FAMILY BIZ: THIRD GEN AND BEYOND

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Forbes INDIA

Shardul Sheth, CEO, AgroStar

HUNT FOR GREEN DATA

Why, more than loan waivers and budgetary doles, agri-tech can rescue the Indian farmer

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Welcome to the

INDIA

Forbes

Tablet Edition

Sow Seeds, Reap Data

A few months ago, *Forbes* featured a Silicon Valley startup called Farmers Business Network (FBN) that has nearly $200 million in venture capital backing it. One of its founders is of Indian origin. CEO Amol Deshpande told *Forbes* that he wants to build the "the biggest agricultural business in the world". Which means that he and co-founder Charles Baron want to grab chunks of the action from multinational giants like DowDuPont and Monsanto.

What the California-headquartered FBN also wants to do is shift the spotlight to the farmer, by offering information on, say, seed prices, selling the seeds along with herbicides and pesticides from an online store, and extending marketing support. The goal is to put more money in the hands of farmers by helping them get better prices on both the goods they buy and the crops they sell. In the process, FBN has built a seemingly viable business model with a network of over 6,500 farms. It's not for nothing that FBN has been referred to in the US media as the 'Amazon of farm products' and the 'Amazon of seeds'.

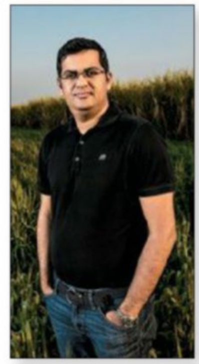
Thousands of miles away, back in Deshpande's home country, similar efforts are under way with the use of software programs, algorithms and farmer data to improve prices, productivity and seed quality. Such efforts are perhaps more critical in India, where agriculture still accounts for roughly a sixth of GDP (in the US its contribution to GDP is in single digits) and almost half of employment, and where most farmers (86 percent) are small and marginal. Which is why the government is keen to double farm incomes by 2022, and has proposed to spend ₹6,000 annually by way of direct income support to 12 crore small and marginal farmers.

The proposal—made in the interim Union Budget and just ahead of general elections—will arguably go a longer way in gains at the hustings than alleviating farmer strife. Doles, after all, can do little to lift productivity levels. What can reverse that downtrend is agri-tech.

In this fortnight's cover story, tech writer Kunal Talgeri shines a light on a clutch of homegrown agri-tech firms that has been growing via generous doses of venture capital. These are startups that are linking agri produce to customers, building technology to manage inventory and algorithms to manage warehouses. In the process, they are sitting on tonnes of data that can influence farming decisions, like when to sow or harvest a certain vegetable. Talgeri likens agri-tech to a third big-bang reform in farming, after the Green Revolution in the '60s and Operation Flood in the '70s. "Coders have now pried open opportunities to apply software, harness data and solve logistical challenges in agriculture," says Talgeri. For more on its implications, turn to "The Hunt for Green Data" on *page 16*.

Income support to farmers won't lift productivity levels. Agri-tech can reverse the downtrend

Our other big feature is on brands that survive up to the third generation and beyond. The internet is littered with scary statistics of the number of businesses that perish by the time the third gen comes in, but much of those may be out of context, out of date and out of sync with India's cultural realities. But suffice it to say that it gets more challenging to stay relevant for every subsequent generation. Our bouquet of stories deals with some storied brands that are still at it with the third generation in the saddle, a few that lost their mojo and are fighting to regain it, and a few others that saw the writing on the wall, and either sold out or are considering that option.




(Left) India is now home to a clutch of agri-tech firms that has been growing with venture capital and is sitting on tonnes of data that can influence farming decisions; (Right) Led by the Kanwar family, Apollo Tyres has become the second-largest tyre-maker in the country and is expanding with global acquisitions

Best,

BRIAN CARVALHO
Editor, *Forbes India*

brian.carvalho@nw18.com

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Forbes INDIA

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Quietly, a clutch of agri-tech companies is diving deep to plot data in the country. Will it prepare farmers for market competition?

Shardul Sheth, CEO, AgroStar

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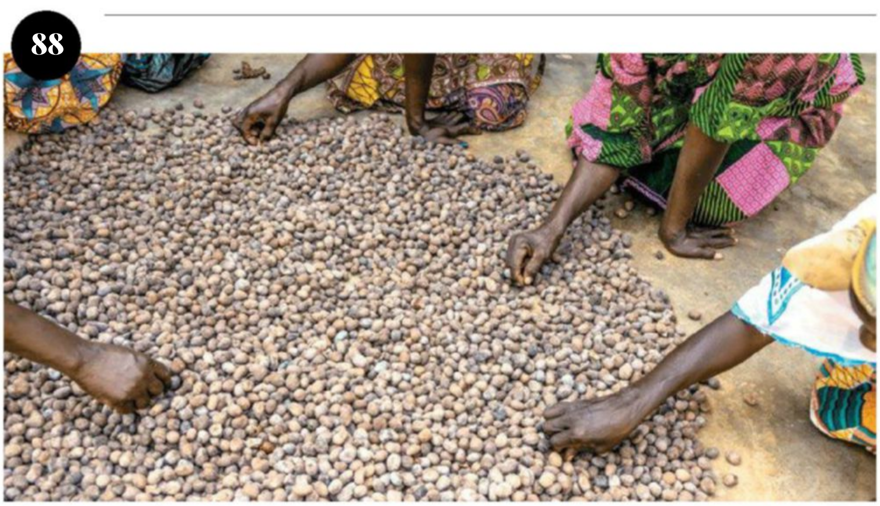
Pradeep Chona (left), chairman, HRPL, and son Ankit, MD, HRPL

Priya Paul (seated), of the Apeejay Surrendra Group, with mother Shirin

Sanjeev Sanyal is an Indian economist, writer, environmentalist and urban theorist



Women in northern Ghana sort shea nuts to remove those of inferior quality

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Editor: Brian Carvalho

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Can The Government Meet Its Fiscal Deficit Target?
It hopes corporate tax revenue turns out to be a saviour **P/10**

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PSU mergers and buybacks make way for strategic sales **P/12**

'AI Sale Will be Revisited'
Civil Aviation Minister Suresh Prabhu wants global factors to stabilise **P/13**

IMPROVED EARNINGS

Banks Go Stress-Free

Most report higher profits and lower NPAs, but experts say concerns like Mudra-linked bank loans remain

FOR THE FIRST TIME IN MONTHS, data on bad loans and profitability is starting to prove bankers who had said "the worst is over" right. Most of the leading private sector banks, including Axis, Kotak Mahindra, HDFC Bank and ICICI Bank, and state-owned heavyweights such as State Bank of India (SBI) and Bank of Baroda have reported higher profits and lower bad loans for the quarter ended December 31, 2018.

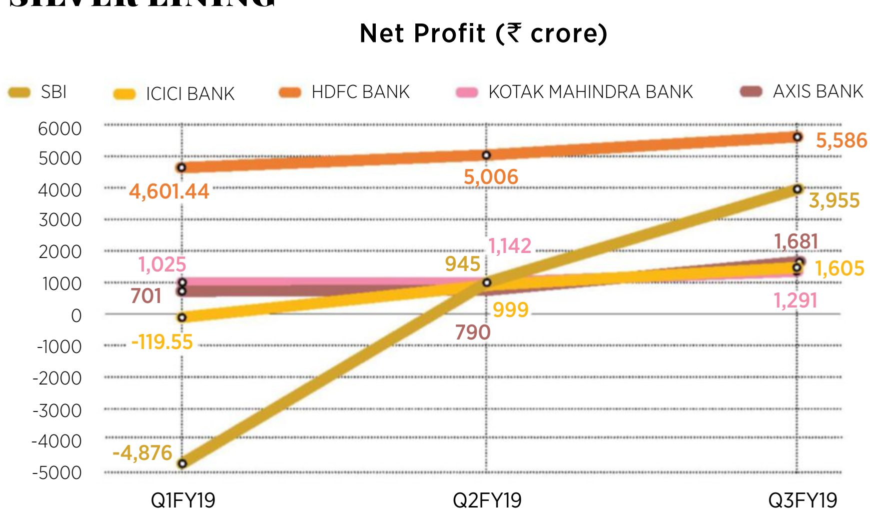
"This is the end of the stress cycle," says Yuvraj Choudhary, research analyst at Anand Rathi Securities, a financial services firm. "The bad loans are coming down and slippages are at multi-quarter lows."

The SBI said total slippages for the quarter were at ₹4,523 crore against ₹10,725 crore in the corresponding previous quarter. ICICI Bank's fresh slippages are at a 14-quarter low at ₹2,091 crore in Q3FY19 compared to ₹3,117 crore in Q2FY19.

This shows that unlike the period between 2009 and 2014 when banks lent aggressively and did not do the necessary due-diligence, they have been far more prudent in lending.

Another factor for lower non-performing assets (NPAs) is that for banks, their already recognised slippage ratios are starting to come down. Credit growth, too, has improved which has helped lower the percentage of gross NPAs (to gross loans). Gross bank credit was at ₹82.4 lakh crore on December 21, 2018,

SILVER LINING



Source: *BSE, Moneycontrol and investor presentation* compared to ₹73.05 lakh crore a year earlier, according to Reserve Bank of India (RBI) data, indicating a 12.8 percent jump.

"Credit growth, lower fresh slippages and resolution of some bad assets are bringing down the bad loans percentage," says Dhananjay Sinha, head (institutional research), Emkay Global Financial Services. "The intensity of the pressure of NPAs is definitely easing."

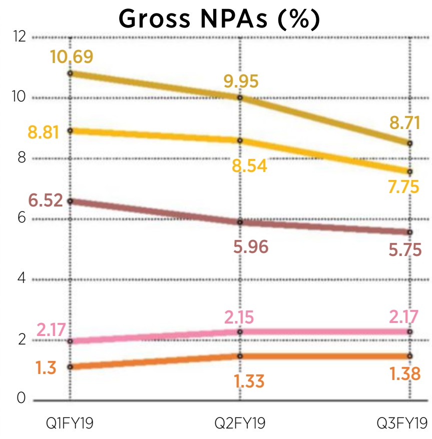
Three banks—Bank of India, Bank of Maharashtra and Oriental Bank of Commerce—are out of the Prompt Corrective Action (FCA) framework, which means various curbs to lending and expansion of business have been lifted. Finance Minister Piyush Goyal said more banks—in the list of 11—will be out of the PCA. Choudhary believes this could happen in six to 12 months.

That doesn't mean everything is hunky-dory. Choudhary and Sinha believe stress in the form of NPAs will be seen under the Pradhan Mantri Mudra Yojana (PMMY) and other agriculture loans. The RBI has cautioned that the bad loans under PMMY have risen to ₹11,000 crore from ₹3,790 crore in FY17.

SBI and HDFC Bank continue to face stress on this front.

—SALIL PANCHAL

GOOD TIDINGS



Source: *Moneycontrol and investor presentation*

THE NEW NORM-AL

Ecommerce Rules Aim for Vendor Neutrality

Restrictions on Amazon's JVs and Flipkart's flash sales seek to level the playground with offline retailers

ONE IN FIVE OF INDIA'S approximately 600 million internet users is an active online buyer, according to market researcher and consultancy Redseer Consulting. New rules introduced by India on December 26—known as Press Note 2 or PN2—placed tougher restrictions on the way online marketplaces or their parent ecommerce companies could operate in the country. For instance, the marketplace could source no more than 25 percent of its inventory from a seller linked to it.

Amazon was most hit by this, and had to restructure its holding in Cloudtail, its largest seller. It also had to pull an estimated half a million products from its site, according to market researcher Market Pulse. Similarly, Amazon had to pull products from another of its sellers, Appario Retail, and also those of Shoppers Stop in which it holds a 5 percent stake. Amazon will reduce its holding in Appario as well, a joint venture (JV) with Patni Group, *The Economic Times* wrote on February 6.

Cloudtail, operated via a 49:51 JV between Amazon and Catamaran Ventures, had to stop selling on Amazon India from February 1-6. Amazon has since reduced its holding to 24 percent while Catamaran raised its ownership in the seller's parent, Prione Business Services.

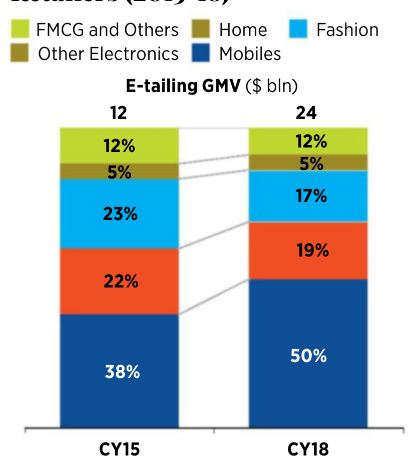
Flipkart has been affected by another norm, along with smartphone makers, which says that online retailers will also not be allowed to resort to festive season sales. So Xiaomi, for instance, will no longer be able to sell its Mi phones exclusively on Flipkart. Flipkart also had an exclusive partnership with Oppo.

Brick-and-mortar retailers have been lobbying with the government that online marketplaces are driving them out of business with festive season sales, which they felt were predatory in pricing. Another gripe was that Amazon's investments in vendors like Cloudtail and Appario were a roundabout way to stock inventory and against the spirit of FDI norms. In the long run, the new rules will deliver a more harmonious relationship between the sellers and ecommerce companies, Redseer said.

Like in China and other markets, India's seemingly insatiable hunger for smartphones is bound to fizzle out, so a shift towards a broader mix of categories, including long-tail ones like fashion, is on the horizon, Redseer said. These are categories where "pure marketplace play is more crucial than direct partnerships... these latest regulations will likely accelerate the shift".

—HARICHANDAN ARAKALI & SAYAN CHAKRABORTY

GMV Share by Category Online Retailers (2015-18)



Source: *Redseer Consulting*

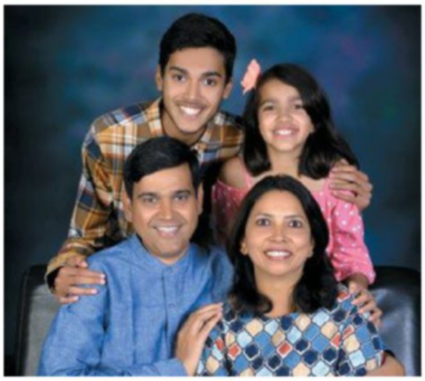
LEADERBOARD

12 crore

The number of farmers who will benefit from the government's annual payout of ₹6,000 to them

SAVINGS FOR TOMORROW

Family Finances: No Extra Taxes to Fund Budget Sops



BENGALURU-BASED SUNIL Vashishtha, 50, is a manager at chip maker Intel with about 27 years of experience. Prior to Intel, he had stints at Cadence Design System, Kota Thermal Power Station and the Rajasthan State Electricity Board. His wife, Shalini, 46, is a professor at the Atria Institute of Technology. They have two children, Jai, 19, and Tanisha, 11. The couple, who jointly earns about ₹30-40 lakh per annum, is looking to save ₹1 lakh per month for their children's education and marriage, apart from building a retirement corpus, both totalling about a few crores. Financial planner Rohit Shah, founder and CEO of the Mumbai-based Getting You Rich, explains how the interim budget will affect the Vashishtha family finances.

—SAYAN CHAKRABORTY

THUMBS UP

- Sunil is due to retire in 2027. The increased limit of gratuity from ₹10 lakh to ₹30 lakh helps him in building the retirement corpus.
- He recently purchased a second home when his neighbour moved out. The second house being proposed to be treated in the self-occupied category will help Sunil avoid deemed let out taxation on second home.
- The standard deduction limit increase from ₹40,000 to ₹50,000 will leave Sunil with an insignificant increase in the take home salary of about ₹3,000 per annum.

THUMBS DOWN

- The section 87A rebate is not helpful to Sunil as this will be applicable only to those who have a net taxable income of less than ₹5 lakh. Sunil's net taxable income is much higher.
- Also, increase in TDS threshold on interest earned on bank/post office deposits from ₹10,000 to ₹40,000 won't impact Sunil as he doesn't have such investments.

BOTTOMLINE:
The only way the budget helps Sunil is that he hasn't been burdened with additional tax to bear the cost of the benefits announced

3.4 PERCENT

Can The Government Meet Its Fiscal Deficit Target?

It hopes revenue from corporate tax and disinvestment will emerge as its saviour

THE GOVERNMENT MISSED ITS fiscal deficit target of 3.3 percent for the financial year and has revised it to 3.4 percent for FY19-20. Fiscal deficit is the difference between the money the government earns and spends in a year. It is stated as a percentage of the country's GDP. So when a government misses its fiscal deficit target, it means that it is spending more than expected.

"While there is a slippage from FY19 from 3.3 percent in response to the farm relief package, the FY20 fiscal deficit shows there is a pause in the fiscal consolidation path. It will impact the borrowing programme for both the current and next year. It is important for the government to adhere to budget targets and maintain this for next year," says Shubhada Rao, chief economist with Yes Bank Ltd.

The biggest cause of the gap has been earnings from GST. According to budget documents, the government expects to mop up ₹643,900 crore as total GST, compared to its expectation of ₹743,900 crore. It hopes revenue from corporate tax will be a saviour. The government expects total corporate tax to increase by ₹50,000 crore at ₹6.71 lakh crore against its budgeted expectation of ₹6.21 lakh crore. It believes it will be able to meet its target of ₹80,000 crore through its disinvestment programme. But data shows that the government is far from achieving that.

Some, however, remain hopeful. "A lot of people expected the fiscal deficit to hit nearly 3.5 percent. Despite this being an election year, the government has managed it at 3.4 percent, which is a good number. The allocated ₹75,000 crore as income support to farmers is not a significant concern," says Abhimanyu Sofat, head of research, IIFL Securities Ltd.

The government has also indicated that for 2019-20, it budgeted an expense of ₹27,84,200 crore, an increase of ₹326,965 crore from this financial year. It has also accounted for an increase of nearly 8 percent in its debt.

—POOJA SARKAR

TOP: SHUTTERSTOCK

340 mln

The number of people who owned smartphones in India in 2018

PAUCITY OF JOBS

Educated, Yet Unemployed

Forbes India speaks to two unemployed adults for their opinions on Budget 2019

Rajiv Chougle, 25, Kolhapur

"It has been two years since I graduated in BSc (Geology) from Shivaji University, Kolhapur. I have tried applying to companies such as Kotak Mahindra and SLK Software, but I have not heard back from them to date. The only jobs that I have been offered are for office assistant or a data entry operator positions. I am overqualified for both. The government should introduce initiatives that help educated people like me get jobs that we deserve. Even if I find suitable jobs, they are typically on short-term contracts. I am now preparing for the MPSC [Maharashtra Public Services Commission] exam with the aim of landing a decent government job.

There was barely any mention of job creation in Budget 2019. I was not even aware of a scheme called the Pradhan Mantri Kaushal Vikas Yojana [a Skill Certification Scheme to enable industry-relevant skill-training in youth to help them secure better livelihood], which could help us get better jobs. There should be greater awareness in colleges for such schemes."

Kunal Mahendra Belose, 24, Mumbai

"I have an MCom degree and have been looking for a job for a year. I have applied to a technology company in Mumbai, but am unable to secure a formal job. I find that the degree is useless, with little practical benefits.

While working in a contracted job, I realised that contract workers are not accorded enough facilities—for instance, they get few days of leave. This is something that the government should focus on. It should also make college education more practical so that students obtain relevant skills and get better jobs."

—BHAGWAN PATIL & NAINI THAKER

JOB CREATION

Digital India to Digital Villages

Finance minister promises a tech-driven society with a 10-point development agenda

THE BUDGET ENVISAGES A MODERN, tech-driven society in a 10-point nation-building agenda. It recognises the rise of a startup ecosystem generating millions of jobs over the next decade. In his speech, Finance Minister Piyush Goyal said: "Our vision is to create a Digital India reaching every sector of the economy, every corner of the country and impacting the lives of all Indians."

The digital infrastructure and digital economy of 2030 will be built upon the successes achieved in recent years in digitisation of government processes and private transactions, Goyal said. "Our youth will lead us in this endeavour with innumerable startups creating digital India, and millions of jobs in this ecosystem."

"India could learn from the Israel experience, where the government is heavily involved in early funding of

promising startups," Dipanjan Basu, partner and CFO at Fireside Ventures, told *Forbes India* prior to the budget.

The growth of India's startups has been catalysed in part by the smartphone revolution. The urbanising country, with its youth-heavy demographics and falling cost of data, is betting on the digital economy to generate the tens of millions of jobs needed over the coming years. Some of them will be created closer to villages and smaller towns. Under the Make in India initiative, mobile and parts manufacturing companies have increased from two to over 268, providing massive job opportunities. More than 300,000 Common Service Centres (CSCs) employing about 1.2 million people are digitally delivering services to citizens, claimed Goyal. CSCs are expanding their services and creating digital infrastructure in the villages, including connectivity, to convert them into 'Digital Villages'. There will be 100,000 such villages in India over five years, Goyal said.

At the other end of the hi-tech spectrum, India's space programme will help it provide services to countries around the globe, he said. The government's vision is to place an astronaut in space by 2022 and to become the "launch pad of satellites for the world". Finally, spanning multiple sectors, India will invest in building artificial intelligence-based solutions relevant to solving the problems country's biggest problems.

—HARICHANDAN ARAKALI

JOB CREATION AND TOP: SHUTTERSTOCK

LEADERBOARD

₹19K cr

The amount the government plans to spend in FY20 on rural roads scheme

MISSING THE MARK

What Happened to Disinvestment?

PSU mergers and buybacks make way for strategic sales

THE GOVERNMENT IS FAR FROM achieving its ₹80,000 crore disinvestment target for the current financial year. The only time the NDA government met it was in 2017-18 when it raised ₹1 lakh crore against the budgeted expectation of ₹72,500 crore. This was achieved by listing insurance companies, mergers of public sector companies, CPSE exchange traded funds (ETFs) and numerous buybacks.

Previous governments overshot targets just four time since 1991. In at least four instances, the UPA shied away from fixing a target.

In the current year, the government raised only ₹35,532.66 crore mainly through Bharat 22- ETF and CPSE-ETF buy and a few buybacks.

"Disinvestment in India is not happening in the form of privatisation of companies, but as a transfer of resources to the government to raise capital in various ways. Most of the money has been raised by buybacks or merger of PSUs, or a sale to LIC," says Madan Sabnavis, chief economist at Care Ratings Ltd. He adds that the government has no earnestness to give up control in most PSUs and hence it is resorting to transferring shares. "Also, it has been unable to raise capital through strategic sales because most entities are loss-making units."

In the last three years, the government has heavily depended on buybacks to meet fiscal deficit targets. It has found it difficult to raise capital through the strategic sale of assets.

A higher receipt from the disinvestment department is crucial as GST revenue collections have been below expectations. According to PIB, gross GST for April to date stands at ₹8.71 lakh crore against the full year budgeted target of ₹12.9 lakh crore.

—POOJA SARKAR

Target Trouble For NDA

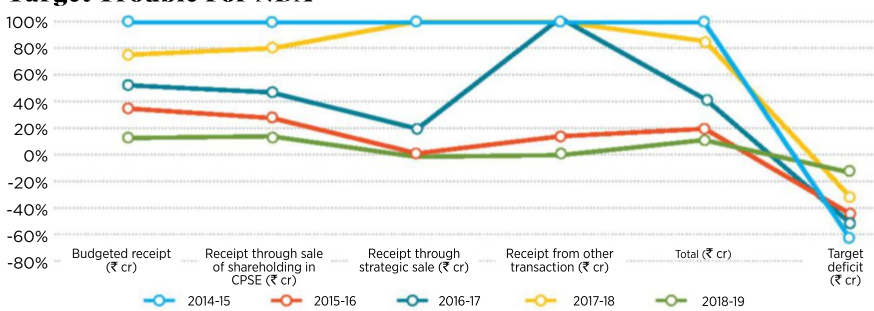


TABLE MANNERS

Thomas Goode Bets on India

British luxury brand opens new outlet in Mumbai, its first in nearly 200 years

THOMAS GOODE & CO, ONE OF London's oldest luxury retailers, has opened a mini-museum and boutique at The Oberoi, Mumbai—its first new outpost in its nearly-200-year history. Founded in 1827, the brand has operated out of the same Mayfair store in London since its inception, selling fine quality china, glassware and silverware.

In 2015, property investor and businessman Johnny Sandelson took over as the brand's chairman, in a bid to 'wake it up'. "It was there, but it seemed undusted, forgotten," he says. "It was like an undiscovered jewel—everyone had heard of the name, and I wanted to make it contemporary, relevant, while keeping its historic legacy and quality intact."

Mumbai is the first chapter of a global expansion strategy, he says. The brand has entered India in partnership with Malvika Poddar of luxury fashion boutique Carma.

"As a British businessman, whenever you ask where the most powerful emerging market is in the world, the answer is India," he says. "Thomas Goode is about hospitality and gifting, and we're particularly excited about the Indian wedding market. If Mumbai does well, we will look at Delhi and Hyderabad, and other parts of Asia and the Middle East. The question is, really, why didn't we come here sooner?"

The Mumbai store will retail the brand's own collections along with sets from pedigree labels, including Sevres, Herend, Baccarat and Hermes. An ecommerce store is expected to launch at the end of the year to help service Tier-2 and Tier-3 markets. They offer heavy customisation and hand-painted designs, where you can order a bespoke single plate too.

The museum, also in The Oberoi, showcases Thomas Goode designs from across generations, tailored collections for Indian and British royalty, along with the stories behind them.

—PANKTI MEHTA KADAKIA

TOP: SHUTTERSTOCK

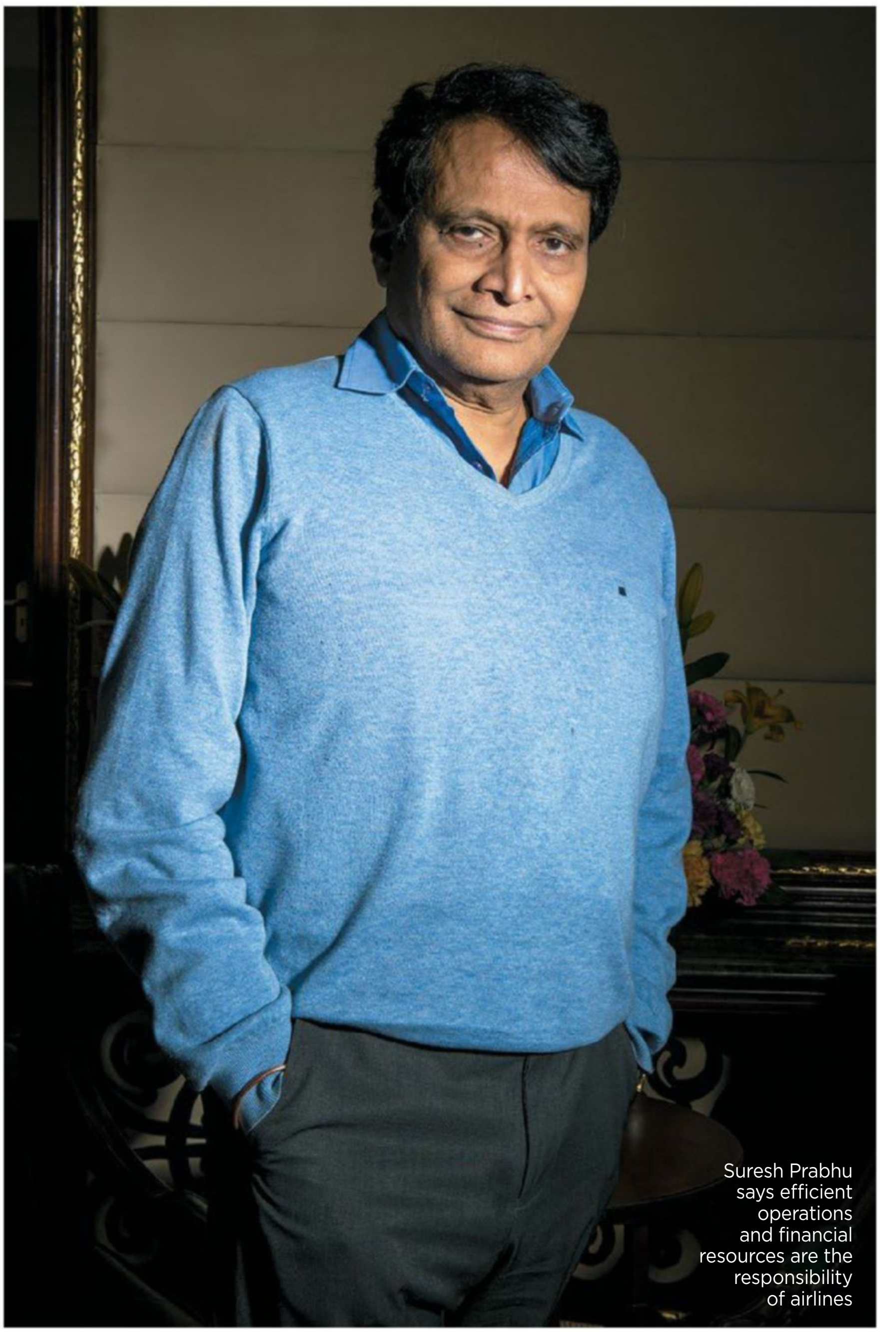
$1 bln

The amount eyed by the government from the sale of Air India

INTERVIEW

'AI Sale Issue Will be Revisited Once Global Indicators Stabilise'

Civil Aviation Minister **Suresh Prabhu** on the Indian aviation sector, profitability concerns of airlines and making air travel convenient for passengers



Suresh Prabhu says efficient operations and financial resources are the responsibility of airlines

INDIA'S AVIATION INDUSTRY HAS been in the midst of a turbulent ride for a while now. Plagued by mounting debt, losses and high fuel costs, airlines are struggling to stay afloat even as many more Indians take to the skies. This year, India's airlines are expected to post combined losses of up to $1.9 billion, according to consulting firm Capa India. The government isn't immune to the industry problems, but Prime Minister Narendra Modi's plan to sell loss-making national carrier Air India (AI) to private companies was met with a tepid response. Suresh Prabhu, minister for civil aviation, speaks to *Forbes India* about the failed sale, the success of the Regional Connectivity Scheme and the way forward for the Indian aviation sector. Edited excerpts:

Q Your ministry unsuccessfully attempted the strategic sale of AI last May. Did you identify the reasons for that and how do you plan to revive its fortunes?

The government remains committed to the disinvestment of AI. In this regard, the Air India Specific Alternative Mechanism (AISAM) has inter alia decided that in view of volatile crude prices and adverse fluctuations in exchange rates, the present environment is not conducive to stimulate interest among investors for the strategic disinvestment of AI. The issue would be revisited once global economic indicators, including oil prices and forex conditions, stabilise. AISAM has directed to separately decide the contours of the

"The industry is dynamic and requires continuous adjustment according to global and domestic needs."

