

## Anand Lunia on Speakeasy with Dheeraj Sinha discussing ‘Investing in India, The Indian Way’

Link to [podcast](#) | 18 November 2021

Sajith Pai: Enjoyed this conversation between Anand Lunia of India Quotient, one of the more original (and provocative) thinkers in the Indian startup ecosystem, and Dheeraj Sinha of ad agency Leo Burnett. This is not a new convo, it is over one and a half years old. I got this transcribed recently because I was meeting Anand as part of a group interaction, and I wanted to know his personality a little better. It is excellent in that light, and doesn't feel dated at all. Key takeaways include

- The rise of the ‘unempowered majority’ masses who are a new market for startups to chase
- Lunia's insight into how India2 / Bharat users feel comfortable sharing content more than typing (“...*anybody who types very well in Hindi definitely is educated enough to type very well in English also. That's a safe assumption for any language. I have not met anybody who has very poor English, but extremely great Hindi typing skills on a smartphone. So, what did people start doing? People started exchanging content.*”),
- how our default assumptions about UI / UX (email for log in, closing a browser window, browser and search bar) are all intimidating or strange for the new mobile user (the examples Lunia shares are fascinating)
- why he thinks the next wave of D2C brands will be aimed at the affordable end of the market, why he is bearish on Thrasio (which turned out to be right), and finally
- why he invests in founders who don't need any help

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This podcast episode was transcribed by @sajithpai. The publisher of the podcast doesn't transcribe the podcast. The transcript has been lightly edited for readability. There will of course be errors; please excuse me for them.

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Dheeraj ([00:11](#)): It can be said that there's more money chasing the Indian market today than there are ideas. So, what is money chasing in today's India? What are the big areas of future growth for those who are wanting to build brands and businesses in this market? How has the venture fund narrative shaped up in India? Is there, so to say, an Indian way of venture funding? Does a local lens make for a greater success even for VCs, especially now that we are building for a 600 million market and not just a 50 million? And what are the secrets behind the large unicorns that are being built out of India today? Welcome to Speakeasy with Dheeraj Sinha, and today I'm talking to Anand Lunia, founding partner at India Quotient, a venture capital company born out of India who has invested in ShareChat, Sugar, LendingKart and Pagarbook to name a few. Anand has also been the VC behind Rebel Foods, CarWaale and RedBus. Anand, welcome to my podcast. Great to have you. Thank you for making time for this.

Anand ([01:16](#)): Thanks. Glad to be here.

**To succeed in India, you can't always build for yourself**

Dheeraj (01:18): Excellent. So, Anand, the whole philosophy behind your venture fund is it's called India Quotient, it's about India. I'd like to start with why a fund for India and how's the journey been like at that level?

Anand (01:32): Thanks for this question, Dheeraj. When I started my career in the venture industry in around 2007, venture capital was something that Indians were not supposed to understand. To be in the industry, either as a founder or as an investor, you had to be bred in the US ideally closer to Silicon Valley and only if you had passed through that experience only then you were qualified; you had to have an accent, for example. If you don't have an accent what startup will you do and what funding will you do? At the same time, what I saw for a five-year period from starting from 2006-7 to 2011-12, is most of these people who would come from abroad and they were largely Indians and NRI kind of Indians, they would end up how tourists are taken for a ride in Agra.

(02:19) They came to India because they thought they are an expert of travelling, but when they went to India, this & that happened and because these people didn't really understand what was going on in India and they didn't understand what the market is going to be, how to deal with the people here, etc. They didn't know how to filter people. So, for a while, people lived in their own bubble. I'll give you an example of a bubble, and this is one reason why I coined the term India Quotient is that I pitched this company called RedBus. You also must have heard about it. And however, there is a certain privileged class of people who don't take a bus ride. Now, this investor had come from Singapore and was an Indian guy. He would park himself in Oberoi Suites for a month or so every now & then.

(03:00) This gentleman, I pitched him RedBus, he was like, yeah, this is similar to Greyhound in the US. Great idea, blah, blah, blah. Let's talk on Monday. Monday I call him again and said, Anand, over the weekend I spoke to everybody and asked them, have you used RedBus? And nobody has used RedBus. In fact, they don't even use a bus for that matter. I said, yeah, of course they don't use a bus because you're staying in Oberoi Suites mate you should not be asking around yourself. So, the class divide in India is <incomprehensible>, and that's where I started using this term called India Quotient, it started as a blog. I probably realised that I'm better as an investor than a blogger. So, I use the same domain name for the firm India Quotient. The idea being that understanding India is a separate kind of Quotient itself and separate kind of intelligence, and that's what one needs to use if you're starting a company or if you are investing in a company.

Dheeraj (03:57): Absolutely. And Anand, last time we were speaking about, you had this whole thought of saying that unlike in Silicon Valley where you make for people like yourself, right?...

