration, measured by insurance underwritten to GDP, was at 2.75 percent in 2018, compared to 16.8 percent for Hong Kong and 6.72 percent in Japan, according to the Insurance Regulatory and Development Agency of India (IRDAI). India's insurance protection gap, which indicates protection lacking as against protection required, is estimated to be $8.59 trillion, according to independent valuation firm RBSA Advisors. These



DANISH SIDDIQUI / REUTERS

indicate the well-accepted view that insurance offers strong growth opportunities in the years ahead.

The awareness for the need for a life, or even non-life, insurance policy has increased in the post Covid-19 world. "In the post-Covid era, the consumer perspective of an insurance product will change, from being a push product all these years. Consumers are inquiring more about insurance products as uncertainty increases," says Mangesh Ghogre, executive director and head of equity capital markets, Nomura India. Nomura Financial Advisory has been active, having participated as advisors and sellers to the HDFC Life offering, SBI Life's recent offer for sale, and the New India Assurance offering in 2017.

LOSING SHARE

From being a monopoly player in previous years, LIC has continued to lose market share to the private players SBI Life, ICICI Prudential Life, HDFC Life and Max Life. LIC has focussed too much on endowment and pension policies in recent years, moving away from their one-time favourite Ulip products, which offer strong margins. In recent years the first-year premium collected across single and group policies by private life insurers has been higher than that of LIC. Much of this is due to an aggressive digital drive from the new listed insurers.

LIC also continues to operate on a low case-size, where per policy annual premium is around ₹15,000. This means while policy sales become easier, they need to sell more to maintain the pace of growth each year through their network.

The LIC management declined to comment on their future strategy and plans for the government's stake sale.

In the absence of data from LIC, valuing an institution such as this will always be a challenge. Unlike corporates, for insurance companies the embedded value or the implied value of new business are important matrix to determine valuations. But LIC does not disclose these figures. Experts thus prefer to look at a valuation multiple based on assets under management (AUM), which offer a perspective into the sum total of all renewals that have come over the years and withdrawals paid to policyholders.

RBSA Advisors, in their note to clients, says, "We believe the reasonable range for the valuation of LIC may be between 30 percent to 35 percent of its AUM." This works out to ₹9.9 lakh crore to ₹11 lakh crore, on the basis of market cap as a percentage of AUM.

An internal note prepared by a Mumbai-based leading investment bank pegs LIC's valuation to be at ₹9.72 lakh crore based on the same parameter. This would make it Asia's second largest insurance company after China's Ping An Insurance

Group, whose valuation is estimated to be ₹15.1 lakh crore, in terms of market cap as a percentage of AUM.

TROUBLES AHEAD

A listing at the markets will not just mean an obvious increase in transparency, but also the reporting of quarterly performance, and greater accountability to a new set of shareholders. LIC, by its very existence and massive AUM, has always been considered the buyer of last resort by the government to bail out companies or issues.

LIC's non-performing assets (NPAs) as of FY19 were ₹24,777 crore out of a total debt of ₹4.02 lakh crore, as per its 2019 annual report.

The debate over privatisation has raised an ugly head again with LIC staff fearing that the stake sale will lead to privatisation. The institution will need to address this.

LIC is now the owner of troubled bank IDBI, adding to a long list of disinvestments that include Hindustan Aeronautics Ltd, General Insurance Company, New India Assurance and Indian Oil Corporation in 2017 and 2018. It has also bought stakes in various troubled organisations such as NTPC and Bhel. LIC has not disclosed their rationale or the mark to market impact to its books.

But once listed it might be difficult for the new entity to keep trying to bail out troubled lenders. Rastogi of Kuvera, however, suggests that not much would change. "The government will continue to have a disproportionate say in policy for LIC, as long as its governance is not affected. The government has no option but to continue to use LIC as a lender of last resort," he says.

Primary markets veteran Pranav Haldea, who heads Prime Database, agrees. "Even after the IPO happens, the institution will not see any change in effective control and in its management style in the coming years. However, listing will surely bring in greater transparency and better governance."

Even while no timeline has been set for the IPO, investment bankers will call for a listing in a bull market. Stocks have risen in the so-called Covid-19 quarter (April to June) driven by liquidity, and not earnings prospects. Global markets could also remain volatile closer to the US presidential elections in November.

While volatility in India has fallen off—27.85 levels on July 9 compared to 73 levels when coronavirus struck in March—there is no clarity on market trends over the next six to eight months. "By the time LIC lists, we need to see the opening up of the primary capital market. Some well managed companies should have tested the IPO market by then. That will make institutional investors more comfortable," says Donald D'Souza, managing director and co-head, investment banking at Equirus Capital.

Rights issues from some of India's largest corporates have been fairly successful but there has been an absence of mid-size or large offerings to the primary markets.

All this will mean that the government will need to act swiftly in order to get the listing done in 2021. In a year where tax collections are looking uncertain due to dipping revenue from the Goods and Services Tax, the government has much to gain if it can push through the LIC stake sale quickly. Trying to time it right will mean more delays. India surely cannot afford another listing debacle such as Air India. F

LIC vs Listed Insurers

All data in ₹/crore

	LIC	HDFC Life	ICICI Prudential Life	SBI Life
Total net premium	3,37,185	32,223	32,878	40,324
Income from investments	2,22,758	(-)2,873	12,517	2,996.70
Total income	5,60,784	29,613	20,843	43,720
Assets under management	29,84,331	1,27,226	1,52,968	1,60,360
GWP	3,37,505	10,614	10,647	11937
APE	29,056	2058.7	1901.9	2650.5
VNB margin (in %)	NA	25.9	23.8	17.4
Net Profit	2,688.50	311.7	179.5	530.7

GWP (gross written premium), APE (annual premium equivalent), VNB (value of new business)

LIC data is for FY19, others is FY20

SOURCE IRDAI, company annual reports, investor presentations, Emkay Global Research, Life Insurance Council

Companies awaiting IPOs

(Pending Sebi approval, as on June 26, 2020)

Company	Date of Filing	Estm Issue amount	Industry
Computer Age Management Services	09-Jan-20	₹1,500 cr	Financial services
Likhitha Infrastructure	13-Jan-20		Gas and fuel
Barbeque Nation Hospitality*	17-Feb-20	₹1,000 cr	Hotels, resorts and restaurants
Jaikumar Constructions	02-Jun-20		Housing, civil construction
Happiest Minds Technologies	10-Jun-20	₹110 cr	IT hardware
TOTAL:		**₹2,610 cr**	

* refiled SOURCE Prime Database

Column



By MOTILAL OSWAL

LIC IPO Can Add 20 Cr Investors

Incentives for its unit holders and employees could create higher interest and increase participation

The year 2019 was an exciting year for the initial public offering (IPO) market as majority of the issues have given good returns so far. The biggest name announced in the recent budget for divestment is the IPO of Life Insurance Corporation (LIC).

LIC is the country's largest financial institution with assets under management of close to ₹31 lakh crore. During FY19, LIC had a market share of 75 percent in the number of new policies, 66 percent in first-year premiums and generated a net profit of around ₹2.6 lakh crore. It has also emerged as the largest institutional investor in the country with total investments of nearly ₹20 lakh crore. Thus, the government's decision to monetise and allocate this resource to fresh infrastructure development and fill the budgetary deficit can be a historic decision.

The listing can make LIC one of India's biggest companies in terms of market capitalisation along with Reliance Industries, TCS and HDFC Bank. The valuation of LIC is difficult given the absence of any embedded value-related data and adequacy of provisioning. However, a back-of-the-envelope calculation based on its current AUM and new business premium would suggest around ₹7-8 lakh crore. The government expects to garner more than ₹80,000 crore through a 10 percent stake sale in it.

Life insurance companies that have got listed in the past—SBI Life, HDFC Life, ICICI Pru Life—have attracted a huge interest from not only institutional investors but also retail ones given their consistent growth and healthy financials. The LIC issue is expected to become India's biggest IPO ever. Given its sheer size, it could make stock exchanges quite broad-based and change India's weightage and rating across various global indices, including MSCI.

The government can look to broadbase the participation of retail equity shareholders through this IPO—if it gives any incentive like special discount or create a reservation for its unit holders and employees, this could create higher interest and increase participation. LIC has about 3 lakh employees as of FY19 and 20 crore unique policyholders (individual lives covered) which is massive when compared to the around four crore retail demat accounts in India.

If we reflect back at the Coal India IPO, the retail offering was oversubscribed 2.1 times and more than 1.7 lakh retail investors applied for its shares, translating into total bids for 45.86 crore shares worth ₹11,235 crore. LIC is likely to raise about ₹80,000 crore. Assuming a 35 percent retail share, about ₹25,000-28,000 crore would be raised under the retail category which is 2.5x the participation in the Coal India IPO.

The disinvestment in LIC is likely to create one of the most valued listed entities in India. This would attract large foreign capital investment but the government should also take care to get enough retail participation. The success of this company will go a long way in establishing the equity savings culture in the masses. F

• MOTILAL OSWAL IS THE MANAGING DIRECTOR AND CEO OF MOTILAL OSWAL FINANCIAL SERVICES

Given its sheer size, the LIC issue could make stock exchanges quite broad-based and change India's weightage and rating across various global indices



Varun (right) and Ghazal Alagh
Co-founders, Mamaearth



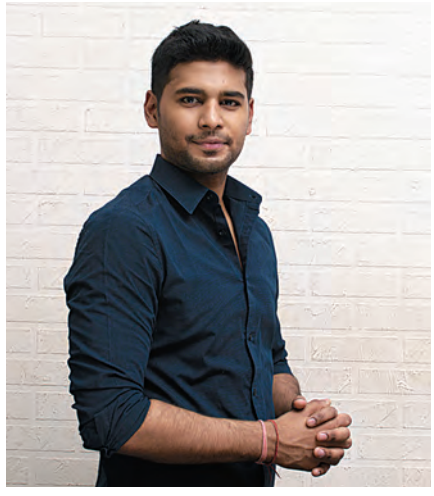
Ankit Garg (left) and Chaitanya Ramalingegowda
Co-founders, Wakefit



Kallol Banerjee (left) and Jaydeep Barman
Co-founders, Rebel Foods



Sujot Malhotra
Chief business officer, Beardo



Bala Sarda
Founder, Vahdam Teas



Vineeta Singh (left) and Kaushik Mukherjee
Co-founders, Sugar Cosmetics



Amit (left) and Gaurav Khatri
Co-founders, Noise

MAMAEARTH, VAHDAM TEAS: AMIT VERMA. WAKEFIT: NISHANT RATNAKAR FOR FORBES INDIA. REBEL FOODS: ANIRUDHA KARMARKAR FOR FORBES INDIA; BEARDO: MAYUR D BHATT FOR FORBES INDIA SUGAR: AALOK SONI FOR FORBES INDIA. NOISE: MADHU KAPPARATH

Here's to the Crazy Ones

How a clutch of online-first brands has disrupted the traditional way of doing business by shunning the herd mentality and listening to their heart

By **RAJIV SINGH**

In 1999, when K Vaitheeswaran, along with his five friends, started Fabmart—India's first ecommerce company—the entrepreneur was treading a new path. "It was so new that I was always in doubt if ecommerce is a hyphenated or non-hyphenated word," he recalls. When Fabmart launched music cassettes, Vaithee invited his friends to buy a cassette. "I thought it would help us in getting the business to move," he says. Most of his friends did oblige, but had one common query: "Please give us the address. We will come and buy." Vaithee persisted, and believed that online will take off in the country.

Three years later, in 2002, Fabmart was renamed Fabmall, with an offline avatar as well. The move worked. The brick and mortar business took off and, in 2006, it was bought by the Aditya Birla Group and renamed More. Meanwhile, Vaithee changed the name of the online part of Fabmall to IndiaPlaza, which finally got shuttered in December 2013. The online nightmare continued.

Two decades later, in 2019, the serial entrepreneur started dairy beverage brand Again Drinks. This time, Vaithee started offline, with a small online component. Reason: 90 percent retailing still happens offline in India. So far so good. Cut to the lockdown in March. Offline came to a grinding halt, and Vaithee went direct to consumers. "Now it feels like a homecoming," he smiles.

Two decades back, Vaithee explains, internet was an urban phenomenon, largely restricted to the upper middle class and above families accessing the web, there was no smartphone revolution and data explosion had not happened. Cut to 2020. A bunch of online-only consumer brands has built an over ₹100 crore empire in just a few years by catering to millennials. "Their target audience can be reached purely through digital means," says Vaithee.

Welcome to the new normal of online-only consumer brands, that are getting their share of the limelight, thanks to Covid and the lockdowns. Though the tailwinds of cheap data, the ubiquitous smartphone, and a boom in social media have aided the direct to consumer business model, what remains intrinsic to making it big is the same old mantra: Staying different, and believing in one's vision.

Take, for instance, Rebel Foods and its co-founders. Who would have thought that Oven Story, with zero outlets, would give a fight to Domino's? Thanks to cloud kitchens, Oven Story is a ₹100-crore brand.

Then there is Bengaluru-based Wakefit. Well, there was a global example of a direct to consumer mattress brand Casper, but was India ready to shop for mattresses online? Ankit Garg and Chaitanya Ramalingegowda took a leap of faith and made Wakefit a ₹200 crore brand. Bala Sarda took the online route and started selling tea online. Vahdam, the online brand, gets over 50 percent of its revenues from the US. Brands like Mamaearth, Sugar Cosmetics and Beardo stayed true to their online DNA and made it big in the cosmetics and personal grooming space.

Forbes India has curated a list of seven such direct to consumer brands that have made a mark over the last five years. Enjoy reading their 'crazy' journey.

On Cloud Nine

How Rebel Foods found a silver lining in cloud kitchens, and is churning out a battery of ₹100-crore online-only food brands

By **RAJIV SINGH**

In 2003, the then 28-year-old Jaydeep Barman was into his second job at an e-learning company. He used to frequently travel abroad for work and had no complaints with life. Except one. Barman missed Bengali food, especially the ubiquitous egg rolls of Kolkata. "I started a small roll joint in Pune," recalls Barman, who along with his colleague Kallol Banerjee, rolled out Faasos.

Two years later, Barman left for France to pursue his MBA. Banerjee joined him in 2006. The single outlet in Pune was now on auto-pilot; the duo hired two people to run the store. The passion project stayed alive.

Five years later, they were back in India. Faasos by then was profitable—profitable enough for the friends to make the call to take the brand pan-India.

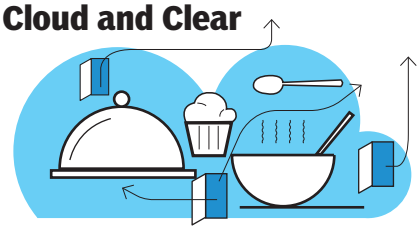
In five years, Faasos made steady progress. Revenues jumped from ₹4 crore in fiscal 2012 to ₹62 crore in four years; the brand expanded to three cities and opened 40 outlets. The top line growth, though, was eclipsed by a bleeding bottom line. Losses leapfrogged from ₹2 crore to ₹105 crore during the same period. Barman had made a brand out of rolls, but the business was haemorrhaging.

Hurting most were the exorbitant rentals on high street. Even a 100 square feet outlet in Kalina, Mumbai, had a monthly rent of ₹1 lakh. In fact, the monthly sales of some of the outlets just about covered up the rent. Barman decides to shut all stores, and shift to cloud kitchens, changing the business model to delivery-only.

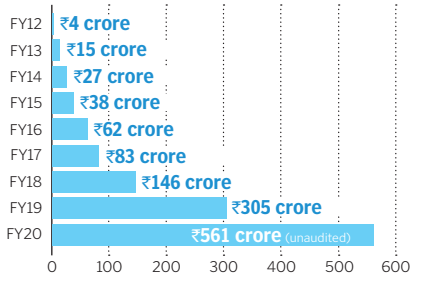
Barman's rather shift appeared radical—at least to many around him—but his conviction was backed by consumer insight. A study commissioned by Faasos revealed that 73 percent of consumers surveyed admitted that they had never seen a Faasos store. "This was a lightbulb

> **"WE ARE WORKING ON AN ABSOLUTELY MAGICAL FRONTIER OF TECHNOLOGY THAT INTEGRATES HARDWARE AND SOFTWARE IN A WAY A TESLA OR AN iPHONE DOES."**
>
> **JAYDEEP BARMAN,** CO-FOUNDER, REBEL FOODS

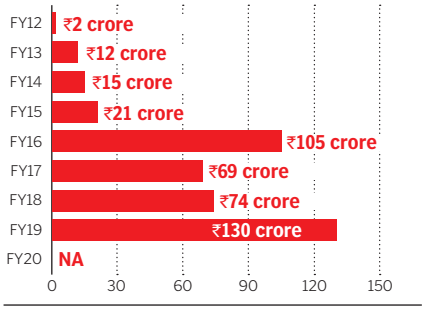
Cloud and Clear



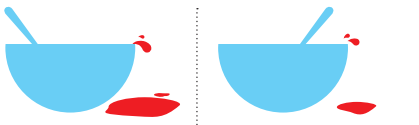
Revenues leapfrogged after the shift to cloud kitchens in 2016



In The Red: Losses



Burn Per Month has Dipped



International Footprint has Expanded



Present in **Indonesia, Dubai, the UK**

In talks to enter **Russia, Latin American countries and Saudi Arabia**

Overleaf: Kallol Banerjee (left) and Jaydeep Barman, co-founders of Rebel Foods, aspire to turn profitable and build big global food brands from India

ANIRUDHA KARMARKAR FOR FORBES INDIA; INFOGRAPHICS: SAMEER PAWAR

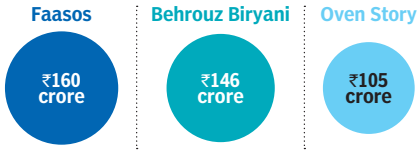


Online-Only Brands

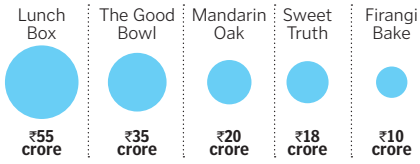
- **Faasos, a wrap and rolls** brand, started as an offline entity in 2011. Now it's only online
- **Biryani brand Behrouz** was added as online-only in 2016
- **Oven Story, the pizza brand**, was rolled out in 2017
- **Lunch Box, a meals brand**, was started in 2018
- **Mandarin Oak**, brand for Chinese cuisine, **Sweet Truth** (dessert brand), **The Good Bowl, The Biryani Life** (single-serve biryani), **Slay Coffee** started in 2019
- **500 Calorie Food,** a health food brand, rolled out in 2020

Three Big Boys of Rebel

(Revenue as of March 2020)



Others Catching Up Fast



High on Cloud

(Growth of cloud kitchens)

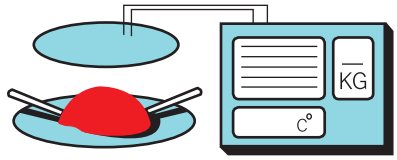
- **2016:** 50 in four cities
- **2017:** 100 in 10 cities
- **2018:** 160 in 15 cities
- **2019:** 270 in 30 cities
- **2020:** 320 across 35 cities (March ended)
- **Target:** 500 more, including 200 abroad, by 2023

Robust Funding

- Raised **$320 million** so far; last round of **$76 million** this April-May
- Counts Sequoia Capital, Lightbox, ru-Net and Coatue among its backers

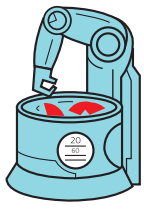
Food and Tech

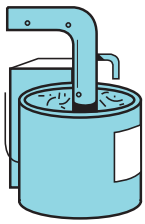
How Rebel is deploying technology in cloud kitchens



Visual AI QC machine
It can detect SWAT (size, weight, appearance and temperature) for each prepared dish and reject/accept based on extent of deviation from ideal

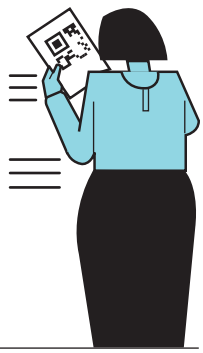
Robotics-led smart fryer
It gets adjusted automatically to the oil temp, dipping and releasing based on what is being fried. So, it knows a samosa versus a falafel and does the job accordingly without anyone having to remember the temperature and time





Automated Wok
It dispenses oil, water and other ingredients, as per the measure for the dish; prompts to add specific ingredients at specific points (may be an "extra onion" request from a customer); automatically tosses the ingredients up and down and at the correct and measured speed

QR Code
It lets customers scan the code on packaging/invoice and check everything from who cooked the food, their body temperature, medical certificates; which kitchen it has come from and what quality check lists the kitchen has gone through; which ingredients at what quantity have been used to cook the dish and their source; what sanitisation process the packaging has gone through before it left the kitchen



moment," says Barman. For a brand which was getting over 75 percent of sales from delivery, the need to have a physical store seemed obsolete. Barman opened 50 cloud kitchens in four cities in 2016.

The gambit seems to have paid off. Revenues pole-vaulted to ₹561 crore in fiscal 2020; losses have stabilised; burn per month dipped from ₹10-12 crore last year to ₹4-5 crore; and the company expanded to 35 cities with 320 cloud kitchens. The most startling achievement, though, is transformation of Faasos from a roll-only brand to a food company that has used technology to churn out multiple brands from the same kitchen. Two of them have crossed the ₹100 crore mark in four years (see 'Three Big Boys of Rebel).

Barman shares the success mantra: You make abnormal returns only when you do something abnormal. "It's good to be crazy," he says. It's great, he lets on, if people don't agree with your ideas. "It means they won't copy you," he smiles. Living up to 'being crazy', Barman changed the name of Faasos to Rebel Foods in 2018.

Going against the normal has been a striking trait of Barman's entrepreneurial journey. Take, for instance, the move to roll out a biryani or a pizza brand. Barman experimented first with pizzas by rolling them out under the brand name of Faasos. The move flopped. Faasos was known for rolls, and consumers didn't associate pizza with Faasos. Undeterred, Barman changed the name of the pizza brand to 'Early Trails'. The product remained the same, and was being churned out from the same cloud kitchen. What changed was consumer behaviour. "People started buying Early Trails," he recalls. The biggest takeaway, he lets on, was that there can't be a multi-cuisine brand. McDonald's is for burger, Starbucks is for coffee, and Domino's is for pizza. "Faasos has to stand for only one thing," he adds.

The learning was quick. But Barman again did something weird. He killed Early Trails, and rolled out a biryani brand Behrouz. Reason: Barman wanted to disrupt two food categories. The first one was popular food, with massive headroom for growth and no pan-India player. Second was a food category where there was a monopoly. Pizza, he explains, fell into the second category and was lorded by Domino's and Pizza Hut. "Taking them head-on would have hurt me at that time," he recounts. So, the default option was biryani. Launched in 2016, Behrouz clocked a revenue of ₹146 crore in the March-ended fiscal 2020.