SURESH PRABHU: AMIT VERMA; TOP: SHUTTERSTOCK

₹55K cr
Air India's total debt of which the government has taken over ₹29,000 crore as part of the restructuring

mode of disposal of AI's subsidiaries: Air India Engineering Services Limited, Air India Air Transport Services Limited (AIATSL) and Airline Allied Services Limited. It has approved the contours for the sale of subsidiaries and asked to expedite the sale of AIATSL. The government has also prepared a comprehensive financial package by transferring non-core debt and assets to a special purpose vehicle.

Q While India's aviation sector has been growing, there have been concerns about the profitability of some companies. Is the ministry doing something about offering a wider range of financial instruments for the industry?
Each airline prepares its business plan on the basis of its own market assessment and liabilities. Efficient operations and financial resources are the responsibility of the airlines. However, the government has taken several measures to revive the airline industry and ensure long-term viability of the sector. The industry is dynamic and requires continuous adjustment according to global and domestic needs. The government has been constantly responding to industry conditions and undertaking specific measures to facilitate and enable growth. Steps also include reduction of central excise duty on aviation turbine fuel from 14 percent to 11 percent from October 11, 2018, and rationalisation of GST provisions, with a view to revive the airline industry.

Q Recent reports suggest that eight airlines which saw massive opportunities with the Udan (*Ude Desh Ka Aam Nagrik*) scheme have shut down operations due to financial and operational challenges. Is the government doing anything on this front?
Operations of two selected operators, Air Odisha and Air Deccan, were closed in Odisha, Chhattisgarh, Northeast, Gujarat and Maharashtra networks. After issuing show cause notices to these agencies, six networks have been cancelled (out of nine awarded to them). These cancelled airports have been opened for bidding in Udan-3 for which bid evaluation process is in progress

Q The International Civil Aviation Organisation (ICAO) recently raised some red flags against Indian airports' security and inadequate infrastructure following an audit of Chennai airport. Ninety-four Airports Authority of India-operated airports have also reported losses. What is the ministry doing for a turnaround?

> **"The government's aim is to provide an ecosystem for the harmonious growth of various aviation sub sectors."**

ICAO conducted a safety audit of India in November 2015 and November 2017 wherein the effective implementation was 57.44 percent. An audit by ICAO in November 2018 raised it to 73.6 percent.

An IASA (International Aviation Safety Assessment) audit by the Federal Aviation Administration (FAA) in July 2018 and final consultations in November last year confirmed that India meets relevant requirements for aviation safety oversight. FAA has appreciated the commitment of the government of India in ensuring effective safety oversight regarding India's aviation system. With regard to safety, ICAO audit of India was conducted from March 7 to 15 last year. As per ICAO observations, a corrective action plan (CAP) was sent to them. The Aviation Security Audit Section has reviewed CAP and found it to be satisfactory.

Q What is your growth projection for the Indian aviation sector? And what are the steps that you intend to take to push its potential?
With a view of promoting the Indian aviation sector's growth, the government released the National Civil Aviation Policy in June 2016. The government's aim is to provide an ecosystem for the harmonious growth of various aviation sub sectors.

There is also the Regional Connectivity Scheme—Udan to facilitate/stimulate regional air connectivity by making it affordable. The requirement for 5/20 has been modified and all airlines can commence international operations provided they deploy 20 aircraft or 20 percent of total capacity (in terms of the average number of seats on all departures put together) whichever is higher for domestic operations. We have also liberalised the domestic codeshare points in India within the framework of Air Service Agreements. Further, FDI limit for Scheduled Air Transport Service/Domestic Scheduled Passenger Airline has been raised from 49 percent to 100 percent, with FDI up to 49 percent permitted under automatic route and beyond that through government approval. For NRIs, 100 percent FDI will continue to be allowed under automatic route. However, foreign airlines would continue to be allowed to invest in the capital of Indian companies operating scheduled and non-scheduled air transport services up to the limit of 49 percent of their paid-up capital and subject to the laid down conditions in the policy. Increasing the FDI limit shall not only encourage lowering of prices but also accord choice to consumers.

—MANU BALACHANDRAN

TOP: SHUTTERSTOCK

"By definition, it is difficult to predict what AI can give you. But AI is making us more efficient and bringing us closer to the customer."

Rahul Agarwal,
CEO & MD, Lenovo India

The Hunt for Green Data

As agri-tech ventures rise fast and go deep to solve problems, what are the implications of data harvests for farmers in India?

By KUNAL TALGERI

Shardul Sheth, CEO, AgroStar

They call him Thiru. Thirukumaran Nagarajan is 34 and sports a beard. Some years ago, the engineer-MBA grad ventured to explore the ocean we call the internet. Steering and navigating an online business through waves of real-time data are to the 21st century, what whaling was to the mid-19th century: Essential and immensely profitable for those who take to the sea first.

It didn't work out for Thiru in his late 20s. "His confidence had taken a bit of a beating. But I liked the way he had built it," says Raghunandan G, co-founder of TaxiForSure (TFS), who hired him in 2014. "It was too early, but the way he thought of the business and built the team was impressive." Thiru became TFS's head of mobile products before a bigger fish, Ola, swallowed the cab aggregator.

Thereafter, he ventured into another bloody sea, online groceries, with two of his TFS mates. They didn't know the voyage would require them to take farmers on board someday. That wasn't the plan.

Thiru's new outfit was named NinjaCart, with Raghunandan as angel investor. The founders had built a location-based instant messaging platform for shopkeepers. They used it to link urban customers with kirana or small shops in a sector

> “We have got more than 4 million missed calls on the platform. That’s helping us get data because they are posting specific questions. We have a call centre with more than 150 people, many of whom are farm experts.”
>
> **SHARDUL SHETH,** CEO, AGROSTAR

that had BigBasket, Grofers and PepperTap headlining a clutch of online grocery apps. In 2015, capital was flowing. And the online grocery cannons were firing discounts indiscriminately to attract customers.

As ventures began to wither, Thiru’s team looked inward after a small experiment. Their product was fine. But what happens to NinjaCart’s 2,000-3,000 daily orders when discounts stop for a week? Data showed sales dropped by at least 60 percent. In the week when discounts resumed, sales doubled. The decision: They couldn’t fight the war on this side of the kirana opportunity. The NinjaCart founders turned the vessel whole.

Shopkeepers now became customers. And farmers became the suppliers. Their online product would help small shopkeepers in cities procure fruits and vegetables from farmers. NinjaCart would deliver.

That’s how an agri-tech company was born. NinjaCart is present in Bengaluru, Chennai and Hyderabad, with plans to expand to Mumbai and Delhi-NCR, even as Reliance—with a national brick-and-mortar retail business—recently articulated its ambition to take ecommerce to India’s hinterland. Maybe, there’ll be another price war. Thiru is rarely content, but feels NinjaCart has thus far aligned three goals for farmers and shopkeepers alike: Improve prices, provide reliability and convenience.

This requires buying and selling vegetables in 24-hour cycles. “It is about (managing) volumes,” says the soft-spoken CEO of NinjaCart in Bengaluru. “It was easy to grow from procuring and delivering 10-20 tonnes of fruits and vegetables. But doing 300 tonnes without any mistake is the most critical job. So we have built technology to manage inventory; algorithms and software programs to manage drivers and warehouses.”

It has an active base of 5,000 shopkeepers, who procure fruits and vegetables from 3,500 farmers in Karnataka, Tamil Nadu, Telangana, Andhra Pradesh, and Maharashtra. Knowing consumption patterns of shopkeepers, while knowing which farmer is growing what crop(s) is a powerful lever. Such data can influence farmers’ decisions, like what type of vegetable could have more demand in the market, when to sow, when to harvest, etc.

Quietly, in the past three years, a variety of agri-tech ventures have been generating such data in India. Even as online services like NinjaCart benefit the farmer, agri-tech has begun to interest larger global players—greater sums of capital. In December 2018, NinjaCart announced its second round of capital: $28 million, apart from $5 million in venture debt. This featured the venture funding arm of global agrochemicals and seeds company Syngenta. The company’s investors also included Accel Partners, Qualcomm Ventures, and Nandan Nilekani’s NRJN Family Trust among others, who are part of NinjaCart since its first funding round in 2016.

In the past six years, at least $130 million of venture capital has gone into nine homegrown agri-tech ventures. For India’s primary occupation familiar with revolutions in maximising wheat and rice production (in the 1960s), and milk (Operation Flood in the 1970s), coders have now pried opened opportunities to apply software, harness data and solve logistical challenges in agriculture. What are the implications of a data boom for the sector? For now, it’s a growing quantum of capital chasing data aggregators.

GLOBAL APPETITE

Software has already helped bypass a couple of erstwhile Indian realities by finding ways to link supply with demand. This is the original promise

SOWING SEASON

Farmers and investors are seeing analytics as a way to predict agrarian trends

VENTURE	HEADQUARTERS	SEGMENT	ORIGIN YEAR	CAPITAL RAISED ($ MLN)	MAJOR INVESTORS
Stellapps Technologies	Bengaluru	Herd management tools	2011	**17.4**	Bill & Melinda Gates Foundation, IndusAge Partners
CropIn Technology Solutions	Bengaluru	Farm analytics	2010	**15.5**	Beenext, Chiratae, Bill & Melinda Gates Foundation
AgroStar	Pune	Online portal for farmers	2010	**15.4**	Chiratae, Accel Partner
EM3 AgriServices	Delhi-NCR	Pay-per-use farm equipment	2013	**14.3**	Aspada, Global Innovation Fund
NinjaCart	Bengaluru	Farm-to-store marketplace	2015	**46.6**	Accel, Syngenta Ventures

Source: *Tracxn*

NISHANT RATNAKAR FOR FORBES INDIA

"We have started to tell farmers, backed by data, what to grow in an area, what works, likely price at the time of harvest, based on price prediction algorithms."

THIRUKUMARAN NAGARAJAN, CO-FOUNDER & CEO, NINJACART

of the information highway. In previous eras, progress and scalability in agriculture depended on policy. As a result, "the biggest reforms took place after a bad crisis", said agriculture economist Dr Ashok Gulati at the Bengaluru Tech Summit in November 2018. "Policy-induced solutions have driven agriculture revolutions. As a result if there are 40 solutions, only two (could) scale up," added the professor for agriculture, Indian Council for Research on International Economic Relations. The internet has changed this reality.

Gulati noted a significant change on the fields with regard to technology's role in improving productivity and seed quality. "Farmers (now) say, 'Don't help me increase production until you give me a price'. You have to ensure that farmers get a reasonable and remunerative price," he said. "Technology alone will not succeed. It is pricing, which has to do with access to market."

And then, he framed a killer question. "We have to develop our IPR (intellectual property rights) system or buy out," Gulati said, citing ChemChina's jaw-dropping price of acquiring Syngenta for $43 billion around two years ago. "Can India buy out Bayer if we want food security for the next 25 years? Bayer just bought out Monsanto for $63 billion! Or, (let's) scale up our investments in IPR. We're spending a billion dollars a year. We need $3 billion or $5 billion to invest. Then, India can create those miracles, which international companies and countries are getting in," he explained.

Gulati was not exaggerating the impact of large-scale agri investments. In the US, analysts have been tracking 'ag tech' since late 2013, when Monsanto acquired Climate Corporation, a data analytics firm whose valuation was estimated to have touched $1 billion. The venture had raised $109 million before the exit. In the US, 2017 was a record year for farm-focussed startups, stated Mike Wholey, analyst at technology trends advisory CB Insights in a report titled 'Agtech and the Connected Farm'.

The consolidation of the world's biggest agri-business companies into even bigger tie-ups raised the ag-tech stakes, Wholey noted in November 2018. "Monsanto and other agricultural suppliers have heavily invested in platforms that aggregate and analyse farmer data, adding over-concentration in the industry. This could erode customers' trust, which is crucial for acquiring farmer data," he explained.

Competition is imperative for any online marketplace or platform. In India, agri-tech companies aren't anywhere close to their American counterparts in terms of size or wielding that sort of influence. The action has just begun.

So as a NinjaCart expands in fruits and vegetables in three states, ventures like FreshBoxx in Hubballi, Karnataka, does the same by linking agri produce from surrounding farms to a customer base of hotels, restaurants and caterers in small cities. There is

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"For a bank, the potential of using AI is tremendous. However, it is not easy to put applications and make them relevant to your clients."

Franciska Decuypere ,
Country Head - India, BNP Paribas

NISHANT RATNAKAR FOR FORBES INDIA

> "Farms in India are small and fragmented, and farmers' capacity to apply technologies on farm is limited."
>
> **KRISHNA KUMAR,** CO-FOUNDER & CEO, CROPIN TECHNOLOGY

MeraKisan, which supplies organic foods in four cities, backed by the Mahindra Group. Or take Jumbotail, which enables supply of provisions, staples and FMCG products to 15,000 kirana shops in Bengaluru.

"If we have to solve problems in agriculture, we don't have to improve production," says Ashish Jhina, co-founder and COO of Jumbotail. "Start on the demand side of the problem. Take a more patient approach of working back from demand." Jumbotail helps rice and flour mills as well as FMCG companies find customers in small shops that use its app. Crucially, Jhina says it has applied data to help small shops or even crop mills connect with third-party credit providers to get formal credit underwritten by non-banking financial companies (NBFCs). This is based on their transaction history on Jumbotail.

INNOVATIONS OF REACH

Most of the evolved agri-tech ventures from the 2014 vintage like AgroStar and EM3 AgriServices have innovated to improve farmers' access to inputs and agriculture services.

Rohtash Mal was president of the Tractor and Mechanization Association in India between 2010 and 2012. One of his early meetings after launching EM3 with son Adwitiya in 2014 was to bring John Deere's agricultural equipment on its platform. The pursuit took him to Delhi, Pune and even its headquarters in the US, where he pointed out John Deere's single-digit market share in India. There was greater merit, he argued, for companies like John Deere to provide their equipment as a shared service, rather than as expensive products. Mal termed it as 'uberisation' of farm services for India. By 2016, even leading tractor and farm equipment manufacturer Mahindra & Mahindra launched Trringo as a shared services platform.

EM3 began on the supply side: To build an array of tractors, harvesters, etc. Then, get farmers to book the equipment, by phone or walk-ins, as a service. Finally, monitor the work on the fields. The equipment would be stocked at EM3 centres or franchises in each state. It is present in Madhya Pradesh, Rajasthan, Uttar Pradesh and Chhattisgarh. The Delhi-headquartered venture's fleet has 240 tractors and 125 harvesters among other equipment.

"We don't want farmers to have capex—only operating costs. Currently, only 25 percent of our tractor and harvesting fleet belongs to other parties," says Mal, CEO of EM3, adding that it finished calendar year 2018 with a revenue of nearly ₹10 crore.

Its mechanised service to harvest wheat is priced at ₹1,100 per acre, which is faster and timely. It also works out to around ₹900 less than the price if manual labour were to be used, says Mal. Planting rice is priced around ₹3,500 per acre. And farmers are introduced to

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"Our industry has seen a tidal wave of change. Automation and AI are creating new revenue streams in the auto industry."

Kamal Bali,
President & Managing Director, Volvo Group India

BNP PARIBAS
The bank for a changing world

Forbes INDIA

“If we have to solve problems in agriculture, we don’t have to improve production. Start on the demand side of the problem. Take a more patient approach of working back from demand.”

ASHISH JHINA, CO-FOUNDER & COO, JUMBOTAIL

techniques like laser-levelling for better water retention and crop nutrition absorption. EM3 estimates its services have reached more than 30,000 farmers in 3.5 years.

“It takes six months or a year to establish ourselves in a (farming) community. After that, business is automatic,” says Mal. Most of the demand has been through farmer walk-ins at EM3’s local centres or phone calls. Payment is often in cash. The company has prioritised improving access to mechanisation over interacting with farmers on an app. “In the oncoming wheat season, we will carry out large-scale trials of ‘onlining’ them,” he adds.

At Pune-based AgroStar too, the action picked up in 2016 but—like EM3—from its call centres. Its ambition is to be to agrarian buyers what Flipkart grew to be for online shoppers: Deliver inputs at farmers’ doorstep.

For this, AgroStar centralised its procurement of agri inputs like fertilisers, pesticides, nutrients, seeds, and sprayers. Based on orders, these inputs are brought to a fulfilment centre (FC) in each state where it operates. The items are packaged and shipped from the FC to its local distribution centres, which are typically franchise retailers.

Simultaneously, in each district location, AgroStar sources last-mile delivery folk using an app called AgroEx, which gives real-time updates of delivery tasks. AgroEx users in a locality then choose delivery tasks, pick up the items from the allotted distribution centre, and drop them off at the respective farmers’ location. AgroStar is on track to clock annual sales of ₹120 crore in the current fiscal.

Its multilingual app has touched 7 lakh downloads. It has 3 lakh monthly active users. These tend to be farmers who post photos, and ask questions, seeking answers. But even today, farmers give AgroStar a missed call, says Shardul Sheth, CEO of the venture. “We have got more than 4 million missed calls on the platform. We have a call centre with more than 150 people, many of whom are farm experts. The call centre operations are in Pune and Ahmedabad, which cover demand in Maharashtra, Rajasthan and Gujarat,” he explains.

MEXY XAVIER

“CropIn makes healthy margins for a SaaS-based company. It is investing to grow to scale.”

RITU VERMA, PARTNER OF ANKUR CAPITAL, THE FIRST INVESTOR IN CROPIN IN 2013

The app activity is crucial for AgroStar to understand farmer needs. “That’s helping us get data because they are posting specific questions on the platform,” Sheth says, citing aspects like what crop a farmer is growing, and what products he is browsing, which enable data aggregation at a pin code level. In May 2018, AgroStar partnered with IBM to triangulate such information, and predict orders a fortnight ahead. This has benefits. “Can we be prepared for a pest attack by taluk level? This helps AgroStar recommend products appropriately. It will be more of a proactive approach of solving a problem. That is the next wave of what we are doing,” Sheth explains.

AgroStar’s CRM (customer relationship management) tool runs on the mobile number, which is the unique identifier of a farmer. To personalise its recommendations, it has granular data, such as whether a farmer has drip irrigation or not, how many mobile phones the farmer has, language of communication, how many acres of land does he or she have, how many crops the farmer grows, and so on. “The data will become collateral for farmers to take credit,” says Sheth, referring to Vishwas, an app AgroStar will soon introduce.

But to understand the true potential of data in our agri-tech’s sector, you only have to look back to CropIn Technology’s Krishna Kumar, the entrepreneur who took to the seas in 2010. He has stayed the course. Almost 50 percent of CropIn’s revenues come from nine overseas markets in Africa, Europe and Latin America. It has taken its agri-tech product global.

POWER OF PRODUCT

Kumar put users first—the tech-savvy agronomists in input and farm food companies that had already built relationships with farmers. CropIn built a software product for farming companies that have the capacity to pay and are present across geographies.

This approach has ensured CropIn, a ₹7.3-crore company; it doubles revenue every year without having to increase staff on the ground correspondingly. After eight years, it has a lean team of 120 persons. It is software-as-a-service (SaaS) venture in the truest sense. "CropIn makes healthy margins for a SaaS-based company. It is investing to grow to scale," says Ritu Verma, partner of Ankur Capital, the first investor in CropIn in 2013.

CropIn's first product in 2012 was SmartFarm to monitor and predict farm production. "Farms in India are small and fragmented, and farmers' capacity to apply technologies on farm is limited," notes Kumar, founder and CEO of CropIn. Since 2014, instead of putting sensors on farms, CropIn began to apply weather data and satellite imagery to monitor them. Parameters like temperature and rainfall on a daily basis help the product assess impact on crop harvests. "We buy data from IBM's The Weather Company," he says. "This provides us with parameters to predict problems before a harvest."

The company has now built mWarehouse, a post-harvest solution for farm-to-fork traceability. This is for farming companies that want to build a facility to manage the output and process, with barcoding and other features. "The end-consumer can have transparency and traceability back to the farm. This has applications in the US and European countries," Kumar says. Its third product is SmartSales for agri-input companies to manage their sales team and dealers. And finally, SmartRisk to help insurance companies underwrite cropping patterns. Customers for this will include NBFCs, banks and insurance agencies.

Kumar says being global requires CropIn to be cognisant of data privacy regulations like the European Union's General Data Protection Regulation (GDPR), which came into effect in May last year. "While the legislation specifically caters to collection of personal data, our customers have agreements with farmers to share their farm data on cropping patterns, etc, with us," he explains, referring to consent.

PROTECTING AGRI DATA

This is an evolving area worldwide for agri-tech. It hasn't incurred the wrath of privacy activists quite like Google, Amazon and Facebook have in the realm of personal privacy. "Data generated by tractors, farm equipment, cows or pigs is not covered by GDPR—only data related to people," said Todd J Janzen, an agriculture lawyer at a conference in August last year. GDPR authorises organisations to create "codes of conduct" for specific data uses.

But his paper noted a code of conduct on 'agricultural data sharing by contractual agreement', created by a number of European Union farm organisations. "This defines "ag data" as inclusive of a number of data streams, including farm operation data, agronomic data, compliance data, livestock data, machine data, service data, agri-supply data, and agri-service provider data," Janzen said.

There is another precedent to this. The American Farm Bureau Federation, an independent organisation for agricultural producers in the US, formed Ag Data Transparency (ADT) Evaluator to audit companies' agri data contracts. This also requires ventures to answer questions on ADT's core principles. For example, portability—can farmers move ag data from one platform and use it in another? After a farmer uploads data to an ag-tech provider, is it possible to retrieve his original complete dataset in an original or equivalent format? The ADT norms require farmers to be notified that their data is being collected, and about how the farm data will be disclosed and used.

The ADT was a market reaction in 2014 to Monsanto's acquisition of the Climate Corporation. Software is eating the farms. FBN (Farmers Business Network), another American venture, has raised $180 million from Kleiner Perkins with Google Ventures participating in its fourth round. FBN connects 5,000 farms that cover 16 million acres in the US. "Farmers can anonymously share data about everything from seed performance and chemical pricing to make informed decisions," writes Wholey, the CB Insights analyst.

In India, agri-tech has grown outside the realm of policy because farmers see value in these software platforms. But more so in a developing country, where agriculture is a politically-sensitive sector that interests politicians and activists, agri-tech firms need to take the lead to create an industry code of conduct with regards to agri data use and sharing.

For, let's face it: In the venture funding ecosystem, there is no such thing as a free lunch. F

TECH THAT

50%

of CropIn's revenues come from markets in Africa, Europe and Latin America

Source: *Company*

₹52.23 cr

AgroStar's revenue from operations in fiscal year 2018

Source: *RoC*

111%

EM3 AgriServices' year-on-year revenue jump in FY18

Source: *RoC*

MINDTREE

Mind on Target

Why Mindtree is an attractive prospect for those in the fray to buy out Café Coffee Day founder VG Siddhartha's stake in the company

By HARICHANDAN ARAKALI

In March 2018, VG Siddhartha stepped down from the board of directors of Mindtree, a well-regarded IT services vendor in Bengaluru. In a recent interview, Rostow Ravanan, Mindtree's CEO, recalled that Siddhartha wanted to focus more on his own business at the time, which was expanding.

The move, however, triggered speculation that Siddhartha, the largest investor in Mindtree, was looking to sell his stake in the IT company. That speculation had gathered momentum more recently, with a flurry of newspaper reports, citing unnamed sources, claiming that Siddhartha's 20.4 percent stake in Mindtree is on the block.

On February 7, Siddhartha confirmed to the stock exchanges that he indeed wants to sell. "The board, at its meeting held today, has given in-principle approval to sell the equity shares held by the company, its subsidiary and the promoter respectively in Mindtree Limited," Coffee Day Enterprises Ltd, of which Siddhartha is the founder and chairman, said in a statement to the stock exchanges.

The newspaper reports point to Larsen & Toubro (L&T) as a potential buyer. One might recall that L&T, which has its own IT services company L&T Infotech, lost out to the Mahindra Group in a government-backed auction nearly 10 years ago to acquire the scandal-hit Satyam Computer Solutions. Other potential buyers mentioned

MEXY XAVIER

VG Siddhartha, founder of Café Coffee Day and the largest investor in Mindtree, is in exile mode

in the reports include American private equity (PE) company KKR, Baring Private Equity Asia and Canada's Fairfax Holdings Ltd.

For the quarter ended December 31, Mindtree's revenues rose 17.4 percent over the corresponding period in the previous year, to touch $251.5 million. This puts the company on the trajectory to become a billion dollar company by revenues.

"$1 billion revenue in sight and approximately 50 percent of revenue coming from digital services are the most attractive elements of Mindtree," wrote Ray Wang, principal analyst and founder of Constellation Research, which advises businesses on their technology strategies, in an email to *Forbes India*.

Mindtree is growing at twice the industry's growth rate and the company's revenues from digital services are growing at twice its overall revenues, says Ravanan. Services vendors are looking to accelerate revenue from digital offerings as the traditional segments are shrinking and are highly commoditised. While most vendors average between 25 percent and 35 percent for the proportion of revenue from digital services, Mindtree's 50 percent stands out, Wang said.

"Mindtree has a fairly impressive track record in their delivery [of services] and growth. I'd imagine their customer base and market focus could offer some new areas [of growth] for a company like L&T Infotech," says Bhavin Shah, founder of Sameeksha Capital in Ahmedabad.

Shah, who was formerly a managing director and head of technology equity research for Asia Pacific at JP Morgan, offered some reasons why PE firms would be equally interested in a stake in Mindtree: "We have seen some success stories like Hexaware [owned by Baring] and if you look at different sectors in India, IT is clearly one of the very few where there is a clear cashflow generation on a consistent basis."

If one looks at the risk-reward scenarios, there are a fair number of mid-tier companies with an established customer base, established practices and certain domain expertise. Most of these also have top-notch financial reporting and good governance standards, Shah says. All these tick the right boxes for the private equity companies.

Mindtree's founders, including Krishnakumar Natarajan, Subroto Bagchi and NS Parthasarathy, are clear that they don't want to step back at this juncture, insists Ravanan. At the industry level, however, Shah sees the possibility of the founders of various companies looking to exit or retire, thus throwing up opportunities for PE firms to step in.

In January, *Mint* reported that Baring PE is looking to purchase NIIT Technologies and combine it with its portfolio company Hexaware. PE firms are looking at "all possible combination of deals", Wang, from Constellation Research, said. "There are too many IT services players at present for the available market share, and we expect acceleration of M&As in the services space over 12 to 18 months."

With consolidation comes scale. And there are definitely some benefits of scale, including better cost structures and maybe even a stronger story to sell to the customers, Shah says. If one looks at the financials of the largest Indian IT companies, they

Why Mindtree is Attractive for Potential Buyers

- $1 billion in annualised revenue, based on December quarter's numbers
- Strong focus on digital services, which account for nearly 50 percent of revenue
- Strong portfolio of large customers in multiple verticals with longstanding relationships

"We are not losing sleep that somebody can come and take over and change the trajectory of the company."

ROSTOW RAVANAN, CEO & MD

(From left) Parthasarathy NS, executive vice chairman & COO; Subroto Bagchi, non-executive director; Krishnakumar Natarajan, executive chairman, and Rostow Ravanan, CEO & MD enjoy superior margins, some of which come from cost advantages. Similarly, some combinations of the mid-tier companies might make sense, offering opportunities to cross sell more, and offer expertise in more areas than each individual company might have been able to on its own, he adds.

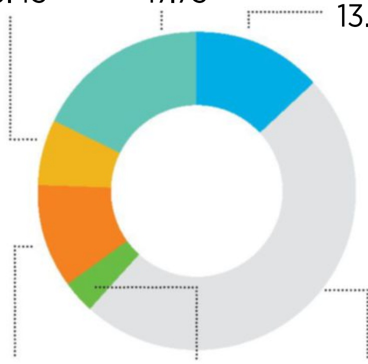
Ravanan's view—and it's reasonable to expect that it is also the view of all the founders—is clear: "We are not losing sleep that somebody can come and take over and change the trajectory of the company." And the company has tackled "far more challenging" situations in the past, Natarajan said in a recent video posted on the company's website.

One important reason is that they have articulated a clear vision for the company, betting strongly on digital services. "We have a vision for the company, and the organisation and the customers are responding to that vision. We have the emotional connect to take this forward. Therefore, retaining control isn't the reason we don't want to sell," Ravanan said. The context is that if the founders too were willing to sell their collective stake of about 13.3 percent, it would make Mindtree much more attractive to buyers.

"Today we're hosting a CIO from a large company in the hospitality industry," Ravanan says. "In the past, he has been on calls with us at 3 am out of sheer goodwill. How many IT companies can boast of such customers among the world's largest 200 corporations?"

Mindtree is an institution that is larger than the sum of what the founders bring to the table.

Shareholding Pattern (%)



Of itself, they believe "there is a lot of upside left" that the vision will deliver on and therefore the founders would like to stick around to see that happen. "It's unfinished business right now and there is both interest and validation that we are on the right path," adds Ravanan.

There have been shareholding changes in the past. For instance, in 2009 the largest shareholder at the time, Capital International, sold its stake. In 2011, Ashok Soota, the company's first founder-CEO, left and sold his stake. "Nothing happened," says Ravanan. "We have a great relationship with Siddhartha, for over 20 years he has been a supporter of Mindtree and we are confident he is not going to do anything that in any way damages the interests of Mindtree." Therefore, other than managing the downstream noise, and the staff morale and customer sentiment, it's business as usual.

Tech possibilities are today shaping business strategy in an unprecedented manner. IT services providers can no longer offer to just implement technology; their ability to understand customers' businesses needs to be much higher. Advances in technology have also hollowed out the effort required to deliver technology services, which means the current revenue model that depends on billing for effort is rapidly becoming obsolete. Besides, competition for talent has intensified because, in the era of cloud computing, large companies—from banks to consumer goods businesses—are looking at the same talent requirement as are IT companies.

Mindtree, too, is focussed on the implications. For example, when the CEO of a large auto components business is telling Mindtree that his business has become increasingly tech-driven, the company is discussing the feasibility of the components maker setting up kiosks onsite.

Once Siddhartha sells his shares, and the buyer, be it L&T or a PE firm, mops up additional shares from the market or other shareholders, a logical milestone would be to hit the 25 percent trigger for the mandatory open offer at that point, under Indian rules. This would then give the buyer considerable heft to seek management and other changes in the company.

However, even the eventual new largest shareholder will be loath to seek changes in what is already a company firing on all engines. Says Sameeksha Capital's Shah: "A complete management change is something that won't be desired even by the acquirer."

In general, some sort of a structure will be sought so that there is continuity. In fact there might even be some caveats put into the deal to ensure that continuity.

There might even be some additional payouts and so on. "Any kind of major disruption can't be good, for sure," adds Shah. F

Financials

QUARTER	REVENUE ($ MLN)	Y-O-Y GROWTH (%)	PROFIT ($ MLN)	Y-O-Y GROWTH (%)	NET MARGINS (%)
Q3FY19	251.5	17.4	26.9	22.2	10.7
Q2FY19	246.4	19.5	29.1	50.4	11.8
Q1FY19	241.5	20.7	23.3	23.5	9.6
Q4FY18	226.2	15.6	28.2	95.2	12.5

Tripping at Three

It takes a lot to successfully run a family business beyond the third generation, especially when selling it is a lucrative proposition

BY ANSHUL DHAMIJA

It's believed that family-run businesses are doomed once they go beyond the third generation. There are, however, exceptions: The Murugappa Group, the Burmans of Dabur and the Godrej family, among others. "Standard wisdom is that the first generation starts the company, the second builds it and the third destroys it," says TT Jagannathan, chairman, TTK Prestige, and a third-generation scion of the Chennai-based TTK Group. There is data to back his views.

