



December 2022

EMPOWERING TIMES



THINKING ALOUD

Money Talks
Jay

PODIUM

Dinesh Tiwari
Managing Director, Broad
Peak Capital Advisors LLP



WE RECOMMEND

Tata's Leadership Experiment
Bharat Wakhlu, Mukund Rajan
and Sonu Bhasin

Dear Reader,

As the year comes to an end, the global economy is set to start the New Year on a shaky note plagued by heightened inflation, supply chain disruptions and war-induced commodity price increases. While global efforts to prevent further economic slowdown, maintain global liquidity, and manage debt distress are underway, India posted a sustained economic recovery post the pandemic, and according to recent surveys, is on track to become the world's third largest economy by 2027, and have the third largest stock market by 2030.

The country has emerged as a safe haven amid this year's global equity rout with Indian stocks looking to finish 2022 on a high, helped by an unprecedented retail investing boom. India continues to be the land for emerging businesses and private equity and venture capital will continue to be a source of funds for businesses to flourish.

This month, ET looks at '**The Private Equity Landscape in India Today.**'

In the **Thinking Aloud** section, **Jay** highlights the importance of money in every aspect of a firm's life and explains how the emerging class of investors supporting new causes will continue to shape and drive economic growth of India. On the **Podium**, **Dinesh Tiwari - MD, Broad Peak Capital Advisors LLP**, shares his thoughts on the importance of private equity especially as a source of funding for MSMEs in the challenging business environment of these times. In the **We Recommend** section, we review the story of Tata Administrative Service (TAS), which was the brainchild of JRD Tata in '**Tata's Leadership Experiment**' written by three ex-TAS officers - Bharat Wakhlu, Mukund Rajan, and Sonu Bhasin.

In **Figures of Speech**, **Vikram** encourages everyone to invest more in India!

As we come to the end of 2022, team ELS would like to wish our readers a safe & happy New Year 2023!

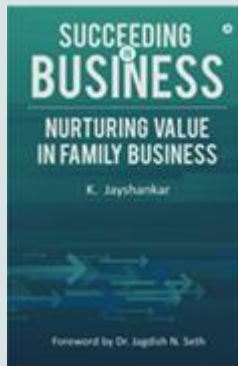
Please also [Click Here](#) to check out our Special issue of ET, which is a collation of selected themes that were featured over the years highlighting the changing landscape of the business world. This special edition has been well received and can be [Downloaded Here](#) for easy reading and is a collector's item.

FIGURES OF SPEECH



As always, we value your opinion, so do let us know how you liked this issue. To read our previous issues, do visit the Resources section on the website or simply [Click Here](#). You can also follow us on [Facebook](#), [Twitter](#) & [LinkedIn](#) - where you can join our community to continue the dialogue with us!

Succeeding in Business: Nurturing Value in Family Business



What makes some family businesses grow from strength to strength? How do you ensure that value is created and not destroyed when a business passes hands from one generation to the next in the Indian context? How can old families incorporate new ideas to revitalize themselves? Is there a role for professional management in Indian family business?

*This book offers answers to the vexatious issues that families face in their growth journey. The pointers provided can be used as a guide for nurturing the business and to leverage the traditional strengths that family businesses possess. As a counsellor and trusted advisor, the author, **K. Jayshankar (Jay)**, has had a ring-side view of how family businesses have functioned. The practical insights drawn from his experience of four decades has been combined with conceptual elements to become a valuable primer for a family that wishes to succeed in the competitive marketplace that is India.*

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THINKING ALOUD

Money Talks Jay

Neil Diamond's song made the words eternal, though he said, 'it don't sing and dance and it don't walk'. Diamond may have decided that he may instead 'rather be forever in blue jeans', but for those in business, money is not just the ultimate lubricant but perhaps, the reason to be in business.

Leaving aside holy discussions about the true purpose of business, even the most sanctimonious academician will agree that without the constant flow of working capital, a business will freeze to death. Similarly, without this solid fuel, no business can take off into the orbit of success. Hence, the realisation that brilliant ideas alone do not make a hit business; you need a good hand at the helm to manage financial aspects at every stage of a firm's life.