In 2017, Barman went back to pizza. After expanding to 10 cities with 100 cloud kitchens, Barman was in a better position to take on Domino's and the likes. So Oven Story, the pizza brand, was launched

INFOGRAPHICS: SAMEER PAWAR

towards the end of 2017. The move again paid off. In three years, it has clocked ₹105 crore, and has become the third biggest brand from the stable of Rebel Foods. Barman attributes the success to listening to customer insight. In yet another study, consumers were asked to name the first thing that came to their mind after hearing pizza. Some 60 percent said cheese. No pizza brand, reckons Barman, was talking about cheese. "We launched four variants, and owned the space," he says.

Buoyed by the success of Behrouz and Oven Story, Barman has rolled out a battery of other food brands, and all of them have managed to scale at a fast clip. Take, for instance, coffee brand Slay. Launched late last year, the brand was scaled to 100 locations in six months. Barman shares the untold story about Slay. "It was not started by Rebel," he says. The brand was owned by an entrepreneur in Bengaluru, who had one store, and was clocking sales of ₹1 lakh per month. Barman invested in the brand, bought a 70 percent stake, and increased the revenue to ₹80 lakh per month. The experiment worked. "This is our next disruption. We have scale, and we are looking for exciting food brands," he says. The company rolled out 'Rebel Launchers' a few months ago to spot passionate food entrepreneurs and bring them under its fold, or cloud.

Cloud kitchens, reckon food analysts, changed the game for Rebel Foods. They altered the store economics of a restaurant by reducing capital investments, taking away prime real estate costs and expensive service staff. A combination of this model with lower break-evens and change in the consumer environment enabled Rebel to scale up quickly and build brands. "This required a fresh approach and shattering existing models which Rebel Foods has demonstrated and delivered," says KS Narayanan, food and beverage expert.

Commenting on the trend of building an online-only food brand, Narayanan reckons that consumers place trust in a brand based on what it has to offer, both in terms of product attributes and emotional comfort. "Building a food service brand is quite a challenging task with millions of moments of truth," he says. To be a successful and scalable restaurant and food service format requires a good combination of art, craft and science in equally good measure, he adds.



"THE CHALLENGE FOR REBEL FOODS IS TO CREATE A SET OF ROBUST BRANDS, CONTINUE TO INNOVATE, REMAIN RELEVANT AND ENSURE THAT THE BRAND PROMISE IS DELIVERED ACROSS GEOGRAPHIES."

KS NARAYANAN,
FOOD AND BEVERAGE EXPERT

Barman gets a thumbs up from his backers as well. "They have done a fantastic job," says Prashant Mehta, partner at Lightbox. Churning out multiple brands, scaling them across the country, and maintaining high quality and consistency are some things that nobody can replicate. Rebel Foods, he adds, is a technology-led food company. Anybody can start a cloud kitchen, but they can't scale and do what Rebel has done, he says. Rebel Foods is using the franchisee model to expand its global footprint.

Barman, for his part, has married technology with food. Take, for instance, the visual artificial intelligence quality control machine used in the cloud kitchens. It can detect size, weight, appearance and temperature for each prepared dish, and can reject or accept based on the extent of deviation from ideal. Then there is a robotics-led smart fryer, which gets adjusted automatically for the oil temp, dipping and releasing based on what is being fried.

Another interesting technology is QR Code. Consumers, informs Barman, can scan the code on packaging or invoices and check everything from who cooked the food, body temperature of the cook and medical certificates (see 'Food and Tech'). Technology adoption doesn't stop inside the kitchen. Early this month, the company posted job openings for electronics and mechatronics engineers, data and robotics professionals, and industrial designers. "Food is half passion, half science," he laughs.

The big challenge for Rebel Foods is to ensure that losses don't pile up as it goes on an expansion spree in India and globally. Barman is aware of the big ask. "Every kitchen is profitable, which means unit economics is in good place," he says, adding that he would definitely look at turning profitable. The aspiration now is to build big global food brands from India. "It might sound crazy. But this is what keeps me going: Doing things that others don't agree with or give me a chance," he says. After all, this is what rebels are made of.

Baby's Day Out

After carving a niche in the baby care segment with toxin-free products, Mamaearth has quickly evolved as a personal care brand

By **RAJIV SINGH**

Seven year after Aamir Khan-starrer *3 Idiots* took the big screens across the country by storm, a husband-wife duo in Gurugram began directing and producing an unofficial sequel of the blockbuster by rolling out their online-first venture. The theme for Varun and Ghazal Alagh remained the same—defying norms and listening to one's heart; the plot too mirrored the original movie where the protagonists



"INITIALLY, WE GOT REJECTED BY MULTIPLE INVESTORS WHO SAID SUCH A MODEL CAN'T BE BUILT ONLINE... AM SURE THEY MUST BE REGRETTING THE MISSED CHANCE NOW. "

VARUN ALAGH,
MAMAEARTH

had to fight formidable odds, and the chances of being dubbed 'idiots' was also quite high. There was a difference, though. "We are two idiots," smiles Ghazal, who along with her husband rolled out toxin-free babycare product startup Mamaearth in 2016.

Varun, who had been with Coca-Cola as senior brand manager for close to four years, and for six years with Diageo and Hindustan Unilever before that, was taking the entrepreneurial plunge after quitting a 'comfortable' job. 'Only an idiot takes such a huge risk' was one of the jibes. Another common taunt was 'you guys don't stand a chance against the J&Js and HULs of the world'.

Ghazal, too, had to encounter unsolicited advice. Queries like "Who thinks of toxin-free products in India..." haunted the gritty artist, who started her professional journey as a corporate trainer and ran a painting studio from home before Mamaearth.

The duo stuck to their guns, and went direct to the consumers. Now it was the turn of consumer sector analysts and funders to hurl the 'idiot' volley. "Who sells only online" was the question. Varun had the answer: It's the best medium for what the founders had in mind. For one, they were trying to make and sell something on a small scale. For another, the brand had a premium proposition so it wanted to reach out to only metro consumers to begin with. The husband-wife duo wanted to test the waters before taking a plunge. "Online was the best, and the only, place to start," says Varun, who also battled scepticism from within, with his inclination for offline that stemmed from a decade of working with brick-and-mortar companies.

Eventually, what came to aid was the philosophy propagated by Rancho, the protagonist in *3 Idiots*. Pursue excellence, Rancho remarked in the movie, and success will follow.

Cut to 2020. Success has indeed followed the two idiots, who persisted with their dream of disrupting the world of personal care.

In January this year, the duo raised ₹130 crore in a round led by Sequoia Capital. The funding, the biggest round for any internet-first consumer company in India, came on the back of strong growth. From just ₹22 lakh in sales in fiscal 2017, it grew almost 25 times in year to ₹5.30 crore.

The momentum only gathered pace. By fiscal 2019, sales had touched ₹16 crore. At the same time, the startup was transforming from a babycare to a personal care product company. That resulted in a giant leap by fiscal 2020, to a top line of ₹115 crore. The founders claim a run rate of ₹300 crore for the current year, and have set a target of ₹1,000 crore by 2023.

The ambitious target looks achievable given that headroom for growth is massive. Of an estimated $15 billion personal care product market in India, online channels account

Varun and Ghazal Alagh, the co-founders of Mamaearth, at their corporate office in Gurugram

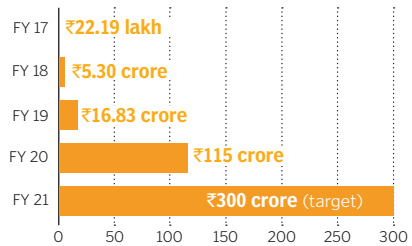


AMIT VERMA

Personal and Caring... Journey So Far

- Founded in 2016 by **Varun and Ghazal Alagh**
- Has raised **$22 million** so far; counts Fireside, Stellaris Venture, Sharp Ventures, and Sequoia Capital among its funders
- Funding of **₹130 crore** (about $18.14 million) in January was the biggest round for an internet-first consumer company in India
- Serves over **2 million** consumers across **25,000** pin codes; Over **90%** sales are online
- Has over 80 products and 200 SKUs; started selling beauty care (face, hair) from 2017 onwards
- Personal care now contributes over **70%** of the revenue; **48%** of buyers are men
- Planning to expand presence overseas

High-Octane Growth



What Works...

- Toxin-free product, and positioning on being an ethical personal care brand
- Focussed marketing by targeting millennials, and identifying with them
- Timely diversification from being a baby care brand to personal care company

...The Challenges

- Maintaining the fast pace of growth
- Taking the big offline brands head-on who would now be gunning for them in the online world

for only 3-5 percent of sales. With 15-20 percent of Indian shoppers influenced digitally and their number expected to double in the next 7-8 years, digital-first brands have the potential to redefine the architecture of tomorrow's FMCG companies, says Ishaan Mittal, principal, Sequoia Capital India. "This is precisely what Mamaearth is doing," adds Mittal.

The startup is also disrupting another segment: The ₹9,000 crore skincare market. It has launched solutions for acne, pigmentation and hair fall under the brand The Derma Co. The reason to take a stab at a new market was simple. Over 50 percent of millennials suffer from derma ailments. And the doctor to patient ratio for dermatologists in India stands at 1:15 lakh. "We understand millennials and we will build brands for them," says Ghazal. "The journey has begun."

The ride, though, to becoming the fastest FMCG startup to hit ₹100 crore was littered with roadblocks. The biggest one to begin with was grabbing attention of investors and the right kind of consumers. Both, as it turned out, remained elusive for a while.

In June 2017, someone from Titan Capital, the fund launched by Snapdeal founders Kunal Bahl and Rohit Bansal, called to explore investment options. The call landed on the customer care number that used to be attended by Varun and Ghazal themselves. Both stared blankly at each other before Varun pretended to be an employee and answered. That resulted in a meeting, and Titan came on board.

Six months later came another unexpected call. Rishabh Mariwala, son of Marico founder Harsh Mariwala, was curious about the brand his wife had picked up for their 15-day-old baby. What followed was an investment from Sharrp Ventures, the family office of Harsh Mariwala.

The next big hurdle now came from the execution side. The duo didn't focus much on hiring and building the right team. "One should hire for tomorrow. We were hiring for yesterday," rues Varun, who has worked extensively on this aspect over the last year. The results are encouraging. "That's the single biggest lever for our growth," he says.



"YEARS AGO, DISTRIBUTION, COST AND REACH WOULD HAVE BEEN A DISADVANTAGE FOR ANY NEW PLAYER IN FMCG. IT'S NO LONGER THE CASE."

VS KANNAN SITARAM, VENTURE PARTNER, FIRESIDE VENTURES

Though the duo have had a magical run, everything they touched didn't turn into gold. Take, for instance, the move to get into food and nutrition by launching traditional recipes and products (tea, supplements) for mothers. The intent was great. The result, though, was disappointing. Reason: Brand perception. The consumers associated Mamaearth with personal care products. There was another problem. Supply chain for sourcing these products was drastically different from personal care. "We exited within six months," says Ghazal.

Another mistake came when the duo ventured into beauty products in 2017. Since the recurring and target consumers were mothers, the communication was also designed to appeal only to that segment. It backfired. People were coming to the site but were not buying. Six months into the launch, the duo tried to find out the reason for the lukewarm response. Consumers, it turned out, perceived the products to be only for expectant moms. The mistake was rectified. The company took a unisex positioning. The move paid off. Now 48 percent of buyers of the personal care products are men. The company intends to stick to its unisex branding, Varun explains. "People are buying into our why, and our why is stronger than our what," he says, adding that the brand caters to over 2 million consumers across 25,000 pin codes.

Investors, too, have bought into the story of Mamaearth. VS Kannan Sitaram, venture partner at Fireside Ventures, one of the early backers of the startup, explains why the venture fund has been bullish on online-first consumer brands. First, in FMCG, getting offline distribution is quite challenging. During the initial stages, about 40-50 percent of the MRP (maximum retail price) can go into just getting the products on the shelf. Besides, business at retail outlets won't be high. "This makes the cost of acquiring an order high," he says. For the retailer, too, the VC lets on, replacing an existing brand with a new one is a gamble.

The business landscape, though, has changed over the last few years as internet usage has exploded and the cost of smartphones has dropped. "This means more people are consuming content online," he says. Now, one can create demand by going online. "With a small capital, you can actually build bigger brands today," says Sitaram.

Varun highlights one more meaning of 'bigger': Right unit economics. "We are not in the business of building castles in the air," he says, claiming Mamaearth is profitable. The focus will always remain on excellence and the right way of doing business. Looks like a plan that Warren Buffet professes: An idiot with a plan can beat a genius without one. F

Sleep Merchants

After disrupting the sleep industry by selling mattresses online, Wakefit is now transforming into a home solutions company. Can it move from the bedroom to all rooms?

By **RAJIV SINGH**



Four years ago, a 'loot' made Ankit Garg 'crazy,' and gave him sleepless nights. It was sometime in 2016, when the 26-year-old ventured out to buy a mattress. The deal, shockingly, turned out to be an ordeal. "The store manager was charging me four times the material cost," recalls Garg, now 31. An engineer from IIT Roorkee who worked for German multinational Bayer Material Sciences for over four years churning out innovative uses of foam, Garg knew what proportion of foam was used in making a mattress. Moreover, he had already had a stint running a foam-based startup. Naturally, the young lad was feeling cheated. Nah 'looted.'

> **"WE WOULD RATHER BE A UNICORN IN REVENUE THAN A UNICORN IN VALUATION."**
>
> **CHAITANYA RAMALINGEGOWDA,** CO-FOUNDER, WAKEFIT

Ankit Garg (left) and Chaitanya Ramalingegowda co-founded Wakefit in 2016

NISHANT RATNAKAR FOR FORBES INDIA

The moment of loot, though, turned out to be a lightbulb flash. "It made me realise that the market is ripe for disruption," Garg recounts. "And that a mattress can be sold online directly to customers." But who sells a mattress online? The bigger question, though, was: Who would buy it online? In 2016, people were shopping on Amazon and Flipkart; millions were using their smartphones to access the internet; transactions were being done digitally. But nobody was buying a mattress online, whether branded, known or unknown.

The naysayers had their share of reasons. First, a mattress is a touch-and-feel product. Usually, the whole family goes to the showroom, sits on it, lies down on it and jumps on it to test the product and then decides to buy. Second, the trust factor was missing in the online medium. Third, people were used to buying cotton, coir, and bonded foam mattresses. A memory foam mattress—which Garg had planned to start with—was an alien concept, and product. Lastly, it was a crazy idea. At least, his friends, former colleagues at Bayer, and anybody who got to know about the 'revolutionary plan' thought so.

The gritty engineer, though, knew he had the perfect chemistry for a rocking business. Garg rebelled against the conventional wisdom. "A person who himself gets looted is probably the one who comes up with such a crazy idea," smiles Garg, who joined hands with Chaitanya Ramalingegowda and started Wakefit in 2016.

Cut to 2020. In four years, Wakefit has galloped to become a ₹200-crore brand in revenue. From selling a paltry four mattresses per day during the first few months, the startup now clocks a daily rate of 1,500, and caters to over 5 lakh customers across 19,000 pin codes in India.

Wakefit now is transforming into a home solutions company by adding a line of products that will take it from the bedroom to all rooms: Sofas, work desks, bookshelves, wardrobes, coffee tables, side tables, TV units, and shoe racks. The most interesting part of the four-year journey, though, is not how it pole-vaulted from ₹6.25 crore in the first year to ₹200 crore. What makes Wakefit special is that it was profitable from the first year, and is still so. The target set by the duo now is to become a unicorn of a different kind. "We want to be a billion dollar company in revenue in five years, remain profitable and build an international brand out of India," says Garg.

The fairy-tale story, though, had its share of hiccups from the inception. To begin with, the co-founders had to grapple with operational issues: Product sourcing and managing cash flows. There was no manufacturing unit, the production was outsourced, and it triggered a set of problems. The contract manufacturers wouldn't take small orders and, even if they did, would not deliver on time. "I had to literally plead to get the job done," recalls Garg. Starting and remaining bootstrapped for over two years made financial management tricky for the duo who didn't have enough reserves. "It was a tough phase," recounts Ramalingegowda.

The biggest challenge on the marketing front was building trust, and questioning the traditional way of buying a mattress. "Going to the store and buying was a stupid way of purchase," says Ramalingegowda, who resorted to scientific research to back his contention.

According to research by sleep labs, he explains, the human body requires 14 days of regular sleep on a mattress to know whether the body can adjust to it or not. "So going to the store and feeling the product for five-ten minutes was a faulty way of buying," he says.

Armed with insight, Wakefit started to educate buyers. It rolled out a 30-day free trial programme. The idea was simple: Take the mattress, use it for 14 days, and if



Sleep. Wake up. Repeat... The Journey so Far

- Founded in 2016 by **Ankit Garg** and **Chaitanya Ramalingegowda**
- Raised funding of **$10 million** from **Sequoia Capital in 2018**
- Revenue growth of over **2.5X** year-on-year in FY20, with EBITDA profitability since inception
- Has in-house **R&D and manufacturing** in Bengaluru, Jodhpur and Delhi
- Caters to over **5 lakh customers** across **19,000+** pincodes in India
- From **4 mattresses** sold per day during the initial months, the numbers now are **1,500** per day
- Is transforming from an online-mattress company to a **home solutions company**
- Has forayed into **sofas, work desks, bookshelves, wardrobes, coffee tables, side tables, TV units, and shoe racks**

Headroom for Growth

What has Worked

- Highly unorganised sleep industry, which was ripe for disruption
- Converted the mattress from a commodity into a brand
- Focused on two SKUs, which worked brilliantly
- Built trust through 100-days return plan
- Created a customer satisfaction team, building loyalty

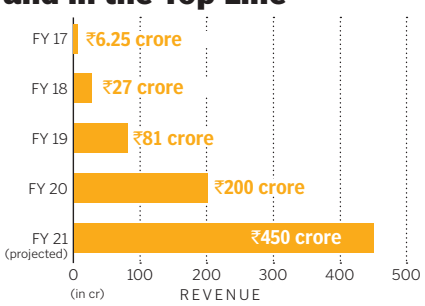
The Opportunity Now...

- Transformation into home solutions player gives massive headroom for growth
- Having a headstart in building an online-only brand will give it an edge

...and Potential Challenges

- Penetration into smaller towns and cities might need offline presence
- Focus on multiple categories needs to be tackled tactfully

Spring in the Feet, and in the Top Line



INFOGRAPHIC: SAMEER PAWAR

it doesn't work then return it. No questions asked, no money charged. The gambit worked. It killed two birds with one stone: Trust was built in the brand and product, and buyers were lured from offline to online.

The free trial continued for one and a half years, the word-of-mouth marketing by satisfied customers did wonders, and a new form of buying behaviour was inculcated. Then came the first moment of truth: Using customer feedback. Many of the customers, due to their frequent travel work schedule, couldn't use the mattress for 14 days in a row. So they wanted more trial days. This gave birth to the idea of a 100 days trial period. The decision was not easy. "We both have lost a lot of sleep on it," Ramalingegowda says smiling. The reasons were simple to fathom: Not enough financial backing, the startup was run with the profit earned, and the duo along with their team took tiny salaries. 'What if the warranty return—which was as high as 30 percent in apparel—turned out to be high' was a question that dogged both the co-founders. The duo, though, took a leap of faith. "We had immense confidence in our product," says Garg. The gambit again paid off, with customers lapping up the 100-day offer.

There was much more to the success of Wakefit than the 100-day offer. Hours were spent on gathering customer feedback. It all started when the first few deliveries were made in Garg's car. The buyers quickly noticed the struggling entrepreneurs, and the gunny bag in which the mattress was brought. "They thought that a folded mattress might get damaged," says Ramalingegowda, pointing out one of the concerns. The feedback was noted. Packaging was changed, as it might affect the perception of the product.

The duo then started to map out the journey of the users. They kept going back to customers after the first, second and third month, and tried to find out the comfort level.



"THE INTERNET'S SYMBIOTIC RELATIONSHIP WITH CONSUMERS HAS MADE IT POSSIBLE TO CREATE 'PURELY ONLINE' BRANDS THAT CAN GO ON TO BECOME HOUSEHOLD NAMES WITHOUT BEING SOLD OFFLINE."

PRAVEEN SINHA,
CO-FOUNDER, JABONG

Encouraged by the response, Wakefit created a customer delight team. "We have a sales team of 16-17 people, but there are 200 in the customer delight team," says Garg. The move worked; soon, the company rolled out an orthopaedic memory foam mattress based on the feedback of its users.

Another insight was about the air circulation in mattresses. During summer, because of humidity, many customers would have sleep disturbances. The duo went back to their research and development team and tried to find out if they could make the mattress more breathable. "The result was a mattress with better air circulation," says Garg, adding that there was also a quick product recall based on feedback.

Yet another product born out of feedback was a 'mattress protector,' which would ensure that the product didn't get spoiled due to bedwetting by a child. Listening to customers, gathering feedback and making products is something a traditional legacy offline mattress brand can never come up with. Some of the biggest companies in this segment, lets on Ramalingegowda, have been there for over 50 years, but they never innovated. "We started talking directly to customers, and we innovated," he says, adding that the company cut out the middlemen and passed on the benefits to the customers by bringing down the price multiple times. "This is the big benefit of an online-first customer brand," he says.

Another benefit of the business model has come to the fore during the pandemic: Consumers shopping from the convenience and safety of their homes. The lockdown, explains Praveen Sinha, co-founder of online fashion etailer Jabong, has ensured that thousands of consumers who generally shop offline have become exposed to e-retail. "Many of these new acquisitions will never move back offline," he adds. The internet's symbiotic growth and relationship with the end consumer today, Sinha contends, has made it possible to create 'purely online' brands that can go on to become household names without ever being sold at an offline store.

The Wakefit co-founders, on their part, are now looking to conquer overseas markets. "We now want to become an international brand," says Garg. His partner chips in with his take on why the target is doable. The next set of big brands, Ramalingegowda underscores, is going to come from the pure online space. Sounds crazy. But every disruptive idea had a crazy beginning. F

Fresh Digital Brew

How Vahdam Teas built an online tea empire by pitching the India story abroad. Can it replicate the success back home?

By **RAJIV SINGH**



AMIT VERMA

For almost a year after starting an online tea venture in 2015, Bala Sarda lived with a sinking feeling. "I was embarrassed to even talk about it," he confesses. The 23-year-old nursed an ambition of creating a premium brand and taking it abroad. Tea was a logical foray for the fourth-generation entrepreneur whose family was in the business of retailing and exporting tea since 1931, when a small store, Nathmulls Tea, was opened in Darjeeling.



Saddled with a rich legacy, young Sarda started an online-only premium tea brand Vahdam, which was the reverse anagram of his father's name, Madhav. One year into the business, the fledgling startup posted decent revenue numbers: ₹1.5 crore. In fact, 95 percent of its sales came from abroad, including the biggest market, the US. Yet, the founder was not ecstatic.

Sarda was battling mental demons on multiple fronts. First, most of his friends in college had either joined MBA courses in the US or landed consulting jobs at the likes of McKinsey and Bain. "My business was still not glamorous; tea was looked upon as a commodity back home, and I was struggling to sell it on the internet," he recounts. The feeling of 'missing out' was profound.