According to the not-for-profit Parampara Family Business Institute, "It has been observed that just 13 percent of family-run businesses survive till the third generation; only four percent go beyond it, and one-third of business families disintegrate because of generational conflict." There are many reasons for this.

Professors of management education believe since the third generation is born into prosperity, it isn't groomed well enough to undertake hard work. Besides, the changing complexities of businesses and the environments in which they operate become a major hurdle for the third generation. "In the first generation, you have the patriarch taking all the decisions; the second generation [of brothers and sisters] follows what he tells them to do," says Gautami Gavankar, executive director—trusteeship services, Kotak Mahindra Trusteeship Services. By that logic, the family and the business are established by the second generation. "The third generation, which typically consists of cousins, does not want to restrict itself just to the family business...it wants to do many other things," adds Gavankar.

In our third edition of India's Family Businesses, Team *Forbes India* focuses on lesser-known family businesses that have successfully gone beyond the third generation. Through these stories, we throw light on what these families have done to stay together. Because even today, second generation family patriarchs doubt the abilities of daughters to take their legacies forward and are unable to quell the infighting between sons.

Gavankar, who has a wealth of knowledge in the creation of family constitutions, trusts and succession planning, narrates the disquiet in families across India. "A second generation patriarch with two daughters still insists that he wants his estates and businesses to go to a male heir," says Gavankar. "In fact, nearly 70 percent of such second-generation patriarchs will say that their businesses should be given to their sons." Recalling a case, she says the younger daughter-in-law of a family, which runs a successful business, once complained to her about not being invited to family functions. Her husband's elder brother gets all the privileges as he stays with the patriarch.

That said, generations of entrepreneurs have built and scaled their businesses with a vision that their companies stand the test of time. But there are only a handful of them. Today's first generation entrepreneurs, instead, are creating valuable businesses and then selling them off, according to Gavankar. "Perpetuity is not something that they look at," she says.

Onkar (seated) and Neeraj Kanwar choose to move on from their setbacks and focus on growth

Treading Firmly

How the Kanwars of Apollo Tyres built India's most global tyre maker

BY SAMAR SRIVASTAVA

In the long run, successful entrepreneurs rarely look back and brood over what went wrong. Ask Onkar and Neeraj Kanwar, the father-son duo that run Apollo Tyres about the $6 billion in sales target they had set for the company in 2011 and you get a crisp, "That was put aside after the Cooper [Tire] deal didn't go through." Neeraj hastens to add that he doesn't think about the failed deal anymore. Ask them about their exit from the South Africa market in 2013, eight years after paying ₹290 crore for the Dunlop brand and Neeraj says, "I don't see it as a disappointment, I see it as a learning curve."

Instead, they've shrugged off the disappointments and worked hard at what is in their control: Making the company India's second largest tyre maker. Today Apollo has a growing global footprint in Europe, the Middle East and Asean. While their stated goal of globalising Apollo is still work in progress, for the first time in its history Apollo is not dependent on a technology partnership with a global tyre maker.

While a five-year financial snapshot doesn't present a rosy picture, the Kanwars put that down to investments made for future growth. In the last five years sales have been flat, rising 0.8 percent a year to ₹15,095 crore. In the same period, profit fell to ₹724 crore from ₹1,011 crore with a return on equity of 7.3 percent. With investments—a new plant each in Europe and India and a research and development centre in Germany—in place Neeraj, 47, is convinced that the company is on the path to sustained, rapid growth. "Our return on equity will improve going forward," he says. For now the market has bought his explanation. Despite lower profitability there has been no significant derating on the stock.

Onkar, 77, who nursed a sick company back to health says, "You don't need money (or incentives from the government). You need an environment to facilitate growth." Within the company there is a belief that they've entered a virtuous cycle of growth that should play out over the next five years. In India the company has a 30 percent market share in the commercial vehicle space and a 25 percent share of the market for passenger car tyres. A 2016 entry into two-wheeler tyres in the Indian market has been well received, with a 5 percent market share. And Apollo has taken measured steps in building a premium brand in Europe with the acquisition of the Verdestein brand.

SNAPSHOT

STRENGTHS: A global footprint in India, Europe, Middle East and Asean, along with in-house radial technology

WEAKNESS: Weaker profitability and margins compared to the market leader

OPPORTUNITY: Well positioned to tap into increasing radialisation of car and two-wheeler tyres

THREAT: Dumping from China

GAINING TRACTION

April 2016 was Apollo's European coming out party. A large contingent of company officials and dealers descended on Budapest for the inauguration of Apollo's sixth global manufacturing facility. Clearly the company was confident of demand for its Verdestein brand in Europe, which it had positioned as a premium brand. "From being a replacement market-focussed company in Europe, we will soon be starting supplies to leading OEMs in Europe," said Onkar at the ceremony for €475 million plant, which had a capacity of 5.5 million car and 675,000 truck tyres a year. They'd even received their first orders from the Volkswagen Group and Ford.

Getting there had been long and arduous, but the ultimately satisfying journey started with the failed buyout of Dunlop's South African business in 2006. While the business had initially done well, things went south after the 2010 football World Cup. Electricity rates rose sharply and cheap Chinese imports caused a lot of pain for domestic manufacturers. Labour costs rose to 28 percent versus 16 percent in Europe, 6 percent in India and 3 percent in China. Apollo's buyout terms meant that they could only sell the Dunlop brand in Africa. The company gradually came around to the view that it wasn't prudent to invest in a brand that they couldn't take global. In 2013, they ended up selling business to Sumitomo Rubber that had global right to the brand.

While Apollo's first venture abroad ended in failure, what the Kanwars learned about building a global company was invaluable—skills they've put to use in Europe. Cultural integration is a must for any acquisition to succeed and one can't take the moral high ground. Apollo now has 30 expats working in Hungary. Brand building and technological transfer are also key.

Apollo now spends 3 percent of sales in research and development.

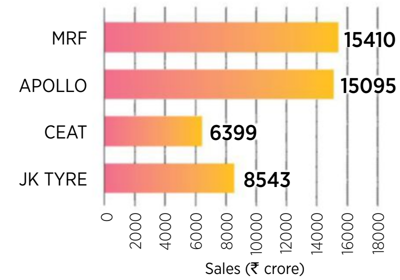
These learnings were put to test when the opportunity for Verdestein came up. Neeraj and Sunam Sarkar, chief business officer at Apollo Tyres, had visited the plant in the Netherlands in 2002 and were impressed with its technological prowess. Verdestein's acquisition would neatly dovetail into Apollo's stated objectives of globalising, being technologically self-sufficient and training their personnel. When the opportunity to acquire the company came in 2009 the Kanwars lapped it up for an undisclosed sum.

In the first 100 days Apollo set about utilising Verdestein's best talent. An R&D centre was set up in the Netherlands and work began on snow tyres for the European market and making tyres that last 100,000 km on Indian roads.

The Kanwars also decided to back their new brand with advertising through tie-ups with European football clubs, such as a deal with Manchester United. "As the European market is oversupplied it becomes critical to be seen," says Sarkar. (Apollo has started advertising in the Indian Super League and has a higher brand recall than MRF, according to a study by Brand Finance.)

While Apollo has a small market share, of 2 to 3 percent, in Europe, it has got orders from the Volkswagen Group, a validation for the company. This should also allow Apollo to increase its aftermarket share, as car buyers tend to stick to the same brand while replacing tyres. Apollo has also worked with trade magazines to showcase tyres, like one that runs at speeds of 320 kmph, and acquired Reifencom, a German tyre distributor.

Market Status



	MRF	APOLLO	CEAT	JK TYRE
PBT	1652	1012	378	118
PBT margins (%)	10.7	6.7	5.9	1.3
PAT	1131	724	233	63
ROE (%)	11.6	7.3	8.9	3.2

Despite a small market share, volume numbers in Europea are large and, at ₹4,629 crore in 2018, it accounted for almost a third of revenue.

The Indian market has also proved to be a happy hunting ground. Apollo in the last five years has closed the perception gap with MRF. While MRF is still the market leader and is able to command better pricing, Apollo has worked steadily with dealers to make sure that it gains an increasing share of the aftermarket. Its early bet on radialisation of commercial vehicle and later passenger car tyres paid off and it now sells 500,000 tyres to commercial vehicle makers a month. Plans include a dual brand strategy where Verdestein tyres would be sold as a premium brand in India.

"One sign of the growing confidence in our customers is the fact that they have started putting our tyres on export models as well. In the past they would stick to global brands like Bridgestone for the models they exported," says Satish Sharma, president, Asia, Middle East and Africa at Apollo Tyres. Completing its brand offering the company has also entered the two-wheeler space in 2016. Here too it decided to make use of a superior technology proposition and launch radials. "We realised we couldn't be the nth brand in this segment," says Sharma.

FUTURE COURSE

After five years of flat topline growth, the first nine months of financial year 2018-19 have seen Apollo Tyres get back in the growth groove. Revenues were up 20 percent to ₹9,292 crore and profit rose 22 percent to ₹486 crore. Most major capital investments are in place including a recently laid foundation for a fifth plant in Andhra Pradesh and a capacity expansion at the Chennai plant. The reduction in Chinese imports on account of an anti-dumping duty has also helped. Neeraj Kanwar has been quoted as saying the company plans to make an attempt dethrone MRF by 2020.

In the last year Apollo has also seen controversy over Neeraj's pay whose salary rose 42 percent to ₹42.75 crore even as profits fell 34 percent to ₹724 crore. Minority shareholders joined hands to defeat the resolution at the annual general meeting. The Kanwars who own 40.8 percent of the company had no option but to back down. The issue was finally settled after the promoters agreed to take a 30 percent pay cut. Both father and son will now have their salaries capped at 7.5 percent of profit before tax.

The Kanwars see themselves as owner-managers and argue that they deserve a fair compensation in addition to the dividend income they draw from the company. When asked about the flak he received Neeraj argues that the tyre industry is capital intensive and so it takes a few years for investments to reap their benefits. Still he agrees, "It is a learning," and could have been handled better. As for future growth and revenue targets, "We're working on our Vision 2025," is all he is willing to let on.

Apollo has worked steadily with dealers to gain an increasing share of the aftermarket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Big Shoes to Fill

The challenge for the third generation of 70-year-old Metro Brands is clear-cut: To mimic the brick-and-mortar growth online

BY MONICA BATHIJA

Rafique Malik with his daughters Farah (centre) and Alisha

Retail was probably the last thing Farah Malik Bhanji, a math major from University of Texas, Austin, envisioned herself doing. But when she worked at her family-owned multi-brand footwear retail firm Metro Shoes (now Metro Brands) for a couple of months in 1999, she got hooked and stayed. Farah, who started in the marketing department and moved on to product and concept development, was eventually appointed CEO and MD in 2013.

The second daughter of Rafique Malik, chairman of Metro Brands, like her four sisters, grew up listening to shop talk at the lunch table, sitting behind the cash counter of the Metro Shoes store in Colaba in Mumbai with their grandfather Malik Tejani, and later interning at the company. But it was never a given that any of them would join the company or, in case they did, that they would not have to work their way up like everyone else, says Malik, 68, who himself began working at his father's store at 15 during his holidays.

Starting out in the 'malia' or loft, he worked his way up—or, perhaps in this case it should be that he worked his way 'down'. And when he finally wanted to start his own store in 1969, Malik switched to morning college to keep in line with Tejani's diktat that you could not have a store that was not owner-managed; and that you could not do retail if you were not in the shop 12 hours a day.

Today, the practice is routine at the company with processes put in place to train and promote people from the inside rather than hiring from outside; and to not have franchisees but store managers who are almost like owners—they are paid a variable pay based on the performance of the store. People are introduced as stock boys and make their way up even as Metro has grown from the two stores in 1969 to 208 stores in 117 cities in India today, sourcing from 180 vendors, both national and international, from Dharavi to Brazil. The company had gross sales of ₹1,216 crore in 2017-18, a growth of 18 per cent over the previous year.

BAND, BAAJAA, BOLLYWOOD

Tejani worked as a salesman at a shop in Grant Road in Mumbai before taking over a small laundry in Colaba to start out on his own. He had views on how a business should be run, all of which led to plenty of debates and arguments at the lunch table.

When his son wanted to open more stores and move to a fixed price model, his father was appalled. "'You want to remove the fun of bargaining? It's why people buy, it's the fun of shopping,' he told me," says Malik. Along with his initial salesman training, he's also had to learn about saris and cars. "I had asked why do I need to know?" The answer lay in the fact that there were no fixed rates. "So if a person came in a nylon sari, then you had to quote ₹9, if she came in a chiffon sari you quoted ₹12, if she got out of a Dodge car you quoted ₹15," Malik grins.

When he suggested air-conditioning the store so that people could touch and feel the shoes that were till then kept in glass cases, Tejani was horrified. "You want people to have to push a door to come in?" The solution: They sourced automatic doors which continue to remain till this day at the Colaba store where Tejani sat at the cash counter until he passed away in 2000.

Of late, the company has had several Bollywood stars, like Katrina Kaif and Siddharth Malhotra, as brand ambassadors. But right from the beginning, from location to product to service, Tejani knew he wanted to create an aspirational brand. "All the shoe retailers at that time named their stores after cinemas: Liberty, Eros, Empire... because in those days the most luxurious thing in the city was the cinema. It was a status symbol," says Malik, adding that his father also used the influencers of the time to promote and create aspirational appeal for the brand.

"In those days, there were two or three influencing groups. One was film stars, another was Parsis, and airhostesses were also looked up to. Parsis were our regular customers and at Parsi weddings the bands were sponsored by Metro Shoes, which was written on the drum," says Malik. They worked with two famous Bollywood designers of the time, Mani Rabadi and Jeanne Naoroji. "We would make any shoe of any size, any colour, any heel height for their film shoots. The only problem in that business was there were bad debts; almost 30 per cent of the films didn't do well and we didn't get paid, but he still wanted those people because they were influencers," says Malik. "And we also used to provide uniform shoes for Air India. Besides, we would tell the airhostesses to bring designs from outside."

SNAPSHOT

STRENGTHS: Investment in branding, technology, strategy, curation, diversification

WEAKNESS: While a diverse portfolio allows them to experiment with price points and ranges, it may also drain their management bandwidth

OPPORTUNITY: Tie-ups with other international brands, fast-fashion range, expansion to another 135/40 cities already mapped

THREAT: Big business houses getting stronger in footwear retail

LEARNING, UNLEARNING

While Malik led the expansion of the company, going from two stores in 1969 to 50 by 2006, the third generation has helped in diversifying into other brands and verticals, including online. Mochi, started in 2000 by Farah, has a younger vibe, and Walkway, started in 2009, caters to the value customer.

"It (Walkway) was an uphill task because understanding the value customer needed us to relearn the business," says Malik. While Metro Shoes stores stock other brands besides their own (in a ratio of 30:70), with Walkway they started shop-in-shops in DMart hypermarkets. "We have 19 Walkway shop-in-shops in DMart because we needed to understand the value customer. We also spent a lot of time with Titan, understanding what is different between Sonata and Titan, and how you cater to the value customer," says Malik.

Expansion also came via a premium brand called DaVinchi, and a subsidiary that does shop-in-shops in department stores like Lifestyle and Shoppers Stop with brands like Lemon and Pepper. And once Metro brands were established in major cities, they were taken to tier 2 and tier 3 cities.

While Farah, 42, started the company website, youngest sister Alisha, 32, is vice president, ecommerce and marketing, and heads online sales. Her top challenge has been to prevent Metro from becoming a discounted label. The brand has always worked on its variety and curation in a localised manner, with different shoes not just for different cities but also for different suburbs. The challenge now is to bring the same variety and curation online and ensure "that our online presence grows to mimic that", says Alisha.

The company also tied up with international brand Crocs in 2015: It handles retail and runs 87 stores for them.

"Investment in brands requires time, money and focus and so far they have been successful in not being commoditised. They have been careful

MEXY XAVIER

with their ecommerce portal strategy to avoid becoming a discounted brand. While that strategy was risky given the tremendous growth of Amazon and Flipkart, recent policy changes may favour those who withstood the discounting craze," says Jessie Paul, founder and CEO of Paul Writer Strategic Advisory, a market services and advisory company. "Investments in technology to develop an online-offline strategy show that they are progressive and thinking of the future," she adds.

Opportunity also lies in becoming the brand leader in the mid-priced fast-fashion segment, sort of like a Zara or H&M for footwear, says Paul. Putting systems in place to get onto trends quickly is something the family is working on.

Along the way, there have been mistakes and challenges. Early on, Malik wanted to get into manufacturing and, though his father was dead against it, he lent him the money to start a factory. It was a disaster and he lost money. "I would eat before he came home for lunch, or would eat dinner after he had finished, because at lunch it would mean questions about the factory," recollects Malik. He then turned it into an export factory, which he says did well. "I realised manufacturing and retailing are conflicts of interest. People talk about backward integration but if I was a shoe factory the only way I could run a very successful shoe factory was by making one style, one colour, one size, in large quantities. And as a retailer I need hundreds of styles, hundreds of colours, ten different sizes. So that's why we have built a vendor base that is so diverse."

In 1996, several shoe firms including Metro were named in a 'cobbler scam', charged with misappropriating concessionary funds meant for cobbler cooperative societies. The case is yet sub-judice.

When Farah joined the business, the legacy of letting the next-gen learn from their mistakes continued. "She would come with a lot of ideas on marketing, which were new and different from how we were doing things. Some of the ideas would also be ones we had tried and had not worked. So I would say go ahead, try it out. Jalaludin Kamdar (then CEO) would say, but we have done this, it didn't work, and I said I have learnt everything in my life by making mistakes. If we stop her from making mistakes, how is she going to learn?" says Malik.

LOOKING AHEAD

Founder Tejani was one of seven sons who, after starting Metro Shoes, gradually absorbed his six brothers into the business. But, although they worked for him, he didn't want to establish a legacy where their children worked for his son, so he helped them set up their own businesses.

Malik had no brothers and five daughters, and with uncertainty about any of them joining the firm, he set about professionalising the business, bringing in a CEO around 1990. In 2007, Metro sold a 15 per cent stake to investor Rakesh Jhunjhunwala. "We were a debt-free company at that time, we didn't need money to grow. But retail was becoming glamourous, and suddenly everybody was talking retail. As a family I said we also need to be accountable to an outsider. So we brought Jhunjhunwala in." The objectives, he says, included getting benchmarked against other retailers and bringing in governance and transparency.

Besides, even as they grow aggressively, 30 per cent of the profits have to be given as dividends to the family, who are given investor reports regularly. The company also put in a stock options plan for the management team.

Deviating from the owner-managed model, Malik is now looking at turning Walkway, which is not doing as well as they would like, into a franchisee enterprise. "If this brand is good, we could tell independent shoe retailers that they would earn more money by becoming a franchisee. That would literally organise an unorganised trade because the retailer doesn't have to worry about sourcing and pricing. We will set up the computer system, give him replenishment of stock, everything," he says.

> "I've learnt everything from making mistakes. If we stop her from making them, how will she learn?"

They also realise the need for a different mindset for online and are open to taking on a "high-level partner" for it. "We don't know what we need to do differently, but it's quite clear that it (ecommerce) has to be done very differently from what we are currently doing if we want to achieve the numbers we have set as targets," says Farah.

Meanwhile, last year, two teenage granddaughters, one from Kenya and the other from New York, interned at the company during summer. They want to come back next year but they will need to find their own space. "We're telling the kids it's not a given, don't think it's going to fall into your lap," says Farah.

And though the family continues to meet for lunch and debate and discuss the business, the daughters draw the line at times.

"I continue to have my list in front of me to discuss, but on weekends and holidays they don't let me," says Malik.

Two Brands, Two Roads

Two Ahmedabad-based companies set up in the 1940s have taken different paths and had contrasting fortunes. Havmor and Rasna are both entrenched in the minds of consumers, but while the former has now been acquired by a Korean confectionary company, the latter is striving to stay relevant through innovations and diversifications

BY NAINI THAKER

Havmor: Melting Point

What began as a humble entrepreneurial effort in Karachi 75 years ago grew to an almost ₹500 crore business (FY 2016-17). Adding flavour to ice cream maker Havmor's journey was its acquisition by $110-billion South Korean major Lotte Confectionery for about ₹1,020 crore in 2017. "It [the acquisition] is like getting your daughter married... you have to let go and use your mind over heart at some point," says Pradeep Chona, 64, chairman, HRPL Pvt Ltd (the parent company was called Havmor Restaurants Pvt Ltd prior to the sale).

The emotions are understandable. "My father, Satish Chona, learnt how to make ice cream from his uncle and set up a shop in Karachi in 1944. After Partition, he came to India, and went to Dehradun and Indore to set up an ice cream business, but it didn't do too well. Finally he settled in Ahmedabad and started an ice cream and food brand, Have More, with the help of Kasturbhai Lalbhai [renowned industrialist and co-founder of Arvind Mills] in 1953," says Pradeep.

Have More was renamed Havmor in the 1960s and during its initial days the focus was mostly on ice creams along with a couple of restaurants in Ahmedabad, including their first one in Kalyan Bhavan on Relief Road.

Ice cream, food and quality run in the family's DNA. "While he was on a stretcher prior to a major surgery, dad (Satish Chona) called me. I thought he would ask me to take care of my mother and sister, and tell me where the will is kept. Instead, he told me he was not happy with the way they are cleaning butter and that I should attend to that," recalls Pradeep, who did more than that by taking the Ahmedabad-based brand across Gujarat.

From owning a factory the size of a 400 sq ft room, the business blossomed to manufacture 2.5 lakh

SNAPSHOT

STRENGTHS: A solid brand image and 75 years of experience in both the ice cream and food business

WEAKNESS: Overhead costs of running a restaurant business like electricity, rents and manpower are high

OPPORTUNITY: The brand has a chance to expand pan-India

THREAT: The food and beverages business is extremely crowded with stiff competition

Pradeep Chona and son Ankit are now focussing on restaurants

litres of ice cream a day. Pradeep's son Ankit, 36, who joined the business in 2006 after completing his graduation from Purdue University, says ice cream was always a huge part of their lives. "As kids we used to order so much ice cream that dad had given specific instructions that our orders were not to be entertained. On a couple of occasions when it was not delivered, we called the office and lied that dad's guests have come home and want to taste the ice cream," says Ankit, who is managing director of HRPL.

Competition was intense when Ankit forayed into the business and despite their creative differences, both father and son worked together to take Havmor to greater heights. "We are different people. I am detail-oriented and Ankit likes to look at the bigger picture. To resolve our conflicts, we have a panel at home, our wives," says Pradeep.

Since quality was paramount, the Chonas made investments to procure the best quality milk and cream.

Pradeep had one piece of advice for his son. "He told me starting from the bottom will pay off. It eventually did," says Ankit. One of the major challenges he faced was transforming Havmor's image from a Gujarati brand to a national one. "Outside Gujarat, the first market we entered was Mumbai in 2008. We went to Gujarati-dominated areas, put posters in Gujarati, had Gujarati distributors, salespeople… [but] this is not the way we could've become a national brand," says Ankit, who then took it to various areas in Mumbai as well as pan-India. He also focussed on expanding the restaurant business across Gujarat.

"We started franchising, focusing more on different cuisines, even the different ways in which we serve ice creams in our outlets. From just about five or six outlets in 2006, we grew to about 50 food outlets and 150,000 ice cream parlours," says Ankit, who claims 70 percent of the ice cream-eating population in India is in the 11 states —including Gujarat, Maharashtra, Uttar Pradesh—that Havmor has a presence in. Havmor even served ice cream lollipops costing ₹5 while its restaurants had ₹500 sizzlers.

But why expand only the ice cream business nationally? "Ice cream is very palatable; it is easier to scale up and set up plants. You can make it at one or two big facilities whereas with a restaurant, every unit is a mini factory in itself," explains Ankit.

Before they sold the business, almost 80 percent of the company's revenue came from ice creams. But rising costs were a factor. "We were one of the few companies in India that made ice cream with only milk and cream. The others started adding vegetable oil which was cheap (almost half the rate). Plus the ice cream business needs ₹40-45 crore for expansion every year. And there are a lot of overheads like godowns, machinery… 18 percent GST, 25 percent to distributors and dealers… we barely enjoyed a 3-5 percent profit margin," says Pradeep.

Anand Vermani, partner (consumer markets), KPMG Corporate Finance, who was involved in the acquisition, says, "Havmor has been one of the fastest growing ice cream companies in the country, with a revenue CAGR of over 20 percent, and a strong positioning in the 'pure milk'-based ice creams."

Both father and son were against the idea of selling the company till they got a neat and clean offer. And selling Havmor was not an easy decision. "The problem with most Indian businesses is that we are emotional about them. But at some point, one had to admit that the way things were, the risk reward was not in favour of keeping the business. It was growing at 25 percent, but it made sense to sell it because there is too much risk and turmoil in India," says Ankit.

Post the acquisition, the Chonas' biggest concern was that the employees should remain with the company. The family negotiated terms to ensure that Lotte wouldn't fire any of the existing employees for three years. "When we broke the news [of the sale] to them, a lot of them were upset. Some staffers have been with us for over 30 years… it was emotional," says Ankit.

"Earlier if I saw a Havmor booth with the signboard light not working or a cloth hanging over it,

Generational Shifts

Satish Chona (First generation)

- Started with an ice cream shop in Karachi in 1944
- Moved to India with family after Partition; tried setting up an ice cream business in Dehradun and Indore, but failed
- Started selling ice cream in a trolley in Ahmedabad. With the help of industrialist Kasturbhai Lalbhai, set up a Havmor shop in Kalyan Bhavan. It later started selling both snacks and ice cream on the condition that non-vegetarian food would not be sold
- Set up a couple of outlets across Ahmedabad

Pradeep Chona (Second generation)

- Cleaned up the business since there were too many partners and made it more professional
- Made it a Gujarat-based brand from an Ahmedabad-based one
- Emphasised on quality and innovation
- Set up more production facilities and a proper distribution network for the ice cream business through dealers

Ankit Chona (Third generation)

- Took the ice cream business pan-India to 11 states
- Focussed on scaling the restaurant business with different cuisines; began franchising it
- Expanded to 50 food outlets in Gujarat and 150,000 ice cream parlours across India till the time the company was sold to Lotte Confectionery

I would send across a picture to my team, asking them to fix it. Now if I see that, I just look away," says Pradeep, with a tinge of sadness.

But the two console themselves by saying that the brand continues to exist. "They [Lotte] have the capacity to take it to levels where we possibly could not have dreamt of... or they will take five years to do what we would have done in five decades," says Ankit.

Vermani believes Havmor's acquisition was a perfect fit for Lotte's strategy of investing up to $5 billion in India over five years. "Havmor was a clear winner in all respects—professional standards, national expansion, stellar growth, pure milk-based ice cream and strong brand loyalty. It was a leader in the category of 'available' assets, extremely well balanced on counts of both growth as well as stability."

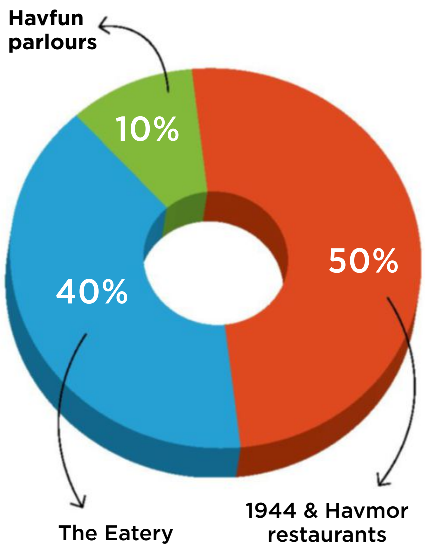
Pradeep and Ankit are now starting almost from scratch. Under HRPL, the family owns several food outlets including the 1944 brand of restaurants, Havmor Restaurants, The Eatery as well as a couple of Havfun Parlours, which sell only Havmor ice creams, that they run as franchisees. That apart, under Simpl Innovative Brands Pvt Ltd (another company the Chonas own), they have Huber & Holly, which has three outlets, one each in Ahmedabad, Mumbai and Hyderabad. By March, they plan to open another 10 outlets across India. "Huber & Holly serves both food and ice cream, which run in our DNA. Our inspiration was the ice cream that we used to taste as kids, freshly churned from the factory... the texture is different. We wanted to make something which we have fun making and serving," says Ankit. A production facility for 50 Huber & Holly outlets has been set up in Santej, Ahmedabad. The Chona family also intends to explore the nutrition space, but Ankit says it is too early to talk about it.

In the last year, HRPL has made close to ₹100 crore through all its restaurant brands. From setting up new offices and hiring new staff members, 2018 has been about cleaning up the business. In the coming year, the family will focus on setting up new restaurants as well as renovating and rebranding the existing Havmor restaurants to 1944.

"We are planning to rebrand all our restaurants to 1944 and go back to our roots. Although it's a tall claim to make, we do have certain recipes that have not changed from 1944, like the chana puri. The spices that go into the chana are mixed at home once every 15 days and have been kept a secret, even now," says Pradeep.

For the restaurant business, the Ebitda would be around 10-12 percent, almost the same as the ice cream business, but the rents, renovation and electricity costs are extremely high. "We realised the cost of one mistake in the restaurant business is a lot lower compared to that of the ice cream business," says Ankit.

HRPL Revenue Toppings



Footnote: Huber & Holly is part of another company, SIMPL Innovative Brands Private Limited, set up by the Chona family

Rasna: Juicing It Up

A soft drink concentrate named Jaffe, made by an Ahmedabad-based company set up in the 1940s, is today one of India's most iconic brands: Rasna. Initially set up by Phirojshaw Khambatta as a B2B entity, the company that made Jaffe for B2C renamed the brand as Rasna in 1976. Today, it enjoys an 80 percent market share in the soft drink concentrate market.

What has enabled Rasna to survive competition and the changing economic landscape pre- and post-liberalisation? "Two things have kept us relevant even now: Innovation and good marketing. We have innovated with a lot of new product offerings, flavours and formats while retaining the same core. We have ensured that Rasna is as alive and kicking in the third generation as it was in the first," says Piruz Khambatta, 50, chairman, Rasna Private Limited, and Phirojshaw's grandson.

Rasna entered the market at an affordable price point of ₹5 per box with concentrate in a bottle and powder that had to be mixed with sugar and water. It made 32 glasses of the drink and was the cheapest concentrate available in the market then. It remains one even today. But some things have changed. "I can't say that we are using the same formulations that my grandfather was using. We have reformulated the product and made it more fruity and natural. Apart from that, we have also diversified the basket to include a lot of different products," says Piruz.

Third-generation owner Piruz Khambatta has been taking Rasna in various directions

When Phirojshaw's son Areez Khambatta joined the business in 1962, he continued to operate the company both as a B2B and B2C entity. By 1992, his son Piruz, then 18, came on board and decided to focus entirely on marketing. At the time, Rasna was still only available in a one-pack size. "I realised there was a huge possibility of entering the rural market with a smaller sachet. Since there was no packaging available to package both the liquid and powder [concentrate] in the same pack, we imported a machine from Germany to do the same," explains Piruz.