All eyes in India are on the unique animal called venture capitalists who have provided the impetus to India's start-up enterprises. Over the last three decades, since liberalization, when a new breed of entrepreneurs have entered the market, words like VCs, Private Equity, Hedge Funds, etc., have been freely sprinkled into conversations about the business world. With Warren Buffett as the head of the pantheon, other gods of the League of Billions are also worshipped, be it Charlie Munger, Stephen Schwartzman, Ray Dalio, Masayashi Son, Larry Fink, et al. The Indian pantheon too has its shining stars, foremost of whom was the late Rakesh Jhunjhunwala. Others include Motilal Oswal, Ramdeo Agrawal, Radhakishan Damani, Nemish Shah, and many more. Whether these are prophets of prosperity or false gods, history will tell us, but there is no denying that they have a vast following, with many lapping up every word they utter, and an industry built on studying their moves and replicating their stock purchases in the hope of landing big bucks.

The pronouncements of these financial wizards are crucial to the well-being of global capital markets, it is believed, but perhaps the unsung hero is the retail investor who has thronged the stock market in India to lift it to never-before heights. Does this action reflect a show of faith in the government's policies or is it purely a rush of greed to make money before the next crisis, is a matter of eternal debate. The truth could be somewhere in between, as in most things. Suffice it to say that Lakshmi may well emerge as the most popular deity in India at present. The pursuit of Mammon is no longer viewed with cynicism when the news in October 2022 that Indian equity market

has become one of the top five in the global equity market capitalization ranking, at USD 3.21 trillion, was greeted with all round cheers. The sobering fact is there is a big gap yet with US (USD 22.1 Trillion) and China (USD 11.3 trillion). Be that as it may, in a world struggling with the pandemic, war, inflation, and other challenges, the bright news from India is welcomed by global businesses.

Whether the road to 2047 (Amrut Kaal, the centenary of India's independence, as anointed by the political leaders who package reality) will be as bumpy and potholed as the typical Indian road post monsoon, or as smooth as the super-expressways promised by Nitin Gadkari, is mere speculation. But economic predictions abound, both as political myth-making as well as mathematical forecasting, a favourite pursuit of economic think tanks.

There was a period in India's economic history in the past decades when it was government money alone that stimulated business. But that story has changed for the better. Since a significant propellant of growth is money, it is interesting to check where the fuel is coming from. A Bain report published earlier this year was illuminating. Noting that 2021 was a milestone year for the Private Equity-Venture Capital market with the closure of over 2000 deals, it was also noteworthy that there was over USD 36 billion value generated through private funders exits. This underscores a healthy and predictable ecosystem for investors who know that capital can move in and out of a company, and country, without hurdles created by regulators or political forces. Such unclogged channels of capital flow is as important for a free market as is smooth arterial blood flow for an individual. What made additional splash was the stock market listing of many new age businesses - though it is another matter that retail investors have been left rueing the crash in prices, even as the venture funders left laughing all the way to the bank, clutching their winnings on a big payday!

While there are sector specialist investors, money is flowing into many sectors. Fintech and e-commerce sectors have always created more unicorns across the world, and India is not apart in this respect. But it is heartening to note that money does get spread widely to many other tech related segments too, be it education, agriculture, logistics, etc.

Will the money wagon continue to roll or will the party end? Global portends are not bright for 2023 with inflation raging wild in all the developed economies, and the western world not showing any interest in settling the war in Ukraine without Putin's exit. Yet, the verdict at this juncture has not changed: the heady optimism for India's growth still signals a 'buy', even if it is tinged with caution. Headwinds will affect margins, and the flow of unicorns may get slower, but money will be available, is the forecast. The bad times caused by global supply chain disruption is behind us it appears, and China's decision to sharply change its 'zero-covid' strategy will lead to better manufacturing output that will fill pipelines for the world, it is expected. While officially the pandemic is not over, but for most people in the world, the decision to live with fever and cold is the new norm given domestic economic reality.

The inference therefore is clear: money will continue to talk, with new causes to support (green finance, anyone?), and with sovereigns entering with their own digital currencies to combat the crypto craze, global movement in money aims to get frictionless. This in no way means that we have seen the end of all financial crisis. Sharp practices driven by greed and avarice is a human invention - and hucksters will pander to those who wish to get rich tomorrow at short notice. Buffett made his billions through value investing over patient decades of frugal and disciplined habits. But few notice his message that good processes precede results, stressing that 'someone's sitting in the shade today because someone planted a tree a long time ago.'

There is much data that supports the view that a new class of investors are awakening to the idea that a regular job alone is not the way to get rich or to lead a comfortable life. The pandemic period showed that over 1.2 Crores individuals became active investors in 2021-22, with many emerging from smaller towns. This is the new India with individual investors armed with tools of digital banking, Aadhaar and virtual KYCs, devouring inputs from tons of channels over the Net and Media, spreading financial (mis)information, and generating hype about financial products.