Second, in spite of clocking reasonable sales in the first year, Sarda had to struggle for the next six months to get investors on board. Multiple pitches, innumerable meetings, countless rejections by venture capitalists and shrugs by industry veterans had made him start doubting himself, and his vision. "I could have grown 10 percent year-on-year and built something small. But I needed money to back my plan," he says, explaining the reason behind hunting for funders. Sadly, there were no takers for a global premium tea brand from India. Sarda was undaunted.

Cut to 2020. Sarda's tenacity and going against the odds seems to be paying off. Vahdam has become a ₹100-crore brand, and turned profitable since April this year; it gets shipped to over 100 countries, has raised $17 million in funding, and now gets half of its revenue from the US and 30 percent from Europe. In five years, Sarda too is a transformed entrepreneur. "In hindsight, we tend to take investor rejection more seriously than we need to be doing," he says. What matters in the end, he adds, is whether you have the backing of consumers. "Self-doubt can be your biggest enemy. I never gave up."

The online-only model gets a thumbs up from industry experts today. Tea, one of the largest consumed beverages, traditionally reaches consumers through the supply chain of farms and auctions; it is then stored and packaged by the brands and delivered to the consumers through a multi-layered distribution structure, explains KS Narayanan, a food and beverage analyst. "Vahdam has created a fresher delivery model," he says,

Perfect Cuppa: The Journey

Founded in 2015 by **Bala Sarda**

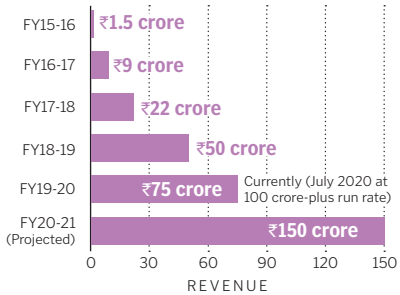
Raised **$17 million** and counts Sixth Sense Ventures and Fireside Ventures among its backers

Ships to over **100+ countries**; **50%** revenue comes from the US, **30%** from Europe

Has over **150-175** SKUs and over **100** signature blends

Sources tea from over **100 estates** in India

Overseas Growth Story



What has Worked

- Staying away from the cluttered Indian market to begin with
- Focusing singularly on export, and pitching the Indian story abroad

Likely Challenges

- Cracking the domestic market would be a tough task
- Taking on biggies might lead to high marketing spend

INFOGRAPHIC: SAMEER PAWAR

pointing to how the upstart stood out in a cluttered market. One of the salient aspects of tea is that it is sold on the premise of freshness. In reality, though, the supply chain was not delivering the promise.

Vahdam channelled the tea directly from the estates to the consumers, and in the process, bypassed all the non-value adding middlemen. They were further assisted, underlines Narayanan, by the growth of the premium variety such as green tea, single origin tea, organic etc. "They were able to put together a robust business model to tap into this emerging premium segment," he adds. By unearthing unexplored varieties and blending with the available rich spices in the country, Vahdam is well-positioned to capitalise on the growing health consciousness sweeping across the world, maintains Narayanan.

Sarda explains the biggest edge of an online-only model. "You fail quickly, but it's not fatal," he says. For any brand opting to go offline to begin with, he lets on, one has to go with a fixed number of products, and this comes after months of research. "But there's no guarantee that they will fly off the shelves," he says. So if a launch doesn't work or a product fails, it badly hits the brand. Now contrast it with an online venture. Vahdam, he stresses, has over 150 SKUs (stock keeping units). "We discontinued many, we iterated on hundreds of them and made them much better," he says.

What an online-first model, especially for a consumer and FMCG brand, also does is that it helps the fledgling venture miss the 'tyranny of the unofficial offline mafia'.

KV Sridhar, an advertising veteran, entrepreneur and global chief creative officer at Nihilent-Hypercollective, explains how the 'mafia' has been working in India in the offline space for decades. In FMCG and consumer products, offline or brick and mortar has always been the name of the game. "It was all about flaunting the distribution reach and using it to muscle out small, new brands," he says. The big companies dictated terms to stockists, distributors and retailers. "There was no room and chance for a newcomer," he says.



"HAVING TAKEN THE BRAND GLOBALLY, VAHDAM NEEDS TO CONSISTENTLY ENSURE THAT THE CONSUMER EXPERIENCE REMAINS THE BEST IN CLASS."

KS NARAYANAN, FOOD AND BEVERAGE EXPERT

Online has shifted the power into the hands of the digital entrepreneurs. "The rules of the game have changed," asserts Sridhar. It's no longer about deep pockets, but deep consumer insights.

For Vahdam, the quest to create a perfect cuppa did have its share of misses. A big miss, in fact, happened quite early in the journey. Like any tea entrepreneur or retailer, Sarda too followed the herd mentality of opening a corporate office and factory in Siliguri, West Bengal. The reasons were obvious: Proximity to Kolkata, the tea capital of India; quick access to tea-growing regions of Darjeeling and Assam, and easy availability of technical manpower. It took three months to build the base. But just two weeks into operations, Sarda decided to relocate to Delhi. High moisture in Bengal was turning out to be the villain. Moisture, explains Sarda, is the biggest enemy of tea. The bootstrapped startup wasted enough resources and time during the early part of the journey.

The journey ahead, for sure, will have potential roadblocks. One of the challenges will be to live up to the promise of consistency. Having taken the brand globally, Vahdam needs to ensure that the consumer experience remains best in class, says Narayanan. This is crucial given that Vahdam is tapping into the premium segment, where consumers are discerning and demand nothing but the best and would be willing to pay for a great experience. "They need to constantly enhance the experience and build on the brand values," he adds, pointing out another potential irritant. Addressing the mass market with such a model, he stresses, may not be appropriate. To disrupt such a market, they would need a farm to cup approach.

Sarda, for his part, reckons that staying focussed is the biggest challenge. "We have created a premium, scalable and profitable brand," he says. The big task now is to not lose the bigger picture of keeping consumers happy. "When you raise money, you tend to think that you can do anything, and launch a lot of products," he says. The point is, capital must not take focus away from the customer. "The vision remains to build a billion-dollar brand loved by customers."

Lips Don't Lie

How Sugar Cosmetics identified a niche and got a dominant portion of sales from lipsticks

By **RAJIV SINGH**

In 2015, when Vineeta Singh and Kaushik Mukherjee launched their second venture, "nothing else mattered". Reason: Their first startup, a monthly makeup and beauty subscription for women called Fabbag, was not in great shape. In spite of three years of operations, the venture had not scaled up. The business got trapped in the lure of recurring revenue. "India was not ready for a subscription-based model in beauty," says Mukherjee. He explains how Fabbag worked: Every month, a subscriber would get a bag with four to five beauty products, which would be curated from different brands based on skin type and makeup preference of the consumer. The second venture, again in cosmetics and direct to consumer, was Sugar Cosmetics—and their shot at redemption.

The first year of operations, which yielded sales of ₹52 lakh, was nowhere close to what the duo imagined. Though the figures were better than Fabbag, they were not enough. To begin with, the curse of bootstrapped life hit them: A paucity of working capital. In spite of an uptick in demand, only three products could be rolled out in the first year. In fact, for six months they couldn't import one of their products from Germany. Finally, the duo took a loan, paid the manufacturers, cleared the dues, and imported the product which turned out to be their bestseller: Lip crayon. Revenues jumped almost six times in the second year: ₹3 crore.

The venture began to roll. Sales leapfrogged to ₹11 crore in the year ended March 2017; two years later, Sugar did sales of ₹54 crore, which almost doubled, to ₹105 crore in fiscal 2020.

"It's sugar minus calories," Singh laughs. Over 65 percent of revenues, she lets on, come from lipsticks, and some of the bestseller brands are 'Nothing Else Matters', 'Matte As Hell', and 'Seal The Show'.

Why Sugar? Mukherjee reveals the untold story. The duo shortlisted five names, and ran an online poll. Sugar appealed most to the millennials. But the clincher was a unanimous feedback that the name didn't sound like a new brand. It had a ring of familiarity. "This insight was powerful," he says. After all, the duo faced a huge risk of being labelled as a newbie in a cosmetic market dominated by giants.

Sugar, contend venture capitalists, is well-positioned at the intersection of two major trends—a fast-growing beauty market and rapidly increasing online penetration. "A team with learnings from a similar business and early proof of concept in offline retail gave us the confidence that it is on a path to a much bigger and successful business," says Abhay Pandey, general partner at A91 Partners, one of the backers of the cosmetic company. The startup has raised ₹100 crore so far and counts RB Ventures and India Quotient among its investors.

The journey of Sugar has been different from other direct to consumer brands. After staying as an online-only brand for the first two

Sweet as Sugar: Journey So Far

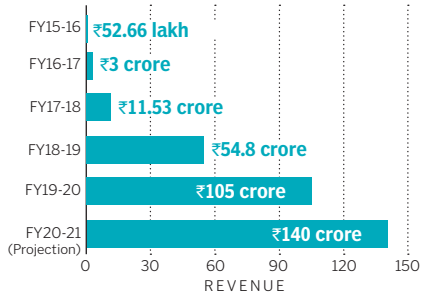
SUGAR COSMETICS

Founded in 2015 by **Vineeta Singh** and **Kaushik Mukherjee**

- Raised **₹100 crore** from **A91 Partners, RB Ventures** and **IndiaQuotient**
- Boasts of an **Instagram** community of over **600K followers**
- Brand's website and app get more than **2 million unique visitors** every month
- Sells over **2 lakh products** through website every month
- Lipsticks make up for over **65% of the revenue**; rest comes from makeup
- Has an omnichannel strategy, with presence ocross **1,750 retail outlets** in 100 cities

Present in the **US** and **Russian markets**

Lip-smacking Success



What Works

- Disrupted the cosmetics market with matte, long-lasting makeup with shades that specifically suits Indian skin tones
- Timely diversification into offline and scaling its presence there

The Challenges

- Will need to rethink offline strategy in the wake of Covid disrupting the brick and mortar world
- Fight from a slew of lookalike brands targeting millennial consumers

INFOGRAPHICS: SAMEER PAWAR

years, it ventured into offline retail and now has a presence across 1,750 outlets in 100 cities. The hybrid model resulted in growth at a faster clip, much similar to what smartphone brand Xiaomi has been witnessing over the last two years. The Chinese brand entered India as an online player and disrupted the segment where offline ruled the roost.

Sugar too mirrors a similar pattern. Starting as online-only, Mukherjee stresses, was a no-brainer. "Retail is a power play in India," he asserts. Real estate is expensive, the business is capital-intensive, and small and marginal players get elbowed out. The biggest edge in going digital for Davids like Sugar, though, was



"SUGAR IS WELL-POSITIONED AT THE INTERSECTION OF TWO MAJOR TRENDS —A FAST-GROWING BEAUTY BUSINESS AND RAPIDLY INCREASING ONLINE PENETRATION."

ABHAY PANDEY,
GENERAL PARTNER, A91 PARTNERS

"ONLINE HAS MADE IT EASIER FOR THE DAVIDS TO TAKE ON THE GOLIATHS OF THE OFFLINE WORLD."

VINEETA SINGH
CO-FOUNDER, SUGAR COSMETICS

Vineeta Singh and Kaushik Mukherjee, co-founders of Sugar Cosmetics, say the brand's roots will stay in digital

something that even Goliaths could never manage to get: Loyal customers, who were yearning for a brand who could talk to them. The offline players have defined what beauty should be. The narrative was always under their control, and they managed it with celebrities. Millennials, Singh rues, had little choice. With the advent of direct to consumer brands, they got empowered by getting back their voice. This changed the game for Sugar. "Consumers started rooting for Davids," she smiles. "Digital has levelled the playing ground in the David versus Goliath fight."

Millennials in every nook and cranny of India, Sakshi Chopra, principal at Sequoia Capital India, have a new window to a wider world. The number of online-first brands has grown sharply in India in the last three years, and much of the growth is coming from outside India's major metropolises. "Over 400 million Indians have come online in the last four years, thanks to affordable smartphones and rock-bottom data plans," she adds. (See 'Direct to millennials, in Bharat' on *page 56*.)

The brick and mortar players, Singh stresses, always used online as a liquidation platform. "It was used to clear the old stocks," she says. Sugar, she lets on, was founded on three



pillars: Listening to consumers, staying away from discounting and focusing on content for the consumers. The strategy has worked well, and the duo intends to remain digital natives in spite of their offline presence.

After crossing ₹100 crore in revenue



in five years, Sugar saw its biggest success post lockdown. "We saw our best month in June," says Singh, who quickly qualifies her statement. "In fact, what we sold in June we have already sold that in the first two weeks of July," she smiles. "This is the beauty of being a brand that has its roots in digital," she says.

Covid and lockdown have not only changed the market dynamics but also triggered a consumer behaviour change. "Consumers are buying fresh merchandise at MRP. This has made big brands sit up and take notice," says Singh. Online, she lets on, is not the place to buy *sasta* (cheap). The perception and the rules of the game are changing. For the duo, the new world, post-Covid, is as sweet as sugar. F

AALOK SONI FOR FORBES INDIA; LOCATION COURTESY: VERVE HAIR AND BEAUTY SALON

High-Decibel Show

How consumer electronics brand Noise quietly carved a niche among millennials by offering smart wearables and audio products

By **RAJIV SINGH**

Gaurav Khatri knew it was all about listening to the noise. "This (noise) is within each of us," says Khatri. "It constantly pushes us to follow our dreams," adds the commercial pilot, who decided to pursue his dream when he was 26.

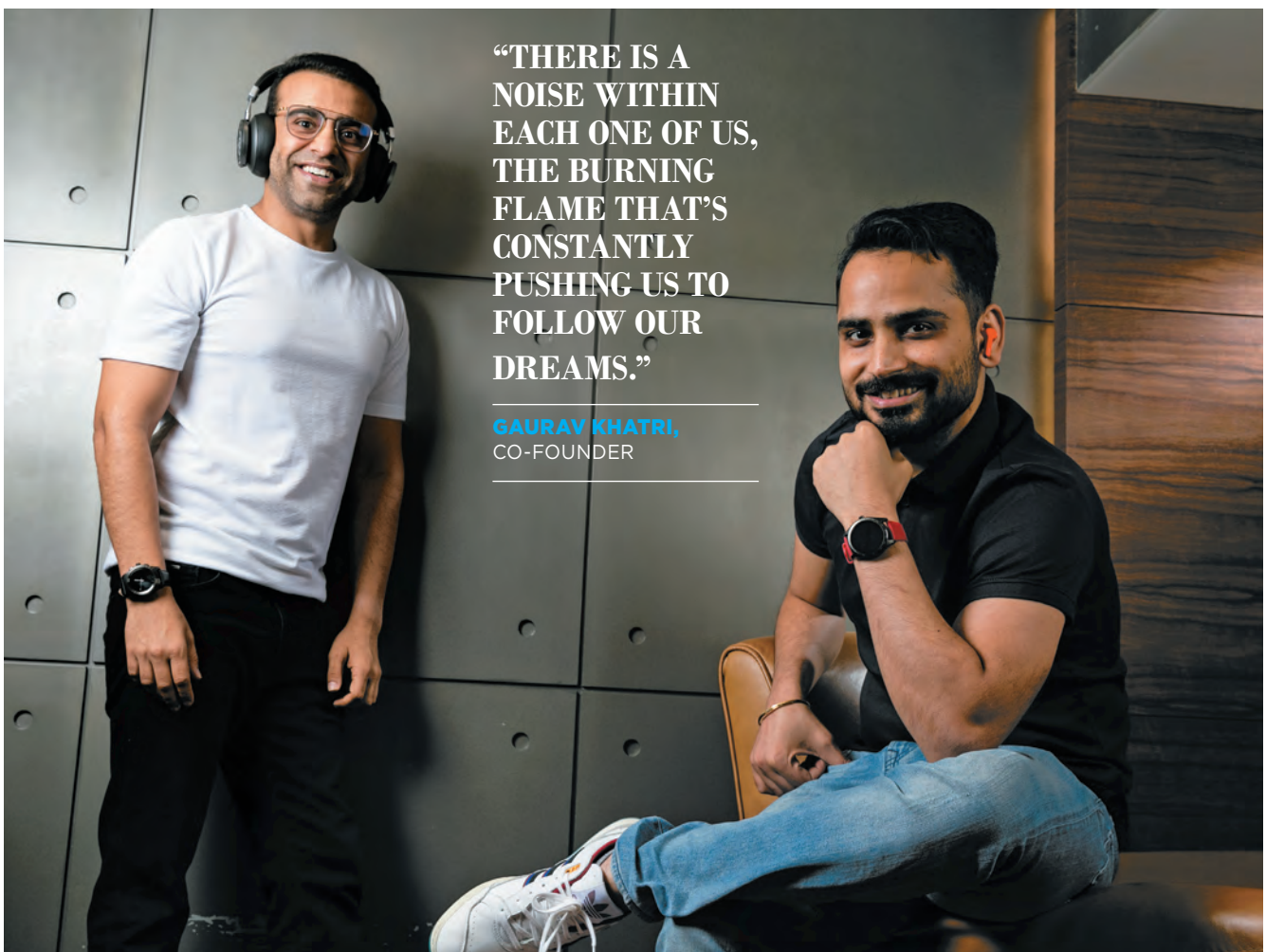
"I always wanted to build a product in the consumer electronics space," he adds. Khatri, along with brother Amit, took the entrepreneurial plunge in December 2014 by starting Noise. "We wanted a quirky name, a name that could instantly connect with millennials, and also help us in standing out," says Gaurav, explaining the reason behind the name of the venture.

The Khatri brothers, though, didn't make much noise about their online venture. There was no advertising... zero marketing dollar was spent. The duo decided to bootstrap, pooled in over ₹7 crore from savings, and started by selling smartphone covers.

In early 2015, India was on the cusp of a smartphone boom and, for youngsters, quirky and stylish covers were a style statement. The plan worked, and the online-only venture clocked a revenue of a little under ₹10 crore in the first year.

Though the beginning was modest, the market for cases was getting chaotic. Too many players—small and unorganised—flocked to the segment because of the low-entry barrier. The brand, the duo realised, was getting lost in the noise. The market for cases got commoditised, price-cutting became the norm, and the brothers decided to explore smart accessories.

Over the next two years, the Khatris sold smart wearables and Bluetooth earphones. In fact, it was one of the first brands in India to roll out wireless earbuds. Noise was getting transformed into a smart consumer electronics brand. The success got reflected in high-decibel sales: From ₹72 crore in the March-



Brothers Amit (left) and Gaurav Khatri took the entrepreneurial plunge in December 2014 by starting Noise. They say it's a brand for millennials and will always remain so

MADHU KAPPARATH

ended fiscal 2018 to ₹225 crore the next year, to ₹430 crore in the financial year-ended March 2020. Early this year, the startup roped in cricketer Rohit Sharma and launched NoiseFit Fusion, a full-touch hybrid smartwatch. "We want to create a big homegrown consumer technology brand that sells outside India," he says.

Noise, contends Faisal Kawoosa, founder of techARC, has been selective in its product portfolio. "It does not add products for the heck of it. The brand identifies a gap and then goes about it," he says.

In a cluttered smartphone accessories and smart wearable market where established multinational players offered multiple products and SKUs (stock keeping units), Noise resisted the temptation to offer something for everybody. Take, for instance, the decision to stick to action cameras. The startup stayed away from dealing in all kinds of cameras. "It worked," says Kawoosa. Another positive for Noise was affordable pricing. This too worked well for the upstart, he adds.

Khatri, for his part, was clear from day one that Noise won't be a price warrior. "We didn't pluck the low-hanging fruit," he says. The move turned out to be one of the early challenges for the fledgling startup. In the consumer electronics market, consumers usually gravitate between a cheap brand or offerings from a branded company. Noise was sandwiched. "We were 'rightly' priced," he says.

The biggest early challenge, though, was winning trust. For an online-only brand, it was a question of life and death. Noise didn't have a physical store and didn't advertise. "Just showing users Instagram or Facebook page and expecting them to buy was not easy," recalls Khatri. Though there was an encouraging sign—people were coming to the website—it rarely materialised in conversion.

The brothers reached out to such users and assured them about the quality and credibility. The move worked.

Now came the second challenge. When the Khatris launched speakers and headphones, they didn't realise that the segment was already mature. Big foreign brands with deep pockets had been selling products in the segment for over a decade. "For any new player, making a mark was impossible," he recalls. The solution, he lets on, was a realisation that the brand has to find its niche. "We needed our mojo," he says. And it came by listening to the users. This meant extensive consumer research, establishing a design and research and development team in India, and coming up with features that very few had. Take, for instance, the move to launch wireless headphones. "We were the first homegrown brand to do this," claims Khatri.

Going back to consumers, identifying gaps and launching a product became a norm. The next sub-segment to get disrupted was smart wearables. Consumer insights revealed the problem: Either there was a smart band, or smart watch, and the irritant was the small screen. The result was a bigger screen product, which turned out to be a bestseller. Though top cities continue to be the main market for Noise, there has been a steady uptick in demand from Tier II and beyond. "Brands talking directly to consumers would be the ones staying relevant," says Khatri.

Direct to consumers is going to be the future. In a media and entertainment report titled 'India's Digital Future,' released last August, KPMG observed that digital disruption has made it vital for media businesses to pivot to a direct to consumer business model. With this transition, the report underlines, comes the imperative to invest in better understanding of the end consumer. The suggestion and insights hold true for all kinds of businesses getting disrupted by new-age startups.

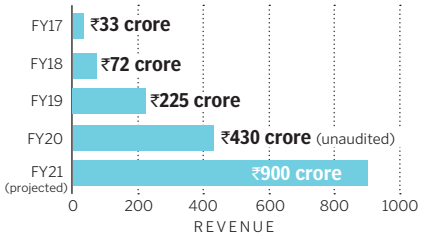
For Noise, the next big challenge would be offline expansion, and setting up a manufacturing ecosystem in India. Though the startup has an R&D and design team that comes up with cutting-edge technology and variants, the disruptor brand could get disrupted. The business model can be replicated by a new startup that ties up with contract manufacturers in China and comes up with products based on consumer insight. "Xiaomi disrupted Samsung, and Realme disrupted Xiaomi," says a tech analyst. The tool of disruption was the same: Online, he says, alluding to the possibility of the same medium churning out a potential rival for Noise.