With ₹2 sachets that made six glasses, Rasna entered the rural market in 1992. It continues to be one of Rasna's prime focuses.

Harish Bijoor, brand expert and founder, Harish Bijoor Consults Inc, feels marketing has been Rasna's biggest strength. The process was glamourised keeping in mind the fact that it takes time to make the drink, he says. "On the economic side of the brand, Rasna knew sugar was the most expensive ingredient of them all. It got families across India to buy

Generational Shifts

PHIROJSHAW KHAMBATTA (First generation)
- Set up the company in the 1940s by focusing on selling concentrates in the B2B segment

AREEZ KHAMBATTA (Second generation)
- Joined the business in 1962 and ran it both as a B2B and B2C entity
- Increased production facilities

PIRUZ KHAMBATTA (Third generation)
- Joined the business in 1992 and focussed entirely on marketing
- Innovated with sachets to include both powder and liquid
- Took the product to rural markets
- Diversified the product portfolio

1940 — 1962 — 1992

their own sugar, add water, and of course add the two diverse ingredients of powder and 'special liquid' in bottle to the process," says Bijoor.

Every year, Rasna spends about 15-18 percent of its revenue on marketing or on relaunching some flavours/products and comes up with a new campaign. The famous 'I love you Rasna' campaign is proof. Rasna has had brand ambassadors like actors Akshay Kumar, Karisma Kapoor, Hrithik Roshan, and more recently Kareena Kapoor Khan and badminton player Saina Nehwal.

Piruz prides himself on being a technocrat and being personally involved in the manufacturing of Rasna. "I understand everything that goes into a soft drink, right from the amount of preservatives and antioxidants that should be there to what its components are. Sometimes I remember the formula by heart. That is the type of detail we get into, which is also one big reason for our success," he says.

Several companies tried to compete with Rasna but had to withdraw their products such as Kissan Fruit Kick, Coca Cola Sunfill, Fanta powder and Tropicana powder from the market. Bijoor feels the fact that Rasna was 'different' clicked with the consumers. "Rasna entered the market and dominated it at a time when brands were just about getting relevant and ubiquitous in the consumption palate of India. Rasna based its offerings on one basic insight: Consumers love to make their own drinks; it became a family bonding occasion."

Rasna also tapped into every possible Indian flavour, from Alphonso Mango to Shikanji Nimbupani and Kala Khatta through the '90s. In the early 2000s, India's first powdered drink, Rasna International, was launched. "We found that we were losing steam because we had introduced all the flavours that could be introduced, and by that time we had 3 to 4 pack sizes. So we decided to get into powdered drinks," explains Piruz.

Through Rasna International (powder), the company got into exports. Its export division accounts for bigger sales than the Indian market, especially for the premium powder; for the cheaper powder, India is a bigger market. At present, it exports to 53 countries, including those in the Middle East and Africa.

The company has had its share of setbacks, too. It had to withdraw some products from the market due to poor demand. "You have to be willing to take risks. We launched a product called Orange Jolt, a carbonated drink, which didn't do well, so we had to withdraw it. Often, we have made advertisements but have had to take them off because people didn't like them. You suffer losses, but it's part of running a business..." says Piruz adding that "there is no greater adventure."

Which is why he has no intention of selling the company. "A lot of companies have offered to buy Rasna at prices that are three to four times my turnover, but *mere paas paise hain,* sell *karke kya karunga ghar pe?* (I have money, what will I do sitting at home if I sell?) I enjoy taking risks!"

But the scenario of making your own drinks has changed. And with plenty of options available in urban India, including boxed fruit juices and flavoured drinks, Piruz seems to know he needs to innovate and diversify to stay relevant. Around two years ago, Rasna diversified into the wellness and natural products category with a sub-brand: Rasna Native Haat, focussed on the concept of 'Pure Natural'. Under this, the company has introduced Honey, Aam Panna and Shikanji (powders). It recently also added malt-based health drinks to the line-up.

Bijoor does not agree with the strategy. "This is not really Rasna's space. Rasna the brand means something else and Native Haat means something different. Native Haat is a good route to take only if you don't associate it with brand Rasna. I think that is a cardinal mistake in this offering," he says.

Almost every vertical and product category has been explored by Rasna in terms of innovation. How does the Khambatta family intend to stay relevant in the future and who will take the legacy forward? "It is too soon to decide that since my eldest daughter is only 17. But Parsis retire late so my children have enough time to figure out what they want to do," says Piruz. F

SNAPSHOT

STRENGTHS: Having a solid brand image and competitive pricing

WEAKNESS: The brand might not be considered innovative enough because all the verticals that could have been explored have already been explored

OPPORTUNITY: There might still be an opportunity to explore the rural and export markets. Rasna is still the cheapest drink

THREAT: The market is extremely crowded

Toughened Glass

Borosil has weathered many a storm, and by expanding into consumer businesses, is preparing for the big leap ahead

BY SAYAN CHAKRAVARTY

Shreevar Kheruka is every bit the CEO who has done his time in the trenches—nimble yet restrained, ambitious yet cautious, mindful of the past, yet quick to embrace the future.

Such traits are possibly must-haves in a man who is steering his half-a-century old family business through a transformation he believes was long overdue. Shreevar, 37, is moulding Borosil into a consumer-focussed firm that does the whole nine yards in kitchenware. With an eye on the future, he is looking beyond glass. Today, Borosil's consumer portfolio comprises microwave-proof glassware, storage containers, opalware and appliances.

At the heart of the exercise lies Shreevar's quest to sprint to the ₹1,000-crore annual sales mark, a befitting landmark for a company of Borosil's vintage, yet one that has remained elusive.

For until fiscal 2017-18, Borosil was short by ₹365 crore.

The firm has now started reaping a rich harvest of the revitalised consumer business, which has toppled its legacy industrial glass and scientific products verticals to become the biggest revenue generator, with ₹249 crore in FY18. The scientific products and industrial glass businesses chipped in with ₹186 crore and ₹200 crore respectively. Scientific products, however, was the biggest contributor to the bottomline (see chart).

"Our background was B2B [business-to-business]. Taking advantage of the Borosil brand

Three generations of the Borosil Glass Works family: BL Kheruka (left), Pradeep Kheruka (centre) and Shreevar Kheruka

MEXY XAVIER

happened only in the last five years. This should have happened 2000 onwards," says Shreevar, MD and CEO of the ₹1,900-crore (market capitalisation) Borosil Glass Works.

Borosil had made a feeble attempt at selling bakeware and drinking glasses in the late 1990s, without any notable success. "We were quite conservative, and spent money from whatever we were earning. The consumer turnover of the company was so low that we could never market or advertise to the level we wanted," says Shreevar.

The old guard agrees. "If we had gotten into marketing of consumer products earlier across the range, it would have been beneficial," says Pradeep Kheruka, vice chairman and non-executive director at Borosil Glass Works, and Shreevar's father.

While the realisation had dawned early, the needle didn't move much until FY11, when, after being in business for about two decades, Borosil Glass Works, breached the ₹100 crore annual sales mark for the first time. (Gujarat Borosil, the industrial glass business, first clocked ₹100 crore revenue in fiscal 2013-14.)

Until then, it was all about putting the house in order.

Shreevar's induction into the family business in April 2006 was a baptism by fire. Until a year ago, he was living the American good life. A consulting job at Monitor Group in Boston was right up his alley, and the $100,000 annual payout ensured he was making enough to splurge at will.

His days in Boston, however, were numbered. Shreevar had promised Pradeep that he would return to Mumbai immediately after completing a dual degree in science, finance, entrepreneurship and international relations from the University of Pennsylvania.

He had already delayed his induction by a year.

"Boston is a great place to be as a young adult. I would have eventually returned to Mumbai, but probably in a couple of years," he says.

A perfect storm awaited Shreevar back home.

This wasn't the first time the Kherukas were on sticky ground. The family's first glass manufacturing company, Window Glass Ltd, was set up by Shreevar's grandfather BL Kheruka on the outskirts of Kolkata in 1962. It bled for the first 14 years, thanks to a price war among local manufactures, including Triveni Glass. The tide turned against Borosil again in the early 1990s, when global glass manufacturers like Guardian Industries, Asahi Glass and Saint Gobain set up manufacturing units in India and unleashed another price war.

On both occasions, the Kherukas stayed afloat by arresting costs.

Borosil was again found wanting in 2005-06 when global companies such as the Duran group, Thermo Fisher Scientific, Millipore, and Merck (Merck eventually bought Millipore in 2010) started making inroads into India. A string of other events also crippled Borosil's production.

In May 2006, the Maharashtra government hiked electricity charges from ₹4.20 per unit to about ₹7.50. Electricity accounted for about one-fourth of costs at the Borosil Glass Works plant in Andheri, Mumbai, which mainly produced glass tubes, a crucial raw material for end products. "The increase in cost was more than the 15-percent margin we were making," says Shreevar.

Attempts to increase production at the Andheri plant also came a cropper. First, the labour union declined to fall in line. Second, the state pollution control board denied permission to expand the plant, indicating that any activity entailing higher fuel consumption was a potential threat to nearby residences. An attempt to secure land near Roorkee in Uttarakhand, where several competitors had set up manufacturing facilities lured by excise benefits and cheap labour, also fell flat.

In effect, the Kherukas were simultaneously fighting a legal battle with the labour union, staving off competition and scouting for an alternative location to set up a plant, all the while ensuring a steady supply of raw materials. "The stress of managing monthly payroll and interest payment was very high. The time between 2006 and 2009 were very bad years," remembers Shreevar.

He addressed the supply constraint by importing raw material from Europe and China, a move that has since become a permanent fixture in Borosil's sourcing practice. "We were able to source tubes cheaper than the cost of production here. We had tried doing this around 2002-03, but the rates were much higher then," says Shreevar.

An alternative site for the plant was also discovered, rather serendipitously, during one of his trips to Gujarat. It was a piece of unused family-owned land adjacent to the company's Bharuch plant. Navigating the company through this protracted crisis was a turning point for Shreevar and the family. Pradeep says, "The challenges were real and he [Shreevar] really stood up to them. After that, he got entrenched in his role, taking the company up beyond that point."

Meanwhile, Pradeep had succeeded in selling off the Andheri land to a real estate developer for ₹830 crore.

SNAPSHOT

STRENGTHS: High brand recall; zero debt; market leadership in consumer and laboratory glass products

WEAKNESS: Reluctance to raise capital

OPPORTUNITY: Unorganised market. A 2017 Edelweiss report estimates market opportunity for Borosil's consumer business (excluding durables) at about ₹2,500 crore and scientific products at ₹5,000 crore

THREAT: Global companies in scientific products; plastic manufacturers; legacy brands for consumer products; Chinese manufacturers for solar glass business

The proceeds not only helped pay off debts, but also infused much-needed capital in the company. "The stars had finally aligned," laughs Shreevar.

In FY18, Borosil posted profits of ₹48 crore on operating revenues of ₹633 crore. The turnaround was rewarded at the bourses. Borosil Glass Works trades at about ₹207 (as of February 6, 2019), as against ₹17 in March, 2011. The scrip has outperformed the BSE SmallCap index by four percentage points in the last one year.

The purple patch of the last five years has given the Kherukas enough confidence to take a few bold decisions. Borosil Glass Works, for instance, has shed its conservative garb to acquire distressed companies.

In January 2016, it announced the acquisition of Jaipur-based Hopewell Tableware, which manufactures opal dinnerware under the Larah brand, for ₹90 crore. In July 2016, it paid ₹27 crore for a 60 percent stake in Klasspack, manufacturers of glass ampoules and vials, to target the pharmaceuticals businesses. Borosil has since upped its stake in the firm to about 75 percent with an additional investment of ₹15 crore.

Hopewell is on track to clock ₹150 crore in sales in FY19, as against ₹48 crore in FY16 (when it posted a loss of ₹22 crore). Klasspack's revenue increased from ₹28 crore in FY17 to about ₹37 crore in FY18.

"Of late, they [Borosil] have made significant investments. Not only consumer, but the laboratory equipment business—a niche vertical with better margins and less commoditisation—also did well," says Abhimanyu Sofat, VP-Research at financial services company IIFL.

Despite initial traction, the consumer products business is fraught with challenges. While Borosil is a market leader in glass products, competition from relatively cheaper plastic and steel products manufactured by the likes

BOROSIL SEGMENT-WISE REVENUE/PROFIT/LOSS (₹ cr)

YEAR	SCIENTIFIC WARE	CONSUMER WARE	GLASS (GUJARAT BOROSIL)
FY18	186.3/32.12	248.9/12.1	198.06/6.92
FY17	159.2/30.7	228.8/2.54	181.9/14.28
FY16	119/29.3	101.8/9.3	181.8/12.14
FY15	101.5/25.65	72.7/8	151.9/1.53
FY14	86.8/23.1	66.4/7.7	132/8.29
FY13	77.6/21.7	55.4/3.68	95.5/7.9
FY12	75.2/17.8	48.3/5.6	79.1/21.1

Source: *Annual report/moneycontrol.com*

of Tupperware, Cello, Milton and Signoraware is nipping at its heels. In opalware, Larah significantly lags market leader La Opala. Appliances is full of legacy brands like Bajaj, Prestige, Philips, Singer and Havells.

Ankur Bisen, senior vice president, Technopak Advisors, says, "A brand like Borosil, which is synonymous with kitchenware, might as well enter new categories such as appliances because entry barriers are low. In these categories, consumers want brand as a promise for quality. There need not be a product differentiator because there is only so much one can do with the available technology."

However, Harminder Sahni, founder and managing director of consultancy firm Wazir Advisors, warns, "If products aren't differentiated, it all boils down to price and availability."

Shreevar treads with caution to ensure that brand Borosil isn't diluted. For instance, Borosil did not immediately lend its name to Larah post-acquisition. "We invested about ₹70 crore and upgraded the plant to meet certain quality parameters. Now, the brand is called Larah by Borosil. This year, an exclusive Borosil range will be launched from the same production facility," he adds.

Meanwhile, Gujarat Borosil, led by Pradeep, has been dealing only in solar glass since 2010, taking on Chinese manufactures. The firm will soon double its capacity from 180 tonnes per day to about 400 tonnes. "Solar glass has been doing very well despite severe competition from China. In raw material, power and fuel, packing material, we are over 30 percent cheaper than them," says Shreevar, explaining that this allows the bsuiness to stay afloat even in the absence of subsidies.

Historically, the Kherukas have been quite a giant slayer. Their acquisition of Borosil from New-York headquartered Corning is a case in point.

In the mid-1980s, the Kherukas were setting up a plant in Bharuch to run a fusion glass plant in partnership with Corning. A few crores were at stake. "At the eleventh hour, they sent a letter saying the technology has failed and they won't pursue the partnership," says Shreevar.

BL Kheruka dragged Corning to court. The audacity to challenge Corning speaks volumes about the family's ambition and resilience, says Haigreve Khaitan, partner at law firm Khaitan and Co. His father, Pradip Khaitan, had advised the Kherukas on the case.

"Once they were convinced [of the legitimacy of the case], they left no stones unturned to get a compensation," Khaitan says. "Many businesses of that scale would have given up, calling this a futile exercise. This reflects their commitment to the business."

The Kherukas weren't just brave, but also far-sighted. Instead of settling for a financial compensation, they convinced Corning to hand over its stake in an Indian company, Borosil Glass Works. Thus began a journey that has seen the Kherukas shed much sweat and blood.

Shreevar, however, believes his journey has just begun: "In FY20, we should hit ₹1,000-crore turnover at group level. That would be the starting point of some respectability as far as our brand is concerned."

A Firm Mould

The Parekhs of Nilkamal have, over nearly four decades, built a brand that's become synonymous with plastics

BY SAMAR SRIVASTAVA

A few years after Nilkamal was set up in 1981, Sharad Parekh, then 37, found himself following a milk van all the way to the Worli Dairy in central Mumbai. Now 75, and managing director of Nilkamal, he had been on the lookout for new growth avenues. Operation Flood had led to a mushrooming of dairies and he wanted to see if Nilkamal could enter the market for plastic milk crates, which was a huge emerging opportunity. His persistence paid off and, by 1983, Nilkamal got an order for plastic crates, opening up a new business line.

The 1980s and the 1990s were when plastics began to be used in a whole host of applications due to the availability of high density polyethylene in India. Heated, injected into moulds, cooled and then solidified, these plastics are strong and durable at a far lower cost than metal. Plastic buckets replaced metal ones. Foldable metal chairs at wedding venues made way for lighter plastic ones that were easier to transport. Office chairs and suitcases have also gradually moved to plastic.

A host of unorganised players emerged but a few brands were built. Since then Nilkamal, Supreme Industries, and Wimplast (Cello) have emerged as trusted names. Be they plastic chairs, tables, office furniture or industrial crates, the Parekhs of Nilkamal have an almost four-decade history of innovating and entering new lines of business with unfailing regularity.

In a market in which brand loyalty and pricing power are not necessarily strong, they have worked to make the name recognisable and trustworthy. This is clear from its enviable growth record from the time it listed in 1991. Revenues have since climbed

(Standing, from left) Manish Parekh, Mihir Parekh, Hiten Parekh, Nayan Parekh; **(seated, from left)** Vamanrai Parekh, Sharad Parekh from ₹5.09 crore to ₹2,160 crore, a compounded growth of 25.1 percent over 27 years. Though the business is heavily dependent on raw material prices, it has healthy operating metrics. At ₹123 crore in profit in the year ended March 2018 and a market cap of ₹1,900 crore, the company generated a return on equity of 14.5 percent. This is commendable, given that Nayan Parekh, president and executive director (material handling), acknowledges, “There are zero barriers to entry. It is a combination of many factors that results in a moat.”

BRAND BUILDING

The Parekhs, whose fourth generation recently entered the business, trace their lineage to Vrajlal Prabhudas Parekh who, in 1934, started a plastic button manufacturing unit as a sweat equity partner. He’d earlier spent time working as an accountant but realised his heart lay in business. The initial years saw the company, later known as National Plastics, take baby steps in manufacturing. They tried their hand at everything from plastic buttons to plastic household items. Vamanrai Parekh, 83, Nilkamal’s chairman, looks after operations and Sharad Parekh looked after sales.

In 1981 the business split, with Vamanrai and Sharad separating from their brothers. Initially they used the National Plastics name, but realised there was some brand dissonance in the marketplace and took to using the Nilkamal name after a company they had acquired.

The 1980s were spent doing contracting work for Blow Plast and scouting for new business opportunities to allow Nilkamal to sell directly to the customer. Hiten Parekh, the joint managing director who was the first from the third generation to enter the business, distinctly remembers a large order of 10,000 crates that Nilkamal received from Mother Dairy in the 1980s. “At that time the order was a big deal for us,” he says.

While Nilkamal started directly marketing to B2B customers (such as the order for milk crates) a large portion of its business came from working as a contractor. One such customer was Blow Plast that would make chairs under the Moderna brand name. That changed in 1981 when Manish Parekh, president and executive director (material

ADITI TAILANG

SNAPSHOT

STRENGTHS: A wide product range, national distribution and manufacturing network and institutional contacts

WEAKNESS: Fall in raw material prices passed on to customers

OPPORTUNITY: At 11 kg per capita, India’s per capita plastics consumption is much lower than the global average of 38 kg

THREAT: Competition from both organised and unorganised players is fierce handling), joined the business. His first task was to see if Nilkamal could start selling chairs under its name. The deal to supply to Blow Plast was terminated and Nilkamal entered the consumer segment (even though in the initial days the buyers were mainly clubs, institutions and wedding venues).

"It was very hard to get off the ground initially as Blow Plast dealers refused to entertain us," says Manish, 50. Appointing dealers, building a distribution network and penetrating new markets were all done in the 1990s. Manish believes he would have travelled to every district across India. From selling 5,000 chairs a month in the mid-1990s Nilkamal today sells 25,000 chairs a day.

As it added more plastic products in the 1990s, it realised the need to build a brand. That's because pricing power in the business is not very strong and, "change in raw material costs is generally passed on to the customers, although with a lag," says Siddhartha Khemka, head of retail research at Motilal Oswal.

One way to avoid this is to get into value-added plastics furniture. Nilkamal has set up home-furnishing stores and also competes for contracts to furnish offices. In 2003 when Nilkamal was about ₹300 crore in topline and had a national reach with several product lines, it made a bold bet to spend ₹2.5 crore on a single advertising campaign.

A slot at the 2003 cricket World Cup final was booked and ad filmmaker Prahlad Kakkar engaged to come up with a campaign. India reached the final and the Parekhs got a much bigger bang for their buck than they could have hoped for.

For now Nilkamal's revenues are divided between consumer (furniture, 45 percent) and B2B (material handling, 55 percent) businesses. There is also a new packaging business looked after by Mihir Parekh, 27, who recently joined the company. It is a combination of a national distribution and sales network and factories across the country (freight accounts for 10 to 12 percent of costs), institutional relationships and research and development that constitutes a moat in Nilkamal's business.

In addition Vamanrai spends a fair amount of time and effort in monitoring global raw material prices on Platts to make sure the company sources them at the most competitive rate. "My aim is to get them at the lowest price and at the same time, ensuring factory lines are never stopped for want of raw material," he explains.

The last five years have seen Nilkamal's bottomline expand while the topline has been relatively flat. Fortunately the company is in a segment that has a long growth runway. Per capita plastics consumption in India is 11 kg per capita compared to the global average of 38 kg per capita, according to Ficci, an industry association. Nilkamal had engaged the Boston Consulting Group to look at new lines of business that it can enter. Packaging was one idea. Mattresses are another new product line.

Nayan, 47, is candid enough to acknowledge that getting topline growth is a challenge and that from ₹2,000 crore, growing even 10 percent will require the addition of ₹250 crore to the topline every year. While add-ons in the furniture and material handing business will bring in incremental growth the company will have to look at new business they can enter. What Nilkamal is clear about is their expansion will be asset light. Debt is down from ₹400 crore to ₹100 crore in the last five years.

FAMILY RULES

A key ingredient of the company's success has been the trust the family members share. While they draw a salary from the company, all investments are pooled and made together. "The reason for this is that members must focus only on the company business and not spend time monitoring their personal investments," says Hiten, 56. Money can be pulled out from the pool for specific reasons like a wedding or jewellery purchase but all major investments are held together.

More recently, family members sat down and laid down board rules for the fourth generation, which has started entering the business. The rules lay down salaries, promotions and responsibilities. "It is still work in progress and we have to see how it works for a few years," says Mihir.

The family's success has also led to them wanting to contribute back to society. Unlike for some companies where philanthropy is an extension of their business, the Parekhs want to make sure their initiatives are unique. Vamanrai takes the lead here and recently organised a camp for prosthetic limbs near their factory in Sinnar, near Nashik. He was amazed with the demand and the distance people travelled to get the prostheses. Originally planned for a day, it went on for four and Vamanrai ensured no one was turned away. He plans to take the initiative to their other plants as well.

As Nilkamal grows, it would be fair to expect more such initiatives from the Parekhs.

> "There are zero barriers to entry. A combination of many factors results in a moat."

RAJESH BANSOD FOR FORBES INDIA

Harshvardhan Pasari started attending his factory all day after he enrolled for a course at SP Jain Institute of Management and Research

(L)earning their Lessons

Next-gen family members go to B-school not just to learn; they also get to network and even transact

BY PRANIT SARDA

Previously passed on from generation-to-generation and taught by fathers and forefathers, family business has come a long way. Learnings at the dinner table from dyed-in-the-wool patriarchs and matriarchs are making way for—or in some cases being complemented with—classroom education. Say hello to a post-graduation in family business.

A Master of Business Administration (MBA) in Family Business can help in the logical progression of taking the family legacy forward. But, within that overarching objective, it can serve several value-adding purposes, from expanding a current line of business, to spotting the next sunrise area, to even starting from scratch.

A family business masters is different from other MBAs in that it is a bigger-picture education than, say, one in finance or marketing or human resources. "Everything is taught from a business point of view, not a job point of view. That's the major difference between a normal MBA and an MBA in Family Business," explains Urvashi Bihani, who did a two-year MBA in Family Business from Narsee Monjee Institute of Management Studies (NMIMS). Urvashi is the fourth generation of a family that runs the Bihani Education Trust in Rajasthan.

For many next-gen students, the course goes hand-in-hand with a stint on the shop floor, as Harshvardhan Pasari, a student of SP Jain Institute of Management and Research, points out. "I used to be at the factory for not more than four hours a day. Thanks to the course, I now attend it full time, eight hours every day. So I am full-time into the business along with the course." The Pasaris own Ramacoirs & Felts Ltd, a closely owned company that sells mattresses branded 'Dream On'. Harshvardhan is the second generation member of the family.

SP Jain's 18-month Post Graduate Programme in Family Managed Business (PGP-FMB) is designed in a way where students need to attend college for seven days a month for 13 months, as well as create a project report. The reports are submitted online in the 15th month and students are marked based on that. The final report at the end of 18 months is put in front of a panel of judges. The course allows students to spend the rest of the month in the family business. Students can choose electives to specialise in—retail, real estate, manufacturing and services—based on their business. The college also facilitates internal hiring, where post-graduates from the FMB course can hire counterparts from other courses.

Family Business MBAs are more about how to manage than how to make.

For example, a businessman would not need to create a balance sheet, but has to understand it, check the ratios and make decisions. It is for an accountant to create the balance sheet.

A major takeaway from the course is the connections made with other next-gen of other families—and the business transacted with them. "I already have connected with five students who are ready to supply my mattresses. If the deals work out, I'll recover the course fees in one transaction," grins Pasari. At the 15-months modular programme at the Indian School of Business (ISB), Hyderabad, students attend college once a week every six weeks. For the other five weeks, they are meant to help the family in the business.

For many next-gen students, the course goes hand-in-hand with a stint on the shop floor

But it's not only about transacting and networking. It's also about getting a chance to learn about other businesses. As Bihani puts it: "Even if group projects were not from our own business, they helped us to study the businesses of others and gain knowledge of such operations."

The faculty at most institutes offering such MBAs boasts of industry experts, many with decades of experience at multinationals. They don't just help students analyse the business but also guide them on how to overcome challenges. Pasari, for instance, got a chance to reflect on the turbulence and disruption in his business. "Coir got a substitute of foam. Foam was cheaper so coir went out. The fluctuation in coir rates resulted in our factory shutting down for a year. It not only led to huge losses, but turnover also plunged."

The current generation relies heavily on technology and electronics, something most previous generations are not as comfortable with. Consumer preferences, too, have changed: They want superior quality at lower prices

As the customer base is changing faster, so are the consumer preferences to rely upon cheaper goods with superior quality. This further requires the next-gen entrepreneurs to rethink accordingly for a new-age customer base. "Thanks to the course, I have been able to make a lot of good changes in the past nine months since I joined the business," says Bihani, who manages one of the seven educational institutions under the Bihani Education Trust.

The next-gen may be brimming with ideas but convincing the elders isn't a walk in the park. Their ideas are scrutinised and questioned, and often rejected. "It's difficult to convince my father. I try to convince him for a lot of things, but for a few of them, he just says no," shrugs Bihani.

Institutes like ISB Hyderabad provide a specialised training programme that is complimentary for one member of the family along with the nex-gen MBA. The aim is to bridge the gap within generations to make the family more adaptive, covering topics like family governance, succession and ownership. "The future is in the hands of the children. You are in the last lap of your innings. Prepare your children for the future, your responsibility is to support them now," is the advice of Kavil Ramachandran, executive director, Thomas Schmidheiny Centre for Family Enterprise, to the senior generation.

Defining Lines of Responsibility is Paramount

Succession planning should be a priority in every family business and future successors must be mentored and trained

BY TT JAGANNATHAN

Claude Picasso once said: "I could have been born into any family. I was fortunate that I was born to an artist as extraordinary as Picasso, and Picasso turned out to be the family business."

Most of us who run family businesses can identify with the words of Claude Picasso. There is great satisfaction that comes from trying to grow and build a dream that was nurtured by one's family. While I am not the biggest believer in legacies, I realise that there is a great responsibility to carry ahead the company built by previous generations and in turn pass it on to future generations. Today, family business is the most common form of enterprise. However, with the pros come the cons. Standard wisdom is that the first generation starts the company, the second builds it and the third destroys the business. This is particularly true because they are brought up with silver spoons and want to start their own businesses. Also, they are tech-savvy, talented and armed with attractive foreign university degrees. But they also have to contend with the fear of the unknown. Not all startups that we see mushrooming these days are successful.

What then are some tips that I put into practice that can be adopted by future generations? I hope some of these learnings from my personal experiences will benefit the next generation of any family business so that it can continue safeguarding and growing the company.

THE IMPORTANCE OF HIERARCHY

In most cases, a family business is founded by one person. When the next generation takes over, it creates another layer of complexity in the form of 'active and passive' owners. Those businesses that have greater complexity need to place the emphasis firmly on business governance. This would include defining roles of the board and management clearly, setting guidelines for decision-making, building a strong leadership team, and most importantly, ensuring that family members working in the business have clear roles. Defining the lines of responsibility is paramount as it will help reduce feuds and arguments between family members on strategy and on how the business should be run.

BE PREPARED TO LEARN

I was an academic, who was happily doing my PhD from Cornell University in America, when my father requested me to come back to India to take over the family business. The company was struggling. I didn't know a thing about business. I was not exposed to business functions such as accounting, HR, marketing and others. However, I returned to India and learnt the ropes of the business. I faced a lot of resistance from people who didn't think I had the skills to nurse the business back to health. But I worked tirelessly, learnt on the job and we turned the company around and made it profitable.

AGREE ON A COMMON GOAL/VISION

A business will run smoothly when the leadership is working towards a shared purpose and a common goal. It is important to be collaborative and take people forward instead of following an autocratic approach. Assuming that several family members are owners of the business, all of them have to agree cohesively on a plan for growth and expansion. This will ensure that the business can be taken to the next level in a seamless manner. It is also important for the organisation to operate based on a set of core values and philosophies that can set the tone and pave the way for how the business is to be run. Identifying what sort of culture you want for the organisation is immensely vital too. Ultimately, it is even more important to create a professional and open work culture

that can attract the best talent.

CHANGE ISN'T A BAD THING

All of us fear the unknown. We dislike change and prefer sticking to tried-and-tested methods. However, in a family business, the flexibility and openness to change have to come from the top. Every generation has to reinvent the company. If you remain static, you are doing a great disservice to the business. I also believe that to make the business a success, you need attributes like passion, drive and commitment. Therefore I strongly recommend that some family members establish careers outside the business. It is important to develop a skillset, get experiences and prove yourself outside before deciding to embark on a career in the family business.

SUCCESSION PLANNING

For a business to expand, the company needs to run smoothly without you. Therein lies the importance of succession planning... it is important to ensure the business continues to grow and thrive. Succession planning needs to be a priority in every family business as early as possible. It is compulsory to mentor and train the future successor for at least a year or two before the reins are handed over. This will ensure a smooth and seamless transition without hiccups. If a family member doesn't want to take on the business, provision should be made to get a strong external leadership board in place.