Reportedly over 6 lakh new investors joined mutual funds in May this year, auguring well for India's economic development. Remember, the runway for growth in India is long when one considers the aspect of financial inclusion. The RBI's Financial Inclusion Index rose from 53.9 in March 2021 to 56.4 in March 2022; compare this with near 100% in the Scandinavian nations. I consider this positive news as the message is simple: there is much more money that can be made available in capital markets when more people understand that we can make money talk. Indeed, a sahi hai lesson!

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Podium

Dinesh Tiwari

Managing Director, Broad Peak Capital Advisors LLP



Dinesh is a private equity professional with over 25 years of experience in investing in emerging markets with significant years of partner/leadership roles. He has been the founding member of several early-stage private equity franchises in India and the Middle East. He has worked with leading private equity firms like ICICI Venture, CDC / Actis, Standard Chartered, JP Morgan and Multiples. He has a strong understanding of corporate/taxation regulations in the context of equity transactions.

Prior to Broad Peak Capital Advisors LLP, he was a Partner at Multiples Alternate Asset Management, a private equity platform with USD 1 billion under management. At JP Morgan, he led the India business for the USD 750 million Private Capital Asia group where he sourced several equity and equity related investment opportunities and supported many transactions in SE Asia. He also managed the existing investment portfolio of USD 450 million and developed exit opportunities. Prior to JP Morgan, he was a founding Partner at Alcazar, an emerging markets private equity business in Dubai, where he conceptualized and launched a USD 200 million fund focused on infrastructure services and logistics. Before Alcazar, Dinesh was with Standard Chartered Private Equity where he was part of the founding team of the India office and helped establish the private equity franchise.

Dinesh has led transactions through the entire life-cycle, including origination, strategic analysis, financial valuation, negotiation, documentation structuring, portfolio management and exit. His past roles have also involved managing investment and operations teams, supporting legal/ Compliance and LP reporting. He has been an early-stage investor in businesses that have gone on to become established names in their domains.

He has made investments across sectors (ranging from USD 10 - 50 million) including technology, telecommunication, agriculture, consumer, and infrastructure services and sourced/evaluated over a thousand investment proposals across sectors and brings a strong network of relationships in the Indian private equity ecosystem, across investment funds, promoters, consultants, and investment bankers. He has successfully exited investments through IPOs and strategic sales, especially in the technology sector. As an investor and board member,

he has advised companies on organizational building, financing options, M&A, restructuring and IPOs. Dinesh also teaches courses on private equity and entrepreneurship as a guest faculty at various management institutes. Dinesh has a Bachelor's degree in Physics and an MBA from Indian Institute of Management, Bangalore.

ET: What makes a Private Equity firm and why is it considered as an important part of an economy?

DT: First of all, there is no single common definition of private equity - it is often ambiguously associated with venture capital, angel investing, growth equity, buyouts or leveraged buyouts, structured or mezzanine capital. In its simplest form, it is any type of equity investment which is long term and not freely tradable. It is also known as 'patient capital' as the investors focus on long term value appreciation.

Private equity firms benefit the economy by optimizing allocation of scarce resources, encouraging innovation and competition, thereby improving the delivery of goods and services in the economy. It can also be described as 'enabling capital' given the support it provides to capital starved and high growth sectors. According to an EY study, over the last 15 years, Private Equity/Venture Capital funds have added over USD 200 billion in Indian businesses.

Apart from helping entrepreneurship, private equity also supports the government's objective in formalizing the economy and instituting better governance. It is fast becoming a mainstream source of capital for Indian entrepreneurs and moved beyond its traditional role as growth capital and also offers new solutions to control or succession issues and stressed balance sheets.

ET: What are some of the challenges that have come about due to the pandemic on the financial services sector, and specifically on private equity firms?

DT: As the economy went into a tailspin due to the pandemic, private equity investors were focussed on protecting their existing investments. Also, the global low interest rate environment resulted in availability of capital to investors. This capital availability, which in private equity parlance is called dry powder, kept the deals momentum healthy during the pandemic.

The pandemic resulted in the inability to travel and resulted in supply chain challenges. Private equity funds adapted very quickly to the new ways of working, especially in conducting management meetings online, doing due diligence and negotiations. Private equity investors are always looking for new opportunities and means to make their existing portfolio companies stronger.