Khatri believes in continuous innovation to stay ahead of the curve. "Noise is a brand for millennials and will always remain so," he says. The mantra seems to be listening to the inner noise and living the dream. F

Big Noise: Journey So Far

- Founded in December 2014 by **Gaurav and Amit Khatri**
- Started with selling **smartphone cases**; diversified into **smart wearables** and **audio accessories** over the next two years
- Partnered with **Rohit Sharma** early this year; to get into co-branded products soon
- Planning offline presence; exploring opportunities to enter international market

Turning up the Volume



What has Worked

- Pitching as a young homegrown brand that was willing to stand out in a cluttered electronics market
- Positioned itself as affordable and aspirational rather than a cheap brand
- Focussed on filling the gaps by coming out with industry-first products

The Challenges

- Though the R&D team is located in India, it needs to work on a plan for manufacturing in the country
- It has to fight a battery of local players, playing the price game by importing from China

Beard Mentality

How Beardo disrupted the men's grooming market by going online and found a buyer in Marico

By **RAJIV SINGH**

Three years back, when Anurag Sinha wanted to sport a beard like Indian cricket captain Virat Kohli, he knew how to start. "You not only need to grow it, but also groom it," says Sinha. The commerce undergrad student in Ranchi University also knew where to start: Online. "Neither salons nor any store had such products," recalls Sinha, who bought a beard hair oil and wax from Beardo. "Now I also use Dark Side, the perfume brand by Beardo," he says.

On the brighter side, markets and millennial consumers in Tier II cities and beyond were warming up to brands that were reaching out to shoppers directly. Founded by Ashutosh Valani and Priyank Shah in 2015, Beardo started as a direct-to-consumer brand offering products for beards, and gradually evolved into a men's grooming company.

The evolution and pace of growth caught the attention of consumers, and buyers. FMCG major Marico picked up around 45 percent stake in the company in 2017. In early July, it acquired the rest of the equity. "This (investment) is in line with our emerging focus of venture investments into startups to incubate new engines of growth," Saugata Gupta, MD and CEO of Marico, said after the initial investment.

Beardo now gets over half of its revenues from Tier II and beyond. And the brand clocked a gross revenue of ₹104 crore in the March-ended fiscal 2020. "Now close to 70 percent of the business comes from other categories except beard," says Sujot Malhotra, chief business officer of Beardo. Malhotra, who has spent over 14 years in Marico, contends that, in spite of acquisition, the nature of



MAYUR D BHATT FOR FORBES INDIA

the entity won't change. "We will continue to be digital-first," he says. "There is enough and more for us to grow, in online and offline."

With an offline Goliath—Marico—now in the driver's seat of an online venture, will it be a different ride? Malhotra explains the dynamics. Marico, he shares an analogy, is like a truck. Whatever be the weather, and business landscape, the truck keeps moving. A startup like Beardo, Malhotra points out, is like a bike: Graceful, fast and nimble. It can navigate through busy traffic and reach its destination. But, during challenging times like Covid, startups get disrupted, primarily because of the absence of deep pockets. Now if you put the bike on a truck, Malhotra reckons, the bike will keep rolling even during the crisis. Post-buyout, Marico is keeping the core team of Beardo intact. "Everything from the team to operations is being kept independent," says Malhotra. "We are here to learn and grow together."

One of the learnings that Marico is planning to leverage on is the offline presence of Beardo. The brand, which is present across 10,000 salons, would now get visibility in modern trade as well. "We are expanding our footprint to other channels," Malhotra informs, adding that the core still remains online. Recently, the startup rolled out an online loyalty programme titled 'Beardo VIP Club'. The idea is to build a community, and keep expanding it. Digital-first models communicate with users one-on-one. "It has led to the age of personalisation and individualisation," he says, adding that the consumers now want to be heard. The direct to consumer companies have a radically different paradigm as contrasted with offline FMCG firms.

Over the last few years, the legacy companies have been trying to have a deeper skin in the game of talking to, and serving, millennials. And the best way is to buy a startup. Take, for instance, Unilever's move to acquire Dollar Shave Club reportedly for $1 billion. The US-based startup sells razors and blades directly to consumers via online subscriptions. Back home, in February, Wipro Consumer Care Ventures—the venture capital fund of Wipro Consumer Care and Lighting—picked up a minority stake in online shave and grooming startup LetsShave.

Sumit Keshan, managing partner at Wipro Consumer Care Ventures, reckons that a tectonic shift has taken place in the business landscape over the last five years. Earlier, it used to take 10 or 15 years to build a brand. The brands used to address a large population, and mass marketing was the only weapon to reach out to their target audience. The method was expensive, entry barriers were high, and room for error was minimum.

A sharp disconnect started post 2015. New-age startups—armed with technology and consumer insight, and aided by smartphones and low-cost data—started building brands by finding their niches. "Most of them started hitting ₹100-200 crore in five years, which is fantastic," says Keshan, adding that the spend of these startups would be just a fraction of what legacy companies would have invested to churn such numbers.

What also helped the online brands was a trial and error method to create a product or service for the consumer. So if a product is not working, the new-age entrepreneurs would go back to the consumer to find out the missing link and fix it. The era of one-size-fits-all was over. Another factor that aided in the proliferation of such brands was high investor interest, which was largely missing or muted before 2015.

Wipro Consumer Care's tryst with direct to consumer brands goes back to 2017 when the maker of Santoor and Chandrika soaps picked up a stake in Happily Unmarried, a consumer products company that also had male grooming product brand Ustraa. Now Wipro Consumer Care Ventures owns a little over 20 percent stake in the company. Keshan points out that now 50 percent of the revenue of Ustraa, which was 100 percent online, now comes from offline.

The pandemic and the lockdowns have reinforced the importance of online-first brands. Almost 35 percent of urban shoppers, contends Keshan, have increased their online purchases; around 30 percent bought additional categories. "The behaviour is here to stay," he says.

Malhotra too is bullish on online play. "Beardo has had a fantastic run and is here to grow," he says, adding that it has been clocking 100 percent CAGR over the last few years. The beauty of the brand name, he adds, opens up so many new categories to explore. "Beardo is a statement. It's a personality," he says. "Tomorrow we can introduce Beardo jackets or condoms or anything that a man uses. The possibilities are endless," he says.



The Journey So Far

Started by **Ashutosh Valani** and **Priyank Shah** in 2015

Started with **beard products**; now a **male grooming** brand

50% of sales from **Tier II** and beyond; **30%** revenue from beard products;

Marico bought **45%** stake in 2017; acquired rest of the stake this year

What Works

- Born as direct to consumer brand... kept online focus intact
- Identified niche, built on it, and disrupted the segment
- Started with a small category and later added products
- 50% sales from Tier II and beyond means enough headroom for growth

The Challenges

- The ownership is now with a company which is rooted in offline
- Diversification into too many categories might dilute the positioning

INFOGRAPHIC: SAMEER PAWAR



SAQIB MAJEED/SOPA IMAGES/LIGHTROCKET VIA GETTY IMAGES

Direct to Millennials, in Bharat

The growth of online-first brands is coming from outside top metros, and is driven by millennials

By **SAKSHI CHOPRA**

Consumers outside of India's top eight cities accounted for just 10 percent of revenue for Wakefit, an online sleep and home solutions startup, when the company launched in 2016. The tide has steadily reversed over the last four years. Wakefit, which ships about 1,500 mattresses every day, now earns 50 percent of its revenue from Tier II and III cities, and beyond.

Over the last few years Wakefit has made deliveries to some of the most remote locations in India, including Jammu & Kashmir, Ladakh, and Andaman & Nicobar Islands.

The number of online-first brands has grown sharply in India in the last three years, and much of the growth is coming from outside India's major metropolises. Over 400 million Indians have come online in the last four years, thanks to affordable smartphones and rock-bottom data plans. Millennials in every nook and cranny of India are earning more, aspiring for more and embracing ecommerce. Referrals from friends and social media influencers play a large role in how they discover new products, brands and trends.

There were 60 online-first brands in India with over $5 million in revenue in March 2020, 3x more than there were three years ago, according to data from Tracxn and Venture Intelligence. A CEO poll done by Sequoia India of 10 leading online brands, including boAt, Wakefit, Healthkart, Mamaearth, Zivame, Bewakoof, Purplle, WOW Skin Science, Lifelong, and Bombay Shaving Company, shows that about 50 percent of this cohort's revenue, on average, comes from outside India's top eight cities.

Online-first brands reach the remotest of places, like J&K, Ladakh, Andaman & Nicobar

This market presents a massive opportunity to new-age online brands that can deliver innovative products, a strong value proposition and a fantastic customer experience for India's emerging consumers.

BUILD COMMUNITY AND ENGAGEMENT AS A MOAT

'Sasta sundar', or 'inexpensive and beautiful', has long been the mantra for the average value-seeking middle-

class Indian consumer. Building trust is critical, which is hard to do when consumers can't touch or test out your products to gauge quality. Online brands are achieving this by investing heavily in customer service, encouraging customers to leave ratings and reviews and using influencers to drive awareness.

Purplle, an online beauty retailer, works with over 1,000 influencers to drive product awareness, create localised content and build a deep connect with consumers. Some of these influencers, who started with just 1,000 followers, have grown to ~1 million+ followers over time.

One of the best ways to build both aspiration and trust is to create communities of your loyal and power customers, which can be a deep and powerful moat.

boAt, which sells affordable and fashionable audio products and accessories, has disrupted the likes of Bose, Xiaomi and JBL in just three short years. By leveraging celebrity brand ambassadors and doubling down on community, they've been able to quickly build a sense of trust and exclusivity. Members, called boAtheads, get invites to online events, concerts and early access to product releases. When boAt launched their new category of smart wearables in July 2020, it became the fastest selling wearable on Amazon this year thanks to the response from the boAThead community.

LEAN IN ON INNOVATION AND CUSTOMER LOVE

Traditional CPG brands have reached Indian consumers through a vast network of 10 million retailers, and that deep distribution network has been their biggest strength. The rise of ecommerce has changed the equation for many categories, like fashion, beauty, health and wellness, homeware, electronics and lifestyle products. Online-first challenger brands are leading disruption with superior products, a continual cycle of R&D-led innovation and a laser-like focus on delighting the customer.

Mamaearth, an online-first clean label skin care brand, has gained customer love and trust by being paranoid about product quality - a key point of differentiation in a market where consumers are increasingly conscious about the ingredients that go onto their skin. Mamaearth Co-Founder Ghazal Alagh personally samples products from every batch produced by their facility each night—and that's after a mandatory 10-step quality control process. On Diwali last year, Mamaearth received 1,500 orders in a single day from Tier II and III cities.

Winners are also going the extra mile to hold their customers' hands throughout the consumer journey.

THERE WERE 60 ONLINE-FIRST BRANDS IN INDIA WITH OVER $5 MILLION IN REVENUE IN MARCH 2020

Lifelong, an online kitchen and home appliance brand, surveys at least 500 customers, including a large mix from Tier II/III cities, every month, to create a continual feedback loop that drives product development. They also provide product demos and after-sales customer support in seven languages, over WhatsApp video and Zoom. It's a whole new level of connection for customers in smaller cities and towns, who typically have nowhere to turn for help after they purchase a product from their local mom-and-pop retailer.

Lifelong hit on the idea for a foldable treadmill through these conversations. Customers said they wanted to get fitter - but panned the idea of a traditional treadmill because it would take up half their living room. The category is now a hot seller for Lifelong.

CHART AN OMNI-CHANNEL PATH TO PROFITABILITY

The rise of direct-to-consumer (DTC) brands in the US has been followed by a fall as customer acquisition costs continued to rise due to increased competition. Many US brands focused on growth over profitability and overspent on marketing. They also chose to keep distribution exclusive to their own DTC channels, leading to a higher customer acquisition cost.

While they've remained 'online first', the most successful challenger brands in India have chosen an omni-channel approach—selling on Amazon, Flipkart and others, and in many cases, physical retail, too. Their own DTC channels are just one of many they use to drive distribution.

Wakefit, for example, has built a profitable pan-India brand by leveraging Amazon and Flipkart alongside their own website. While their core focus has been on product innovation and customer service, their value proposition is underscored by competitive prices, a 100-day return policy, doorstep delivery, and depth of online reviews across platforms. Quality products, superior customer service and strong customer ratings drove word of mouth, driving down customer acquisition costs. This created a flywheel effect that's made their model profitable from day one.

The rise of ecommerce has changed the balance of power between brands, distributors, retailers and customers. There's a huge opportunity for innovative startups that build brands with the millennial Bharat in mind. Brands that create high quality products at affordable prices and find new ways to engage customers online, at every step of the consumer journey, will redefine the future of retail in India.

• THE AUTHOR IS PRINCIPAL AT SEQUOIA CAPITAL INDIA; DISCLAIMER: WAKEFIT, MAMAEARTH AND HEALTHKART ARE SEQUOIA-BACKED STARTUPS

Kimirica Ventures : The Rise of Business Excellence & Innovation

Kimirica was started by Rajat Jain & Mohit Jain in 2013 with a vision to tap the 20BS Personal Care industry in India. They entered the market through a very unique route of luxury hotels and quickly built-up a niche clientele. At a point when almost 75% toiletries and amenities were imported from China by the International Hotel Chains in India, this duo managed to bring most chains on-board for their supplies. Today International Chains like Four Seasons, Marriott, Hyatt, Sofitel and Westin are trusting Kimirica as their preferred partner. Kimirica Ventures is now a group of companies with a diverse portfolio of ventures catering to industries including personal care, hospitality, IT and edible products.

Kimirica Ventures & It's success story

- **Kimirica Hunter International**
  In 2017, Kimirica did a strategic partnership with Hunter Amenities International – Canada, one of the world's largest companies in the same business domain. Now known as Kimirica Hunter International; together they make more than 100 international & in-house brands for the hotels & airlines. Currently operating from 90,000 square feet space with around 500 people in Indore, Kimirica will open-up the world's first Hotel Amenity Park in 2021, adding more products and services for the hospitality sector.

- **Kimirica Luxury Retail**
  Owing to a huge demand from the guests for the products, Kimirica took the next step towards its vision and entered into the fast-growing retail space with Kimirica as the primary brand. Although majorly focusing on online sales, Kimirica also made strong physical presence by opening stores at major airports and their hotel partners across the country. In next 5 years they want to make it their largest revenue generating business.

- **Cleansense Personal Hygiene**
  Tapping the opportunity in the current scenario, they have recently entered the personal hygiene space and launched the brand Clean-Sense with products such as sanitizer, soaps, handwashes, and more. In the general trade segment; they have already reached up to 20,000 retailers across 5 states in India.

- **Bombay Island Coffee Company**
  A start-up by Rupal & Vineet Jain, Bombay Island takes inspiration from the Third wave coffee movement. It brings premium and custom-roasted coffee beans for the best bean to cup experience. Kimirica Ventures invested in Bombay Island to provide their hotel partners to deliver the best coffee experience in the country.

- **Prefme - Mobile App**
  Committed towards the development of a unique Technology Product for the Hospitality & Travel industry since 2016, their futuristic vision has come live recently with Prefme, a mobile app solution that enables hotel partners to deliver safe, seamless and personalized guest experience. Elevating hospitality through incredible features like sharing guest's dining & stay preferences, multilingual chat, contactless check-in-/out, digital loyalty cards, in-app service booking, in-room dining, food compatibility scanner & more. Prefme brings the innovation that luxury hotels and travellers were looking for long-time.



- **Pataa Technologies**
  Pataa Technologies is another brainchild from Rajat & Mohit, solving the problem of unorganized addressing system that costs 10-14 Billion dollars annually to India. This digital addressing technology simplifies commuting, navigatio logistics and last-mile delivery.

The phenomenal growth of Kimirica Ventures has been shaped by its values of encouraging innovation, delivering excellence and upholding its commitments. It aims to be a game changer in the world of value-added products and services with focus on sustainability.

Key Members at Kimirica Ventures

Rajat Jain
Founder & Managing Director

Rajat emulates the organization's core value of leadership, development and growth.

Mohit Jain
Co-founder & CEO

Mohit is Co-founder & CEO at Kimirica Hunter International. He has been instrumental in increasing organization's reach to customers' worldwide and establishing value for the brand.

Kimi Jain
Head - Retail Divison

Kimi heads the Luxury Retail division at Kimirica. Her expertise in e-commerce and marketing has been invaluable in achieving accelerated growth in the retail sector.

Rica Jain
Director of Quality & Assurance

Rica has extensive experience in the area of quality assurance. As the director of Quality assurance, she makes sure that every product, process and service adheres to Industry standards.

Vardhman : Ethics for Excellence

Raised on the strong foundation of values and ethics; excelling in an industry with fast evolving markets, mercurial trends and 'change being the only constant' is Vardhman. Delivering excellence and customer satisfaction for over 55 years, the billion dollar organization is one of the largest vertically integrated textile manufacturers of India.

The acclaimed Indian textile conglomerate delivers quality products to over 75 countries globally besides providing employment opportunities to over 27,000 people through its 18 state-of-the-art manufacturing facilities strategically located across 4 states – Punjab, Himachal-Pradesh, Madhya Pradesh and Gujarat. The group annually –

- produces 2,40,000 metric tons of yarn;
- weaves 220 million meters and processes 180 million meters of fabric;
- manufactures 22,000 tons of acrylic fibre;
- crafts 18 million shirts; and
- makes 2,00,000 tons of Special & Alloy steel.

Stepping up with Innovation:

Vardhman fosters innovation and invests in advanced technology to maintain its lead, besides ensuring that the expansions undertaken are balanced. The group stays ahead of the curve in terms of design, technology and delivering a pleasant customer experience owing to customer focus, holistic approach and high level of transparency in system. Meeting commitments as well as customer demands being a top priority, and flexibility added to speed; Vardhman executes excellence via its robust production planning system and proficient supply-chain.

A journey etched in excellence

Vardhman, revered highly for its work-ethics and value system, was envisioned by Late Lala Ratan Chand Oswal. In 1962, he laid the foundation of a textile manufacturing organization dedicated to meet the highest standards of quality which is currently thriving under the astute leadership of Padam Bhushan Awardee Shri S P Oswal.

Augmenting this vision, is his daughter Mrs Suchita Oswal Jain, the Vice-Chairman and Joint Managing Director who with her dynamic approach, long-term business strategy and next-gen outlook has played a pivotal role in establishing Vardhman as an industry leader. She is involved in Group's corporate initiatives and long-term strategy, and is leading from the front to take the business to new heights.

The Group has a continuous pursuit of excellence and works towards strengthening the core values, so the roots grow strong to hold the ground firm in the face of adversity. Vardhman delves into planning and having a long-term perspective, even if the situation presents an opportunity for short-term profit.

With an acute emphasis on utilizing the resources to optimum, Vardhman believes in modernizing, diversifying, integrating and standardizing. Serving customer delight, and playing the role of a responsible corporate citizen, Vardhman is acknowledged for not only quality products but the business practices in place.

The organization considers human resource to be its strongest pillar and is dedicated to the holistic development of its employees. Quality circle teams from Vardhman, breaking the barriers of formal education have time and again proved their merit at global platforms owing to the frequent developmental activities carried out by the organization. Such is the fiber of the work culture that most of the employees at high profiles have grown along with the company over all these years.

Sustainability: A proactive engagement

Vardhman's pursuit to amplify the positive impact of textile industry on the economy and its aim to achieve holistic excellence is catalyzed by its approach to sustainable development. Starting with responsible sourcing to green practices, the Group is dedicated to detoxifying the fabric manufacturing process.

The progressively responsible organization, in its CSR initiatives, focuses on the development of communities by promoting education, empowering women, creating sustainable livelihoods, improving healthcare services and providing facilities like drinking water and sanitation.



Mr. S.P. Oswal

Chairman & Managing Director
Vardhman Group

Mrs. Suchita Oswal Jain

Vice-Chairman &
Joint Managing Director
Vardhman Textiles Liminited

Stage Wars

Roposo and ShareChat lead a bunch of local contenders that have emerged after the ban on Chinese apps. Which one is most likely to replace TikTok?

By VARSHA MEGHANI

Hours after the government banned 59 China-made apps citing national security concerns, Roposo's engineers were in a tizzy. Branded as "India ka apna video app" or India's own video app, the short video-sharing platform, akin to TikTok, the wildly popular Chinese app that counted 200 million users in India until the ban, saw a sudden rush of users.

"It was crazy... our servers got jammed and we had to quickly upgrade them to deal with the increased traffic," says Avinash Saxena, co-founder at the Gurugram-based startup which was acquired by advertising tech unicorn InMobi late last year. Daily active users rocketed from 6 million before the ban to 17 million just days after the ban, says Naveen Tewari, InMobi's chief. At the time of writing, Roposo claims to have been downloaded 80 million times. "This is India's digital atmanirbhar moment," he beams.

Sure enough, a number of local short video-sharing platforms rushed to fill the void left by TikTok, including Chingari, Mitron and Rizzle. As did entrenched players like ShareChat and Instagram. But only one or two platforms will come out on top, say industry bosses.

Back in 2014, along with his IIT-Delhi mates, Mayank Bhangadia and Kaushal Shubhank, Saxena founded Roposo as a social network focussed on fashion. It allowed users to discover and share the latest trends in clothing and accessories via a chat-like interface. "We soon realised that video was the default mode in which users were sharing stuff," says Saxena. So the trio turned their attention to videos and expanded beyond fashion.

This pivot to videos came in August 2017. "It was around the time that Instagram was taking routes in India," says Anand Lunia, founding partner at India Quotient, an early investor in Roposo. "When we invested [in 2014], it was the early days of smartphones and the internet in India; Instagram was not popular either. Roposo was India's first social network app and our mandate at IQ has always been to invest in 2 to 3 social media startups with the aim of discovering the next Facebook from India. Besides, Roposo had a good technical team," he says.

Soon after the shift to user-generated videos on topics ranging from comedy to religion and sports to singing, Tiger Global Management, Flipkart's Binny Bansal and India Quotient invested $5 million in the startup's Series A fundraise in February 2015.

A number of local short-video sharing platforms rushed to fill the void left by TikTok, but only one or two will come out on top

With the fresh funds, Roposo grew its video platform and also decided to experiment with commerce, but the latter failed. "They burnt most of their money with that, but Tiger extended another lifeline to them," says one industry insider on condition of anonymity. The New York-headquartered hedge fund invested another $15 million in Roposo in August 2015, according to data from Venture Intelligence. The startup continued its focus on videos, including local languages, while still attracting capital from Tiger which led the startup's Series C and D rounds in November 2018 and May 2019, respectively. But competition from ByteDance owned-TikTok, which burst on to the scene in August 2018, was stiff.

In November 2019, Roposo, which claimed 42 million users at the time for its multichannel, multilingual TV-like offering, was acquired by Glance, an arm of InMobi. The financial details of the transaction weren't disclosed, but according to the industry insider quoted above, it was an acquihire. "The founders perhaps got a pay-out, but the investors got nothing. They lost money," he says.

For Tewari, the synergies were obvious. Glance, which had raised $45 million from Peter Thiel's Mithril Capital shortly before the Roposo deal, delivers personalised content on the locked mode screens of smartphones. "Majority of Android phones use our technology," says Tewari. Roposo would bring to Glance additional content, its community of creators and influencers, and an experienced



KAUSHAL: AMIT VERMA; AVINASH: NISHANT RATNAKAR FOR FORBES INDIA

team. Glance, in turn, would further the reach of Roposo's videos given its massive scale. "With more than 100 million daily active Glance users, content created on Roposo naturally flows into Glance and creates a flywheel effect," says Tewari.