My advice would be to not internalise failures, as they happen for many reasons. There is always a silver lining and solution to every problem. I would urge the future generation to never give up on their dreams. Even though I am from the third generation, I managed to build TTK Group to the scale it is today. And if I, a self-confessed academic, could do it, I am sure every third generation successor can do it. All it requires is for them to apply themselves as well as cultivate the skills and business acumen to take their family business to the next level.

The writer is chairman, TTK Prestige

CHAITANYA DINESH SURPUR

Family Kitchens

For some of India's oldest family-run restaurant chains, business is an oscillation between leaving legacy untouched and reinventing to stay relevant

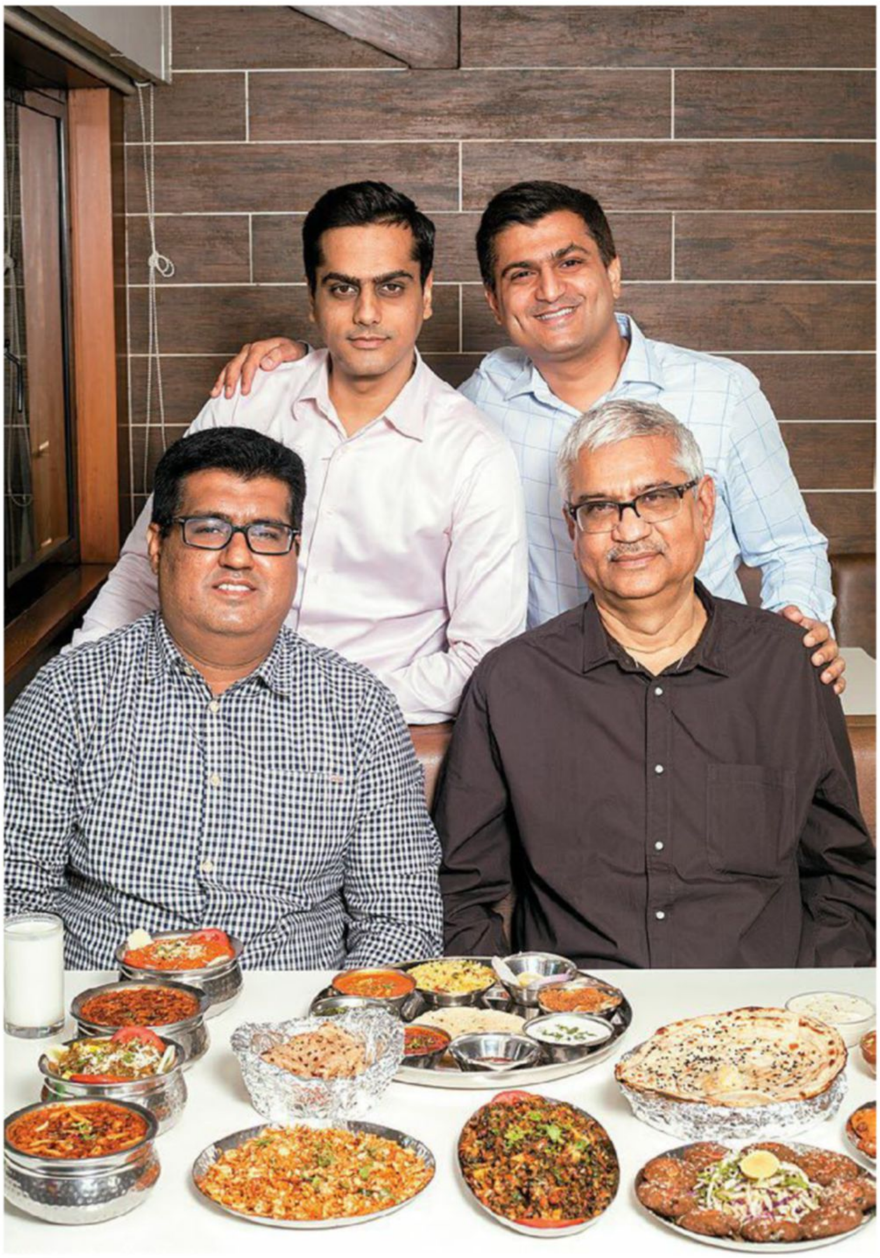
BY DIVYA J SHEKHAR

Shivanna Sadanand first went to the Mavalli Tiffin Rooms (MTR) in Bengaluru 50 years ago, and has been a regular ever since. A lot changed in his life over time: He took a voluntary retirement from being the private secretary to former Congress minister HM Channabasappa, joined his family business of iron and steel; raised, educated and married off his two children. But even today, the 78-year-old dutifully spends his Friday evenings and Sunday mornings at MTR, catching up with friends, discussing life, politics, literature, and everything under the sun. Back in the day, he recalls, the group was even joined by prominent Kannada literary icons like Masti Venkatesha Iyengar and Shivaram Karanth.

Bengaluru's food and beverage (F&B) scene has changed as well. Many restaurants have emerged in the vicinity of the historic Lalbagh Botanical Garden where MTR's oldest outlet is located. India's IT city has emerged as the country's pub capital, with eateries flaunting a multitude of global cuisine options for its well-travelled customers. But nothing's changed at MTR, believes Sadanand. "Even today, the masala dosa, made with dollops of ghee, tastes the same as it did in the '70s. So does the filter coffee. Badam halwa continues to be served every Saturday, and the chandrahara on Sundays, which is deep-fried maida flour topped with sweet liquid made from khoa," he says.

Sadanand recollects getting to know MTR's affable second-

CLOCKWISE FROM LEFT: ADITI TAILANG; AMIT VERMA; NISHANT RATNAKAR FOR FORBES INDIA



Clockwise from top: Bhagat Tarachand owners (seated L-R) Hitesh Gurmukh Chawla and Prakash Khemchand Chawla, and (standing L-R) Bhushan Ramesh Chawla and Saggor Ramesh Chawla; Priya Paul (left) of Flurys with mother Shirin; Hemamalini Maiya (centre) of Mavalli Tiffin Rooms with brothers and business partners Arvind (left) and Vikram generation owner Harishchandra Maiya, who took over the business from his uncle Yajnanarayana Maiya. The latter was a cook from South Canara who founded the restaurant in 1924. Sadanand also remembers being uncertain about MTR's future when Harishchandra's daughter Hemamalini took over in 1999 after her father passed away following a prolonged illness. "Today, she has not only managed to run the Lalbagh Road outlet, but has also launched many others without ever changing the original MTR experience," he says.

This "spirit of MTR" is always at the core of every decision she takes, Hemamalini Maiya tells *Forbes India*. Along with brothers and fellow business partners Vikram and Arvind, she has taken MTR to eight other locations in Bengaluru, apart from outlets in Udupi, Singapore, Dubai and Malaysia.

The restaurant also has countrywide brand recognition because of the eponymous MTR Foods (owned and managed by Norwegian conglomerate Orkla) that sells processed and packaged food products like breakfast mixes, ready-to-eat meals, spices and savouries. Apart from being co-brands, Hemamalini says, the two entities do not affect the other's business. Uncle Sadananda Maiya, who managed MTR with her father, split from the restaurant business in 1994 to take over MTR Foods. It was sold to Orkla in 2007.

Like MTR, India's hospitality industry landscape is dotted with age-old family-run restaurant chains, many inching close to a century or older. They are finding presence in cities and countries other than the ones in which they were launched, with third or fourth generation family members revving up expansion and chasing scalability through family-owned or franchise outlets. Across these brands, however, the overarching golden rule seems to be the same: Keep refreshing to survive competition, without letting go of the brand's legacy. And each of these restaurant chains strikes that balance in its own way.

SAME BUT DIFFERENT

Take the case of Mumbai-headquartered Kailash Parbat and Bhagat Tarachand, or Delhi-headquartered Moti Mahal. All three were small restaurants started by refugees from Pakistan who settled in India after Partition. They expanded just to an outlet or two (or three) until the second generation. As the third generation took over, the brand remained the same, yet different.

"My goal was to launch 100 Moti Mahal outlets across the world before the restaurant turned 100," says Monish Gujral. His grandfather

Above: Monish Gujral is the custodian of the Moti Mahal brand. **Top:** The Mulchandanis of Kailash Parbat, (from left) Ramchand, Manohar, Jai and Kamlesh

FROM TOP: AMIT VERMA; MEXY XAVIER

Kundan Lal Gujral (who is seemingly credited with the invention of tandoori chicken and butter chicken) founded Moti Mahal in the 1920s in Chakwal, Pakistan, before relaunching in Delhi post-Partition. Soon, his tandoori cuisine found regular patrons in leaders like Pandit Jawaharlal Nehru, Indira Gandhi, former Prime Minister of Pakistan Benazir Bhutto, and former US Presidents Richard Nixon and John F Kennedy. Today, the restaurant is two years short of turning 100, but Gujral has already reached his goal.

Moti Mahal (renamed as Moti Mahal Delux during a brand upgradation in the 1970s by second-generation owner and Monish's father Nand Lal Gujral) is now present in 18 Indian states, apart from outlets in Oman, Tanzania, Saudi Arabia and New Zealand. Over the years, more than 20 new dishes have been added to the original menu.

With a single-minded focus on expansion, the company opens between eight and 12 franchise outlets per year, with an average annual growth rate of 10 percent. Gujral believes in experimenting with restaurant formats, and invests between ₹40 lakh and ₹60 lakh in each franchised fine dining space and ₹10 to ₹15 lakh for the kiosk model. The models take two and one year respectively to break-even.

"We have nine models for the brand," says Gujral, explaining that formats are tweaked depending upon the demand and the demographic. For instance, the Moti Mahal Tandoori Trail is a franchise option offering specialty cuisine in metros, while smaller cities in Punjab, Haryana, and Jharkhand (like Karnal, Panipat and Deoghar, for example) have multi-cuisine outlets serving Indian, continental, Chinese and Mexican food.

"People in smaller cities or towns prefer to step out as a family, and considering the lack of food options there, multi-cuisine restaurants work better than specialty outlets," says Gujral, who has also leveraged Moti Mahal's legacy to experiment with the quick service restaurant (QSR) format in shopping malls. "The food court models include sub-formats that specifically serve either tandoors, kebabs, chaat, Chinese, Mexican or

Continental food." These offerings are removed from what Moti Mahal originally stood for, admits the restaurateur who is also a chef. "But it is important to keep changing with time to keep the legacy alive."

Kamlesh Mulchandani concurs with Gujral. When the third generation owner of Kailash Parbat took over in 2004, the restaurant had just three outlets, all in Mumbai. Fifteen years on, they have 52, out of which 35 are in India and the rest across countries like Singapore, the US, Australia, Canada, Qatar, China, United Kingdom and Thailand.

The menu has also been reinvented over the years. From simple pani puris, dahi wadas, kulfi faloodas and lassi, the restaurants now offer dishes like pav bhaji and Amritsari chole fondues, nachos, chipotle palak chaat, KP Long Island Iced Tea made with pani puri water, and jeera whiskey sour that contains a hint of ajwain.

In Portugal, Mulchandani is now launching Kailash Parbat alongside another brand 'Veganpati' in an attempt to attract the emerging global vegan market. Here, one would find khichdi-flavoured risottos, burgers made with beetroot bread and sambar made with olive oil. According to Mulchandani, moving away from the core of what his restaurant conventionally stands for channelises growth beyond boundaries.

"This way, we remain Indian in terms of our offerings, but cater to an international customer base. In this competitive market, we have to constantly be on our toes, keep an eye out for the market and grow according to what does well," says Mulchandani, who runs Kailash Parbat along with brothers Amit and Jai. "Today, we see a year-on-year growth between 15 percent and 18 percent. When a brand comes attached with a lot of expectations, it is our responsibility to do whatever it takes to keep it successful."

Gujral, on his part, plans to look inward. He wants to take the Moti Mahal brand to small towns in Uttar Pradesh and Uttarakhand like Hardoi, Rudrapur, Sitapur and Sultanpur. "These are aspirational markets. I plan to convert already-existing family operations that need professional intervention to Moti Mahal outlets. This way, the brand will reach the farthest corners of the country, with lower overheads and investment. It will also provide employment opportunities in rural areas."

INDIA'S F&B INDUSTRY

- Size of the food services market will increase from $48 billion in 2016 to $77 billion in 2021, at a CAGR of 10 percent, as per the National Restaurant Association of India (NRAI) Food Services Report 2016
- Revenue of restaurant and mobile food services was $12.88 billion in 2018, up from $10.952 billion in 2016 and $11.85 billion in 2017, according to statistics portal Statista
- A 2018 Nielsen survey indicates that middle-income urban millennials spend 10 percent of their total annual food expenditure, or $124 (approximately ₹7,914), on dining out. Affluent millennials spend $180 annually (approximately ₹11,461), which is 13 percent of their total food expenditure

OTHER FAMILY-RUN RESTAURANT CHAINS

Panchvati Gaurav

Established in Mumbai in 1982, it serves Rajasthani and Gujarati thalis. Operates in Pune, Gurugram, Nashik, Indore, Jabalpur, Bengaluru, Gwalior and Lonavla

Saravana Bhavan

Founded in 1981 in Chennai, it serves South Indian cuisine. Apart from India, located in about 20 countries, including the US, UK, Canada, Australia, Singapore, China and Qatar

Haldiram's

Founded in 1937 in Rajasthan, the brand, popular for its sweets and savouries, has restaurants across Delhi, Noida, Haryana and Rajasthan

Shiv Sagar

Established in 1990, the Mumbai-headquartered vegetarian restaurant chain has outlets in Surat, Ahmednagar, Pune and Mangaluru

Bikanervala

Established in 1950 in Delhi, the restaurant chain, known for its sweets and savouries, is present in Mumbai, Agra, Meerut, Ahmedabad, Varanasi, Dubai, Nepal and New Zealand

Kamats Restaurant

Part of the Kamats Group that was established in 2007, the restaurant serves vegetarian food and has outlets in Maharashtra, Gujarat, Uttar Pradesh, Haryana and Himachal Pradesh

OLD IS GOLD

Other restaurant chains are either inviting franchises cautiously, or not at all. Bhagat Tarachand, a chain known for its Sindhi-Punjabi cuisine, has only two franchises in the 124 years of its existence. The restaurant name is prefixed with one of four different letters (B,K,R or G), the alphabets denoting ventures owned by different third-generation family members.

All prefixes combined, Bhagat Tarachand has about 26 outlets across India, with one each in Mumbai and Bengaluru being franchises. Though descendants of founder Tarachand Chawla might have officially launched different outlets today, they function as one big unit. Interestingly, the founder, who started out with a box-sized stall in Karachi, earned the title 'Bhagat' (meaning kind) among the local people because he often let them eat for free if they could not afford a meal.

"We have decided against indiscriminate expansion in order to maintain strict quality control processes," says third-generation owner Prakash Khemchand Chawla, who runs B Bhagat Tarachand. "For example, our Basmati rice comes from the foothills of the Himalayas, our onions from Nashik and our chillies from Kashmir. We have specialised vendors for every ingredient."

Of late, 11 fourth-generation family members have also joined the business. They intend to continue on the broad expansion plans laid out by their predecessors. This includes strategies like identifying locations around busy marketplaces, or residential areas with a sizeable

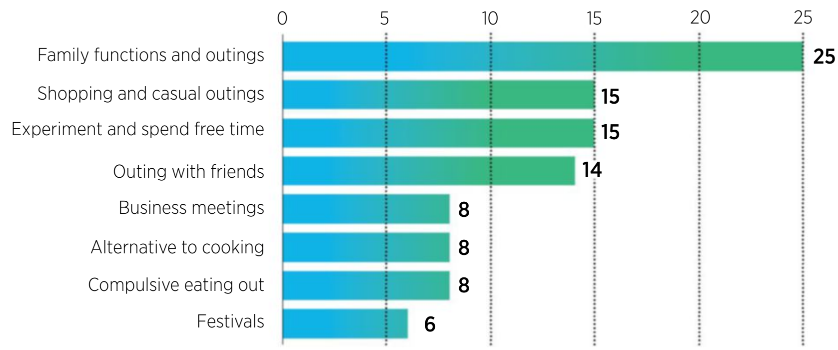
Gujarati or Marwari population, and working on the QSR model, explains Hitesh Gurmukh Chawla, fourth-generation member who manages B Bhagat Tarachand.

"We have grown up watching our fathers, uncles and grandfather be so hands-on in the business. They used to cook rotis on coal stoves, carry heavy sacks on their backs and offer home-like food at an affordable price point," says Saggor Ramesh Chawla, a fourth-generation member from the K Bhagat Tarachand outlet. "Today, we have various conveniences and mechanisations that make our jobs easier. But even if we become social media savvy or modernise our plating and food presentation, at the core, we want to remain just the same."

Similar business philosophies are followed by restaurants like Flurys and MTR. Priya Paul is the chairperson of the Apeejay Surrendra Park Hotels, who also owns the iconic Flurys. Instead of giving out franchises, she has experimented with various formats to expand the confectionary outlet across and outside of Kolkata. These formats include fine dining tea rooms, standalone kiosks or counters with just a couple of tables.

"I have been very particular that we will not go the franchise route because we wanted to own and control the quality of the experience and the product. If it is just a kiosk, it can be franchised. But if we have a tea room and a sales counter in another city, that's an experience or learning we need to control," says Paul, a third-generation entrepreneur who started overseeing Flurys since the early 2000s. Before that, her mother Shirin Paul and late uncle Jit Paul steered the brand.

WHEN DOES INDIA EAT OUT (%)



Source: *India Food Services Report 2016, NRAI and Technopak*

Flurys, an iconic tea room located on 18 Park Street, Kolkata, was founded in 1927 by a Swiss expatriate J Flurys and his wife. The Apeejay Surrendra Group acquired it in 1965. It is popular for its English breakfast menu, apart from cakes and creamy pastries. "We experiment with restaurant formats because everyone in Kolkata knows Flurys, and across the rest of India too, there is a certain nostalgia associated with the brand. So we have had to identify a model that works best in each city, and do things differently from other confectionaries," Paul says.

In the first phase of rollouts, a Flurys outlets was opened alongside The Park hotel property in Delhi, apart from 24 outlets across Kolkata and one in Mumbai. The three-year compound annual growth rate for Flurys has been 31 percent, with the brand's ecommerce website (that delivers to select cities across India) and presence on online food delivery platforms contributing 5 percent of total sales. Now, Paul plans to launch the second phase of rollouts, which will involve setting up a base kitchen in Delhi at an investment of about ₹25 crore. "The base kitchen will be set up by mid-2019, after which we plan to add 60 Flurys outlets in the Delhi-NCR region in the next three years."

Hemamalini Maiya of MTR also has similar reservations about franchising. So particular is the brand about quality control that it only sends chefs trained at its restaurant in Bengaluru to work in international outlets. She says that one of the main reasons they did not take up opportunities to expand in Australia, England and the US is because those countries did not allow their cooks from Bengaluru to work there. The culinary enterprise has also seen interest among private equity investors, but the promoters have not gone down that road yet.

"This is a business started by our ancestors. For us, its identity is more than just a brand. Even today, we promoters spend a lot of time in the kitchens, talking to chefs, encouraging them, correcting their errors, appreciating them and also giving them emotional support when required," she says. "Every employee in every outlet must get into the skin of the brand and its legacy. That is why we are not in a hurry to expand, but are happy growing one restaurant at a time."

Family-run restaurant chains are finding presence in cities and countries other than the ones in which they were launched


FROM
"YOU DON'T KNOW A THING."
TO
"I TAUGHT HIM EVERYTHING HE KNOWS."

The Sweet Spot

Sweets are an integral part of Indian meals. So, branded sweet-makers should be having it easy. But the tales of two family-owned enterprises—Kolkata's KC Das and Chennai's Adyar Ananda Bhavan—show that it's not always a sugar-coated business

Maharaja bhog, a variety of rosogolla, on display at the KC Das outlet in Esplanade, Kolkata

DEBARSHI SARKAR FOR FORBES INDIA

Legend has it that Nobel laureate Rabindranath Tagore was once gifted a pot of rosogollas by one of his acquaintances. Having nibbled at it, Tagore had asked if it was from Nobin Chandra Das's shop in Bagbazar, a neighbourhood in north Kolkata. Upon being told it wasn't, he is known to have said, "If you must feed me rosogollas, make sure it's from Nobin's."

Perhaps it's only fair that what the discerning tastes of Bengal's most celebrated litterateur certified over a century ago has come to represent to the rest of the country the state's abiding sweet tooth.

Bite-Sized History

KC Das, the inventors of rosogolla, has already earned itself the pedigree. Now, the fifth-generation scions are looking to steam ahead with expansion

BY KATHAKALI CHANDA

Nobin's experiment of rolling balls of chhana (curdled milk) and boiling them in sugar syrup, arguably the first one to do so, is now peddled by the fifth-generation scions of the family under the brand name KC Das. That, and a variety of other sweets and snacks, have fetched the company an annual turnover of about ₹25 crore in the last fiscal. It makes KC Das one of the market leaders in the Bengali sweetmeats industry that is highly fragmented and unorganised, and typically functions from stand-alone, local units. The company now has 25 outlets, seven of which are in Kolkata and the rest in Bengaluru. Their only outlet in

(From left) A variety of rosogolla from KC Das; the man after whom the company is named

Chennai had to shut shop in 2017 after costs skyrocketed due to GST.

"Our target is to double revenue in two to three years and expand, be it on our own or through franchises," says Dhiman Das, director of KC Das. "But we are hamstrung by the limited shelf life of Bengali sweets [since they are produced by curdling milk, a procedure that was considered sin elsewhere due to the sanctity attributed to the cow]. Wherever we set up shop, we need to have a factory nearby [for sweets other than rosogolla]. That would require at least ₹15 crore turnover from the city."

Did Nobin Chandra Das actually invent the rosogolla? By its very nature, food history is based on surmise, speculation and oral transfer of knowledge over generations. Likewise, claims of the first rosogolla run deep, into multiple sweetmaker households in Bengal, and wide, to Odisha. Chitrita Banerji, author and food historian, can't pinpoint who made the first rosogolla. But that Nobin, a posthumous child who grew up in poverty, is among the earliest ones to depart from the tradition of sandesh (dry sweets) and boil balls of chhana in syrup stands undisputed. Says Banerji, "Nobin has been accepted for a long time as the creator of rosogolla and KC Das has a continuing family tradition. Given the absence of real data, he will always be credited as the creator of rosogolla and it wouldn't be grossly inaccurate."

In November 2017, the West Bengal government cited the sweetmaker's discovery to claim the Geographical Indications tag from Odisha, the neighbouring state embroiled in a conflict with West Bengal for long over the origin of the sweet. Nobin's story has been turned into a Bengali feature film, *Rosogolla*, directed by filmmaker Pavel, which released last December. The postal department launched a stamp in the same month to commemorate the 150th anniversary of rosogolla's invention.

Born in 1845, Nobin was always prone to experimentation. A failed attempt saw him being kicked out of work with a local confectioner. He set up his own shop to attempt the rosogolla, but was soon mired in debt as the sweet would keep crumbling. In 1868, he figured that the trick lay in the right consistency of sugar syrup—not too thick—to hold it together. But commerce was the last thing on his mind and he would distribute the rosogolla at local addas. Till a Marwari timber merchant who was driving by stopped at his shop for his son to have water, and the father and son were given the sweet to taste. They loved it and, almost fortuitously, rosogolla was extricated out of a neighbourhood and introduced to the community at large. "It may sound ironical but the popularisation and commercialisation of the rosogolla came through a non-Bengali," says Dhiman.

How did the rosogolla come to symbolise the community and not, say, the sandesh that most Bengalis love with equal fervour? Perhaps because it is so unlike any other Indian sweet, which is either dry or isn't made of chhana. "And of course its simplicity is part of its appeal. There is nothing in a rosogolla but chhana, sugar and water. How much more minimalistic can you get? Yet, the technique is crucial," says Banerji.

Nobin passed away in 1925 after which his business was taken over by his son Krishna Chandra (KC Das, after whom the company is named), and his younger grandson Sarada Charan. The two were driven by scientific curiosity—KC was an innovator at heart and Sarada a research assistant to CV Raman, who was awarded the Nobel Prize for physics, at the Rajabazar Science College—and the urge to increase the shelf life of sweets resulted in vacuum-packing rosogollas in a tin, which would prolong their longevity, minus preservatives. In 1930, they set up the first outlet of KC Das and started selling canned rosogollas, the first in India to do so. The product, and with it the

"Its simplicity is part of its appeal. There is nothing in a rosogolla but chhana, sugar and water."

(TOP LEFT) DEBARSHI SARKAR FOR FORBES INDIA brand, was ready to be transported across the country and abroad.

"KC Das also did make a contribution of his own. He took his father's creation, the rosogolla, and created the rosomalai, which is the same ball of chhana floating in a sweet, milk syrup (sometimes garnished with crushed pistachios, sometimes flavoured with saffron). That, too, is sold abroad. But now other confectioners, such as Haldiram's, also export it," says Banerji.

In 1935, a year after KC Das's death, Sarada set up the company's first modern outlet in Esplanade, a posh neighbourhood, complete with liveried waiters. Over the next decades, he expanded in the city. But, in 1965, the business faced a blow when then Chief Minister Prafulla Chandra Sen imposed the West Bengal Channa Sweets Control Order banning milk sweets in Kolkata and its neighbouring areas, citing scarcity of milk supply. Milk should first go to the children and the mothers, he ordered. "All outlets, barring the Esplanade one, were shut, and the family struggled to make ends meet," says Dhiman.

Two years later, the law was reversed, but scarred Sarada Charan enough for him to seek alternatives. Bengaluru, which he would visit en route to the Central Food Technological Research Institute in Mysuru, and which appealed to him for its weather and the quality of milk, ticked the right boxes. In 1972, he opened the first outlet on St Marks Road (which they still own; rest are franchises) and deputed younger son Birendra Nath Das. Bengaluru also houses the company's R&D unit, opened in the early 1980s, where KC Das has been experimenting with, among other things, probiotics much before it became a fad.

Now, the family wants to grow at a frenetic pace. To other metros, like Mumbai and Chennai, and also to tier 2 cities like Patna and Jaipur. "We are also looking to relocate our current Kolkata factory in Bagbazar to a bigger facility that will augment production capacity," says Barid Baran Kar, the CEO who reports to the board of directors that comprises family members and is responsible for decision-making.

They also have to contend with sweetmeat chains in Kolkata, where younger generations have moved in and plan to expand aggressively. But Dhiman insists they are not competing with them. "The new breed of sweetmakers has introduced foreign ingredients like chocolate. We'd rather innovate within the boundaries of our tradition, like coating gulab jamun with sandesh etc," he says.

Kar adds that health-conscious millennials haven't been able to slow down the business that has grown 15-20 percent over five years. Whether they will continue to drive sales remains to be seen. But as far as history goes, KC Das has already etched a chapter for itself.

Food and Folklore

In three decades, Chennai-based Adyar Ananda Bhavan has seen its revenue zoom from ₹31 lakh to about ₹800 crore

BY ANSHUL DHAMIJA

It was in the early 1960s that KS Thirupathi Raja opened a small sweet shop, Guru Sweets, in Rajapalayam town near Madurai, Tamil Nadu. Hailing from a family of farmers, Thirupathi Raja, then chose to take the path less trodden. With the help of Raja's wife Muthu Lakshmi, Guru Sweets dished out items like wheat halwa, laddu, jahangir (a thicker version of jalebi), badusha and the famous Mysore pak. The store also sold a few savoury items, most notably karasev, made of gram flour. The adventure, however, was short lived as Thirupathi Raja, who passed away in 2001, shut down Guru Sweets within the decade, and returned to farming.

"In 1978, my father opened another sweet shop, Srinivasa Sweets, in Bengaluru near Malleshwaram," says KT Srinivasa Raja, 58, Thirupathi Raja's younger son. Srinivasa Sweets, unlike the previous shop, survived for about 10 years with Raja taking over the reins a year after it opened. "By 1980, my father and older brother [KT Venkatesan] had set up another sweets and savoury shop, Shri Anand Bhavan, in Royapuram, Chennai," he says.

That was the start of Adyar Ananda Bhavan (it was renamed post 1988), which today boasts a turnover of about ₹800 crore and has franchise outlets in Singapore, Malaysia, and in Dallas and New Jersey in the US. It also operates a South Indian quick-service restaurant chain called A2B within its stores. A 210-seater Adyar Anand Bhavan franchise outlet is scheduled to open in Newark, US, shortly. "Our restaurant business contributes close to 50 percent of our overall business," says Raja, managing director, Adyar Ananda Bhavan Sweets. His brother Venkatesan is also managing director of the entity, which has around 10,000 employees on its rolls.

"They actually built a restaurant business wrapped around their

KT Srinivasa Raja (left) and KT Venkatesan of Adyar Ananda Bhavan

sweets and snacks business," says Jacob Kurien, partner at private equity firm New Silk Route (NSR), which has invested in the Bengaluru-based restaurant chain Vasudev Adiga's. "Most people depend on retail distribution to sell their snacking business whereas Adyar Ananda Bhavan sells a large percentage of their packaged foods through its own restaurants."

In the late '80s, Raja shut down Srinivasa Sweets in Bengaluru and joined his father and brother in running Ananda Bhavan, which by then had moved to Chennai's upscale suburb of Adyar. The company's annual business was to the tune of ₹31 lakh then. "My brother and I are school dropouts [classes 11 and 10, respectively]," says Raja matter-of-factly at the company's 2-acre head office in Ambattur Industrial Estate in Chennai. Within the facility is a factory—one among four—as well as a temple of various deities.

At present, Adyar Anand Bhavan operates 140 retail outlets in India, located mostly in Tamil Nadu and Karnataka, with a handful in Andhra Pradesh and New Delhi; A2B restaurants exist in 95 percent of its outlets. "In 2000, we opened our first A2B outlet along with our store in Puducherry," says Raja. "The restaurant was a big success and attracted huge footfalls. It was then that we decided to expand the restaurant business."

"The beauty of the Adyar Ananda Bhavan model is that it has been able to maintain [high] quality despite its frenetic pace of growth," says brand expert Harish Bijoor. "No other format in the South Indian restaurant space has succeeded to this degree to date."

Over the last five years, claims Raja, Adyar Anand Bhavan has clocked a 15 to 20 percent compound annual growth rate with plans to open 60 more outlets across India. While Raja looks at business operations of the company, Venkatesan overlooks research and development. The third generation is also making its mark with Venkatesan's son, Vishnu Shankar, handling finance.

That apart, there are a large number of senior-level professionals running the day-to-day operations of the company. "They gave people responsibility," says Kurien of NSR, which is unlike other family-run businesses in the same space. "The inability to trust people and let go usually keeps these businesses small," believes Kurien.

Raja has four children—three daughters and a son—all of whom are being trained to enter the business. "I am grooming my first daughter in finance while the second is studying to be a food scientist in Melbourne, Australia," says Raja. His son Srivishnu, who also studies in Australia, but is now in India on a holiday, nods in agreement.