ET: Raising capital is one of the biggest concerns and sometimes an impossible task for MSMEs. For the benefit of lay readers who find this mysterious, could you please share the broad contours of how private investing firms operate and how MSMEs can pitch for capital?

DT: MSMEs are a vital part of the Indian economy - they contribute significantly to the country's GDP and account for about half of the country's manufacturing production. They also provide significant employment to a large segment of population.

These firms are often funded by the limited resources of the entrepreneur and often collateral based bank funding. This limits the growth potential. Hence it is critical for MSMEs to access private equity to significantly accelerate their growth momentum.

Equity funding is the raising of growth capital through sale of shares i.e., providing the investor an ownership interest in the company. As compared to raising debt, equity funding is not dependent on any security or collateral in order to raise funds but is based on business plans and revenue models. Hence, communicating the business growth potential in investors and having an effective business plan is critical.

The primary objective of private equity investors is to generate superior returns and therefore they look to identify and invest in profitable and scalable business ventures. They conduct a due diligence exercise, which is an audit or investigation conducted to ascertain the business and growth potential of the business. In the typical fundraising process, there will be multiple rounds of meetings with the entrepreneur and internally within the investment firm for deciding on the investment.

Lack of clarity in strategy, inability to generate adequate returns as per investor's needs and delay in providing information in a timely manner are often challenges encountered. There must also be agreement on a well-defined exit path for the investor. Adequately preparing themselves for this process is critical to the success of the fundraise exercise.

Prior to commencing the fund raise exercise, entrepreneurs should build adequate internal systems for data capture, storage, and retrieval; comply with corporate governance, secretarial and regulatory issues; have adequate number of quality personnel to interact with the due diligence teams to understand their data requirements and provide the information in specific formats. Most entrepreneurs are very confident of completing the entire process in a short time but usually that does not turn out to be true.

Also, private equity is not the solution to all problems - there is a potential conflict. Sharing ownership and having to take the investor along in major decisions can lead to stresses if there are differences in vision, management style and ways of running the business. Entrepreneurs should consider this carefully prior to accessing funds from

private equity investors. At the same time, private equity investors add significantly value to their investments and ensure a higher probability of success.

ET: Is India still attractive for foreign capital even though the world is worried about recession in global markets? What are your thoughts on this?

DT: Consistently high GDP growth rates, continued government investment in physical and digital infrastructure, improving business practices and awareness of corporate governance has led to strong investor interest in the past decade. With a population of over 1.4 billion, majority of whom are young, India is one of the few investment destinations around the world that offer scale and growth. It offers the potential to deliver strong returns to investors.

India is rapidly emerging as a preferred country for foreign investments. With international investors exploring alternative destinations to manufacture, India is well-positioned to capture a disproportionate share of this shift. Given India's favourable demographics, long-term growth trajectory, high-quality corporate and strong institutions, the high growth rates are expected to continue in the foreseeable future.

In the past, the exit environment in India was marred by issues of corporate governance, lack of contract enforcement and the lack of a vibrant ecosystem for secondary and strategic exits. However, this has changed with the strong growth in public markets and the multi-billion dollar exits like the Flipkart-Walmart sale and recent attractive IPOs that have bolstered the confidence of investors.

Economists predict that India will be the world's 3rd largest economy and 3rd largest consumer market by 2030. The Make in India and the Atma Nirbhar Bharat initiatives to increase self-reliance and reduce imports have also accelerated the building of best-in-class manufacturing infrastructure.

ET: Please share more about your firm, Broad Peak Capital Advisors, and what is the nature of support that your firm has provided to investee firms?

DT: Broad Peak Capital Advisors is a financial consulting & investment advisory firm with extensive experience in private equity and investment banking. Broad Peak provides advisory and support services to private equity funds across all stages of the life-cycle of an investment - proprietary deal sourcing, deal evaluation, due diligence, negotiation and structuring, deal monitoring and exit related support services.

The firm also provides mid-sized businesses advisory solutions and expertise typically available only to large corporations, enabling them to achieve their long-term business, financial and personal growth objectives.

We have proven capabilities in the areas of preparing businesses for investment and sale; identifying adjacencies and opportunities for growth; advisory on engagement with financial and strategic investors; strategic due diligence services on potential targets and conducting monthly MIS meetings from a business perspective.

Our relationship-based approach with our clients is designed to add value not just in transaction situations but in providing a strategic perspective to management in their existing businesses. We have a strong network of relationships with key venture capital and private equity investors and businesses to understand/identify investment themes and priorities of the market participants to help conclude transactions in a focused and timely manner.