Thanks to the ban, that effect has now multiplied. "We had around 50 million downloads before the ban. Now we have close to 80 million," says Saxena. While there's a lot of work to be done, he says, Roposo's video technology, including its camera and creation tool, painstakingly built and refined over the years, is a strong differentiator. Moreover, because of the synergies between Roposo and Glance, says Tewari, "you can go from being a star to a superstar. Our ability to make money for our creators is very high". Content creators on Roposo get paid in redeemable points for every view of their videos, as opposed to TikTok, where users monetised their content through brand associations.

ShareChat, the regional language social network which competed directly with Helo, another ByteDance-owned app, was in a similar frenzy right after the ban. "Moj [ShareChat's short video-sharing offering] was built within a couple of days of the ban and we've seen incredible growth with a number of influencers and top creators joining the platform," says Berges Malu, ShareChat's head of public policy. The app saw 2.4 million downloads within two days of it going up on Google's Play Store, according to Entrackr. "We will have other big announcements to make when we officially launch the app soon," adds Malu. Till then the startup is busy refining its video creation tools, obtaining music licenses and building up its community of creators.

ShareChat, which has seen daily active users jump 3x from 12 million to 35 million since the ban and has so far raised $230 million, also plans to announce another fundraise in week or so, sources tell *Forbes India*. Its parent company Mohalla Tech had raised $100 million in Series D funding in August last year with Twitter and TrustBridge Partners as new investors. Existing investors Shunwei Capital, Lightspeed Ventures, SAIF Capital and India Quotient also participated in the round, valuing the company at an estimated $650 million.

Not to be left behind, Facebook owned-Instagram launched Reels, its TikTok-like short video offering, 10 days into the ban. In fact, immediately after the ban, Instagram, which has roughly 70 million daily active users, started reaching out to TikTok's popular creators and influencers to persuade them not to join any platform. "They told us not to join any other platform as they would be coming out with one in a week or so," a former top-grossing TikToker with over 5 million followers tells *Forbes India* on condition of anonymity.



NISHANT RATNAKAR

(From left) ShareChat Co-founders Ankush Sachdeva, Bhanu Pratap Singh, Farid Ahsan have built short video-sharing platform Moj

"If all the good video creators come together and go to one app, that's better for all of us. So I'd rather take my time, think it through and go to a platform where my brand value will not diminish." He has since started posting videos on Reels.

"The difference between Instagram and ShareChat is that of India versus Bharat. ShareChat and others are going after Bharat, while Instagram targets the affluent but numerically few users in urban India. There's a market for both," says the insider quoted above. Lunia of India Quotient, which seeded ShareChat with ₹50 lakh back in February 2015, further points out that ShareChat was among the first to foray into the regional language space and so "deeply understands" its audience.

Meanwhile, TakaTak by Times Internet-owned MX Player is also emerging as a key contender to replace TikTok. Not just is the app's name similar to that of the Chinese offering, but so is its user interface. The top free apps ranking on Google's Play Store shows TakaTak trending at the number two position at the time of writing. Moj is just behind at number three while Roposo is at number eight. Instagram stands at number 12.

Interestingly, the top place is taken by Snack, a short video platform launched by China's Kuaishou Technology in April this year. This is the Tencent-backed company's second short video app after one called 'Kwai', which was one of the 59 apps banned by the government. "A lot of these Chinese companies have more than one platform. So while one has been banned, they are now pushing their other platforms," says one investor on condition of anonymity. "We might see another round of bans on such apps."

As Roposo, Moj, TakaTak and Instagram battle for dominance, what will it take to win? For one, capital. According to one industry insider, ByteDance, bankrolled by SoftBank, pumped in $20 to $30 million a month into India to grow TikTok. "You need large amounts of capital to grow in this business," says Sanjay Mehta, an early stage investor. A case in point being Chingari and Mitron. Both short video-sharing apps rode the anti-China wave in the aftermath of the ban. They were among the most downloaded apps on the Google Play Store. "Welcome on board Bharat! Let's go to 100 million users this month! 11 million in 22 days! Super excited," tweeted Sumit Ghosh, co-founder and chief of product and growth of Bengaluru-based Chingari on July 2. Likewise, Mitron boasted of 23 million users by July 4, according to a tweet by the company. It said that it had taken 70 days to cross the 10 million download threshold, but less than three days to double it. Play Store rankings at the time of writing shows Chingari languishing at 75th position, while Mitron didn't even make it to the top 100.



"Apps that have suddenly come on to the scene will need $150-$200 million to survive."

ANAND LUNIA
FOUNDING PARTNER, INDIA QUOTIENT

"Apps that have suddenly come on to the scene are bound to fizzle out," says Lunia. "You need at least $150-$200 million to survive in this business," he says.

Meanwhile, Roposo, backed by the SoftBank-funded InMobi, presently has the funds it needs to grow, says Tewari. Instagram too has the deep pockets of Facebook to fall back on.

Second, to succeed in this business, platforms need a strong community of creators. Mehta cites the importance of the "network effect" where more creators leads to more content, which leads to more users. More users, in turn, demand more content, which spawns more creators. "Virality is crucial for such businesses. Only then will you see an avalanche of users," he says.

Put another way, creators will be attracted to platforms that are able to bring them fame by way of number of views, and brand associations or redeemable cash rewards. Users on the other hand, fickle as they are, will be glued to platforms that offer quality content, and provide engagement by way of campaigns or competitions.

Third, technology is key for success. TikTok's personalised recommendation algorithm kept users hooked, says Lunia. For any platform to replicate that its machine-learning and artificial intelligence capabilities need to be on point.

Even with a combination of capital, community and technology, challenges remain. The investor quoted above cites the lack of engineering talent in the country when it comes to building social media products. "If you need some inventory management software you'll get all the talent you want because that's what Infosys built up over the years. But we've never built a social media platform prior to this," he says.

The biggest threat, however, is the government opening up the market to the banned Chinese apps. "Imagine pumping in all this money into their apps and then the Chinese return. They [local apps] will all be in a hot soup," says the same investor.

Luck, as it were, is another component for success. F



The Rural Network

Leveraging the potential of women self-help groups for economic revival calls for bridging the digital divide, building scalable programmes, and creating targeted interventions for the most vulnerable

By DIVYA J SHEKHAR

Jugni says she is "as illiterate as a buffalo", speaking in Hindi as she lays out a plastic mat next to a farm where a few goats are tied to trees. She belongs to the Garasia tribe in the Sirohi district of Rajasthan, and is meeting with five other members of her self-help group (SHG) in July after a gap of four months. Their functioning had come to a complete halt during the lockdown, and there was a lot of work to do. "We could not go to the market to sell our produce, and used to give it to a middleman who collected it from our homes. So the *bhindi* [okra] we used to sell for ₹20 a kilo went for as low as ₹7 per kilo during the lockdown," she says, over a video call on a borrowed smartphone. She owns a feature phone, and is just warming up to virtual meetings.

Jugni, one of the founding members of the Chetna Rani Mahila SHG, says she has come a long way from getting women to save ₹10 each week to be able to get electric supply to their fields two decades ago. Today, the 13 women in her group are able to save up to ₹80,000 a year and take small loans from local cooperatives for their farming and animal husbandry ventures. Their financial literacy, visible in the meticulous accounts maintained in notebooks, has been learnt entirely through experience. Digital knowledge never seemed like a priority, until now, and Jugni

RICHA AUDICHYA



Jugni (second from right) is part of a 13-member SHG in Jhamar village in Rajasthan. The women met in July after four months because of the lockdown

is willing to learn, if adapting to change is what it takes to survive in the wake of the pandemic.

"Most people have a feature phone and a bank account in these villages. Only a few members in about 150-odd women's groups out of 500 in this area are educated and own a smartphone. After the movement of SHGs was severely restricted during the lockdown, we are working towards piloting a digital literacy project among these 150-odd groups in August," says Richa Audhichya, a social activist who works with local women SHGs through her organisation Jan Chetna Sansthan. "It's time, because these women can't stop just because there is uncertainty due to the pandemic."

The SHG Network



67.9 million
Women in SHGs covered by the National Rural Livelihood Mission (NRLM)

56% Of households mobilised into SHGs belong to SC/STs and minority communities

9,400
Rural women banking agents that help other SHG members engage with their creditors while ensuring they maintain a healthy bank portfolio

7 million
Women who have received financial literacy training



SOURCE South Asia Agriculture and Rural Growth Discussion Note Series, March 2020; World Bank

Money Matters

For women-only SHGs, as on March 2020:

88 lakh: Number of SHGs covered under the SHG-Bank Linkage Programme



₹23,320 crore: Cumulative deposits with these SHGs

₹73,298 crore: Annual loan offtake by these SHGs in 2019-20



51.12 lakh: Number of SHGs having loan outstanding

₹1 lakh crore: Approximate amount of outstanding loans

4.9%: Gross NPAs of bank loans to SHGs, down from 5.19% on March 2019

SOURCE Status of Microfinance in India 2019-20 report by NABARD

India's network of rural SHGs—where women from similar socio-economic backgrounds pool in their savings and manage their credit interests with the principles of solidarity and mutual interest—has grown over the years, enabling women to be enterprising, take risks, earn financial independence and seek greater participation in the decisions taken in their homes and villages. India has over 68 million women working as part of SHGs, and like most industries and sectors they are turning the Covid-19 challenge into an opportunity.

"The government, through the National Rural Livelihood Mission [NRLM], has given them a capitalisation support of ₹10,200 crore, and these SHGs have also earned bank credit of over ₹2.9 lakh crore," says Alka Upadhyay, additional secretary, Union Ministry of Rural Development (MoRD). She points to the low non-performing asset (NPA) rates of women-led SHGs to emphasise that they can play a critical role in India's economic rebuilding story. According to the National Bank for Agriculture and Rural Development (Nabard), the gross NPA rate for women-led SHGs is around 4.9 percent as of March 2020, which is half the rate of NPAs in banks.

"SHG women have been proving to banks that they are serious customers, and based on how this network has demonstrated its capabilities during Covid-19, it makes sense to nudge them towards a higher-order economic activity by making available more community funds and credit linkages. Digitising the SHG channels is another big step in this direction" says Upadhyay.

She is referring to how the SHGs led by women supported the government with essentials to fight the pandemic. According to the MoRD, since March, women have made about 17 crore masks, 53 lakh protective equipment and 51 lakh litres of sanitisers. Leveraging their skill sets and using technology to connect with each other and deliver in record time during the lockdown, these SHGs are now helping governments address issues faced by migrant labourers in their respective states.

For instance, Ruby Khatun (25) from the Maheshpur village in Jharkhand, a member of the Barkat Mahila SHG who runs a grocery store for a living, worked tirelessly through the lockdown and after. As the chief bookkeeper of all the SHGs in her village, she helped women undertake digital bank transactions, health or vehicle insurance and mobile recharge payments. As part of the state's helpline, she helped over 50 migrant workers reach home.

"I used to take calls at all times

of the day and night, listening to migrant labourers who were stranded and wanted to come back home. I used to arrange food for them through our community kitchens. There are seven SHGs in our village and each is working to get each other back on our feet. I have created WhatsApp and social media groups for all of them to stay informed and connected," she says.

Kumar Vikash, an official from the Jharkhand State Livelihood Society, tells *Forbes India* that over 7,000 community kitchens run by women SHGs in Jharkhand served 4 crore meals between April and June.

They invested a total of about ₹38 crore in the rural economy by procuring vegetables and groceries from local farmers and vendors, and the government paid them ₹10 per plate of food made in the community kitchens. After the lockdown, they are collecting data through a mobile app launched by the state from the 7 lakh-odd migrant labourers who have returned to Jharkhand, getting details about their skills sets, salary, knowledge of agricultural work, eligibility to social security schemes etc.

"If government officials are able to sit in Ranchi and ensure last-mile coverage of villages in the Saranda forest in West Singhbhum, it is due to the institutionalised system of SHGs," Vikash says. He explains that many of these women are taking fresh loans to start small-scale enterprises, given that their husbands, who were migrant labourers, have returned and want to remain in the village. "These groups are key in helping us create local livelihood opportunities and get the rural economy back on track."

CHINKS IN THE ARMOUR

Experts point out that while there has been progress, policies and interventions for SHGs need to align more closely with community needs on the ground, and implementation must be tracked such that it reaches the bottom 10 percent of people who are the most vulnerable sections of society.



"The requirements for women, particularly rural women, need to be addressed by technologies so that they aren't exclusionary."

GAYATRI ACHARYA,
LEAD ECONOMIST, WORLD BANK

An example is one of the announcements in the economic stimulus package by Finance Minister Nirmala Sitharaman in May that included doubling collateral-free loans to women SHGs from ₹10 lakh to ₹20 lakh. While the directive extends to women SHGs on paper, the average ticket size of loans taken by these women is just around ₹1.80 lakh.

"It doesn't actually impact them very much since SHG loans are relatively small. What is likely to happen is that even slightly larger requests from this cohort not be prioritised [by banks], because it is not part of the directive and nobody is counting the targets on that. So it's an invisible space that these women fall into as a result," says Gayatri Acharya, lead economist at the World Bank, which is co-financing the NRLM.

Her view is seconded by M Srikanth, associate professor and head, centre for financial inclusion and entrepreneurship at the National Institute of Rural Development and Panchayat Raj (NIRDPR). He believes there is a need to understand the psyche of women who become members of SHGs.

"Most of these women are below the poverty line, so they come together as a group, mobilise savings and access finance from banks to start a traditional business. Gradually, when they cross the poverty line, have brick-and-mortar homes and other basic lifestyle amenities, they mostly won't be interested in taking their businesses to the next level and become big-scale entrepreneurs," he says. "So they do not want financial availment of ₹10 lakh and ₹20 lakh."

Upadhyay admits that the average loan ticket size and threshold of collateral-free loans in the policy announcement is inconsistent, but says that it is part of the government's long-term plan to enable women SHGs to create larger, more sustainable and self-sustaining enterprises.

"As I recall, and I could stand corrected on the figure, about 30 percent of SHGs take loans between ₹5 lakh and ₹10 lakh. This is part of our vision of creating large regional women-led producer collectives that will help them leverage better marketing possibilities and create high-value economic enterprises," she says, explaining that around 86,000 producer groups have already started functioning. Between this year and next, the government plans to build at least 60 successful collectives that start with an SHG base but break-even due to the scale of their operations and do not require government support anymore.

Experts suggest that increasing

Sangita (left), member of a Jeevika SHG in Bihar, conducts a lesson on nutrition for women from the Pakriwarama North village

AVINASH KUMAR



government procurement from SHGs will also help them scale up. A case in point is how the State Rural Livelihood Mission (SRLM) in Kerala, called Kudumbashree, coordinated with other government departments to encourage high-value public sector contracts to firms owned by SHG members.

One example, according to the South Asia Agriculture and Rural Growth Discussion Note Series, March 2020, published by the World Bank, is how the social welfare department in Kerala procures a dietary supplement called Nutrimix for its anganwadis (community health centres). It is provided as part of the take-home ration under the Integrated Child Development Services (ICDS) scheme to children between six and 36 months of age. "Today, 242 Kudumbashree-units—owned and operated by more than 2,000 women—supply Nutrimix to 33,000 aanganwadis across Kerala, with a collective annual turnover of over ₹100 crore," the document states.

CREDIT WHERE IT'S DUE

Upadhyay says the MoRD does not believe in the subsidy regime for SHGs anymore, and is working toward strengthening bank credit linkages to make the process more transparent, and the groups more economically independent in the longer term.

At the core of this plan is digital and financial inclusion through the EShakti and the SHG-Bank Linkage Programme (SHG-BLP) led by Nabard, which is trying to empower SHGs through technology. Nandini Ghose, deputy general manager at Nabard, who works on the EShakti programme, says it is present in about 254 out of the 700 districts in the country, and the fifth phase of the programme will start soon.

"We collect financial data every month that banks can access to view the credit history of a particular SHG. The banks can then take a decision based on the grading of the SHG and sanction loans through the portal itself. This makes the process hassle-free and less time-consuming," she says. Ghose says they also collect demographic data of groups and individual members, covering metrics such as benefits women receive from existing social security schemes, how many times they have taken loans, outstanding amounts, repayment patterns, and loans availed from community-based institutions.

According to Acharya, in the long term, individual records being digitised and accessible will enable women with healthy credit histories to opt out of SHGs. "Right now, it is the group-based payment records that make banks feel confident, but eventually we hope that the individual woman is empowered to understand what she needs to do in order to effectively engage with banks, and banks have enough confidence to lend directly to her," she says.

Banks are also engaging with rural communities by appointing women as banking correspondent sakhis who will liaison with SHGs, which experts view as both an employment source and a confidence-building space for other women to be part of the banking ecosystem.

There are approximately 9,400 women bank sakhis in India. Sushma Devi is one such banking

Digitisation of SHGs

As of March 2020, the digitisation of SHGs under Nabard's EShakti programme was as follows:

- Data collected of **6.54 lakh** SHGs
- Total of **72 lakh** members in more than **98,000 villages** have been onboarded
- Overall credit linkage of SHGs with banks increased to **3.21 lakh (50%)**, up from **2.17 lakh (33%)** the previous year

SOURCE Status of Microfinance in India 2019-20 report by Nabard

ARBAJ KHAN



SHG women in Jharkhand used technology to communicate and manage finances during the lockdown

correspondent from a remote village in Bihar's Aurangabad district, whose monthly earnings through commissions have been around ₹8,031. During the lockdown, she worked from 8 am to 8 pm every day, providing banking transaction support to people, and also personally visiting homes of people who were old or unwell. In the month of April, she made 1,967 transactions worth approximately ₹81 lakh.

Sushma is part of a network of 1,085 bank sakhis in the state, who collectively did transactions worth ₹435 crore even through the lockdown, says D Balamurugan, an Indian Administrative Service (IAS) officer who is the CEO of Jeevika, the implementation agency for the NRLM in Bihar.

"Right now, the bulk of the SHG transactions still happen on paper, but we are testing a mobile application with 5,000 women on a pilot basis to take the process completely online," he says.

Acharya, however, says while private banks are showing inclination to work with women banking agents, field surveys indicate that "women continue to be poorly represented in the banking correspondent agent network compared to men, even though women form over 54 percent of the Pradhan Mantri Jan Dhan Yojana account holders". Women represent only 8 percent of all banking correspondents in the country.

The MoRD has, therefore, engaged with banks to train, appoint and support women banking correspondents, and has set an ambitious target of deploying 1 lakh SHG members by 2023-24. Another focus is to ensure that the women use and engage with their bank accounts regularly so that they don't remain dormant. "That is an essential part of the ongoing financial inclusion story," Acharya says.

Stepping Up Against Covid-19

Women-led SHGs helped government efforts to fight the Covid-19 pandemic and contributed in the following ways:

16.74 crore	Number of **masks** made
52.77 lakh	**Protective equipment** made
51 lakh	Litres of **sanitisers** manufactured
12.28 lakh	**Community kitchens** operated by SHGs

SOURCE Ministry of Rural Development, as on July 2020

A SILVER LINING

Srikanth of NIRDPR believes that necessity is the mother of invention, and even if women themselves have no digital knowledge, "they will either learn, or get the work done through their children, who are more well-versed with technology. Over a period of time, just like their financial literacy has improved with experience, their digital literacy will also improve".

Women are taking small but steps that are significant to them. Sangita Devi in Bihar, for example, was used to conventional paper procedures and physical work for many years. She has now warmed up to digital transactions and virtual training sessions and meetings. During the pandemic, she focussed specifically on maternal and child health, as she believes that financial stability is linked to good health. "The lockdown forced all of us to stay home, so I used to guide people over the phone and through WhatsApp and other communication apps. I learnt how to conduct virtual meetings via Zoom and Google, and in turn reached over 500 other SHG members," she says.

Acharya says the use of technology in agriculture can also be a game changer for women SHGs. The growing number of women-led agri-tech startups globally and in India, increase in the use of precision-farming technologies by women farmers and shifting of social norms that discouraged them to be formally recognised as farmers or entrepreneurs, among other factors, are steps in the right direction.

"The specific requirements for women, and rural women in particular, would need to be understood and addressed by such technologies so that they aren't exclusionary," she says.

According to her, innovations coming from poorer states like Bihar and Jharkhand open up possibilities for SHGs in other states to follow suit. "It needs good policy at the state level, champions who will push it through, and investments from the Centre and the banks in particular, especially to resolve issues in banking software," she says. "That sort of rural digital backbone has to be invested in, and that kind of investment must come from the relevant sectors and stakeholders."

‘Responsible Capitalism is Coming to the Fore’

Geeta Goel, country director, India, of the Michael & Susan Dell Foundation, talks about how the Covid-19 pandemic will affect impact investing in India

By JASODHARA BANERJEE

Q What are the main areas in which the Michael & Susan Dell Foundation (MSDF) works?

The foundation is, of course, a philanthropic foundation, it is not a fund structure. We started using impact investing as a tool primarily because we felt we could use this capital to catalyse a market shift, so that the market starts serving the needs of the low-income category, creating quality products, and a sustainable impact in society. For us, impact investing started with the objective of asking how we can achieve our mission faster so that it impacts the lives of children and addresses urban poverty.

In India, we work in three areas: Education, livelihoods and financial inclusion. All of these are focussed on the urban low-income group. For education, we have a vision of how to improve learning levels, or fill learning level gaps. For livelihoods, we look at how to create more aspirational job opportunities, and in financial inclusion, we look at how the low-income group can access similar kind of banking services—whether it is savings, credit or insurance—as you and I do.

Globally, we work in three countries—the US, India and South Africa. The mission of the foundation is the same, in terms of impacting children. In the US, we focus on education—K-12 levels, as well as higher and college education. We run a strong scholarship programme for college completion. We also work in the heath sector, centred around healthy living. A large part of our impact investing in the US has been in the area of education. In South Africa, our key focus areas have been education and livelihoods. We just impact-invested in South Africa, in the area of livelihoods.



Geeta Goel started impact investing so that the market starts serving low-income groups

AMIT VERMA

Q How does the fact that MSDF is a foundation and not a fund affect its impact investing?

One unique feature about the MSDF, which regular funds are not able to

have, is the flexibility in capital that the foundation's structure allows us to have. We are not creating a portfolio of investments that cobble up together as a fund, but we are actually taking a sectoral view and defining the key objectives that we want in each sector. And then we make grants or investments to achieve these objectives. So if that means working with the government, we do that, or working with not-for-profits, we do that, or working with for-profits to push them into a certain area or to create more impact, we do that. We do want our impact investments to be sustainable, to be large-scale, and they should deliver a financial return. But we are always cognisant of the social returns.

Because of the flexibility we have, we also use blended capital. We can have impact-linked financing structure, we can have safer success structures, which have shown positive results in the last few years.

Q What are examples of these flexible funding structures, and the impact they have on the organisation that you are funding?

We do vanilla equity and vanilla debt. While an equity is given to strengthen an organisation, and helping it achieve some goals, most of our debt products have been carved out for specific impact areas. So, for instance, we have given debt to a microfinance institution (MFI) to create a new MSME portfolio, or to MFIs to create loans for toilets as a fixed product.