Adyar Ananda Bhavan has been a remarkable success story, but Raja plays it down with a simple analogy. Success, he says, is equal to skill and luck. "More skill and more luck are what made us successful," he says. "My father's vision was to run a successful business that could take care of his family's day-to-day expenses."

Clearly, the brothers went much beyond that. Anand Lunia, founder and partner at India Quotient, an early stage investment firm, says, "It's tough to build a new Indian food brand. These brands [such as Adyar Ananda Bhavan] are built over years of folklore and good food." F

SHARP IMAGE

WAKENCY

What's Your Gig?

Datamatics is trying to make the most of the booming gig economy through Wakency, its on-demand job platform for flexible work

By RAJIV SINGH

Datamatics chairman Lalit Kanodia (left), and Wakency business head Anju Kanodia

It was December 2004. Carly Fiorina, former chief executive officer of Hewlett-Packard, in one of her speeches at San Francisco, spoke about the real essence of 'numbers'. One must, she asserted, transform data from passive to active, and from static to dynamic. "The goal is to transform data into insight," she said.

Back in Mumbai, Anju Kanodia, 40, seems to have taken a leaf out of Fiorina's data speak. A KPMG report in 2017, she points out, pegged the temporary staffing sector in India to grow by 74 percent in four years to reach $5.3 billion. An overwhelming percentage of this industry—nearly 80 percent—is unorganised. Anju Kanodia is daughter-in-law of Lalit Kanodia, founder of Mumbai-headquartered IT software firm Datamatics, and part of the initial team which set up Tata Consultancy Services (TCS) in 1967. She dishes out more data: Gig economy—characterised by temporary, flexible and contractual jobs as opposed to permanent ones—in India has the potential to grow up to $20-30 billion by 2025.

According to a survey by Flexing It, an online marketplace that concentrates on hiring for skill-based freelancers, over a third of the 500-plus organisations in India expect to rely on flexible talent up to 50 percent in the next five years.

Kanodia, for her part, is trying to turn this data into insight by rolling out the first consumer-facing business of Datamatics. Billed as India's first on-demand flexible work community, for part-time, freelance and short-term jobs and gigs, Wakency—launched last August—lets users get their preferred job at their own time and place.

"Wakency is an Uber for jobs," says Kanodia, explaining how Wakency's proprietary technology—'MatchWaker'—utilises machine learning and artificial intelligence to match employers and job seekers based on their preferences. Candidates share their work preferences like timings, place and days availability, enter their skills, qualifications and work experience, and get notified on part-time jobs, freelance assignments and short-term projects. Fast growth of the service sector, increased adoption of technology across industries, and focus on cost reduction have led organisations and recruiters to increasingly turn to temporary staffing, reckons Kanodia, business head of Wakency.

Though data played a role in formulating the new business venture, it was personal experience that acted as a trigger. Kanodia, who was part of the core team that managed the public listing of Datamatics in 2004, took a break a year later to focus on bringing up her two children. On returning to the workforce after a decade, she noticed a shift: Professionals were yearning to find flexible work opportunities fitting their schedule and availability. Options were not enough, though. "There was a huge gap in finding short-term jobs tailored to one's convenience, skills and preferences," she recalls. There was also need to find job options for a large segment of the working population that voluntarily opted out of full-time jobs due to social and family reasons. The timing, Kanodia contends, was ripe for an organised player to take a stab at this unsolved problem area.

Lalit Kanodia agrees. The share of working women in India, he asserts, is among the lowest in the world. "They are highly competent and qualified but are not employed properly as a resource," he says. "We need to get them back."

Aparna Khatri, 35, is one such professional who who has been working on a part-time basis. As a Human Resources (HR) director at a leading advertising agency in Mumbai, Khatri took a break in 2015 when she was expecting her first child. Now a mother of two, she cannot think of any conventional job that gives her the flexibility to work from home, with timings that suit her. "I chose to work for two hours each on weekdays, and easily managed to pull it off," she says, explaining that this model works best not just for new mothers, but also for those who want to work at their convenience or take up one project at a time. Khatri plans to pursue this option even when her younger child, now one year old, starts going to school. "I would have more time to spend [with the kids] and can see them growing," she says.

The gig economy trend has seen tremendous uptake globally, particularly in the US, where one in three workers are already freelancers and 50 percent of the population is likely to freelance by 2027. In fact, 66 percent of large companies are using freelancers and other gig workers to lower labour costs.

In India, millennials are the driving force behind the growing digital economy and their rise is redefining workplace culture. Millennials are looking for more work flexibility and their pool in the gig economy around the world continues to expand, reckons Anurag Malik, partner and India workforce advisory leader at EY India. Today, gig economy provides employment opportunities to software developers, creative and multimedia professionals, online sales and marketing professionals, writers, translators and data entry operators. "This employment model is expected to grow significantly in the coming years," Malik adds.

It's not just employees who are driving this trend. There is a big demand pull from employers as well. According to the 'India Temp and Contract Staffing Landscape 2018' report by workplace solutions provider Kelly Services India and the Society for Human Resource Management (SHRM), 42 percent of the organisations surveyed indicated willingness to employ temp and contract staff. Top skills in demand are niche technology, administration, human resources, sales and marketing, logistics, legal, finance and accounts. Cost benefit, the report maintains, is the top motivator for hiring such staff. Organisations are moving towards filling temporary job vacancies in a cost-effective manner and, therefore, are adopting flexible staffing strategies. While flexi staffing was pioneered in the services industry, it has entered traditionally laggard sectors like manufacturing as well. Though the permanent workforce will always form the bedrock of any organisation, flexi staff will play a

What's Driving the Gig Economy

- Changing attitude towards work flexibility driving more people towards freelancing
- Employers looking to lower costs and meet project needs
- Rising number of working women opting out of regular jobs due to family issues

How Wakency Works

- Candidates share their work preferences like timings and days available; enter their skills, qualifications and work experience
- Wakency's proprietary technology—'MatchWaker'—utilises machine learning and artificial intelligence to match employers and job seekers based on preferences
- Candidates get notified on part-time jobs, freelance assignments and short-term projects

"Wakency is India's first on-demand flexible work community, meant for part-time, freelance, and short-term jobs and gigs."

ANJU KANODIA, BUSINESS HEAD, WAKENCY

MEXY XAVIER

‘Balancing Scale and Profit is a Tough Task’

Lalit Kanodia on Datamatics’ foray into its first non-core diversification, the IT industry, and entrepreneurship

ON LAUNCHING WAKENCY:
We have been in the IT and data business for a long time. The timing is right for putting them together. We understand recruitment, people, ecommerce, and have an IT company. If we put it together, it can form a piece of art. It is a great opportunity.

ON VISA ISSUES FOR INDIAN TECHIES IN THE US:
We don’t ship and get people deployed to the US. We have seven offices there, with around 500-600 employees, all Americans. So, we didn’t face any visa problem because of Donald Trump. Jobs for locals is a sociological problem not confined to US alone. So, I do not blame Trump. The fact is that America is built by immigrates.

ON STARTUPS BURNING CASH:
Balancing scale and profit is a tough task. Startups talking about scale is okay as long as they have long-term potential. But if a business doesn’t have that, it’s a serious crisis. Remember that if there is no bottom line, you will go nowhere.

ON FAILURE AND HAVING MENTORS:
You may have youth, energy and passion on your side, but you can still make mistakes. That’s where having the right mentor matters. Having them increases your probability of success. Even if you fail, that’s okay. Failure is the greatest teacher.

Flexible Job Trend In America...

- One in three workers are freelancers; **over 50 percent** of population likely to freelance by 2027
- **18 percent** workforce at mid-market companies (turnover of $100 million to $5 billion) in 2016 was contingent, figure projected to reach 20 percent by 2020
- **16 percent** workforce at big companies (turnover above $5 billion) were contingent in 2016; expected to touch 19 percent by 2020
- **66 percent** of large companies are using freelancers and other gig workers to lower labour costs
- **58 percent** mid-market companies use gig workers to access skills and experience unavailable in their current workforce
- **43 percent** of respondents, in a Remote Work survey, list flexible schedule as the most important reason to work independently

...And How It Is Playing Out In India

- **One in four** freelancers globally is from India
- **India is among the top three** in-demand countries for online work, led by the US and the UK globally
- Gig economy has the potential to grow up to **$20-30 billion** by 2025
- **40 percent** of freelancers, in a survey by PayPal, have seen fast growth in gigs over the last year
- **Over a third** of 500-plus organisations, surveyed by Flexing It, expect to rely on flexible talent up to **50 percent** in the next five years

Source: *Betterment’s 2018 Report; Freelancing in America survey; State of Remote Work; EY report; Flexing It*

> **“I wanted to stay home with my kids, aged one and three. That’s why Wakency made sense. I chose to work for two hours each weekday, and managed to pull it off.”**
>
> **APARNA KHATRI**, 35, A GIG WORKER IN MUMBAI

vital role in keeping it light on its feet and ready, the report concludes.

Meanwhile, Kanodia is exploring to enter more cities as Wakency gathers steam in Mumbai. It hasn’t been smooth sailing though. The biggest challenge, she points out, was Wakency’s biggest strength: First-of-its-kind job platform. “For many, it was initially a challenge to differentiate us from the universe of temporary staffing and work from home opportunities they’re exposed to,” says Kanodia. There was another issue to grapple with, this time from the employers’ side. A relatively new user behavior in recruitment and a novel approach to work was a cultural shift for some organisations. However, proprietary technology to match the on-demand hiring helped soothe nerves, she claims. “We intend to expand across the country by 2020, starting with key cities and moving into satellite ones and tier 2 towns,” says Kanodia.

Ask her about competition and the chances of big players like Naukri and others getting into such a form of hiring, Kanodia sounds confident. “We have the first-mover advantage,” she says, adding that the unique data handling capabilities of the parent company—Datamatics—will ensure that numbers are on the side of Wakency.

SANJEEV SANYAL

‘There Has Been a Distinct Change in Business Culture’

Sanjeev Sanyal on the government’s successes, its focus on micro solutions, and reforms needed for economic growth

By SALIL PANCHAL

Sanjeev Sanyal believes it will take a couple of years to stabilise the system after GST

Sanjeev Sanyal, principal economic advisor to the ministry of finance, is confident that the government will be able to meet its fiscal deficit target for FY20. The cost of capital is cheap and allocation of capital from banks is improving, he says. Sanyal—whose latest book, *India in the Age of Ideas*, calls for the need to think of a new framework for India’s history, economics and urban design—believes that the next government must focus on reforming the legal and administrative systems, lack of which will be the biggest roadblock to further growth. Edited excerpts from an interview:

Q The government has revised its fiscal deficit target from 3.3 percent to 3.4 percent for the next financial year. Will it be able to meet it considering the massive income support scheme for farmers?
What people do not realise is that the single major item which leads to the deficit is interest payments. Excluding that, the government has been well-behaved for quite some time on the primary deficit (which is 0.2 percent of GDP). There is no particular reason to be concerned that there will be a slippage.
There have been some shortfalls in the Goods and Services Tax (GST), but collections in direct tax and customs have been better than before. International experience shows that the benefits of GST will start to kick in soon and that will help.

Q I was coming to the GST shortfall. Will the gap get covered now?
It takes a couple of years for stabilising the system. The finance minister has signalled more simplification. The first step was to make sure that it [GST] works, the second year is to smoothen it out and in the third year you will see the benefits.

Q The government focussed on affordable housing for the low-income group. Is the shift now towards meeting the expectations of the middle class?
For the last four-and-a-half-years, the biggest focus of the government was to restore macro-stability in the economy. The effort was to clean up the banking system, control inflation and create rule-based framework for governance in the form of the Monetary Policy Committee, the Insolvency and Bankruptcy Code (IBC), GST and even the Jan Dhan Yojana-Aadhaar combination.
From here on, there will be greater focus on select problems and select groups, so we are moving from macro to micro solutions.

> “By anchoring inflation, India is in a position to structurally lower the cost of capital.”

Q Which were these issues?
One relates to farmers. The aim since the Green Revolution was to produce more food to avoid starvation [and dependence on imports].
The problem now is of over-production. One cannot use tools of the past. If you subsidise inputs more, you are also leading to more

food production. Same would happen if one muddles around too much with minimum support prices and procurements. If on an average we are in excess [food production], we can't keep storing more food. We need to support farmers in an environment of excess food production, where population growth is slowing. So we are using direct income transfers [the recently announced Pradhan Mantri Kisan Yojana] for farmers, which will be less distortionary than input subsidies or crop procurements.

Q Bankers argue that farm waivers is not the best solution...
Precisely...we are moving the debate away from input subsidies or farm loan waivers (these are also subsidy to capital). We are providing a top-up to compensate for crop price declines.

Q India's macroeconomic data points are improving, in terms of easing oil prices, lower inflation, stable currency...
One of the big successes of this government has been to structurally lower inflation. [CPI inflation was down to an 18-month low of 2.19 percent in December 2018]. By anchoring inflation, India is in a position to structurally lower the cost of capital. With the cleaning up of the banking system and NPAs falling, the allocation of capital is starting to improve. Both of these are necessary to sustain economic expansion.

Q Credit growth has picked up. Do you see banks in a better position to lend now?
There has been a distinct change in business culture, both in terms of borrowers and lenders, where before a case arrives to the IBC, recoveries are taking place. The culture of taking loans and not caring to repay them has changed, irrespective of what the IBC does. By the end of March 2019, ₹3 lakh crore of funds, earlier assumed as write-offs, will come back into the system. As the process gets tested, it will get regularised better.

Q Which areas need more structural reform?
The next set of reforms should be in the legal space. Considering that we run a market-driven economy, enforcement of contract is what allows individuals, corporates or state-owned entities to conduct business. There are at least 34 million cases pending in courts. The [lack of enforceability] is the biggest roadblock to economic reforms. We also need to reform the bureaucracy; we have an administrative system which is dysfunctional today.

Q Why is your book, *India in the Age of Ideas*, a collection of essays?
It is a collection of articles written over a decade, selected in a way to put together a new framework. The Nehruvian period created a philosophical framework of thinking about the world. We took a colonial way of thinking and overlaid it with a Nerhuvian way of thinking. In 1991, we opened the system up, but did not replace the Nehruvian socialist worldview with something else. So the default option of our thinking—in academia, government or intellectual classes—always drifts to the Nehruvian mindset. We did a critique of that framework, but have not replaced it. This book attempts to provide an alternative way of thinking derived out of complexity theory.

Q We do not think out of the box....
We decided the box was flawed but did not climb out of it. Our history books are flawed...unfortunately we are unable to climb out of this, but when we try to do so, we go into a largely pointless debate that we will have right-wing biases now. The debate should not be about how to perpetuate past lies but how to write a new narrative based on facts.

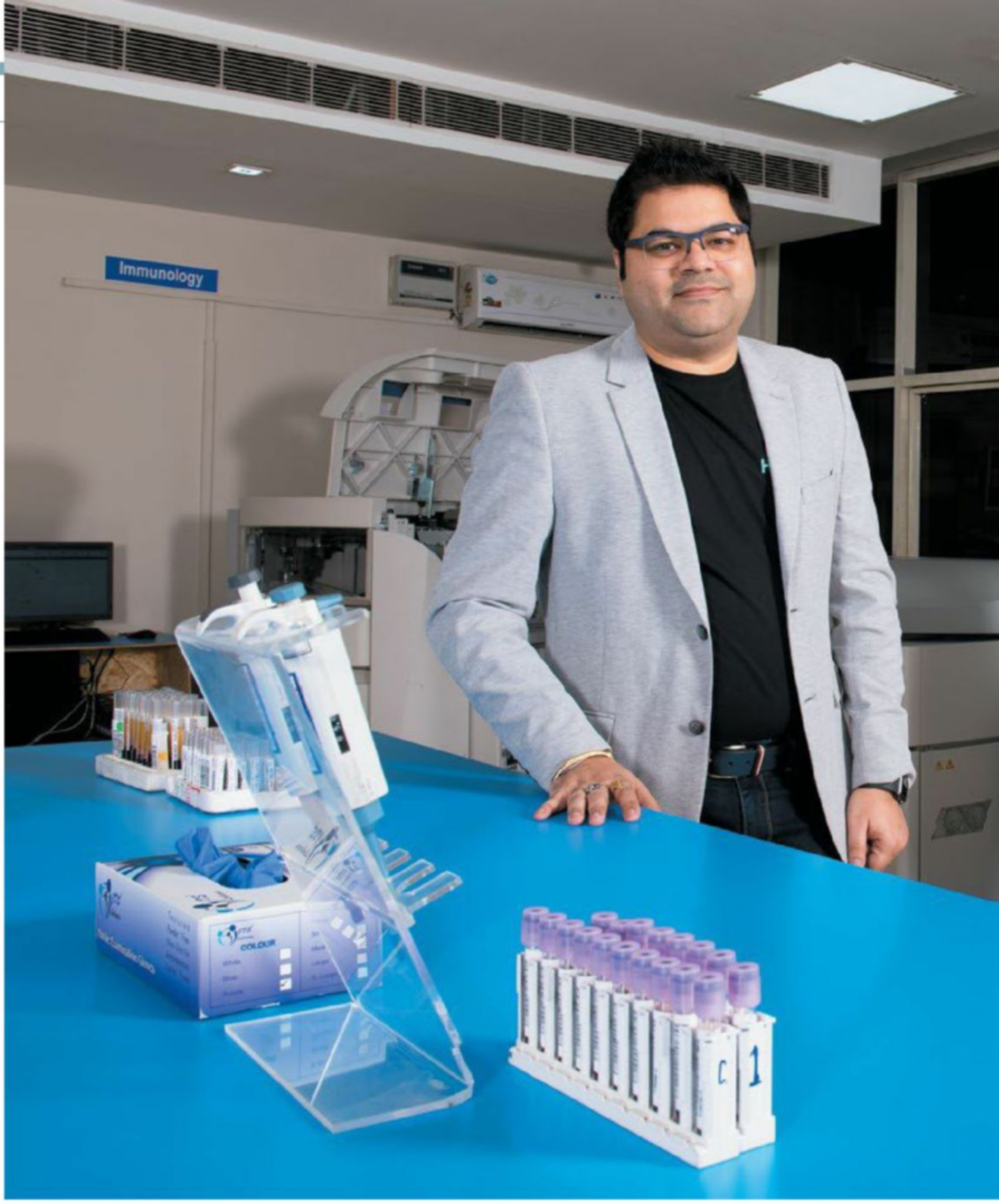
MADHU KAPPARATH

HEALTHIANS

Litmus Test

Healthians, a home diagnostics service provider, took a B2C route to carve out a niche in diagnostics. As it now expands into South India, can the gambit work?

By RAJIV SINGH



AMIT VERMA

The Delhi High Court's interim order in December, seeking a ban on 'illegal' sale of medicines online, raised Deepak Sahni's hopes. Though not into offline retailing of medicines, the founder of home diagnostics service provider Healthians had been grappling with the bane of unregulated, small diagnostic labs across the country. "Unregulated and unlicensed sale of medicines," the court remarked in its verdict, "will increase the risk of spurious, misbranded and sub-standard drugs being sold."

The 36-year-old founder and CEO of Healthians agrees and takes the argument forward with unregulated and unlicenced diagnostic labs as well. "I am waiting for a 'regulatory moment' in my segment," says Sahni, who reckons absence of regulation in diagnostic business in India—a segment where over 80 percent of the players are unorganised—poses danger to people's health. "Health care, especially diagnostics, is not ecommerce where one can hope for multi-fold growth overnight or in a year," he says.

Started in 2015, Sahni has seen his business grow at a rapid pace. It ended the first year of operations with a paltry revenue of ₹1.1 crore, but the figure leapfrogged to ₹18. 5 crore last fiscal. It is now clocking a run rate of ₹80 crore. Healthians, which has raised over $4 million so far from investors such as Beenext, Digital Garage and Yuvraj Singh-backed YouWeCan Ventures, is operational across 30 cities in North India and recently forayed into Bengaluru, as it attempts to become a pan-India player.

The Indian diagnostic market is pegged at $8 billion and is growing at a compounded annual rate of 15 percent. While pathology makes up 80 percent, the rest is occupied by radiology. The massive size of the unorganised market provides a big opportunity to Healthians. Reason:

> **"Labs usually are built around doctors who get commissions for referrals. It's a B2B route. We went directly to the users. It's a B2C route, and unheard of in the pathology industry."**
>
> **DEEPAK SAHNI,** FOUNDER & CEO, HEALTHIANS

Deepak Sahni feels the vast unorganised sector, with its lack of credibility and reliability, gives him an opportunity to increase his presence

Healthy Beginning

Started in 2015 by Deepak Sahni, Healthians has raised over $4 million so far and counts Beenext, Digital Garage, M&S Partners and Yuvraj Singh-backed YouWeCan Ventures among its investors

Asset-light business model revolves around taking up standalone pathology labs and running them with its own army of lab technicians and staff

The home diagnostics service provider is operational across 30 cities in North India, including NCR, Lucknow, Kanpur, Agra; recently forayed into Bengaluru

Collects around 3,000 test samples every day and claims to have completed 10 million tests so far; claims to have a mix of B2C and B2B clients such as Airtel and TCS

Has positioned itself as different from traditional, branded and unorganised players by offering an array of services as value-additions, such as free home sample collection, free doctor and diet consultation, free blood pressure and blood sugar checks for family members at home

From a paltry revenue of ₹1.1 crore in fiscal 2016, Healthians logged in ₹18.5 crore last fiscal; now it's clocking a runrate of ₹80 crore

As the credibility of the unorganised sector takes a hit due to the suspect quality of their medical reports, people are moving towards branded players that run their chain of labs.

Though the consumers' growing mistrust with small labs has helped Healthians, what has benefited it most is a business strategy that is contrarian to the one followed by the rest. Sahni built a brand by reaching out to consumers directly. Usually, diagnostic labs and players bank on referrals by doctors and hospitals, but Sahni bypassed that strategy. "Labs were built around doctors," he says. The normal model, he explains, is build a lab, go for a B2B (business to business) route, give commissions to doctors to refer and then open franchises and build a lab business. "People thought we have gone insane by not taking the doctor route," he recounts. "Others bet big on doctors; we pinned our hopes on a young population which is more educated and aware."

Sahni also shunned the B2B route of growing via franchises. Franchisees, he reckons, might not be loyal as they can dictate terms and change hands. "I gunned for consumer loyalty, and went for a B2C (business to consumer) approach to build business," he says, adding that the move hampered his efforts in raising money initially. "I was rejected by 12 investors because I was trying to build up a business which was not doctor led," he says.

His business had another unique feature: Low operational cost as the asset-light model revolves around taking up standalone pathology labs with high-quality equipment and running it with lab technicians and staff hired by Healthians. Ample care was taken to position the brand as 'different' by offering an array of free services such as home sample collection, doctor and diet consultation, blood pressure and sugar check for family members. The move has paid off. The startup, which collects around 3,000 samples every day, has completed 10 million tests so far.

Opting for the 'Red Ocean' strategy (competing head-on with the market leader as well as a host of rivals) also turned out to be a bold and successful experiment. The National Capital Region (NCR), which happens to be the most competitive diagnostic market in India, was selected as the place to start operations. The idea was simple: Cracking this market would make the startup battle-ready to expand elsewhere. "Now 90 percent of our revenue comes from the region," says Sahni.

Experts reckon that an increasing trend of people opting for preventive tests and the ease of home collection of samples offered by Healthians helped it gain acceptance. "Online players like Healthians are able to tap into these trends and serve a loyal segment that wants to get quality testing for preventive purposes at an affordable price," says Anil Kumar, CEO of RedSeer Consulting.

The growth was also aided by other factors. An HDFC Bank Investment Advisory Group report on health care delivery points out that over 70 percent of medical decisions are now based on diagnostic results. Rising literacy level and per capita income, coupled with expected improvement in health care services, are likely to bring volume growth for the industry from such areas, the report adds. A jump in lifestyle-related diseases has also led to an increase in demand for diagnostic services. "We focussed on preventive health care and have been sensitising people about getting tests done regularly," says Sahni.

There have been several challenges along the way. The biggest was the multiple pivots Healthians has had since its inception. It started as an aggregator of diagnostic labs. But within a few months, the startup changed from an aggregation to a logistics model. The problem with the aggregation model, recalls Sahni, was that while Healthians was generating business for the labs, the collection of samples was under the control of labs. "Many a times, the collection guy would not reach as per schedule or charge money for collecting samples," he says. This hurt the credibility of the brand as the business was generated by Healthians.

The second pivot happened in quick succession. Though the samples were now collected on time, there was no control over the quality of tests. The next move was to bring labs under control and run the entire operations. Earlier, Healthians used to have quality supervisors at the labs. Now, pathologists were hired, and entire operations were run by the startup. The focus shifted to spreading the message of 'accuracy' of tests and consumers were offered a chance to visit the lab.

With operations stabilising in North India, Healthians is now looking to go deeper into the South. It plans to invest ₹50 crore to expand across Bengaluru, Hyderabad and Chennai, and add over 200 labs and 3,000 phlebotomists across 30 cities over 18 months.

In spite of the growth, the challenge still remains: In smaller cities, unorganised players account for over 80 percent of the diagnostic market. Competing against them would be a time-consuming process. Another challenge would be to spend marketing dollars on building brand and creating awareness, which, in turn, might spike the operational expenses. Sahni is quick to point out that things are changing as the brand gains acceptance even from doctors. "Now we get 10-15 percent of revenue from referrals made by them. And this is without any commission," he adds.

Kumar of RedSeer Consulting points out another issue. The current online penetration of diagnostioc tests is a little under 1 percent, as a large number of doctors and nursing homes collect samples in-house or refer a particular lab. "So the patients don't get a chance to explore options," he says.

Sahni, for his part, sees an opportunity in the challenge. "A minuscule online penetration means there is enough headroom for growth," he smiles. What potentially can leapfrog his business, though, is a move by the government to regulate the industry by bringing standardisation in terms of use and calibration of equipment and related moves. "Once you build a business around consumers, the consumers will then take care of your business," he says.

Booming diagnostic market presents a big opportunity...

$8 billion

Size of the diagnostic market in India. Estimated to be growing at a CAGR (compounded annual growth rate) of 15%

80%

Share of pathology in the diagnostic market; radiology makes up for the rest. While the former is growing at 17%, radiology is logging in over 14% growth

Top 5 cities

- Account for over 40% of the diagnostic market, and dominated by biggies like Dr Lal PathLabs
- While in top cities, unorganised markets account for 45%, in smaller cities, it can account for 80-90% as it's dominated by unorganised players

Unorganised players

- Command 85% share of the industry
- Operate under various formats such as standalone centres (48%) offering basic testing, and hospital-based centres (37%)
- Outsource some of the complex testing to third-party laboratories

Diagnostic chains

- Hold under 15% share of the diagnostic industry
- Large pan-India chains, such as Thyrocare and Dr Lal PathLabs, enjoy 35-40% share
- Regional diagnostic chains make up for the rest

...but challenges are equally daunting

- Since Healthians doesn't work on a commission model, the pace of growth could be muted
- Breaking the doctor-lab nexus means spending money on marketing and consumer awareness to build the brand
- Nudging consumers to opt for online diagnostic player would take time

Source: *RedSeer Consulting; HDFC Bank Investment Advisory Group report on healthcare delivery system)*

MOTILAL OSWAL

Up to The Challenge

Vijay Goel, who heads Motilal Oswal Private Wealth Management, has both an exciting and competitive market to operate in

By SALIL PANCHAL

If pure statistics were all to go by, Vijay Goel, Motilal Oswal Private Wealth Management's (MOPWM) managing director and CEO, would have been a worried man. Revenues for the wealth management firm edged up just 2 percent to ₹24.9 crore and profits fell 40 percent to ₹2.6 crore in the quarter ending December 31, 2018, from the previous (September-ended) quarter.

Assets under management (AUM), meanwhile, grew just 7 percent trailing behind giants such as Kotak Wealth Management, IIFL, Edelweiss Wealth Management and Axis *(see table)*. At the same time, operating costs increased 17 percent as the group continued to hire relationship managers (RMs) to grow this business. This resulted in a lower Ebitda (-41 percent) for Q3FY19 and lower profits.

But Goel doesn't seem to be worried. "The quarter gone by was tough for the industry as a whole," says Goel, adding that investors were shy to put money in increasingly volatile equity markets and stayed away from even debt products. Also, for companies selling mutual fund schemes—and this includes wealth management companies—several regulatory changes were announced by Sebi, which would have a direct impact on costs and profitability of the company and also earnings packages for their talent pool—mainly RMs. These changes will come into effect from April 1, 2019.

For fund houses managing AUMs above ₹50,000 crore, Sebi has capped the total expense ratio (TER) for open-ended schemes at 1.05 percent, compared to an average 1.75 percent charged earlier. The regularor has allowed for a higher expense ratio for funds with smaller-sized AUMs, so that there is a level playing field for all mutual fund companies.

TER is the total cost of managing the mutual fund that investors pay while investing with an AMC for this service. Distributor commissions, fund management fees, promotional events are all expenses for an asset management company (AMC).

Smaller mutual fund companies are at an advantage here as their TER can be higher and agents will try and sell these schemes to investors, as they would earn more commission through these.

Moreover, in a move towards making investing in mutual funds more transparent, Sebi has mandated that AMCs will have to adopt a trail model of commission in all schemes. Payment of upfront commission to mutual fund distributors will not be allowed.

An upfront commission is paid to a mutual fund distributor in the same month that the investor made that purchase, while a trail commission is a recurring fee paid to the distributor until the investment is sold. Agents would often advise clients to churn their mutual fund portfolios to earn a higher commission. A trail commission, on the other hand, would ensure investors stay invested in a particular scheme longer and incentives will be given to the RM at the end of the year.

"We never took to upfronting and have followed the trail (commission) model. Over 80 percent of my costs are covered due to recurring revenues," Goel claims.

Motilal Oswal's core strategy, Goel explains, has been to ensure client longevity. "If he stays longer with you, his money will grow and my commission will grow; his surplus income/ business will grow and then he will park more with me."

The wealth management firm now has 3,527 clients serviced by 134 RMs. Most of their clients—who are top corporate senior professionals or run mid to large family-led businesses—have a portfolio of ₹5

How Motilal Oswal Stacks up Against The Leaders

	Assets Under Management (as on Dec 31, 2018)	AUM as on Dec 31, 2017	Y-o-Y growth (in %)
Kotak Wealth Management	260000	225000	15.5
IIFL Wealth Management	160573	128175	25.2
Axis Wealth Management	129651	90.8	43
Edelweiss Global Wealth Management	100300	84700	18.4
Motilal Oswal Private Wealth Management	16400*	15300	7.14

Source: *Investor presentations, Asian Private Banker; asset figures in ₹ crore*

** For April-Dec 2018*

Vijay Goel, managing director & CEO, Motilal Oswal Wealth Management

crore to ₹100 crore parked with them.

India has the third largest number of billionaires in the world, which has meant an obvious growth in the wealth management business, led by aggressive selling and hiring of RMs, and hefty bonuses to RMs in recent years.

According to the AfrAsia Bank Global Wealth Migration Review 2018, India had 119 billionaires, which would rise to 357 by 2027. It is data like this that keeps Goel cheerful.