In short, Broad Peak Capital Advisors can connect you to the right resources in a timely manner and ensure the success of your business.

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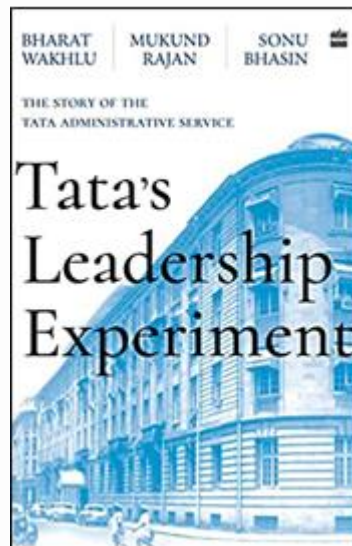
Mumbai Roti Bank, a non-profit, food rescue organization initiated by Roti Foundation, Mumbai, bridges the gap between hunger and excess food. Started in December 2017 under the able mentorship of former Director General of Police, Maharashtra, Mr. D. Sivanandhan, the organization aims to eliminate hunger, malnutrition and food wastage, many meals at a time. Help make a difference by calling +91 86555 80001 to donate food or by making a [contribution](#).

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We Recommend

Tata's Leadership Experiment Bharat Wakhlu, Mukund Rajan and Sonu Bhasin



In '**Tata's Leadership Experiment**' three former Tata Administrative Service (TAS) officers research their way through and provides an account of Tata's ambitious leadership experiment.

A young JRD Tata realized early on the importance of having all-round leaders when he took on the chair of the group in 1938. Thus, TAS was created akin to the Indian Administrative Service (IAS) of the Government of India. The TAS Committee was responsible for recruiting the finest brains for the Tata Group to fill the shoes as future leaders and perpetuate Tata values - integrity, excellence, unity, responsibility, and the spirit to drive nation-building. Over the next 65 years and counting, TAS is a brand on its own.

The history of TAS is interwoven with the evolution of the Tata Group before 1991 and post this, spanning the terms of two leaders of the group: JRD Tata and his successor Ratan Tata. The authors make it a point to examine the changes in the business environment especially post liberalisation. This researched book provides both the positive and negative facets behind TAS and offers insights on the meticulous and uncompromising selection process to ensure that officers chosen would be able to manage power and authority and would take decisions ethically.

Authors Bharat Wakhlu is a 1985 batch TAS officer while co-authors Sonu Bhasin and Mukund Rajan are from the 1987 and 1995 batches, respectively. The book has an easy, conversational tone set between other ex-TAS officers offering readers a feel of the TAS philosophy and culture.

The authors keep with their objectivity, calling out things that did not go well. While the objective of making TAS an aspiration cadre in India was met from the very beginning, the read brings out the dark side of TAS - not being able to successfully manage the careers of the officers once they joined the Tata Group. Also, TAS was not open to women for nearly 20 years highlighting the glass ceiling in a progressive Tata Group. Post 1980s witnessed

significant attrition where candidates preferred organisations with well-structured training programmes. Case in point was Nitin Paranjape, who turned down TAS and instead chose the Hindustan Lever Management Trainee programme; Paranjape went on to head Hindustan Unilever in India.

The authors term TAS as an experiment with mixed success. Many selected for TAS like Nawshir Khurody, Camellia Panjabi and Arun Maira among others left a mark in the Tata Group. Others like T.K. Balaji, Kris Ramachandran, Raghuram Rajan and others had stellar career graphs elsewhere in the corporate world.

Even after 150 years, the Tata Group remains a 'people-first' enterprise, with TAS forming an integral and valuable part of the Group. The Group has always kept the interest of the nation, its customers, and stakeholders in front of all the Group's processes and long-term objectives. The story of TAS reflects how the Tata Group has been overcoming challenges and difficulties. With leadership drawn from the ranks of TAS to the Group's revitalization, maybe a new chapter is yet to be written. In the words of the legendary Jamsetji Tata, "If you cannot make it greater, at least preserve it." TAS continues to honour this vision.

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THROUGH THE LENS



Nature photographer, **Rupesh Balsara** captures a picture of a Stripe-throated Yuhina which largely inhabits mixed forests in hilly areas such as Western Himalayas, Nepal, and Tibet. These birds feed on insects like beetles or wasps and are seen in small groups throughout their breeding season which is between March and August.

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