We have also given impact-linked debt, for example to Varthana, which does financing to affordable private schools, and we varied the interest rates based on the impact in schools. If the school was able to deliver a 10 percent increase in the learning level of a student, it got an interest rebate. The idea being that it then starts catalysing a market that recognises quality in schools.

Last year we gave a loan to Eduvance, which is a skill financing NBFC to allow it to give loans to a population which is below their credit threshold. They created an experimental tool for those who have less than ₹25,000 monthly income. When they enrol in any high-quality educational course, Eduvance gives them a loan, which they can repay when the students gets a job.

We also have development impact loans that usually pay for outputs, for projects that are successful and delivering returns.

Q In the wake of this pandemic, would the MSDF look to modify its approach to impact investing in India?

In India, we are working in three areas. The first area is 'Road to

NISHANT RATNAKAR





SATYABRATA TRIPATHY / HINDUSTAN TIMES VIA GETTY IMAGES

(From top) Offline vocational and skill training will be replaced by quality and low-cost online solutions, Goel believes; the health care sector, one of MSDF's focus areas for impact investing, is getting a push during the pandemic

Recovery', which is primarily for the informal sector, where workers have been impacted the most. One effort is for informal sector gig workers, for which we partnered with Shubh Loans and Samhita Social Ventures; in the second effort we partnered with Northern Arc Capital to create an MSME liquidity fund to ensure the flow of credit to this sector; the third aspect was enabling direct benefit transfers or cash transfers through the Give India platform.

The second area is 'Ghar Pe School' or 'learning at home'. With Covid-19 lockdowns, three state governments—Haryana, Himachal Pradesh and Rajasthan—were keen to start WhatsApp-based education for continued learning for students who were restricted to their homes. In these states, more than 90 percent of teachers are active on WhatsApp groups, many parents are on it. Each day, students receive a timetable and some resource material. Our investees, such as Avanti Learning Centres, Class Lab or Convegenius, who were originally doing more blended models of learnings, pivoted to pure online models overnight. They are seeing significant traction. For instance, Avanti runs a free app for maths and science for government schools and saw traction of about a million views, and almost 16 to 20 percent of their views are on feature phones. It does help us believe that ed-tech is not restricted to smartphones.

The third area is collaborations or support given to health care, and how tech solutions can support to prevent, track, trace and test solutions in the Covid-19 pandemic.

Q Does the pandemic influence how you see investment sectors?

From an impact investing perspective, we should split investments into a few sectors. So there are a few sectors that have benefited during the pandemic, such as health care and online schooling. These sectors are getting a push and more investments. It's almost like what demonetisation did for [digital] payments. Similarly, tech will now start playing a significant role because it makes things accessible at a certain quality and affordable cost, which are much more important for low-income people rather than high-income ones, since the latter can always afford high-quality products.

Certain sectors have gotten fairly adversely impacted, such as financial services. The whole NBFC liquidity crisis, for instance, has made everybody cautious. Therefore, the MSME space might see losses and loan right-offs.

I would put the livelihood and skill training space being in the middle, because it pushes a lot of our offline training to go online. It will bring in a level of quality and low-cost solutions, which is good. Placements remain a challenge, because sectors like health and logistics will see more demand, but several other sectors will be more difficult.

Q What effect will the pandemic have on impact investing in general?

On the one hand, I see that a lot of mainstream investing will become more responsible and more impact-driven. We had already seen the trend for this, for instance KKR setting up an impact fund. These are not concessional returns, but funds choosing to work in certain areas because they want to have returns as well as have an impact.

Some owners of capital might do it out of goodwill, but over a period of time, some codes might get written, similar to the CSR (corporate social responsibility) norms. I do see the responsible side of capitalism coming to the fore, it may happen out of goodwill for a few, but as a sector it might need a mandate. But that's a good thing, because more capital means more growth.



Investees of the foundation are exploring pure online models of learning in the wake of the pandemic, and are seeing significant traction in government schools

CONVEGENIUS TEAM

Traditional impact investors will continue to catalyse more opportunities in more geographies; maybe more resources will go towards health care, or addressing inequities (which is a fallout of the pandemic).

One other thing that the pandemic has taught the entire world is the adoption of technology. Getting access to your customers becomes so much easier and lower-cost than when you have to deliver things physically. A low-income customer being serviced at a low-cost is much more important than a high-income customer being serviced at a higher cost. F



MADHU KAPPARATH



WORKSPACE ODYSSEY

People are returning to their old workplaces, but in a new world

By **MADHU KAPPARATH & NAINI THAKER**

Delhi

Hariom Singh

Shop assistant

Singh, 24, awaits customers at a retail brand outlet at Connaught Place, in Delhi. For a once-bustling area that youngsters thronged, footfalls of 15 or less even during weekends is unsustainable. But that's the number the fashion brands in the deserted shopping district will have to contend with for now. Singh, who comes to work on alternate days, like all the other staff members, had to deal with halved pay, but their cheerful countenance comes from watching a market economy limping back to normality.

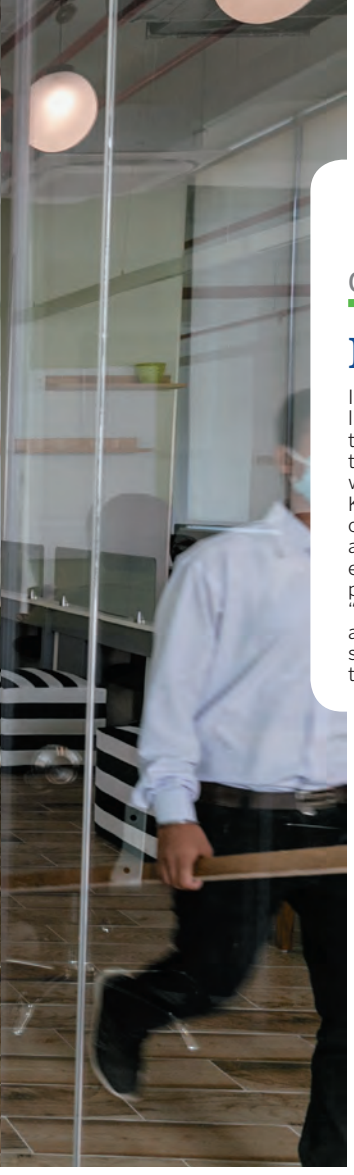


Mumbai

Law Firm

On June 21, the watchman of this building at Nariman Point came to check if all the electrical mains had been switched off in this office space that was once crammed with lawyers, but is now completely empty. That day, the partners of the firm handed over the keys of the space they had been renting for three years. The pandemic has hit revenues hard and in order to sustain the salaries of their employees, the company decided to give up their office to save on rent.

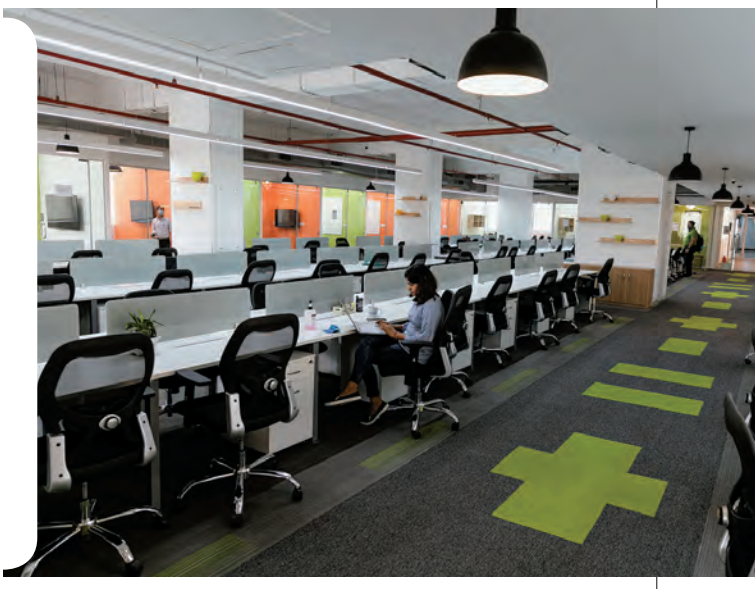




Gurugram

INDmoney

INDmoney's move from a small office to a spacious, light-filled one on March 2 coincided with the news of the spread of the pandemic in Gurugram. A week later, they shut down the office. But that didn't affect their work. Brimming with a quiet confidence, Ashish Kashyap, CEO, says: "Though it was proven that we could work remotely, we wanted to retain the space as a single congregation point. Because it reinforces the energy that translates into the company and the product that we are trying to build." They came back "in a thoughtful manner", opening the office on July 1, and the remaining work on the interiors is on in full swing, even as the staff have begun using it in a transient manner. For now.





New Delhi

Gaango Devi

Tea stall owner

Devi reopened her tea stall on the pavement of an arterial road leading to the Okhla Industrial Area, New Delhi, about a month ago. "They all fled," she says, referring to the labourers who used to flock to her stall through the day. "I don't know when they'll be back." Most of her customers were employed by MSME units that dot the industrial hub. With the buzz gone, Devi waits for the occasional motorist who stops for a cigarette break. "I set up the stall again because I got bored sitting at home," she says.

MADHU KAPPARATH



Anand

Gujarat Cooperative Milk Marketing Federation (Amul) dairy plant

Since the lockdown was announced, there hasn't been a day when Amul plants stopped working. "We started getting 15 percent more milk, because small players such as dairies and shops stopped buying milk from dairy farmers," says RS Sodhi, MD, GCMMF. Apart from working at full capacity, Amul also had to hire four extra plants to handle the additional milk. "We had no option but to ensure milk was supplied since we are a source of livelihood for about 3.6 million farmers," he says. Amul has a robust supply chain, wherein close to 1 lakh partners are involved. During the lockdown, food and living arrangements were made for all their workers, including transporters, cleaners and labourers, so that they didn't have to travel.



Nagpur

Shri Vyenkatesh Casting

"Work is tiresome and requires long hours," says Jitendra Sarda, director, who resumed work about two months ago. For him, a typical week includes travelling four times to a stone-crushing unit in Pachgaon, 22 km away. For the rest of the week, he travels to a dolomite mine in Sausar in Madhya Pradesh, where work is expected to begin soon. Although operations had stopped completely in the first month and a half of the lockdown, demand started picking up as the economy reopened. "But demand has again nosedived, partly due to the monsoon and also due to the infection spread." Like most businesses, Sarda's is facing a crisis of labour; and an increase in diesel prices has led to a rise in production costs. "While there are no Covid-19 cases in Pachgaon, we ensure the workers are safe and take appropriate hygiene measures," he says, adding that during the lockdown the staff lived in nearby quarters so that they didn't have to leave the property.

ARYAN SARDA

COURTESY: AMUL



Ahmedabad

Gopinath Dhandapani

AVP, sales,
Cygnet Infotech

Dhandapani tested positive for Covid-19 on July 10. With his wife in Dubai, he couldn't quarantine at home and had to be shifted to a hotel in accordance with the rules of the Ahmedabad Municipal Corporation. But unlike a lot of other patients, Dhandapani continued working while battling the disease. "I never considered taking sick leave," he says. "I love my work and it keeps me busy. This way, I was keeping myself occupied, and didn't focus on infection." For the 40-year-old marathoner, his laptop kept him good company through his isolation period of 10 days, and helped him recover quickly.









Kochi

When Chai Met Toast (indie band)

(*Clockwise from top left*) Achyuth Jaigopal, Ashwin Gopakumar, Palee Francis, Sailesh Pai

When Chai Met Toast released their first single 'Maybe I Can Fly' from their upcoming debut album *When We Feel Young* in mid-July, with all four band members working from their homes and Francis putting it together at his home studio. "We had an album coming up, so we didn't want the work to stall," says Jaigopal. Although they miss the usual jamming sessions, the band is used to working remotely—since Gopakumar lives in Thiruvananthapuram—and ideating through video calls and WhatsApp. With the relaxations in place now, some of them meet once in a while at the home studio. They feel the pandemic has given them more space to be creative. "We are using this time to discuss more ideas and finetune our skills," says Gopakumar.



NAYANA PADMANABHAN

Bengaluru

Balagopal KV

Growth Lead, Airmeet

Balagopal never owned a vehicle, and didn't care for one. He would rent a Yulu two-wheeler every day to get to a co-working space, about 20 minutes from home. Since the lockdown, the co-working space has shut down, but he continues to work from home. "Since we had launched Airmeet just months before the lockdown, the timing worked out really well for us. People couldn't hold physical events, and Airmeet specialises in conducting events and conferences in virtual spaces. We were a remote company before it became cool to be remote," he says. Balagopal still uses Yulu, but for getting around the neighbourhood and buying groceries.



Jaipur

Shweta Mewara

Co-founder and creative director, Gulmohar Lane

The pandemic has completely redefined the workspace for Mewara, an entrepreneur and a mother. "Extensions of our lives outside our home, from kids' play area to office, have suddenly all moved in," says Mewara, who now works from her dining table. The struggle is real, as she has to balance her two-year-old's routine with work. "His latest obsession is working on the laptop, just like his parents. It's tough to keep him off the laptop, diaries and files. Now that we work from home, so does he," she laughs.

What Mewara misses most about an organised office space is the storage and designated work desk. "Spills, chaos and multi-tasking are the most common problems," she says. But the designer has also converted her travails into a business idea, and is planning to launch a new line of study tables on her home furniture portal.

JEON MIN KYU / FORBES KOREA



Big Hit excels in its social media strategy, which changed the way all K-Pop bands are marketed. Much of the credit for this strategy goes to Big Hit's co-CEO Yoon Suk-jun

Big Hit Gets Hit Big

The company behind K-pop Sensation BTS is trying to keep Covid-19 from stopping the music

By GRACE CHUNG

This year was meant to be stellar for Seoul-based Big Hit Entertainment. Last year was its best ever, with record sales and profits and an IPO in the works. Then came Covid-19, and with it, the biggest challenge yet to face the company's founder Bang Si-hyuk.

Big Hit's rise is almost entirely due to the mega-success of its K-pop group BTS. In 2019, the seven-member act scored three No. 1 albums on the US Billboard 200—the first band to achieve that feat in a quarter of a century. Last July, BTS became Asia's highest earning band before taxes on the Forbes Celebrity 100 (and the third-highest worldwide). The band's eight-month Love Yourself World Tour, which ended in October, reportedly pulled in over $196 million.

But now the future of live events—a major revenue driver—is in limbo. As *Forbes Asia* went to print, all Big Hit concerts were being rescheduled, according to a company spokesperson, and the firm had also stopped selling tickets on its site. Those tickets already sold for Big Hit's April concerts in South Korea have been refunded; the

spokesperson says Big Hit is looking to secure new dates and venues.

"Big Hit's business will see a huge impact due to the virus," says analyst Yoo Sung-man of Hyundai Motor Securities. Last year, Big Hit earned $63 million on a record $507 million in revenue, up more than 160 percent since 2018. But Yoo has slashed his earlier forecast of $616 million revenue this year to a mere $277 million. A spokesperson did not respond to a request for comment on Yoo's downgrade.

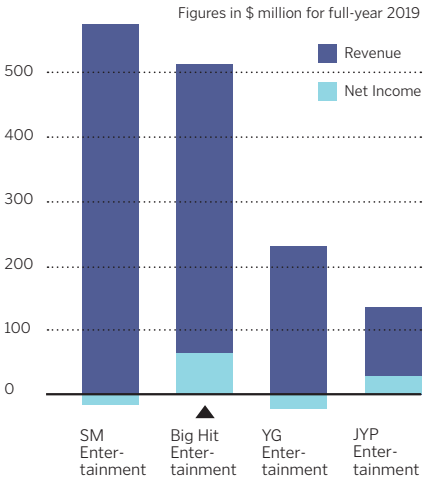
The lack of live events now makes the firm's digital strategy especially critical. But here is where Big Hit excels—its social media strategy changed the way all K-pop bands, commonly known as idol groups, are marketed, and what arguably turned BTS into a global phenomenon. Much of the credit goes to Big Hit's 42-year-old co-CEO Yoon Suk-jun, known as Lenzo, who gave a rare interview to *Forbes Asia* in Seoul prior to the pandemic (Bang and the BTS members declined to be interviewed for this story).

Yoon launched BTS' social media strategy well before the band's official debut in 2013. The company drew fans to the seven members by opening up their lives on sites such as Twitter and YouTube. Candid videos capturing ordinary moments—rehearsing at the studio, celebrating birthdays, exercising and eating dinner—went on to garner hundreds of millions of views. "BTS were influencers before celebrities knew they had to be influencers," says *Forbes* contributor Tamar Herman, who covers international music and who has written a book on BTS, slated for release in August.

An early BTS clip from 2013 shows the band's leader, who goes by the stage name RM, in a studio at midnight. He says to the camera: "To be honest, I'm cold, I'm hungry and I'm sleepy—I just want to go home." Videos like these made BTS more relatable to fans. "K-pop fans are multilayered. It's not that they simply like the music or lyrics. It's as if they're dating the artistes," says Yoon. "We focussed on creating strong content, such as the clips we uploaded on YouTube. Now everyone's doing it but Big Hit did this seven years ago. We were the pioneers."

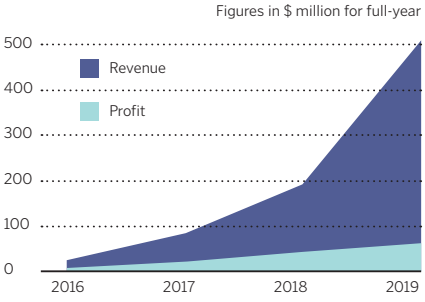
New No. 2

After years of being the underdog, Big Hit is now the world's second largest K-Pop outfit by revenue, and No. 1 by profit. In comparison, SM and YG had losses, while JYP's profit was less than half of Big Hit's



Big Hit's Big Growth

With the success of BTS, Big Hit has seen stellar growth in revenue and profit since 2016



SOURCE South Korea's Financial Supervisory Service



Big Hit founder Bang Si-hyuk

Bang Si-hyuk, nicknamed Hitman, started Big Hit Entertainment in 2005 after working as a composer for JYP Entertainment, one of Korea's top three music agencies. After a rocky start, Big Hit enjoyed early success with 8Eight, a vocal group trio, and 2AM, a four-member boy band it co-managed with JYP. In 2010, Bang signed BTS' first member RM, then a 15-year old rapper in Korea's underground hip-hop scene. Yoon, who became co-CEO with Bang last year, also joined Big Hit in 2010.

Three years later, BTS debuted with its lead single, 'No More Dream', a hip-hop number about following your dreams. While the group started to gain popularity, its earlier years weren't without stumbles. The group's initial hip-hop image—with Afros, bling and bandanas—didn't grab mainstream America the way they had hoped. "Some thought they were trying too hard," says Colette Bennett, a BTS fan and ecommerce editor at US-based site *Daily Dot*.

As the group polished its image, songs became catchier and explored issues such as school bullying, mental health, and even politics—a departure from K-pop's more common themes of love and dancing. "They show so much of themselves to us," says long-time fan Jiye Kim, 26, a Korean-Australian in Sydney. The group's social media clout is testament to Yoon's early insight: BTS' Twitter account boasts 19 million followers; its Instagram 24 million followers. BTS' YouTube channel has 28 million subscribers, with its most popular music video, 'DNA', having been viewed 960 million times. In 2017,

JOSE PEREZ / BAUER-GRIFFIN / GC IMAGES



Big Hit's rise is almost entirely due to the mega-success of K-Pop group BTS

BTS won Billboard's Top Social Artist award, which is based on a vote among fans. The following year BTS made the Forbes 30 Under 30 Asia list.

But Bang, 47, who is also co-CEO, is now grappling with Big Hit's biggest weakness. "Nearly all of its income is coming from BTS," says Hyungyong Kim, an equity analyst at Seoul-based eBest Securities. While the "big three" K-pop agencies field dozens of acts, Big Hit has just four.

The firm faces another hurdle: BTS' oldest member Kim Seok-jin, 27, is due to start South Korea's mandatory 18-month military service next year. When that happens, Bang and Yoon may launch some members into solo acts—a common practice for agencies that have faced similar transitions. There are some workarounds. "Content can be released while members are in the army, as long as it was clearly produced prior to enlisting," says Herman. However, all seven members renewed their contract with Big Hit for another seven years late last year.

Yoon says BTS' success is sustainable. "I don't think artistes lose their market value because of age. Look at U2, they're old but did they lose value?" he asks. "When the [BTS] artistes reach their 30s, I believe they'll be able to send a different kind of message that's relevant to those years. When they reach their 50s, it will be different and so on."

That said, Bang and Yoon have already started diversifying and expanded the firm's roster to include a new five-member boy band, Tomorrow X Together. The band is enjoying some early success, landing multiple entries on Billboard's World Albums chart. In June, Big Hit acquired Seoul-based Source Music, including its six-member girl group GFriend. It has also embarked on a joint venture with CJ E&M—the backers behind the Oscar-winning film *Parasite*—which aims to field a new K-pop boy band this year.

It's unclear when BTS and other acts will resume live events that account for 40% of a K-pop agency's revenue

To find new revenue streams, Big Hit created a tech division that last June launched an app, Weverse, for its global fan base. "The Weverse app presents a lot of opportunities," says *Forbes* contributor and Billboard columnist Jeff Benjamin, who covers the K-pop industry. The app, which has 7 million users, sells branded merchandise and monetises concerts and long-form videos. In the community section, artistes can communicate directly with fans. Bang has also been quoted as saying Big Hit can mine Weverse user data for insight. "We created Weverse to maximise communication with fans," says Yoon.

Still, it's unclear when BTS and other acts will be able to resume live events—which typically account for 40 percent of a K-pop agency's revenue (Big Hit says it's "difficult" to say how much concert tours bring in). One bright spot is China, a major live-event market, which is slowly returning to normal life—at least for now. Then there's the IPO. Big Hit had reportedly secured underwriters that included JPMorgan in February, and at one point was valued as high as 5 trillion Korean won ($4.1 billion)—which may have made Bang, who owns 45 percent of Big Hit, a billionaire. But with the pandemic and one-seventh of Big Hit's biggest asset slated for military service, the IPO's outlook is murky.

Yet Big Hit has beaten the odds against much larger and established rivals. From 2016 to 2019, its sales grew more than 1,500 percent to $507 million, while net income jumped eightfold over the same period. Yoon says Big Hit's success comes from putting the fans at the centre of its business model. "Good songs are important, but what fans really care about is communicating with their artistes," he says. "Our fans are everything—I want to emphasise that. We are constantly asking. 'How can we improve ourselves?'" F

Francis Choi (right) with some of the many toys he has produced over the years. Now he's hoping to make them eco-friendly as well as fun to play with. Son Karson (left) is taking a major role in developing the bioplastics business

GORDON LUND FOR FORBES ASIA



Choi's New Toy

Hong Kong billionaire Francis Choi, who got rich making toys, is looking to add to his fortune by moving upstream into biodegradable plastic

By PAMELA AMBLER

Toys are fun playthings for most, but for Hong Kong billionaire Francis Choi Chee-ming they are serious business—he claims his privately held Early Light International is the world's largest toy maker by output. Toymaking is how he first got rich, but now his $6.6 billion net worth is based on a range of businesses, all under Early Light, such as automotive services, education, property, and the retailing of jewellery and watches.