As for RMs, he says, "We hire most of our RMs from the priority banking segment at banks." He is also not perturbed that RMs have left them to join the larger wealth management companies such as Kotak, IIFL, Edelweiss or Axis. "Maybe only 10-15 percent of new joinees would have left. I have not checked this. For us, the mantra is: everyone works for the RM and the RM works for the client."

The differentiator, according to Goel, is rigorous training for RMs, monthly or quarterly portfolio reviews with their clients and conservative investment advice. Talking about the AUM league tables, Goel says, "We want to grow at our own pace, not compared to others. Otherwise it will put unnecessary pressure on us."

AUMs for their wealth business had surged by 140 percent between 2016 and 2017, Asian Private Banker data showed, albeit on a small base. Goel now hopes to grow their wealth management AUMs by over 35 percent, from ₹16,400 to between ₹20,000 and ₹25,000 crore by FY20. While the pie is large and continues to swell, Goel's biggest challenge will be to retain and grow his talent pool.

Newer services continue to be launched for wealthy investors, including by State Bank of India, IndusInd Bank, Sanctum and Paytm. With the leaders already well-entrenched and as Sebi's regulations kick in, the coming quarters will determine how well Motilal Oswal has managed its business.

MEXY XAVIER

'AI is One Technology where India can Fully Leverage its People'

Forbes INDIA CONVERSATIONS THE THOUGHT LEADERSHIP FORUM

IN PARTNERSHIP WITH

BNP PARIBAS

As artificial intelligence creates new business models, graduates can turn data scientists with the right training

BY TEAM FORBES INDIA

The second edition of Forbes India Conversations, a thought leadership forum in association with BNP Paribas, saw some of the country's top technology evangelists share their views on a 'CEO's mandate in the age of intelligent automation'. The closed-door panel discussion was held in Bengaluru in January, and was moderated by *Forbes India* Editor Brian Carvalho. The panel comprised Nivruti Rai, country head, Intel India; Sameer Garde, president, Cisco India and SAARC; Rahul Agarwal, CEO and MD, Lenovo India; Rostow Ravanan, CEO and MD, Mindtree; Subram Natarajan, CTO, IBM India/SA; Kamal Bali, president and MD, Volvo Group India; Abhishek Ganguly, MD, Puma India, and Franciska Decuypere, country head—India, BNP Paribas. They unanimously agreed that artificial intelligence (AI) will rewrite how businesses are run and done. Edited excerpts from the discussion:

Brian Carvalho: How imperative is AI in business today?

Rostow Ravanan: AI will fundamentally

NISHAL LAMA FOR FORBES INDIA

rewrite the business of IT services and disrupt how we take the offerings to the market. It is equivalent to the invention of the IC [internal combustion] engine which disrupted the horse-cart industry.

Rahul Agarwal: By definition, it is difficult to predict what AI can give you. But AI is making us more efficient and bringing us closer to the customer.

Abhishek Ganguly: In my industry, AI is used in making product designs based on consumer trends and [to predict] future fashion trends.

Subram Natarajan: One of the advantages that I have is to see how different industries are consuming AI. Today if you were to communicate with any of the banks through digital channels, nine out of 10 times you will be touching an AI algorithm.

Kamal Bali: Automation and AI are creating new revenue streams in the auto industry. In five years, we will not be able to recognise how we are doing things now. We have actually demonstrated a fully-electric, fully-connected, driverless truck about two weeks ago.

Sameer Garde: AI isn't a solution, but a tool. It is a feature and one element of the business problem. But what are the key things that will influence its adoption? One is technical feasibility, like quantum on the cloud, which makes it more accessible.

Nivruti Rai: Tomorrow, AI will be like how each one of us use [Microsoft] Excel today. We have AI in our buildings, in processors, in identifying false parts, we're using AI everywhere. By March this year, I'll have 14,000-odd Intel [India] employees trained on Level 1 AI and my goal is to identify more people to do Level 2 and Level 3.

Franciska Decuypere: For a bank, the potential of using AI is tremendous. Where I am a little less optimistic is that it is not easy to put applications and make them relevant to clients. Before you use them at scale, and there is a business scale, there is a lot [of homework] to do.

Carvalho: Clearly there is a business case for AI, but what has been its return on investment?

Agarwal: Our after-sales service cost has gone down by 40 percent over the last four years, as a lot of it is being driven by AI solutions. Even our supply chain keeps getting more efficient every year.

(From left): Kamal Bali, president and managing director, Volvo Group India; Sameer Garde, president, Cisco India and SAARC; Abhishek Ganguly, managing director, Puma India; Rahul Agarwal, managing director, Lenovo India; Subram Natarajan, chief technology officer, IBM India/South Asia; Rostow Ravanan, CEO and managing director, Mindtree
(Sitting L-R) Nivruti Rai, country head, Intel India; Franciska Decuypere, country head—India, BNP Paribas

Bali: For trucks and buses [with the use of AI] we aim to reduce the logistics cost by 50 percent. Besides, IC engine-driven vehicles using machine learning and AI could lower fuel costs by at least 20 percent.

Ganguly: AI makes you more agile, so I think part of it is not measurable. Any company which doesn't value that is probably on the wrong path.

Carvalho: Data is the fuel that AI runs on. How do you collect that and discover sources for it?

Ravanan: Today, as so many touch points have become digital, the ability to capture data has increased exponentially.

Natarajan: The key is the quality of the data, cleaning it and ensuring that it is right and important.

Rai: Data can be used for AI and machine learning only with context. I believe AI is one technology where India can fully leverage its people. There are lakhs of engineers graduating each year. I believe that with training, they can be turned into data scientists. There are people who know math and statistics, but data analysis, the way AI needs it, requires training.

Bali: In the automotive industry we have a challenge in finding people. But I agree with Nivruti...you can develop them [talent] over a period of time. Right now, however, there is a challenge.

Natarajan: Technology is helping skill data scientists and get them off the block quickly.

Decuypere: If we want to make AI relevant to the consumer, it should be based on as much data as possible. But since you could be in conflict with privacy concerns of customers, there is a lot of educational explanation that needs to be done. ■

AIRTABLE

Move Slow and Make Things

Airtable's Howie Liu has quietly built a software giant by emphasising substance over speed. But can a tech tortoise win the data race?

By STEVEN BERTONI

In the frenetic world of tech, where the ruling ethos is to move fast and break things, Howie Liu moves at a glacial pace. With Andrew Ofstad and Emmett Nicholas, he launched Airtable in 2013. They wanted to create a spreadsheet with the power of a database. Then they spent three years building a prototype.

The trio pored over academic papers on collaborative software theory, agonised about the Node.js architecture and obsessed over the speed at which windows popped open. After reading Kenya Hara's design book *White*, Liu spent months focusing on the interplay of colour and empty space.

Liu, 30, is sitting in his San Francisco headquarters dressed in a black leather jacket and black shirt, slacks and shoes. It's a minimalist uniform à la Steve Jobs, the guy who would fuss forever over the shade of white of an iPod: "Instead of trying to rush a new product out the door, we introduce a period of forced delay, so people have a chance to sleep on an idea," he says. "It's a concept we call the simmer."

Now Airtable is coming to a boil. Liu's cloud-based software has taken hold in 80,000 organisations, from Netflix to small non-profits. Revenue is on track to jump 400 percent to $20 million in 2018, mostly on word of mouth.

Investors have noticed. In March 2018, Airtable raised $59 million from CRV, Caffeinated Capital and Slow Ventures. Later in the year, it snagged another $100 million from Benchmark, Thrive Capital and Coatue Management at a post-money valuation of $1.1 billion.

Airtable has attached an approachable drag-and-drop experience to a powerful database, much as Windows replaced tedious text-based commands with a graphic interface or AOL offered a welcoming portal to the web. "It's an intuitive and fun way to build on data in a way you can't with clunky products like Microsoft Access and Excel," says Ray Tonsing of Caffeinated Capital. "It's a joyful product to use."

Airtable has taken hold in 80,000 organisations, from Netflix to small non-profits. Revenue is on track to jump 400%

At first glance, Airtable looks like a souped-up Google Sheet. It's a collaborative spreadsheet that can store images, documents, videos and URLs. All of these can be dragged into cells and opened with a click. And while Google Sheets is fine for projects with a team of ten or so, Airtable has the relational database underneath to run businesses with thousands of far-flung employees simultaneously accessing the system via computers, smartphones and tablets. The several million of lines of code, written in open-source Node.js, encrypt the data and back it up with restorable snapshots.

Pricing is on the usual freemium model. You get basic services gratis. Subscriptions, which cost $10 or $20 for a month per user, offer advanced features and generous storage space. Enterprise packages start at $60 a head. One in six users is a paying customer.

Airtable's defining feature is a buffet of apps and functions, called "blocks". With these you can overlay

On the rise: Airtable CEO Howie Liu

JAMEL TOPPIN FOR FORBES

data sets on a Google map, apply rules and formulas, send alerts and messages to colleagues, share files via SMS messages or emails, integrate with services like Slack and Dropbox, aggregate surveys and forms, and push content onto a live website.

It adds up to a powerful tool kit that lets anyone create custom applications (sales pipelines, client reports, project management flows, editorial calendars, inventory management) that previously required code writers or pricey consultants.

Airtable isn't the only software vendor to talk about code-free programming; Quick Base, a spin-off of Intuit, makes a similar pitch. That doesn't stop Liu from imagining how his firm can capture a wide swath of the world's data processing. "People think we're building an Excel or Google Sheets replacement, but we're out to build the next Microsoft or Apple," he says. "This is a $100 billion-plus revenue opportunity."

That's an ambitious statement—even in an industry that ploughs millions into immortality research and launches electric cars into orbit. After all, the opportunity to expand from a narrow product line into the full suite of business software doesn't belong only to Airtable. Liu might find a way to snatch some of Microsoft's $110 billion in sales; Microsoft might snatch some of his.

But Liu is convinced Airtable can win by being software's version of Lego, providing blocks to let any business build do-it-yourself custom software cheaply and quickly. "America's most valuable data is still stored in people's heads and on Excel sheets," says Sam Lessin of Slow Ventures, which joined in Airtable's fundraising in March. "If you can become the place where all the data that operates most businesses goes, the opportunity to build an ecosystem and be the next great platform becomes obvious."

Liu is betting he'll get more traction once outside entrepreneurs build programs for Airtable as they do now for the App Store and Google Play. "The software serves as a blank canvas for whatever a company needs," says Thrive Capital founder Joshua Kushner. "That's extremely powerful."

Airtable has illustrious acolytes. Netflix uses it to run its post-production pipeline. Atlantic Records built an Airtable program to manage communication between producers, songwriters and performers. WeWork, an early adopter, has thousands of employees on the software to manage and plan construction projects.

For Calvin Klein, an Airtable database ironed out its fabric-sourcing operations—once a complex juggle of thousands of emails and offline spreadsheets between designers, project managers and overseas textile mills. Now there's a central application that manages calendars, images, production costs, manufacturing lead time and shipping schedules. PVH, the parent company of Calvin Klein, has since deployed Airtable to its other brands.

During Hurricane Harvey, the non-profit Austin Pets Alive created an Airtable app to track missing animals. Cattle farmers in Idaho use it to chart the health history and vaccination records of cows.

"It's such a counterpoint to Silicon Valley hubris," Liu says. His Market Street office is filled with Silicon Valley totems: Soundproof meeting pods, remote networking robots and rows of motorised stand-up desks. "There is a mindset that people in the middle of the country don't have the desire or the intelligence to use technology—it's so patronising."

The son of Korean parents who were raised in China, Liu grew up in College Station, Texas, where his father earned a biochemistry PhD at Texas A&M. His mom, an engineer in China, worked minimum-wage jobs at McDonald's and as a seamstress. "She'd come home with bloodied hands," Liu says, "but still have the energy to teach me math, reading, arts and crafts." She gave him books on Steve Jobs and Bill Gates. "At that time Microsoft was the company, and Bill Gates was the richest person in the world. I probably read four biographies about him."

"People think we're building an Excel or Google Sheets replacement, but we're out to build the next Microsoft."

At 13 Liu taught himself to code C++ after finding an unread training book in his dad's office. At 16 he went to Duke and in 2009 got a degree in mechanical engineering and public policy.

Liu landed a software development job in San Jose at Accenture. The salary was higher than his parents' combined income. But the night before his start date, he got cold feet and never showed. "It was a tough decision. I didn't have any financial resources to fall back on," Liu says. "But ultimately I chose to try to do a startup."

He launched a four-person company called Etacts that aggregated messages from email, Facebook and Twitter. In 2010 Liu got a spot in Y Combinator, the Mountain View, California, nursery for new ventures. Later that year he sold Etacts to Salesforce, netting a million-dollar payday and a gig building a chat product.

At Salesforce, Liu liked the people and the salary but again felt the pull to start something new. He left in 2012, travelled to Japan and Uganda and read books on philosophy and design theory. He visited museums, conducted colour-theory experiments through painting and tried his hand at sculpture.

At that point Andrew Ofstad, a classmate from Duke, was on sabbatical from his project manager job at Google. Soon the two were lugging oversize computer monitors to each other's apartments to toy with programs. They wrote one for organising photos and built a word processor for creative writing.

Airtable took shape in 2012. It raised $3 million from Caffeinated Capital and Freestyle Capital in March 2013. With fewer than ten employees, it launched the first database in the winter of 2015 and collected another $8 million in funding a few months later. "We've always raised an abundance of money," says Liu, whose equity stake is down to 10 percent. "We see the dilution as a form of buying insurance."

Liu will need the $100 million from the latest dose of venture capital. In addition to Quick Base, Coda, another well-funded startup, is targeting his market. Tech giants are a threat too. "There's an Amazon team, run by someone I know, building a direct competitor to us," Liu says. Amazon did not respond to requests for comment.

Liu will use some of the new cash to launch an aggressive marketing campaign, educating potential customers about Airtable's features. He will also invest in companies that want to build apps. As always, Liu is in no rush: "Having the capital in the bank lets us continue to prioritise things that might not pan out for years." F

Bengaluru-based Dhaatu Puppets' stories are largely based on the epics

COURTESY: ANUPAMA HOSKERE

THE HANDS THAT PULL THE STRINGS

Can modern puppeteers in India help breathe new life into a centuries-old, dwindling tradition?

By **Jasodhara Banerjee**

Anurupa Roy has a tendency of holding her audience in thrall. Whether she is performing at a Junoon Salon event in Mumbai, or the Serendipity Arts Festival in Goa, or the Joburg Theatre in Johannesburg, Roy's audience watches mesmerised as episodes of the *Mahabharata* unfold on stage. What makes it so captivating is not such much as the story—we all know how it ends—but the manner in which it is brought to life... through the dead material of puppets.

Roy's puppets range from the pint- to human- to giant-sized. They wear masks that indicate different characters, or characteristics; they ride on the shoulders of humans, wrestle with them, or fall in love. On the darkened stage of auditoriums, where the largely urbane crowd sits in hushed silence, the accompanying music and light—sophisticated in their composition and implementation—add the drama, pathos or joy to the unfolding narrative.

And then there is Ranjan Ray. A puppeteer since 1968, who took to the art form because it seemed to be a viable way of making a living in the poverty-stricken district of Nadia, in West Bengal, where other forms of livelihood were difficult to come by. Armed with his bunch of string puppets, Ray travels throughout Bengal—and as far as Delhi, and Thane (Mumbai's neighbouring district)—with stories from the epics, folk tales and some of his own.

Performing at all times of the day, in the midst of noisy village fairs, puppet festivals—such as the one in Nadia's Muragachha Colony—or the recently-concluded Sur Jahan World Peace Music Festival in Kolkata, Ray's is an art inherited and learnt from one generation to the next. What has changed over the years are some of the materials he uses to make the puppets, and some of the stories he tells. What has not changed much is the modest position their puppetry holds amid the more haloed forms of performance arts, and hence their economic and social conditions.

Roy and Ray represent the two realities of puppetry in India: While one has trained with the best in India and abroad and is highly influenced by practices in foreign countries, the other carries forward a tradition that is so old that it is difficult to ascertain where and how it started; while one is finding an audience with an urban, even global, population that views puppetry as a novel and intriguing form of performing art, the other finds limited exposure to fresh ideas, and is struggling to find takers, even amidst its own population that is perhaps tiring of the art form and moving to regular jobs that hold better economic promises.

The two starkly different realities of puppetry in India—which, by some accounts, is where the art form was born, before spreading to other Asian countries, such as Indonesia and Japan, and then to Europe—can, in some measure, be attributed to the fact that despite it being such an ancient tradition, there have been no formal institutions, infrastructure and pedagogy for it. Recognised by the government only as a folk art, it has been left to the traditional practitioners themselves—who came from marginalised populations such as tribals—to hand it down from one generation to the next simply as a means of eking out a living.

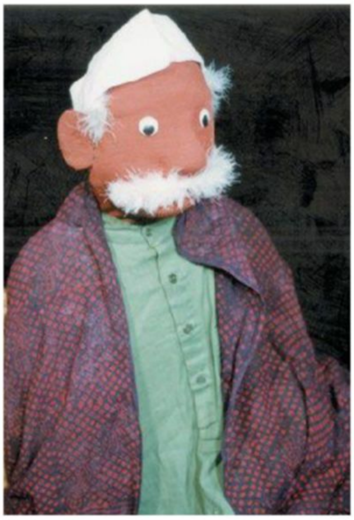
Chetan Gangavane is the latest in the line of *chitrakathis*—communities who make a living by narrating tales, accompanied by handpainted pictures on paper—in the Pinguli village of Maharashtra's Sindhudurg district. "We tell stories from the *Ramayana* based on paintings that we make on handmade paper," says Gangavane, who studied for a diploma in engineering in Kolhapur, and then gave up his job in Mumbai to return to his village in 2007 to revive a tradition that he traces back to at least 350 years. "In the whole state, ours is the last family that practises this art form. We come from the tribal community of Thakars, and have 11 traditional art forms that include handicrafts and performances."

Gangavane adds that although there is no documentary proof, mention of their puppetry forms are found in ancient texts such as the *Dnyaneshwari* of the 13th century, written by Marathi saint and poet Dnyaneshwar. In the small museum—Thakar Adivasi Kala Angan (Museum and Art Gallery)—that his father, Parshuram Gangavane, established in their home in 2006, there is paper that can be traced back to the East India Company, dating back to about 300 years. "When our ancestors lived in the jungles, they made their paintings on large leaves. Shivaji maharaj introduced us to paper," he adds. "During his times, puppeteers would also serve as detectives, since we could gather

What has not changed much is the modest position traditional puppetry holds amid the other performance arts

(Left) A performance of Anurupa Roy's *Mahabharata*; (right) Ranjay Ray's Radha Krishna puppets have travelled beyond West Bengal

COURTESY: ANURUPA ROY (LEFT); RANJAN RAY



(Left) Ranjana Pandey's puppets have found their way to television; (Right) A Chetan Gangavane string puppet. Gangavane revived a tradition dating back 350 years

information from different parts of the kingdom when we travelled."

Over the many generations, the community imbibed forms of storytelling other than *chitrakathi*. These include the *kalsutri bahulya*, a string marionette show depicting stories from the *Ramayana* and *Mahabharata*; the *dayati*, or shadow puppet theatre; and the *pangul bael*, a ritual form of theatre around the figure of the sacred bull of Shiva.

Similar in tradition and circumstances are the stories of West Bengal's puppeteers, such as Ray of Nadia and Basanta Kumar Ghorai of Purba Medinipur district. There are three popular forms of *putul naach* (literally, doll's dance) in the state—*dang* (rod), *beni* (glove) and *taar* (string). Ray performs with string puppets, while Ghorai with glove puppets, probably the oldest of the three forms.

"We took to puppetry because we were very poor, and saw others making some kind of a living through these performances," says Ray. "We would go from one village to the other with our dolls." Ghorai, in a demonstration at the 8th India Puppetry Festival organised by the Sangeet Natak Academy in Delhi in 2016, said this art form has traditionally been associated with begging. "When people did not want us to come to their homes any more, they would set their dogs upon us," he remembers.

It is only through some government initiatives and schemes—West Bengal is one of the few states in India that supports puppetry—that Ghorai learnt how to make puppets that were lighter, and therefore less painful, to handle: "When my father and uncles performed, the heads of the glove puppets were made of terracotta, and the hands of chiselled wood. But then we learnt how to use papier-mâché. Now the puppets are lighter, and easier to hold."

Ray's and Ghorai's travels to Kolkata, Delhi and other cities also made them aware that continuing with the age-old stories they have inherited may not be enough to engage new-age audiences who have other forms of entertainment. "We have adapted our stories, and now talk about social issues that we see around us," says Ray, who has established the Sree Ma Putul Natya Samaj. "We often raise awareness, through government campaigns, about things such as child marriage, and human trafficking."
To make it a medium of mass entertainment puppetry also draws inspiration from popular Bengali films, such as the 2007 Mithun Chakraborty-starrer *Minister Fatakeshto*.

To make it a medium of mass entertainment puppetry also draws inspiration from popular films

"Tradition is not something that is static," says Anupama Hoskere, a classical puppeteer, and founder of Dhaatu Puppets in Bengaluru. "It is constantly evolving by imbibing ideas and influences from elsewhere." She, however, laments that traditional puppetry in India has stagnated over the decades and become corrupted in its form. "Generational puppeteers often follow tradition without knowing or understanding the reason and logic behind their traditions. We, at Dhaatu, are classical puppeteers because not only do we follow traditions, but also understand them."

Hoskere, a Bharatnatyam artiste and an engineer by training, combines her learnings from both fields into puppetry, and has trained under Karnataka's master *gombeyata* (rod) puppeteer MR Ranganatha Rao, as well as in the Czech Republic. The stories that she narrates through her performances are largely based on the epics and Puranas.

Hoskere is perhaps a bit of an exception in that she is not a generational puppeteer and yet is a traditional one. Other contemporary puppeteers are keen on relatively modern forms of the art that is influenced by foreign training and exposure. Hoskere mentions the various puppet theatre festivals that take place around the country, among which those in Bengal and Kerala include traditional forms. "Most of the other festivals are more inclined towards modern puppetry forms," she says.

COURTESY: RANJANA PANDEY (LEFT); CHETAN GANGAWNE

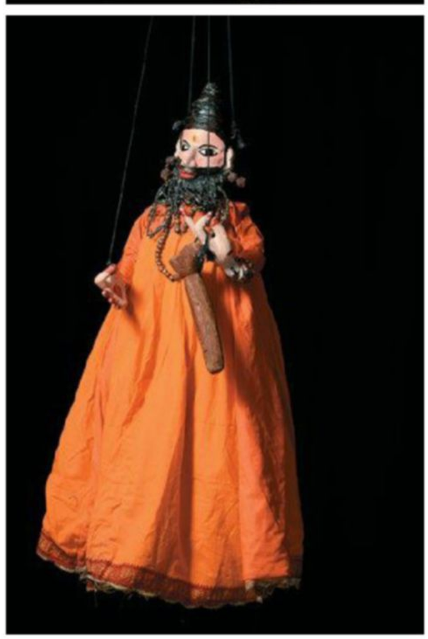
The Ishara International Puppet Theatre Festival, now in its 17th year, for instance, has participants from countries as varied as Brazil, Germany, Iceland, Ireland, the UK, Italy, Tunisia, Iran and Afghanistan. The Dhaatu International Puppet Festival, which started in 2009 with 20 participants from Karnataka, has expanded to include more than 100 participants from across the world. "What is most heartening is that traditional puppeteers from India who had come to our festival in the early years have evolved over the years as they have realised the gamut of their art form and its capacity, and have discovered a new audience," says Hoskere.

Festivals provide a much-needed platform for traditional puppeteers, who, otherwise have little or no support from the government. Commenting on government policies and attitudes towards puppetry, Ranjana Pandey, puppeteer, playwright, theatre and television director, says, "When you have Bharatnatyam at the top of the hierarchy of performance arts in India, there is very little chance for puppetry that stands at the bottom of the ladder. It is relegated to the status of folk art and has never received the attention, support and sponsorship that it has got in countries like Indonesia and Japan, where it has been elevated to a fine art."

"Traditional puppeteers are struggling, as audience tastes change. So for them it is a question of 'abandon or adapt'," says Pandey. "But we have to remember that this is not the first time they are facing this dilemma, and creativity can take them a long way." The perception of patrons and audiences in the future will depend on the quality of the performance, she adds.

The lack of government recognition is what pushed puppeteer Meena Naik to start a four-month certificate course at the Mumbai University in 2012. Since she is primarily focussed on issues related to children, her course attracts educationists, teachers, psychologists and other experts who deal with similar issues, and use puppets to raise awareness among children or help them deal with difficulties. "We work with traditional techniques—such as shadow, glove, rod and strings puppets—but use contemporary materials such as plastic and foam," says Naik.

"Traditional puppeteers would perform only stories from the epics and folk stories, and were rather rigid in their formats and lengths of performances," she says. "But now they are adapting, and have narratives dealing with raising awareness about different societal issues and government campaigns."



Classical puppeteer Anupama Hoskere combines her Bharatnatyam and engineering learnings into puppetry

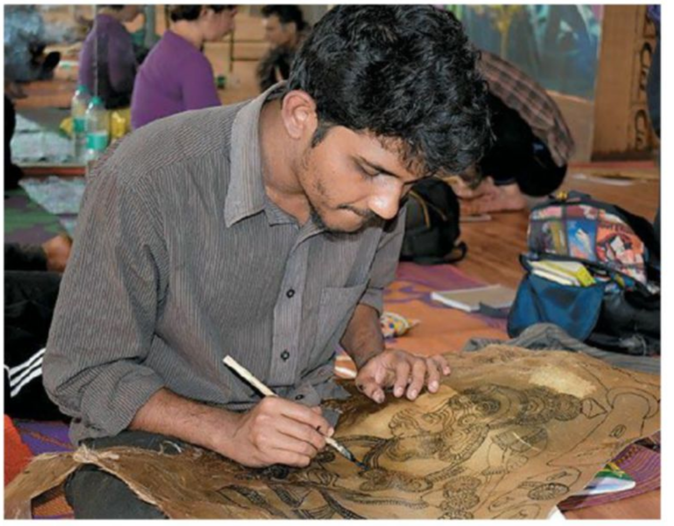
COURTESY: ANUPAMA HOSKERE

One of the earliest modern puppeteers in India was Meher Contractor, who was trained in London and whose contributions and style continue to influence newer generations. Contractor's work at the Darpana Academy of Performing Arts in Ahmedabad nurtured several new puppeteers who went on to become veterans of the field, including Mahipat Kavi, Bela Shodhan, Mansingh Zala, Dadi Pudumjee and Ratnamala Nori.

"Urban puppetry has been highly influenced by the West, with mega performances in countries like the US, South Africa and Japan, and has inspired the younger generation in India," says Pandey, who trained in Belgium.

"Pudumjee set the precedence for contemporary puppeteers by breaking a lot of norms," says Anurupa Roy, while speaking of the founder of the 30-year-old Ishara Puppet Theatre Trust, and president of the Union Internationale de la Marionnette (Unima, or the International Puppetry Association), based in Prague. Pudumjee and his group include non-puppet elements, such as dancers, actors and objects, in their productions, and borrow from various traditional Indian forms, as well as global practices. "Dadi has a distinct style," adds Roy, who was trained in Sweden, Italy and the Netherlands. "It took me years to find my style, and I am still not sure if I actually have one."

This 'style' that contemporary puppeteers need to create for themselves, is something that generational puppeteers inherit, and hold as their identity. "I wonder what my identity is as a contemporary Indian puppeteer," says Roy, as she reminisces over the influences



(Left) A puppet from Karnataka's *togalu gombayetta* form of shadow puppetry; (right) a student sketches out a shadow puppet at the the Unima India Foundation Course, which includes a gurukul-style training at the home of shadow puppeteers

that have shaped her work. "I encountered traditional forms of Indian puppetry very late in life. This was partly because of the lack of access to these forms, and partly because of my urban upbringing."

She, however, adds that going to another country to learn puppetry was really not out of choice. "People like Dadi, Ranjana, me... we are all trained in Europe. But that's because of the lack of formal training options within India," she says. "And now, there is a whole lot of unlearning to be done, because there is a vital need to connect with the continuity of the tradition within India."

Trying to bridge the divide between traditional and contemporary forms, as well as present a platform for mutual sharing and learning is the Unima India Foundation Course for Puppeteers, which saw its first batch complete training in end-January. Roy's Katkatha Puppets Art Trust, in collaboration with Unima India, started offering workshops in 2014. "We started with two-week Puppet Master Classes, with the first one being conducted in Mussoorie by master puppeteer Shri Gunduraju from the *togalu gombayetta* form of shadow puppetry from Karnataka," says Roy. "It was a residential workshop that focussed on training in making and manipulating leather puppets, and traditional narratives."

The Unima India Foundation Course for Puppeteers includes classroom teachings on sculptures, puppet-making, story building and manipulation techniques

As a fleshing out of these workshops, Katkatha and Unima's foundation course spans four months, with the first batch of students comprising traditional puppeteers, theatre artistes, and semi-practising puppeteers. The course includes classroom teachings on sculptures, puppet-making, story building, manipulation techniques and voice training; it also includes a three-week gurukul-style training at the home of shadow puppeteers. Roy says they plan to organise such foundation courses every alternate year, with the 2020 one being a better version of the 2018 course.

"The impact that global influences have had on our puppetry is something we are asking ourselves all the time, and it has been a key consideration while formulating the foundation course," says Roy. "While structuring the initial workshops, replicating a Western model was an option. But we have a 3,000-year-old tradition. No other part of the world, apart from Southeast Asia, has had continuous traditional forms such as ours. If we don't incorporate these, we will be left rootless."

(TOP LEFT) WERNER FORMAN / UNIVERSAL IMAGES GROUP / GETTY IMAGES; COURTESY: ANURUPA ROY

THE BETTER BUTTER

***Shea** has not just changed the way we eat chocolate and moisturise our skins, but the manner in which women live in the heart of Africa*

By **Jasodhara Banerjee**

It is winter in Mbanayili. The temperature is nudging 37°C, as the sun beats down on the dusty, red earth of this village in northern Ghana. It is late morning when the women gather in the shade of two giant kapok trees, soon filling the air with their lilting voices and clapping. They sway and twirl, in circles and with each other, singing, “Let the light in”.

Taking time out for singing and dancing is not something they can do often. After tending to their husbands’ farms, their children and attending to household chores, there isn’t time for much else. In this rigid patriarchal society where, traditionally, women have barely had a say in any matter and have endured abuses in many forms, the voices of these women now ring louder than they have before.

Thanks to the humble shea.

The shea tree, indigenous to western Africa, grows naturally, unlike plantation crops grown in humid high forest zones, like palm oil, rubber and cocoa. The fact that shea trees take between 15 and 20 years to grow fully, and bear fruit, makes them financially difficult to farm. The fruit of the tree—comprising a thin tart pulp, and a large oil-rich seed—has been traditionally gathered by rural women to make shea butter, which they sell in local markets, and use themselves, either as a cooking medium or to moisturise their dry skin against the heat and dryness of sub-Saharan Africa. The meagre earnings from its sale supplement the earnings from farming, which sees only one harvest a year in the tropical country.

“Income from shea is modest by comparison with palm oil, but its significance for livelihood security is enormous,” says a November 2018 report by AAK, formerly AarhusKarlshamn, a Swedish-Danish company and producer of value-adding vegetable oils and fats. “Generally, this income passes through the hands of women to support expenditure on household essentials. It fills a critical income-gap at the start of the rainy season, when food stocks from the previous annual harvest are low and the current season’s crops are yet to yield.”

The shea export market from African countries has grown by 600%, creating $200m in annual income

According to the Global Shea Alliance (GSA), in the last 20 years, the shea export market from African countries has grown by 600 percent, to 350,000 metric tonnes a year, creating approximately $200 million in annual income and employing more than 4 million women. While 90 percent of the shea produced in countries such as Nigeria, Ghana, Mali and Burkina Faso is consumed by the food industry (confectionaries, more specifically), the remaining is used by the cosmetics industry.

Conventionally, confectionaries that were categorised as chocolate used cocoa butter. However, a rising global demand for chocolates has meant that the price of cocoa butter has kept rising, pushing confectioners to look for cheaper substitutes. Cocoa butter equivalents (CBEs)—these include shea butter, palm and other vegetable oils—are estimated to cost 30 to 40 percent less than cocoa butter, according to CBI, the Centre for the Promotion of Imports from developing countries, which works with the Ministry of Foreign Affairs of the Netherlands.

Shea butter is not only a cheaper alternative, but like cocoa butter melts at body temperature enabling confectioners to make chocolates of varying textures and consistencies. In 2000, the European Union allowed confectioners to use cocoa butter alternatives in chocolates, but restricted the use of these alternatives to a maximum of 5 percent of the chocolate product. Shea is one of the six alternatives currently allowed as an ingredient in these non-cocoa butter fats. The GSA says CBEs report a yearly growth of 10 percent (based on 2010 figures; the market has slowed down following the impact of the economic crisis).

PHOTOGRAPHS: JESSICA SARKODIE FOR THE BODY SHOP

Shea butter, extracted from shea nuts, is used in the food and cosmetics industries

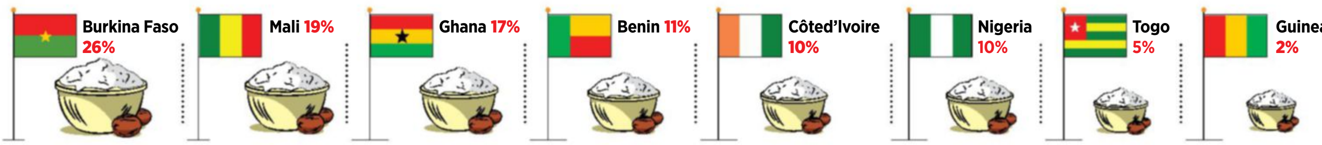
But while the demand and market for shea butter grows, as does the income of the women who gather the shea nuts, there are clouds of concern gathering on the distant horizon. Climate change and forest degradation are affecting the production of shea butter in the same way in which they are affecting the farming of more controlled crops.

Winds from the Sahara are making the weather in Mbanayili increasingly hot and dry, thus reducing the yield. “The Sahara is expanding, with its surrounding regions becoming drier,” says Francesca Brkic, sustainable sourcing manager at The Body Shop, the British cosmetics and skincare company that procures its entire requirement of shea butter from Ghana, through the Tungteiya Women’s Association in northern Ghana. “A lower yield means women are picking up more kernels from the ground, leaving fewer seeds that can naturally germinate and grow into trees.”

The growing demand for shea butter in the food and cosmetics industries indicates its worth to these sectors, which are now increasingly becoming interested in sustainability efforts to ensure the availability of the product over the long term. Platforms such as GSA are now working with all stakeholders to not only promote the use of shea, but to also develop the quality of production and to ensure sustainability. GSA, which was formed in 2011, had started with two dozen partners and now has 450 partners, including shea collectors, suppliers, brands and retailers, and trade associates.

Brkic adds that efforts are being

Exportable Production By Country, Five-Year Average



made under the United Nations' Green Climate Fund to make investments in the conservation of shea trees and to diversify the livelihoods of women to supplement possible loss of income from shea collection and production.

According to the Green Climate Fund, Ghana's landmass is fast losing its preponderance of forests, highly valuable savannah woodland species (including rosewood and shea trees) and wildlife due to destructive charcoal production, illegal logging, unsustainable farming practices, illegal mining, hunting, livestock grazing and human-induced fires. The Fund's Shea Savanna Woodland Project is designed to promote sustainable approaches to land use, forest conservation, and enhanced community-based resource management to stem the ongoing degradation and deforestation.

Harvesting of shea kernels takes place once a year, between June and August. A sack of shea nuts (roughly 85 kg of nuts) yields between 25 kg and 30 kg of butter through the handcrafted process of extraction. Although The Body Shop procures only handcrafted shea butter, it is part of a small minority of procurers who do so. The vast majority of commercial buyers procure or use mechanical processes to extract butter.

Since the price of shea nuts is not controlled by the government, and is decided by market conditions, falling yields also mean that women who buy shea nuts from other women gatherers are paying a higher price per sack, while the rate at which they are selling to procurers remains the same.

"In the last year, our women have had to pay far higher prices for buying shea nuts [from other women who gather the nuts] because the yield has fallen," says Fati Paul, chairperson of the Northern Ghana Community Action Fund (NOGCAF), the administrative body of the Tungteiya Women's Association. "But the price at which we are selling the nuts to The Body Shop has remained the same. We will be renegotiating the price again this year."

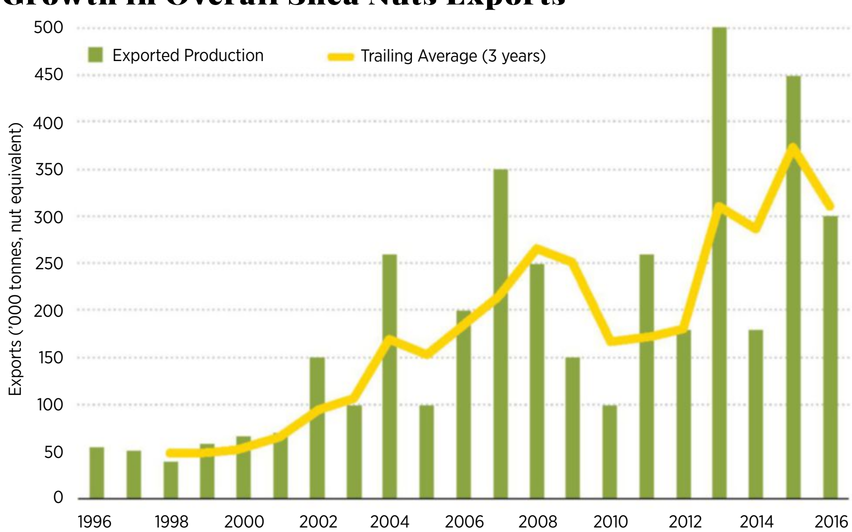
The gathering and production of shea butter have traditionally been not just an economic activity for the rural women of Ghana, but also a social one. Going through the tedious process of breaking open the kernels, grinding them into a paste, and then extracting the butter is something that binds communities together. Gathering at a common place, after their day's chores, gives the women an opportunity to share their stories, gossip and work together.

Hence, in Mbanayili, where members of the Tungteiya Women's Association now have a mechanical crusher and grinder to process shea nuts, they still prefer to gather in the afternoons to manually extract butter from the kernel paste. They do this by vigorously stirring by hand large basins full of paste into which they gradually mix warm water; this helps liquefy the butter, which rises to the top. The butter is then skimmed off, and heated for about 30 minutes to get a clear oil; this is then sieved to remove particle impurities, and allowed to cool and harden into a solid, off-white lump.

"For women in Ghana, this lump is gold," says Paul. "This has enabled them to have a voice in society." The Association had started with 50 women members in 1994, and over the years has grown to 640, by providing women with a predictable annual income in a region where there are few other job prospects. "The association also works with about 11,000 shea nut pickers across the northern region, where Tungteiya sources its shea nuts from. These pickers supply nuts to the butter producers depending upon the season."

The Body Shop's association with the women of Mbanayili started in 1992, when Anita Roddick, the founder of the company, journeyed to Ghana while making a television programme on women entrepreneurs, and discovered shea. Two years later, in 1994, Roddick placed The Body

Growth in Overall Shea Nuts Exports



(Clockwise from left) The Mbanayili Health Centre; women in Mbanayili dance beneath kapok trees; shea kernels being crushed by a machine to make butter; the churning of shea paste to extract butter; women sort shea nuts to remove those of inferior quality

Shop's first order of shea through the Tungteiya Women's Association.

Over the last 25 years, the company has increased the amount of shea it sources to 400 MT a year. It sources it from 11 villages around the town of Tamale in northern Ghana. In return, it supports about 49,000 people in the region through its community trade initiatives that provide clean drinking water, schools and health centres. The company does this by paying a premium (over and above the market price) for the shea nuts they procure.

"Change has come to Mbanayili, but it has been gradual," says Pins Brown, head of ethical and sustainable sourcing at The Body Shop. "There is no revolution going on there. We are simply improving the situation." Brown emphasises the need to respect traditional hierarchies and work within existing frameworks if improvements are to be made in any society.

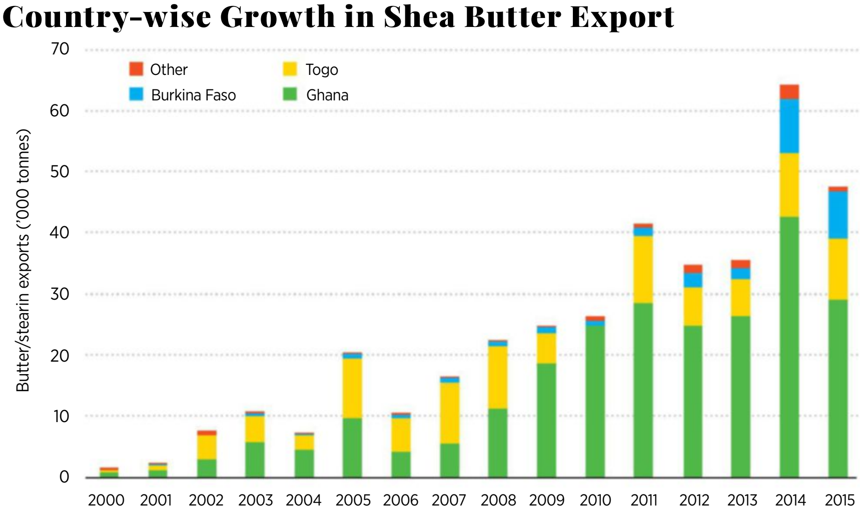
The change in the lives of Mbanayili's women—and, in turn, its children—has also been because of the control they now have over the shea nuts they gather or process. "Earlier, whatever shea they would gather in one season would have to be sold off, even at low market prices, because they had no space to store the nuts," says Brkic. "If they stored it in their homes, and the homes were fumigated by the government to curb the spread of diseases like malaria, the nuts would get contaminated and would not be usable."

Through NOGCAF, The Body Shop has built five warehouses in the villages from where it procures shea. The warehouses give the women the option to store the nuts, for up to five years, and the women can choose to make butter from them when market rates are better. "For The Body Shop, securing our production lines is directly related to securing the earnings of the local women," says Brown.

As the incomes of Mbanayili's women have become more secure, so have their positions within their families and societies. As the children gather around to watch and clap, the women sing and dance beneath the kapoks to celebrate the light that has already lit up their lives.

(The writer travelled to Ghana at the invitation of The Body Shop)

Country-wise Growth in Shea Butter Export



'I WANT TO MAKE THE MOST INACCESSIBLE RESTAURANT'

*As **Gaggan Anand**'s Bangkok restaurant prepares to close in 2020, the chef speaks about why he can't open one in India, his legacy and setting up his dream project in Japan*

By **Pankti Mehta Kadakia & Kathakali Chanda**

Gaggan Anand, who runs a two-Michelin-starred restaurant in Bangkok, is shutting down the eponymous eatery in 2020. Next, he will open an exclusive, three-days-a-week, six-months-a-year 16-seater with chef Takeshi "Goh" Fukuyama in Fukuoka, Japan. "I don't know what food it'll have. But it won't be what I'm doing now," Anand tells *Forbes India* in Mumbai, one of his four stops for a pop-up—the 'Last Experience of Gaggan'—in association with ITC Hotels.

Once these are over, Anand won't cook outside his restaurant, voted among the top 5 in 2018, till it closes. Even if that means he has to say no to A-list weddings in India. "I love saying no to Indians," he says. "The richest of the families wants us to cook for them and I say no. Everybody thinks the last cheque I'll take in my life is a blank cheque. Never in my life. Never." Edited excerpts from the interview:

Q Why are you closing down your Bangkok restaurant?

At least I will leave at my peak. In sports, we always comment the older players should retire, saying it's high time they make space for younger players. I don't want to take the space of a young chef.

Q Why move to Japan?

I've been to Japan 83 times in four or five years now, and even that isn't enough to feed my inspiration. It's been a very easy decision for me. It'll take me 2.5 years to put this restaurant together. Sometimes, you do things for money, and when you have the money, you do it for the art. I have the money now, and I want to do this project for the sheer art of it.

Q You've mentioned in interviews that because of your fame and the rush to eat at your restaurant, you regret not meeting diners enough. Your Fukuoka restaurant will make you even more exclusive...

It will. I think, in Gaggan, many people come to cross it off their checklist. The minute they see me, they want to take a photo—I tell them they can only take a photo after their meal. It's like everyone goes for a concert knowing the band's four greatest hits, but they don't know the band's favourite songs, when they played, or how they played them. I don't want people to come for my greatest hits or for me—I want them to come for the food experience.

In Japan, you'll have to stay at the hotel I make to be able to eat in my restaurant. It won't be about the money, but each diner will be interviewed beforehand. We will be doing 260 seats a month; at Gaggan, I do 260 seats in a single weekend. In Fukuoka, you won't even eat my food on the first day. The first night you come, we'll hang out, have a drink, have some fun. Then the next night will be the dinner. And it will be incredible.

I can't say what the menu will be, but it will be Japanese-Indian inspired, along with chef Goh. Have two chefs ever closed two restaurants to open one that's smaller than both? We're idiots, both Goh and Gaggan [laughs]. It's suicidal, and maximum suicides happen in Japan. I want to

> "I love saying no to Indians. The richest of the families wants us to cook for them and I say no."

MEXY XAVIER

create the world's most inaccessible restaurant—that's my dream.

Q Do you think molecular gastronomy is a fad?
Chefs in India don't understand what molecular is. A diner in Delhi had a hole burnt in his stomach because a chef used liquid nitrogen the wrong way—and then India banned liquid nitrogen. If an idiot drives a Lamborghini and bashes people up, is it the car's fault? Chefs don't want to understand the science of molecular gastronomy. The frying oil needs to be at a specific temperature. A thermometer needs to be in the oil at all times—if it goes 1 degree up or down, we'll stop it.

Q How do you separate the celebrity from the chef?
I'm not a celebrity; I'm a chef who happens to live the curse of being famous. In India, we make heroes out of anyone. Some of the most famous Indian chefs don't even have a restaurant. Many Indian chefs don't make it to big lists because they themselves don't believe in their cooking—they spend less and less time doing the actual cooking themselves. I think of myself as a normal person, and I cook every single day.

Q What are some trends we can expect to see in Indian food?
I hope someone comes up with well-presented Bengali food. I wish Gujarati food doesn't end up as just farsan. I wish that phulka becomes a recognised Indian bread outside India, and not naan. I wish that we glorify our aachar as a fermented product; people now celebrate the 'fermented' process just because it's a Noma technique, not knowing we've been doing it for generations in our homes.

Q Even a restaurant like elBulli in Spain ran at a loss for years. What does it take for a restaurant to make money?
What I wanted to learn from elBulli

was what it takes to become elBulli. Today, I am elBulli. I learnt that it takes determination, and you need to get the best out of the people around you, know everyone's strengths and constantly make your team stronger. The guy who does frying, I will allow him only to fry in my kitchen. There will be no overlap. We have a Russian girl who is a terrible cook, but I hired her because she's artistic and imaginative—she makes our dishes look great. Everyone gave up on her, but I asked her to come cook with me.

Q How do you harness the power of social media?

My popularity shot up because of being featured on the Netflix show *Chef's Table* [in 2016]. My Instagram following rocketed after that. We did a pop-up in Los Angeles after that, which sold out in 28 seconds; there were 1,200 people on the waiting list. I don't pay much attention to social media. Many Indian so-called foodies buy likes. I'm focussed on creating something that could make a New Yorker come to my city just to eat at my restaurant.

Q Your dishes have been replicated all over the country... does that annoy you?

No. Isn't that the best form of flattery? I'm happy to tell these chefs who have copied me when they're doing something wrong. Every street has a copy of Mona Lisa—but that doesn't make the Mona Lisa any less valuable.

Q The last time we spoke you mentioned that you follow 'my restaurant my rules'. You demand diners eat certain dishes with their hands, for instance...

We spoke a few years ago. Now, we ask guests to eat 22 courses by hand. It's embarrassing to see someone eat dosa with a fork. When you go to China, you eat with chopsticks. Eating with our hands is in our culture.

Q In a world where restaurant brands are moving towards pleasing the consumer, you've been able to stick to your own rules. How?

Because I don't have any brand imprinted on my T-shirt. I can call my own shots. I'll die hungry but I won't hold a ketchup bottle endorsement in my hand. Sometimes, I wish I was commercial—my wife would have got more bling rings.

Q What are the challenges with the form of experimental cooking you do?

Certain dishes come exactly the way you want, and others have to keep going back to R&D. Now, Gaggan's become like a game we like to play and have fun with.

We use liquid nitrogen for a bitter coffee and chocolate dessert called 'Dark Side of the Moon', where we make a beautiful moon structure. We can't do this in India because of the country's new liquid nitrogen rules. So India misses one of our best desserts. That's why I can't open a restaurant in India.

> **"I'm not a celebrity; I'm a chef who happens to live the curse of being famous. In India, we make heroes out of anyone."**

Q You have said a film could be made on your life. What would you say is the essence of your story, and who would you like to play Gaggan in the film?

My story is coming out as a book first and it will be written by me. The English might be wrong, it might be grammatically incorrect, but the story is exactly like this interview: Straightforward. That's why I've not signed with a publisher. It'll be online for free, and available on the last day of my restaurant. I'll close the cashier and hand it out. And then I'll use that as the base if someone wants to make a movie, so they don't imagine my story. With respect to the filmmakers who have approached me, the way they explained the story was so wrong.

I would love for Aamir Khan to play me, but he's too good looking. Or Irrfan. I see him as me. I have a movie that could become *Slumdog Millionaire*. My movie is destined to be Hollywood-borne.

Q What is the legacy you think Gaggan leaves?

Gaggan's legacy will be its memory. Those who got it, did, and those who didn't, didn't [smiles]. I'm not afraid of the challenge [to start again]. When you're good at something, you'll always be good at it. I hope we don't chase after awards. The next restaurant will be award-less; we won't accept any awards.

Q You've received two Michelin stars. What does this mean to you?

My car still has Pirelli tyres [shrugs]. As an Indian chef, I am being judged by a French chef and a couple of local Asian inspectors, who don't understand our cuisine. Will a French chef allow an MRF or a Ceat to have Indian inspectors judge French cuisine? I don't ridicule them—I would go for the awards, but getting three stars is not my mission. I'm not cooking for them. Where is the difference between [Bangkok-based] chef Garima Arora, and a hawker who puts chicken and rice on a plate, who have both been awarded one star? I told Garima when she got her star that her curse has begun. Now, everyone will hold you to that star, and your every mistake will be over-analysed. Thank God I was never dependent on Michelin—they were dependent on me. F

'A TIE IS STILL SOMETHING VERY ELEGANT'

***Christophe Goineau** of luxury label Hermes talks about the position of ties in a man's wardrobe, in the past and present*

By **Monica Bathija**

In 1949, people going into a casino in Cannes would come in to the Hermes boutique nearby asking for ties because they could not enter the casino without one. The director of the store, Bobby Breward, told the company they should make ties, and Hermes took note. In an age when there are no such compulsions to wear ties anymore, Christophe Goineau, creative director of Men's Silk at Hermes, who has been designing ties for the brand for 30 years, talks about the role of ties in a man's wardrobe today, and how millennials are adapting them to their own style. Edited excerpts from an interview:

Q How have men's silk/ties changed and evolved in the 30 years you have been at Hermes?

The way men are buying and looking at their outfits is changing quite a bit. They know the collection, the trends, they enjoy shopping, which makes a big difference compared to many years ago when it was more an obligation [to wear a tie]. Now it's more about pleasure, they are not in uniform anymore, and that makes a big change because they are looking for more specific things, for something that suits their feelings, or is close to their hobby. They are much more individual, and want something that talks about them.

Q Is this change across all age groups?

Now we have a younger generation buying ties because the older generation is not wearing them anymore. They are trying to be different, and are looking for something specific, as compared to their bosses or fathers who bought ties because they had to. If you had asked me about ties 10 years ago, I would not be so optimistic because then we were saying, 'Okay, people are buying fewer and fewer ties'. But today I am quite optimistic because they are still important pieces of the wardrobe, still in the middle of the silhouette. When you are wearing a shirt it's nice to have a tie, it is still something very elegant.

Q Where and how do scarves fit in the picture?

So there is an aesthetic thing and a functional thing, of protecting me from cold. I think it brings colour to men's outfits. We are pretty much always in grey, dark navy, black, etc, we are not yet into yellow, bright blue or pink, so it brings colour.

Q Hermes scarf designs have been put on vinyl record covers as part of the touring Silk Mix exhibition (a temporary installation inspired by a vinyl record store). How did that come about?

For many years Véronique Nichanian [artistic director of the Hermes men's universe] and I have been making scarves, and we kept saying they could be beautiful sleeves for records. So we talked about it, saying let's do it, but we didn't. Until one day we did. We took the last eight years' collections, put each design on a record sleeve and tried to find music from the runway show, matched it to the music from the year of the collection. It wasn't about launching a new product, it was about a free gift of emotion, a meeting point with our customer. Because music has this power to remind you of things, when you listen to something from 10 years ago, you think, 'Ah yes, I was there'.

THE SIDESHOW

Alsisar comes alive in more ways than one as it hosts its annual music festival

Photographs and text by **Aditi Tailang**

AFZAL
Age: 18
Studying in class 12, and a luggage porter at the festival

"I love that this festival happens because the rest of the year is so boring... I charge ₹100 for a bag. I end up making ₹1,000-2,000 per day. It's good pocket money."

The three-day Magnetic Fields Festival in Rajasthan's Alsisar village in December is a coming together of Indian and international music acts, art, workshops, food and magical connections, all of which take place inside a 17th century palace. While the atmosphere at the venue is electric, the village also comes alive with a few days of excitement, and extra earnings. Whether it is in the form of homes converted into homestays, farmers doubling as security guards, or out-of-town sellers of tea, eggs, Maggi and tender coconuts, the entrepreneurial spirit of the village is juxtaposed with the high-octane festival.

RAJU AND SAMSHUDDHI

Age: 22, 20

Tender coconut seller

Raju sells tender coconut water in Jaipur all year long for ₹30-40. At the festival he sells it for ₹100-150 each, making ₹20,000-30,000 in three days. Usually, it would take him about a month to make the same amount in Jaipur.

"Someone from the festival team lives in Jaipur and buys coconut water from me. He asked me if I would like to sell coconuts here, and make some money, so I started a stall in Alsisar."

KISHAN

Age: 20

Garbage collector

Kishan is from Kade village in Rajasthan's Jhunjhunu district, and makes ₹600 per day for a 12-hour shift.

"*Raunak achhi lagti hai* [I like that this place is so lively]. Being here breaks the monotony of life, but I don't like the fact that I have to work here to be a part of this."

BHOLA AND PAPPU

Age: 25,47

Security guards

Both are farmers from Bharatpur in Rajasthan. They work on their own land and grow wheat, pulses, mustard and other crops, and claim to have a comfortable life there. At the festival they work for a salary of ₹600 per day for a 24-hour shift.

"This is so different from where we live. We come here for entertainment. *Gaon mein kya dekhne ko milta hai* [We don't get to see anything in our village]."

RAHUL
Age: 17
Class 11 student in Haryana; in-charge of renting out the parking space and rooms at his cousin's house in Alsisar

Although Rahul did not disclose the rent of the rooms, he said the parking space is for ₹1,000 per car for three days. Additional rooms were built in the house after the festival started taking place in Alsisar, with the objective of renting them out. Rahul's cousin, and the owner of the house, lives in Singapore. Hence Rahul has come from Haryana to take care of the business. It was his first time at the festival.

"I think the festival is okay. I see a lot of people all day, it's fun."

PRIYANKA
Age: 23
Manages a homestay, which her family owns

Priyanka lives in Gurugram where she's studying French to fulfil her dream of living in France some day. She comes to Alsisar during the festival to help her family manage their homestay. A room here costs ₹4,000 per night, and their special home-cooked Rajasthani thali costs ₹300.

"We end up earning more in these three days than we do in an entire year."

RAJU CHAUHAN

Age: 20

Chauhan's stall, Bikaner Food Stall, which is outside the official festival site, sells chocolates, chips, soft drinks and other packed snacks that are all priced higher than the MRP. His masala chai costs ₹20, while bread-omelette sells for ₹100. While this is expensive, it is much cheaper than the price of food within the festival site, Chauhan says.

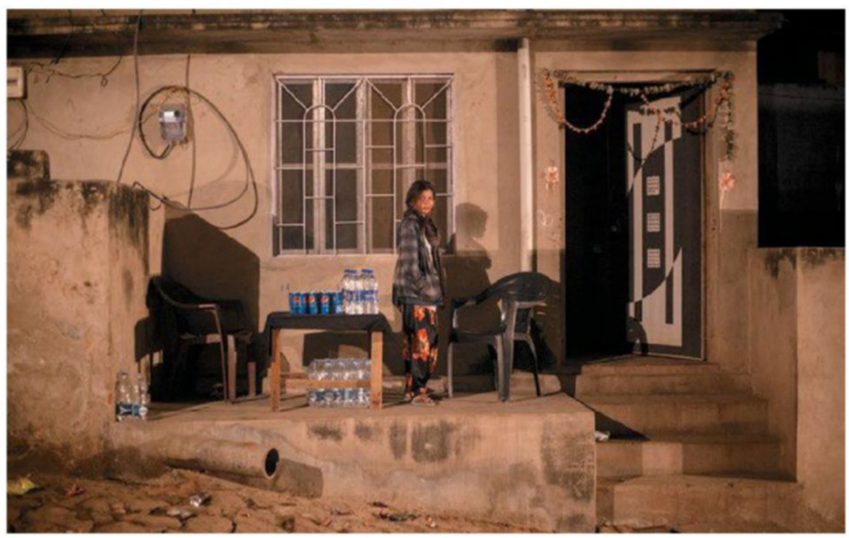
"I heard about this (festival) from a friend and so I decided to come here from Gurugram, and run this stall along with Mahendra Singh Bhati, an Alsisar resident. We paid ₹15,000 for three days as rent for the land on which the stall has been erected."

DIVYANSHI KANWAR

Age: 14

A class 9 student, she sells water and Pepsi, for ₹50 each, outside one of the festival entrances. This helps her earn about ₹8,000-9,000 in three days. She manages the shop with the help of her family. At about 2.30 am, she was alone at her shop, dancing to the loud music coming from one of the stages inside the palace, and seemed happy.

"Everyone in Alsisar looks forward to this festival. I love talking to the people who come here. They wear such nice clothes. I don't understand this music, but I like it."



JITESH PARASHAR SHARMA

Age: 22

MBA student from Jaipur, and owner of Sujit Kirana Store

"I come here for these three days of the year. I really like the festival. It lifts the mood and vibe of Alsisar. We get to earn money by working for 24 hours in these three days. The amount we earn in three days is what we earn in a year. We have rooms to rent, too, for ₹4,000 a night. For the store, we order extra stock during the festival; cigarettes, water and Coke sell the most."

A pick of the best, the latest, the greenest, the quirkiest, the most luxurious that money can buy

Style

GRAND TIME

The **Master Grande Tradition Gyrotourbillon Westminster Perpétuel** from Jaeger-LeCoultre, is the watchmaker's first multi-axis tourbillon with a constant-force mechanism, Westminster chime and perpetual calendar. The timepiece is available in a case of white gold, with a blue guilloché enamel or silver grained dial and is the result of 186 years of fine watchmaking expertise and a spirit of innovation.

jaeger-lecoultre.com

Style

SWANKY SNEAKERS

Corneliani's new and perky range of Made in Italy sneakers collection called Athletic Glance combines two worlds: The nature of sportswear innovation, and Italian craftsmanship. These shoes are crafted in leathers and highly performing technical materials, with an extremely light sole ensuring comfort and cushioning on any type of ground.

corneliani.com

Home

FOR THE CHAIR PERSON

The Bergere armchair from **Cipriani Homood**—based in Pisa, Italy, the design firm specialises in luxury furniture that merges contemporary style with traditional handcrafting techniques—is made of velvet, and has a woven texture. True to its name and French origin, the chair comes with an upholstered back, and armrests on upholstered frames.

ottimo.in

Sport

WHEELER DEALER

The all new **Émonda ALR range** from Trek Bicycles can be a great starting point for new riders, while also being fully capable of serious competitive rides. Its carbon frame-like looks, light weight, and responsive and balanced character is because of Trek's Invisible Weld Technology, which increases the surface area of the frame, adding to strength and reducing weight.

trekbikes.com

For the chair person, courtesy *Better Interiors*

Thoughts ▶ *on Family Business*

I had the option of building a career in the US... but for me, building the family business and being with family was worth it.

—BABA KALYANI

When we took over, we made a pact that we wouldn't argue about little things. We get along because the business is more important than who's right and who's wrong.

—JUDITH LOWRY

What I have found is that in a family business structure sometimes what is needed is a sense of discipline rather than creativity... when you are dealing with money, there is a limitation on how creative you can be.

—ASHWIN SANGHI

When I took over the family business, it had already been a publicly traded company for 20 years. During one of the first annual meetings I attended, one shareholder stood up and advised me and everyone in attendance that I should resign.

—AZIM PREMJI

I don't like the word 'dynasty', but that's what it is. It's not just a business. There's a lot going on in the background.

—JAKE DYSON

Tradition is like a bow. The more we stretch the bowstring, the farther we can throw the arrows of modernity and innovation.

—GIOVANNI FERRERO

It's the downside of a family business; anything good is because I'm somebody's son; otherwise, I'm a schmuck.

—EDGAR BRONFMAN

It's something real fun to do. It's a family business.

—RON WHITE

Starting a business with a brother either ends business or ends brotherhood.

—AMIT KALANTRI

I was not very keen on joining the family business... there were 14 family members working together, and it worried me that I would not have enough individuality.

—UDAY KOTAK

KALYANI, KOTAK: VIKAS KHOT; SANGHI: JOSHUA NAVALKAR; BRONFMAN, WHITE: SHUTTERSTOCK

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