His latest diversification? Green plastic. Over the last two years, the 73-year-old tycoon has invested $100 million of his own funds into building a five-storey, state-of-the-art bioplastic resin factory in Shaoguan, China. The building will house a joint venture he's set up with a US firm to make environmentally friendly plastics, which are based on a bioplastic called NuPlastiQ. Production is expected to start later this year.

So far, the pandemic has not slowed either this new venture or Choi's other businesses. As of early April, he says his factories in China—in Shenzhen and Shaoguan—have remained free of Covid-19 and his workers are mostly local residents. "Fortunately, we have no suspected or confirmed Covid-19 cases," says Choi, who is chairman of Early Light. Choi says no existing orders have been cancelled so far.

Choi has survived many crises since founding Early Light in 1972, when he was just 25. He recalls sleepless nights during the Sars epidemic in 2003 worrying that an outbreak might hit his staff; it didn't. Choi is not taking any risk this time, however, saying he has taken steps to monitor

Profitable Fun

Toys for children—and for grownups—can be found everywhere in and around Choi's office. Two Rolls Royce Phantoms and two identical black Porsches are parked outside his Hong Kong headquarters, near the border with Shenzhen. The cars are part of his 70-strong fleet. Since 2005, Early Light has been operating an automotive service division called Fastwheel, based in Hong Kong, to trade and service high-end cars, such as Aston Martins, Ferraris and Lamborghinis. Choi started the business, says son Karson, because he owned two bulletproof cars and couldn't find a specialty body shop to repair them.

Born in Shanghai and raised in Guangdong province, Choi says his parents couldn't afford the type of toys his factories make today, so he now surrounds himself with playthings. Through the reception area, past the vintage Harley Davidson and three life-sized statues of Roman warriors, a glass-encased Ping-Pong table from the 2008 Beijing Olympics lined with trophies is on display. Up a spiral staircase, the space opens into Choi's carpeted office. Photos adorn every surface.

Choi points to some photos of himself at a Nascar race in Phoenix. He says he bought stock in International Speedway, Nascar's operator, at $2 a share, and sold it at its peak of nearly $46 a share. There's a photo of him with Priscilla Presley, another with Donald Trump at the races. "He went there with me, but we have no business together," he says. "Just watching the race." Early Light has a long business relationship with International Speedway, manufacturing some Nascar-branded T-shirts, paraphernalia, trophies, and miniature race cars.

He also combines his love of boats with his property business. While his real estate team seeks out residential investments in Melbourne and commercial towers in Sydney, he's moved three of his more-than-two dozen boats to Australia. "I like Australia," says Choi. "I like the ocean. I like going to the Gold Coast for fishing."

Choi might love his cars and boats, but for Karson it's all about watches. He's the chairman of Hong Kong-based Unique Timepieces Watches Group, formally known as Halewinner Watches, which retails high-end watches in Hong Kong and Macau. Early Light acquired the company in HK$1.6 billion ($205 million) in 2010. "We're now the biggest watch retailer in Macau," says Karson.

Choi's $100 million bet is modest compared to his $6.6 billion net worth, but it's a savvy hedge against higher labour costs in China



Elsa (top) and Pinkfong's Baby Shark puppets are two of the popular toys made by Early Light

the health of his workers in China.

With no virus worries, Choi can go full speed ahead on his biodegradable plastic venture. Sitting in his office in the company's Hong Kong headquarters, which he's personalised with a 10 m aquarium and a mounted antelope head, Choi holds up what looks like an ordinary plastic shopping bag.

"This will be a huge business for us," he says, in an interview held before the pandemic. The NuPlastiQ used to make this bag can be blended with conventional plastics to create more environmentally friendly toys or other items. NuPlastiQ ticks a number of eco-boxes: It is made from plant starch rather than petrochemicals, and can decompose naturally if disposed in a landfill or if left submerged in water.

To create synergies, the plant is a stone's throw away from his nearly 2 million-square-metre toy manufacturing complex in Shaoguan. His US partner in the joint venture is BioLogiQ, based in Idaho, in which Choi is also a shareholder. Choi's Shaogaun facility will not just make bioplastics for the toy factories next door, but will also churn out other goods using bioplastic, such as kitchenware, furniture and appliances.

Although Choi's $100 million bet is modest compared to his $6.6 billion net worth, it is a savvy hedge against higher labour costs across China—up more than 70 percent on average over the last decade. To fight this, Choi has spent millions to automate his factories to reduce labour costs. So far, he's managed to halve his total workforce to 40,000 today from 80,000 at its peak in 2008. (As a private company, Choi doesn't reveal how much he's losing or even what his revenues are, although he does acknowledge his margins are shrinking.)

Choi is also being pressured by his China-only manufacturing strategy. Rather than diversify output to plants in Southeast Asia, as others did, he kept all his toymaking on the mainland. Choi insists this is the correct approach. The move to Southeast Asia, he says, reminds him of when Hong Kong firms four decades ago shifted production to Taiwan (when costs in Hong Kong rose). "After a few years, everybody moved back because Taiwan became too expensive, and it was difficult to find workers," he says.

Thus his bioplastic gambit kills two birds with one stone. Choi is creating another revenue stream to diversify further from toys, and he's moving upstream so he can control—and profit—from one of the

EARLY LIGHT INTERNATIONAL

main costs of his toy business: The plastic used to make them. Making more than just plastic for toys will allow economies of scale for the facility. "We'll be in production [this year] for sure." says his son Karson Choi, 34, who is vice president of Early Light. "Once everything is stable, we'll mass produce."

Bioplastics is a promising growth market, as environmental awareness rises worldwide. In 2019, the global bioplastics market was worth $7 billion, and should grow by 16 percent annually for the next five years, according to researcher Fortune Business Insights based in Pune. Choi is betting he'll be able to ride that growth.

"In the future, the world needs this [bioplastics]," says Choi. Demand is rising for green plastic to be used in toys along with other products. "A large number of toy companies have been adapting sustainable materials, not just in respect to the toys, but also the packaging," says Jim Silver, CEO of New-York based toy review site TTPM (Toys, Tots, Pets & More). Hasbro, Lego and Mattel are among those that have publicly committed to switching to greener materials for their toys.

Yet the bioplastics market is also competitive, including output from multinationals such as Cargill, Japan's Mitsubishi Chemicals and France's Total. Bioplastic margins are lower than those of traditional plastics due to higher costs to make them, says analyst Himanshu Vasisht at India-based research firm Mordor Intelligence. "As an emerging industry, they [bioplastic firms] almost universally lose money," says Ken Furst, polymers practice leader at Ohio-based research firm Freedonia Group. Profitability "depends on greater adoption of the material, or big contracts with consumer packaged goods", says Furst.

Choi's confident the joint venture will pay off, although he's reluctant to discuss in detail his competitive advantage or cost structure. He does say, however, that his NuPlastiQ-based plastics can be sold at a premium, due to a "secret formula" that makes them superior to the competition. Son Karson also promises that they'll soon make "double digit" profits on the new business. His markets, after all, include mainland China, and the rest of Asia. "Once you bring a business to China, the volume gets bigger," says Karson.

Choi's partner BioLogiQ was founded in 2011 by Idaho entrepreneur Brad LaPray, who remains CEO. Choi's been planning this move since 2017 when he first invested in BioLogiQ (both his stake and amount invested are undisclosed). Then Choi held 18 months of negotiations to launch the joint venture in Shaoguan. In the US, BioLogiQ uses starch from potatotes to make NuPlastiQ, but for the plant in China, says Karson, starch can come from Chinese corn or Southeast Asian tapioca. "We need to source lots of material," he says.

So how does Choi compare bioplastics to his toy business? "These are much better toys!" he exclaims.



Bio-Backstory

Bioplastic, although trendy today, has roots that go back more than a century. Parkesine, the first plastic ever made, was a bioplastic—it was invented in 1856 from cellulose found in plants. Henry Ford used material made from soybeans for some car parts in the 1930s. Eventually petrochemicals replaced organic sources as the raw material for plastic. It wasn't until the 1990s that new ways were found to make bioplastics commercially viable. Demand for bioplastics grew and by 2016 had reached 4 million tonnes in annual output, according to European Bioplastics, an EU trade group. The bulk of the demand was mainly for biodegradable bags and film, and for cups and containers.

Early interest in bioplastics stemmed from an attempt to find cheaper alternatives to plastics based on fossil fuels, says Kent Furst, polymers practice leader for US researcher Freedonia Group. When oil prices plummeted with the shale gas revolution in 2015, however, plastic production costs fell with them. "Bioplastics were sidelined while a massive reinvestment in traditional plastics took place," says Furst. However, Furst notes that new technologies are now lowering bioplastics' cost and upping the quality, making green alternatives more competitive for use in packaging and single-use products, such as utensils.





Other Early Light divisions include Fastwheel (top), a trade and service centre for supercars. Unique Timepieces (left) has five stores in Hong Kong and 20 in Macau with plans to add more outlets. The specialty watch retailer also has a joint venture with luxury Swiss watchmaker Audemars Piguet

MARCO BULGARELLI / GAMMA-RAPHO / GETTY IMAGES; EARLY LIGHT INTERNATIONAL

GAME ON

As international sport resumes behind closed doors, players miss fans and vice-versa. But everyone is ready to roll with the new normal

By **KATHAKALI CHANDA**

Among the many incredible legacies of WG Grace, one of cricket's earliest celebrities, is a lore that doesn't get old even with a century of retellings: Once given out lbw in an exhibition game, he just continued batting, reportedly telling the umpire off, "They came to watch me bat, not you umpire".

Grace's quirks may have hit the laws of the game for a six, but in his own way the bearded doctor from Bristol acknowledged an integral element of the sporting experience: The fans. As every sport aficionado would concede, a packed stadium and an involved crowd adds to the story and drama of a sporting contest. Consider that the 1986 soccer world cup is talked about as much for the emergence of Diego Maradona as an all-time great as it is for the Mexican Wave—a celebratory throwing up of hands in unison that was started earlier in the US, but introduced to the world at the tournament held in Mexico.

And players have indulged too. German tennis great Steffi Graf played along when a spectator threw her a marriage proposal in the middle of a match during Wimbledon in 1996. "How much money do you have?" the otherwise shy and reticent Graf replied, leaving the entire stadium in splits.

As international sport resumes after a Covid-19-induced hiatus, the new normal of playing behind closed doors has shut the fans out of the stadiums. And the loss has been a two-way street—as much for the fans who'll miss the live action as it is for the players who yearn for the spurring-on from the stands. Ask English football club Liverpool, which played in deafening silence as they took the field after winning their first league title in 30 years.



The Test series between England and West Indies in July, played in empty stadiums, marked the return of international cricket

"It won't be wrong to say many results have gone our way because of the energy and support our fans bring in. Of course human safety is paramount, but I have to say we'll miss the fans," says Sunil Chhetri, captain of the Indian football team. Chhetri's connect with fans came forth in 2018, when he put out a passionate appeal on social media goading them to come to the grounds to watch the national team play. "Abuse us, criticise us, but please come to watch," he had written. As the 35-year-old gears up to play in the Indian Super League beginning November, in empty stadiums, he admits he did feel "a little weird" watching the vacant stands at the soccer leagues that have resumed in Europe.

JON SUPER / POOL VIA REUTERS



Chhetri's apprehensions have been confirmed by a report in the *New York Times*, with results drawn from data scoured from the Bundesliga, the first major sports league to return to the field following the pandemic. All home teams in the German domestic circuit have fared poorer than pre-Covid-19 games, with their win rates slipping by 10 percentage points to 33 percent. Besides, home teams have scored fewer goals than they had in full stadiums, taken fewer shots, won fewer corners and attempted fewer crosses and dribbles. The numbers have confirmed what a packed house has always been referred to in the sporting lexicon: The 12th man.

In terms of business, clubs will feel the pinch next season, especially when it comes to match-day revenues. LaLiga, the Spanish domestic football league, is hoping for at least a partial attendance of spectators at the grounds when the new season begins on September 12. But if it doesn't happen, bigger clubs will be affected in particular. "It's not the same for, say, SD Eibar, which can host around 7,000 people compared to Barcelona, which has a seating capacity of nearly 100,000," says Jose Antonio Cachaza, the India MD for LaLiga. "On top of that, museum tours and merchandise sales for bigger clubs like Barcelona and Real Madrid won't be the same until we go back to the

real normal, not this new normal. Our chairman reckons we would probably need two to three years to go back to where we were before March."

Most Indian clubs are still waiting to hear from the game's nodal authorities to work out the financial implications. Bengaluru FC's CEO Mandar Tamhane conceded they earn about 3 to 4 percent of the revenues from ticketing and, in terms of merchandise, they are still selling online, "but it'd be tougher than the sales we would have had if fans came to watch our games".

Not just players and clubs, broadcasters, too, need spectators as much. "Let me take you back to 2011, to India winning the cricket world cup final," says Bryan Henderson, head of cricket, Sky Sports, which broadcast the July Test series between England and West Indies, played in empty stadiums. "As MS Dhoni launches into the final hit 30 rows back into the stands, imagine that frame without shots of the crowd going berserk. Live sports and spectators are inextricably intertwined."

Often, commentators and broadcasters embrace such frenzy in a way that embellishes their craft. Cricket enthusiasts still recall how former Kiwi international Ian Smith, now a commentator, called the dying stages of the world cup final in 2019, a match that his country lost by the skin of its teeth. In the commentary box, Smith choked, gasped, held his head in his palms and bobbed up and down as he summed up the closing moments: "England has won the world cup by the barest of all margins. Absolute ecstasy for England... agony for New Zealand."

"Using the emotions of the crowd is an art," says Alan Wilkins, a Welsh broadcaster for 36 years. "Ian was not just reacting to the contest unfolding in front of him, but also to the emotional waves of noise emanating from the full house at Lord's." Wilkins, who has been part of cricket, rugby, tennis and golf broadcasts, calls the Wales vs England rugby coverage at Cardiff's Principality Stadium among the most emotional of his career, wrought by the national anthem sung out by a 75,000-strong crowd.

Nasser Hussain, a former England cricket captain and now a commentator with Sky Sports, on the other hand, prefers it quiet when he's commentating. Which made it easier for him to adapt to the echoing silence at the Ageas Bowl (Southampton) and Old Trafford (Manchester), where the three Test matches between England and West Indies were played. "Usually, I will just have the producer, the director and the stats guy in my ear," he says. "But the other day when Ben Stokes was walking off the ground in Manchester [in the second Test] after a magnificent 176, it hit me for the first time that wouldn't it have been great around the world to see the whole of Old Trafford rise to Stokes? And for Ben himself, it's a little soul-destroying to go off with no one watching or clapping, apart from his teammates."

In a non-Covid-19 universe, present in those stands would be a raucous gang of the Barmy Army, a club of travelling English cricket fans that started with 30-odd backpackers for the Ashes tour of 1994/95 and has now snowballed into 36,000 members. "Gutted" is how Chris Millard, its managing director, feels as he watches the matches from his home in Sheffield, unable to "sing the lads on". The Army, which also operates the travel company Barmy Travels, has seen a huge dip in bookings for future tours with uncertainty over travel. England is scheduled to tour India in January, but realistically, Barmy Army is looking to travel only to the next Ashes tour of Australia in November 2021.

The inability to gather has halted the growth of fan groups across the world, says Sagar Walve, a doctor and a member of the North Stand Gang-Wankhede (NSG-W) from Mumbai. Birthed,



The official kit of the Whistle Podu Army, the fan club of Chennai Super Kings, now includes a blue and a yellow mask

"IT WON'T BE WRONG TO SAY MANY RESULTS HAVE GONE OUR WAY BECAUSE OF THE ENERGY AND SUPPORT OUR FANS BRING IN. WE WILL MISS THE FANS."

SUNIL CHHETRI, footballer



CHHETRI: NISHANT RATNAKAR



ironically, at the Brabourne Stadium, Wankhede's neighbour, during India's Test match against Sri Lanka in 2009, NSG-W has seen members multiply with each visit to the stadium as they co-opt other zealous fans seated in the vicinity. "We grow due to our presence in the stadiums. Besides, we come from different professional and socio-cultural backgrounds, but when we enter the stadium, we hold only one identity. That is something we'll miss if the matches are held without fans," says Walve.

Despite their disappointments, both the Barmy Army and the NSG-W are convinced that the show must go on. "At a time we all needed something to get behind, we are delighted the boys are back on the field," says Millard. To recreate the stadium atmosphere in their drawing rooms every morning, after the first ball is bowled, the Barmy Army trumpeter appears live on their Facebook page with his rendition of William Blake's 'Jerusalem', the rousing English anthem; the Army also reposts home-bound celebrations of fans to give them a community vibe, earlier derived from the pre- and post-match pub hangouts. NSG-W, on the other hand, has picked up chatter on Twitter, commemorating birthdays, dishing out trivia and reminiscing about old matches, among other things. "Even if cricket doesn't start in India for six more months, we would have enough to talk about for the rest of our lives," says Abhishek Chopra, an HR professional and a cricket fanatic.

Ingo Muller, a fan of Borussia Monchengladbach, a German club that's now ranked fourth in the Bundesliga, went a step ahead and invited fans to put their cardboard cut-outs in the stadiums for the home games. Muller came up with the idea along with his wife while the two were home-quarantining in March fearing possible exposure. "Initially, we expected 500 or at best a thousand responses, but never 20,000," says the 52-year-old over a call from Berlin.

▲ In Germany fans were invited to put their cardboard cut-outs in the stadium

Muller charged every applicant 19 euros, 19 being the talismanic number as the club was founded in 1900; the production costs came up to 12.50 euros, while the rest of the money, a corpus of 80,000 euros collected by early July, was donated for charity. Not just fans, but the players too—German international Matthias Ginter, and club and Swiss national goalie Yann Sommer—put up cut-outs of family and friends. "Not going to the stadium is horrible. But restarting the league was a good example for the sporting community," adds Muller.

Closer home, while the IPL franchises are working out the modalities for the tournament to be held in the UAE, fans have amped up engagement. The Whistle Podu Army, the official fan club of the Chennai Super Kings, is preparing to send out its kit, after a delay of four months, comprising



"[DURING THE WORLD CUP FINAL], IAN [SMITH] WAS NOT JUST REACTING TO THE CONTEST, BUT ALSO THE EMOTIONS EMANATING FROM A PACKED LORD'S."

ALAN WILKINS, broadcaster

FROM TOP: CHRISTIAN VERHEYEN / BORUSSIA MÖNCHENGLADBACH; GETTY IMAGES

a T-shirt, a membership card, a flag and, to keep with the times, yellow and blue masks. "And we are all waiting to see MS Dhoni back in action," says Prabhu Damodaran, the leader of the pack and a textile professional in Coimbatore who travels 500 km overnight for every CSK home match. Rajasthan Royals, on the other hand, has launched Super Royals, a 20-member exclusive group that will be in charge of building the "largest fan army". "The idea of a Super Royals community was inspired by the creative and insightful content they shared on social media. We want to reach out to a larger community through them and ensure they play an important role in engaging the Royals family," says Jake Lush McCrum, team COO.

The resumption of sports isn't just good news for drooping morale, but for business as well, salvaging whatever is left of it through broadcast rights and sponsorships. For LaLiga, most of the broadcast agreements have been long-term, and the league hasn't seen any cancellations yet. "In fact, we have closed some negotiations with an increase in revenue for next season," says Cachaza, India MD.

To set the ball rolling, the league has had to take drastic measures—like limiting the number of journalists, "our window to the fans"—that left no one happy. Even the 100-strong broadcast crew for the England-West Indies cricket series was tested four days before being allowed into the bio-bubble, given special accreditations for specific zones, and put up at one of the two designated hotels. Hussain missed his morning chat on the outfield with former mate and England's batting coach Graham Thorpe as players and broadcasters were put into separate bubbles. "The other day I was walking across to the ground at Old Trafford, something I have done for 20 years, and I was told, 'Sorry, you can't do that'," he says.

Initial jitters notwithstanding, it's been all good since. "I thought a few months ago we were putting a lot of work into something that was not going to be very watchable," says Henderson of Sky Sports. "What has surprised me though is how enjoyable televised coverage of sports has been even without the crowds." Since the lockdown, Sky's coverage of the Premier League has seen an uptick of 30 percent in viewership; the cricket numbers aren't in yet, but the network has received Twitter feedback from around the world.

The LaLiga telecast on Facebook, the official home for the matches in the Indian subcontinent, saw a 73 percent rise in audience. The absence of live sports triggered a glut that doubled or even tripled viewers for matches that featured Barcelona or Real Madrid. "In mid-July, we broke the Facebook record for polling three times in a single week. The number of comments has gone up five-fold since the lockdown ended in Spain," says Joe Morrison, a presenter at Facebook Watch for LaLiga. Even Chhetri admits to engaging with fans much more than ever.



▲ Members of the Barmy Army, a travelling fan club for the English cricket team, are trying to recreate a ground-like atmosphere in their drawing rooms

Empty stands have also been the breeding ground for innovative broadcasting ideas. Sky Sports has introduced a buggy cam, or a remote-controlled system, that covers the coin toss and the post-toss interviews with the two captains. Besides, an aerial camera was deployed to broadcast unique angles from stands that would earlier be filled. The crew has set up a marquee at the back of the dressing room for remote player interviews before, after, and during matches, a feature that Henderson believes can be carried into the post-Covid-19 era as well.

"But the most important learning," says Henderson, "has been the embedded spectator noise, called 'the Lord's hum'—the fake audio loop picked up from an old Test at Lord's. That it has not been spoken about much probably means it has worked. We need to create more bespoke chants—like a collective gasp for a dropped catch—for ODIs and T20s. But I really hope fans will be back in the next season before we get to work on that." F

"WHEN BEN STOKES WAS WALKING OFF AFTER SCORING 176, WOULDN'T IT HAVE BEEN GREAT FOR THE WORLD TO SEE THE WHOLE OF OLD TRAFFORD RISE TO HIM?"

NASSER HUSSAIN, cricketer-turned-commentator



FROM TOP: DAVID ROGERS / GETTY IMAGES; GETTY IMAGES



SAVE 60% ON THE COVER PRICE

Forbes INDIA

ENJOYED THIS ISSUE?

Get the next issues home-delivered and save 60% on the cover price

In the coming months we have an impressive line-up of sharp, in-depth and engaging stories about the best minds in business- at home and abroad. In addition there are 6 special issues! You will not want to miss them.

Go ahead and subscribe now.

Term	Cover Price(Rs)	No. of Issues	Discount*	You Save (Rs)	You Pay (Rs)
6 months	3250	16	59%	1,920	1,330
1 year	5450	27	60%	3,265	2,185
2 years	10900	54	60%	6,530	4,370

To subscribe: sms "Forbes" to 51818 or visit www.forbesindia.com/subscription or call 91-22-40019816

Network 18

INTERVIEW

‘WHISKY IS SHAPED BY WEATHER, FARMLAND, FUEL AND DEMAND’

Diageo’s Ewan Gunn deconstructs the differences between Scotland’s famed whisky-producing regions

By **JASODHARA BANERJEE**



Ewan Gunn believes that the effects of climate change have not yet directly impacted Scotch whisky production

British alcohol company Diageo’s iconic whisky brand Johnnie Walker is preparing to launch its Black Label origin series in India. The series includes four blended whiskies, each honouring the four different whisky regions of Scotland, and includes 12-year-old blended scotch whiskies and single malts from some of the world’s most famous distilleries. Ewan Gunn, Diageo Global Whisky Master, talks to *Forbes India* about Scotland’s famed whisky-producing regions, their natural differences, and how these differences reflect in the nuances of its blends.

Q What are the natural elements of Scotland that add to the flavour of whisky?

Scotland is naturally suited to making the world’s favourite whisky. Our temperate climate and considerable annual rainfall ensure perfect conditions for distilling, and sufficient quantities of pure water with which to make whisky. The climate and landscape also allow us to grow barley, which is one of the raw materials used in Scotch whisky-making. Finally, the peat (which we dig from the ground in Scotland and burn under the barley to impart the smokiness to some of our whiskies) is a key flavour-creating element. We should never forget the people of Scotland either: Generations of skilled craftsmen and women have helped grow Scotch whisky into the most admired and loved whisky in the world.

Q Which are the whisky-producing regions in Scotland, and what are the differences in the natural elements of these regions?

There are four major whisky producing regions in





▲ (From left) The Highlands and the Lowlands are two major whisky producing regions in Scotland

Scotland, each with subtle geographical differences. The Lowland Region is known for lush farmland and a slightly warmer climate, whereas the Highland Region encompasses everything from towering mountain ranges to coastal fishing villages and islands. The Speyside Region within the Highlands is renowned for rolling hills and valleys, rivers, and streams. Lastly, the small island of Islay is a well-known and respected region in its own right, with peat bogs and stunning sandy beaches.

Q How do these regional differences reflect in the flavour of the whiskies?
Traditionally the weather, farmland, availability of fuel such as peat, and even the local demand for different flavour profiles would all have shaped the style of whisky made in each region. The Lowlands traditionally made lighter, creamier and more delicate whiskies—partly due to the lack of peat in the area, but also because this appealed to the tastes of the local population, and that of our neighbours across the border to the south. The whiskies in Speyside are mostly known for a light fruity style, whereas the Highland Region covers a larger geographical area and thus creates a range of flavour styles, but often a rich, darker, fruity style is to be found. Lastly, Islay is known the world over for its spice, smoke, and maritime notes.

Q Which are the regions from which Johnnie Walker's origin series comes?
The Johnnie Walker Origin series comes from Highland, Lowland, Speyside, and Islay.

Q What are the considerations you have while producing each of the blends?
The key consideration is that the flavour profile should be a brilliant representation of the flavours traditionally and typically found in each individual Scotch whisky region of Scotland. It is also hugely important that once brought together, the flavour is well balanced with the component whiskies singing in perfect harmony.

Q How is the Origin series different from Johnnie Walker's other labels?
In our other whiskies, including Black Label or Blue Label, we use whiskies from all four corners of Scotland, incorporating all four regions to bring together the very best of Scotland in a glass. With the Origin Series you have the opportunity to savour each individual region and its unique flavour profile.

Q Give some examples of how blends from the new series can be paired with different ingredients to make cocktails.
The whiskies can be used to create some wonderful cocktails, each one focusing on the distinct flavour profiles of that region:

Speyside: Make a Lowball, by adding some elderflower cordial and a little soda, which helps to highlight the light and fresh fruit flavours of the whisky.

Lowlands: Make a Heather Honey Old Fashioned, which is a twist on the classic Old Fashioned, using heather honey to make a silky-smooth serve with lovely caramel sweetness.

Q How has the overall flavour of blended whiskies been maintained over the decades?
It is huge testament to the generations of whisky makers who work for us, and have worked for us in the past, that they have been able to maintain a consistent flavour profile for our whiskies for decades, and in some cases for centuries. In Scotland we have the largest spirits archive in the world, and our whisky makers have access to tasting notes, blending recipes and production information spanning hundreds of years, meaning that our whiskies can remain true to the style that made them famous.

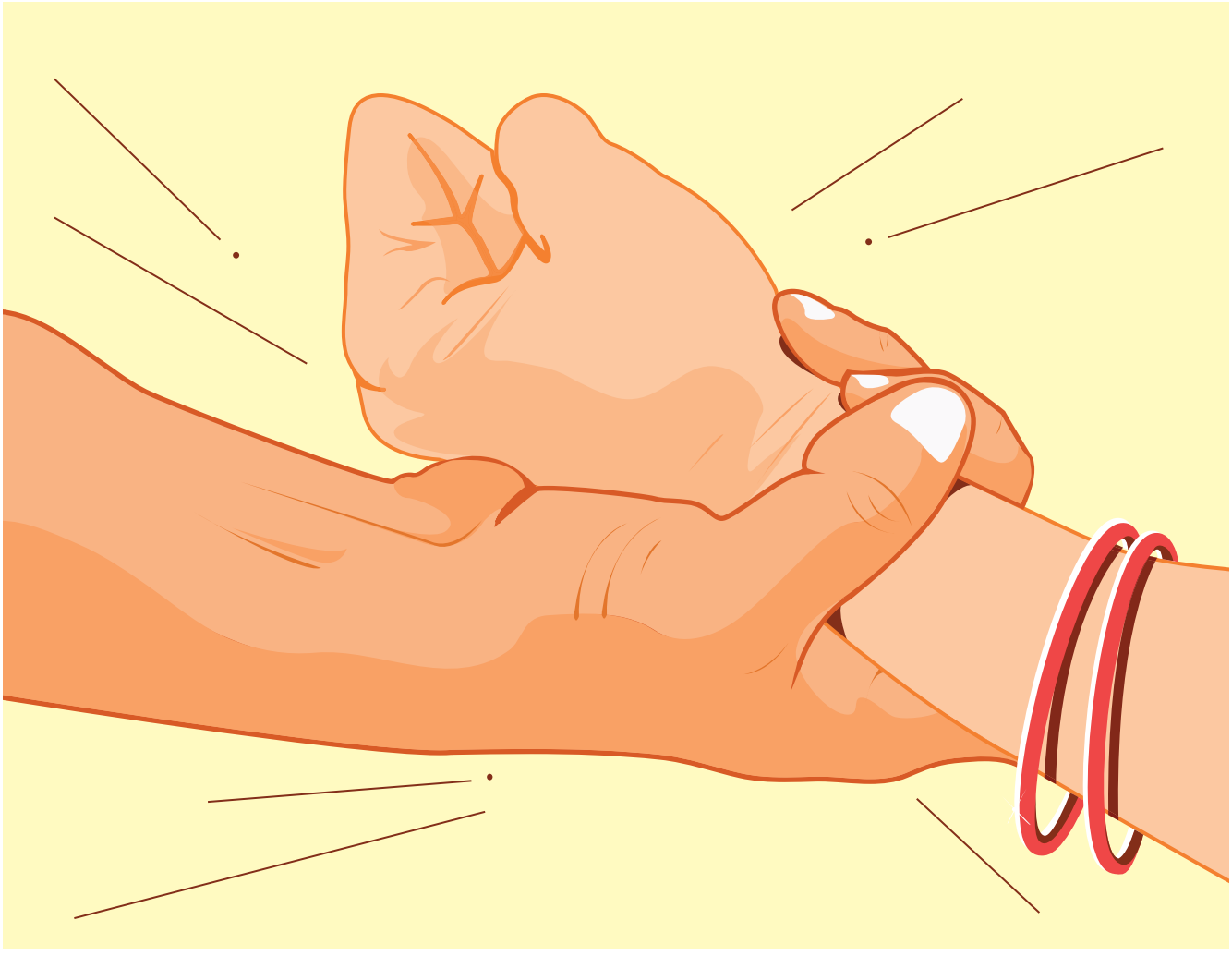
Q Is climate change having an effect on the production of whisky in Scotland?
The effects of climate change haven't directly impacted Scotch whisky production yet. We are lucky in Scotland to have a high-quality natural environment with plentiful pure water and a great environment for growing crops like barley and wheat. However, we do not take that for granted. We have been working hard for well over a decade now to reduce our environmental footprint in Scotland by innovating to increase water efficiency and to reduce our carbon footprint. For example, we have invested in our own on-site renewable energy plants at our distilleries. We are committed as a company to driving environmental sustainability from grain to glass. F

SHADOW PANDEMIC

Women's rights organisations are seeing a spurt in domestic violence cases during the lockdown. Activists demand a change in mindset and better implementation of existing laws to battle this global scourge

By **KUNAL PURANDARE**

CHAITANYA DINESH SURPUR



Arpita Banerjee (name changed) was looking forward to welcoming her second baby later this year. However, her world came crashing down during the nationwide lockdown when her husband repeatedly thrashed her under the smallest of pretexts. Unable to bear the physical and mental abuse, the seven-month-pregnant Kolkata resident in her 30s walked 10 km with her five-year-old daughter to her mother's place. She wasn't welcomed there either as their house was small, so she relocated to her sister's residence. But it wasn't a permanent solution. In the absence of any other option, she settled for an overcrowded shelter home.

In Uttar Pradesh, another woman conceived during the lockdown. Her family's financial condition was so acute that she did not wish to have the child in such precarious times. Upset over this, her husband beat her mercilessly for a couple of days and sent her to her maternal home for good.

Incidents of domestic violence like these have been on the rise since the lockdown came into effect in the wake of the coronavirus pandemic in end-March. Community centres and non-government organisations (NGO) *Forbes India* spoke to admit to have seen a spike in calls for help between April and June. While they say many are follow-up cases, several women are reporting abuse for the first time and requesting immediate intervention.

"Domestic violence has always existed in society. It's not a result of Covid... it has been exacerbated by the pandemic. What we are seeing is just the tip of the iceberg," says Anuradha Kapoor, founder-director of Swayam, a women's rights organisation, which has two crisis intervention centres in Kolkata and another on the outskirts of the city at Diamond Harbour. She says between March 20 and June 30, they offered help to about 1,300 women—900-plus previous cases and over 300 new ones. "It's a huge number. It's what we work with during the course of the year," she says. In fact, at one of Swayam's Kolkata centres, the number of cases reported almost doubled every month—from about 30 in usual circumstances to 50 in April, 65 in May and 130 in June.

In April, Tedros Adhanom Ghebreyesus, the World Health Organization's (WHO) director-general, said that as people are asked to stay at home, the risk of intimate partner violence is likely to increase. According to WHO, one in three women globally experiences physical or sexual abuse from their partner in their lifetime. The pandemic has only proved to be an eye-opener to this scourge (see 'Global Concern').

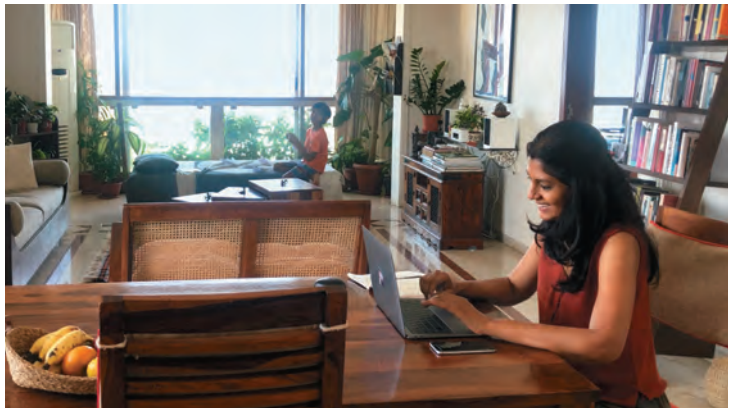
Advocate Persis Sidhva says the extent of the malaise will be known only when the lockdown is completely lifted and women get the opportunity to step out of their homes to approach the relevant authorities. "Yes, there potentially could be an increase in domestic violence cases during the lockdown. However, the resources that survivors had to address their grievances substantially reduced during the ongoing crisis. Most people are able to give only helpline support," says Sidhva, who offers her services to Majlis, a women's rights organisation that provides legal assistance to victims of domestic violence and sexual assault, among other things.

Dial For Help: Pan-India Numbers

181 – Domestic abuse helpline

1091/1291 – Women police helpline

+917217735372 – National Commission for Women's WhatsApp helpline during the lockdown



Actor-filmmaker Nandita Das made a film, *Listen To Her*, to highlight issues of domestic violence

Majlis's helpline, she adds, has been flooded with calls requesting help since April, but the scale to which these cases has increased will be clearer only once things normalise. "A lot of our clients don't have mobile phones or the money to recharge them... also the perpetrators are around them 24x7, so only women from a certain class have been able to reach out to us. The magnitude of the problem will be understood once the lockdown is lifted," she explains.

NGO Oxfam India works in five states—Odisha, Bihar, Jharkhand, Uttar Pradesh and Chhattisgarh—with marginalised people to end discrimination against them. A quality analysis done with its community partners in May and June indicated that women faced high levels of violence with relatively restricted access to services such as the police, courts and hospitals that were overburdened or took cases on priority because of the coronavirus. A helpline counsellor from Odisha Oxfam India interviewed said they received 80 calls daily on an average with regards to domestic violence before the lockdown. The figure shot up to over 200 after it was implemented and to 300-plus the day after the state government released a WhatsApp number to specifically report violence against women.

"It shows people were waiting for access to some sort of service. The calls that we got pertained to only serious cases of abuse and women were seeking help despite so many difficulties and obstacles during the crisis," says Amita Pitre, lead specialist, gender justice, Oxfam India.

Dr Nandita Shah, co-founder and co-director of Akshara Centre, a Mumbai-based women's rights organisation, concurs. She says there are multiple data points, including from the National Commission for Women which says cases have doubled, to show how serious the problem is. "In some places, it's four times higher than what organisations dealing with such cases normally

get. The possibility of being able to get out of that situation for a short time—to go away for some days or be with your support system, for instance—allows you to bear it in different ways... all those systems are not functional right now," she explains.

The unforeseen lockdown created a situation where people were confined to their homes—sometimes dingy, cramped spaces—for months. It brought with it uncertainty and anxiety as many people lost their jobs or did not have a steady source of livelihood. The unavailability of alcohol during the initial phases also contributed to an unhealthy atmosphere in some families. The expectation that men should contribute to household chores was not taken too kindly in several cases. As a result, frustration crept in. None of these issues, however, can justify domestic violence, say those who have been on the ground, offering support to victims of assault. They say the problem lies in the way some minds are conditioned and the archaic ideas drilled in men when they are brought up.

"There's a difference between the cause and trigger. The cause is patriarchy with power balance in society weighted heavily in favour of men. Societal acceptance allows men to get away with it," says Swayam's Kapoor. Agrees Dr Shah. "The whole issue of power is very much at play. When you are angry, you only beat up people who are below you in terms of power. You know you can do that without any major repercussions," she says.

Advocate Sidhva believes several factors compel men to turn abusive. "The constant need to be the dominating partner in the relationship... to exercise control," she explains, adding that though domestic violence cases have gone up, it's a positive sign that women are asserting themselves and realising what is happening with them is wrong.

A closer look at the cases that have come to the fore shows that the problem is not limited to the poor alone. It is rampant across all strata of society—from the metros to the villages and in slums and high rises. Women—employed or unemployed—have been at the receiving end of physical, mental, sexual and even economic abuse where savings have been snatched away. "A lot of discourse that has come through is about the middle class or lower middle class, and not the poor, though they have also dealt with violence. The poorest to the affluent have suffered," says Pitre of Oxfam India.

Dr Shah of Akshara Centre reveals that, in the past few months, there have also been cases of violence in one's parental home. Swayam's helpline received calls from unmarried young women who were living with their parents and being abused by their brothers. Besides, some women had to flee their marital homes due to the torture and walk miles to their parental home. In another instance, a girl's mother had been subjected to physical abuse by her father over the years. When she returned to Kolkata during the lockdown and protested against it, the father began abusing her too. Oxfam India came across a case where a minor girl was sexually abused by her uncle at home while in another incident, a young woman was sexually assaulted by her brother-in-law while her husband was stranded outside the house.

The impossibility of face-to-face interactions with victims during the lockdown prompted NGOs and organisations to start additional helplines. "As soon as Swayam shut its offices, we got a counselling line. First there were three numbers... that increased to six and gradually nine. We offered counselling and psychotherapy as domestic

INFOGRAPHICS: SAMEER PAWAR

Global Concern



30%
Rise in domestic violence cases in France since the lockdown in March; Paris alone accounted for a 36 percent spike



60%
Spurt in calls to European domestic violence helplines in April, according to the World Health Organization



200%
Increase in calls to its helpline after Britain first eased the lockdown in May, says London-based domestic violence charity Solace



31 million
Estimated number of gender-based violence cases globally should the lockdown continue for another six months, according to UN's Population Fund



75%
Increase in Google searches relating to domestic violence in New South Wales, Australia, since the first Covid-19 case



20-30%
Spike in hotline calls to domestic violence helplines in New York and California

"DOMESTIC VIOLENCE HAS BEEN EXACERBATED BY THE PANDEMIC. WE'RE JUST SEEING THE TIP OF THE ICEBERG."

ANURADHA KAPOOR,
Founder-director, swayam





Swayam's campaign posters showing men with dual personalities propagating domestic abuse

violence impacts women's mental health negatively and some women also had suicidal thoughts/attempts. At times we had to call the police to ensure they acted, and give legal advice too. We also provided counselling and therapy to children of survivors who are the hidden victims of domestic violence. But there's a limitation to how much you can do over the phone," says Kapoor.

Actor-filmmaker Nandita Das made a film on domestic violence called *Listen to Her* and shared helpline numbers at the end of it. Unseco came on board as a producing partner and other United Nations agencies also contributed in amplifying the message. "The helplines haven't stopped ringing and it is no surprise that it [domestic violence] is being termed as a 'shadow pandemic'. There is an urgent need to break the silence around these issues and so, on an impulse, I made the film," Das tells *Forbes India*.

Akshara Centre roped in celebrities such as cricketers Virat Kohli and Ajinkya Rahane, and actors Anushka Sharma and Vidya Balan, among others, to spread the word against domestic violence. Its video campaign was launched in three languages—English, Hindi and Marathi. It has got over 5.5 million views. "The idea behind it was that we wanted influencers to take a stand. People have to recognise that it's a crime and it has to stop. We also emphasised on the role of bystanders—they also should intervene," says Dr Shah.

Akshara Centre, along with Swayam and David and Goliath, then did a similar campaign in Bengali with Bengali celebrities such as Aparna Sen, Konkona Sen Sharma, Parambrata Chakravarty and Usha Uthup. It also collated and publicised helpline numbers, did an outreach campaign on social media showing that a man who may project himself as responsible in public, may have a different persona at home. For instance, he who uses a sanitiser to protect himself, goes home and beats his daughter, or practises physical distancing but goes home and rapes his wife. It also did another campaign with Radio Mirchi where some cases of domestic violence were highlighted and listeners were given information and asked to speak up and protest. The issue was also highlighted by a four-minute television coverage on ABP Bangla.

Oxfam India also used social media to share phone numbers that victims could call. Majlis, apart from offering legal aid, counselling and social support, provided for the education of the victims' children and found jobs for survivors.

Such assistance can only bring temporary relief. Those fighting for women's rights over the years want strict deterrents and harsher punishment for abusers. As of now, victims can approach a police station to lodge a non-cognisable offence or a first information report, depending on the severity of the abuse. They can also seek legal help under the Protection of Women from Domestic Violence Act (PWDVA). But that's not enough, they say. "We have a lot of laws in place. More laws is not the solution... from a women's perspective, we need better and effective implementation of the existing laws," says advocate Sidhva.

Many were disappointed that the courts did not take up these cases on priority basis. And that the police, too, did not offer unconditional support at times. Oxfam India says a woman who had left her house following abuse was stopped by the police and asked to return as the lockdown was in place. The shelter homes did not have the facilities to carry out Covid-19 tests, so many women had nowhere to go to. "The PWDVA should come under essential services. An entire machinery has to be functional for such women," says Pitre.

Above all, experts call for a mindset change. "There needs to be a change in the way children, both boys and girls, are brought up. You can't speak to boys when they are 20 or 25 and expect them to change their mindset," explains Sidhva.

Kapoor of Swayam says the objectification of women should stop across media and institutions. "Everything that we read, hear or see insinuate the idea that women are weaker. We need to change that. We are not born with the patriarchy gene; it comes through social conditioning," she says. "Why can't an ad agency advertise a car or any other product without objectifying women? Women's products don't need men to sell, so why do men's products always need women?"

Change, it is rightly said, must begin at home. F

ON BRANDS


SHUTTERSTOCK

Don't overact the story of your name. Overact the story of your work.

—KARL LAGERFIELD

Your premium brand had better be delivering something special, or it's not going to get the business.

—WARREN BUFFETT

Brand is just a perception, and perception will match reality over time. Sometimes it will be ahead, other times it will be behind. But brand is simply a collective impression some have about a product.

—ELON MUSK


GETTY IMAGES

Every advertisement should be thought of as a contribution to the complex symbol which is the brand image.

—DAVID OGILVY

A brand for a company is like a reputation for a person. You earn reputation by trying to do hard things well.

—JEFF BEZOS

MARLA AUFMUTH / GETTY IMAGES



A brand is the set of expectations, memories, stories and relationships that, taken together, account for a consumer's decision to choose one product or service over another.

—SETH GODIN

A product can be quickly outdated, but a successful brand is timeless.

—STEPHEN KING


SHUTTERSTOCK

I knew exactly what I wanted to do. I wanted to build some kind of lifestyle brand that was preppy and cool.

—TOMMY HILFIGER

The key to branding, especially for smaller firms, is to focus on a limited number of issue areas and develop superb expertise in those areas.

—PHILIP KOTLER

Be so good they can't ignore you.

—STEVE MARTIN

With a brand like Gucci, you have to give something that belongs to beautiful Italian culture in terms of craftsmanship and materials.

—ALESSANDRO MICHELE


SHUTTERSTOCK

When people use your brand name as a verb, that is remarkable.

—MEG WHITMAN

If people believe they share values with a company, they will stay loyal to the brand.

—HOWARD SCHULTZ

Forbesindia.com

The homepage for India's most influential

Forbesindia.com is India's most authoritative and influential web address, bringing you definitive lists of achievers, cutting-edge entrepreneurial ideas and sharp business and financial analysis. Spanning topics related to wealth creation, buzzing startups and iconic enterprises, thought leadership, philanthropy, lifestyle and technology, Forbesindia.com influences the country's most influential and keeps India ahead in business.

Forbes INDIA


changelivesware
Create the future with a digital foundation
built on VMware.
vmware.com/in/possible
VMware is part of Dell Technologies.
© 2020 VMware, Inc. VMware and Realise What's Possible
are trademarks of VMware, Inc.
vmware®
REALISE WHAT'S POSSIBLE.™