Anand (04:07): Yeah, absolutely. So true. Here, the educated class, the people who can code or people like you and me who have gone to business schools, we live in a different bubble, and that market is very small. Anything that targets you and I will not succeed. Whereas in Silicon Valley, it's the other way around. The whole country is practically middle class when bulk is the fat world class and maybe then there's a 5% top and 5% bottom or maybe 10% bottom. But India is top 1% of people who are the elites, and there is probably another 2 - 3% of middle class and 90% of the country is what it is. And these people definitely have a very different life from what we live. And also building for yourself and building what you'll use yourself, what you are excited about never works.

(04:57) I'll give another example. There was a very good company, thankfully I forget the name, the company shut down, a very smart girl, Wharton educated and she came and said, I want to start a western wear brand. I was like, okay, but who wears a western wear brand? And she said all my friends are having a tough time finding western wear clothes. I said, obviously, because nobody in India wears it. That's why you're having a tough time. You, yourself are saying the market is so small. She said no, we all want to wear Western wear and we are not finding it. So, there is a large market here. Now what happens in the venture world, if you see, you go to all the girls, they're again dressed in Western wear, right?

(05:39) You go to Bombay, your friends circle, all your business school friends or your college friends all will be with Western wear, if not always, most of the time. But at the same time, you go to a normal Infosys campus, you'll struggle to find somebody western, right? And that's the stark difference. So, the change is so fast, the moment you go out two kilometres from your bubble, and on the contrary, thankfully if you've stayed close to your roots and if you are happy to step out and see the world the way you want to see...I'll try to bring you the example of Warren Buffet here. We can all learn from him different parts of his life, but one thing I learned from him was that, a lot of people have said that he lead a very simple life. He goes to a same McD and has the same soft drink that he used to have 50 years ago and all of that. I feel that is a superpower of the investors because if you look at what he invests bulk of his investments are into things that masses consumed. And I feel that if he had scaled up his lifestyle quickly as soon as he came into money, I don't think he would've retained the connect with the middle-class America. And very soon, instead of a very intuitive investor who thinks around investing in a candy, cola or a sauce company or an insurance company, he would've probably been a hedge fund manager. Because you want to stay at the top and don't really want to look at what's happening on the ground and I think that that is a very important lesson.

(07:14) In fact, even in Silicon Valley, interestingly, a lot of VCs, just to make sure that they're connected, they actually don't change their homes, they continue to live in the same middle class locality where they were living 20 years ago because they understand that this is where I get the ideas from. In India the only thing is the middle classes, the Educated middle class is so far away from reality, that without really going down there and actually surveying the country, it's very difficult to understand and imagine what will work in India.

### **The rise of an 'unempowered' majority in India**

Dheeraj (07:42): Yeah, amazing. And now to go a little deeper into this whole how to play the India game, and my own theory has been that in the last decade, major shift has happened where erstwhile India was run by a small empowered majority. English speaking, these are people who had references, they could get loans, I mean bureaucrats, business class and so on and so forth. The last 10 years because of technology, Jio, etc, even the political environment in the country, the power has shifted dramatically to the unempowered majority of the country. And now the majority is running the country. Whether you look at politics, cricket, hockey, Olympics, business, and finally India's majority has come to par.

Anand (08:37): Absolutely it has Dheeraj. And you are right, the power equation has shifted. I mean, just imagine, I'll give you examples of two classes: the maids and the delivery boys. How come a delivery boy in Bangalore makes far more money than the Infosys fresh graduate? It's a very surprising thing, which is in a way very similar to what happens in America by the way the blue-collar workers typically will have more power, and at least in

the beginning of their career, they'll make more money than a white-collar clerk. And that's happening in India also, collectively, people have access to information, jobs, money also. But I'd say connection is the most important thing and combines people into classes. And willy nilly find that suddenly in the last 20 years, the salaries of drivers, for example, has gone up from ₹2.5 thousand to ₹ 20plus now in Bombay.

(09:31) And it's way more than 20 because you know we're giving one month holiday, one month bonus, overtime, you pay separately when you call them on Sundays. And this salary increase has been dramatic like 7-8 times in the last 20 years. Versus the salary of a white-collar worker typically working in IT has not grown even 2x. In 20 years, the entry salary of Infosys has gone up from ₹2.25 to 4 lakh. Now that hasn't moved at all. Why? Because for the drivers, multiple options are available now. You can be a delivery by, you can join Uber, you can actually run your own car. So, these options have opened up because of the country opening up technology.

(10:19) Broadly there are four things which are empowering people, one is the whole broadband, information & cheaper smartphones. Second is everybody has ability to transact and transfer money. So, UPI empowers a lot of people in small businesses, a paanwaala being able to accept a Paytm is seriously empowering. Being able to transfer money to his family whenever they need is very empowering. The third empowerment has come from bank accounts, people now know the power of saving and people can borrow if they have a bank account. Finally is power - power is electrical power, we are pretty privileged & we take for granted, I have full time electricity, which is why I'm able to work from home. Now, the small businessman doesn't have a privilege, people used to think, why will he use software? He doesn't want to use software, he only enjoys pen paper. That's not true. The poor fellow can't use the software because he doesn't have power, he doesn't have electricity, and suddenly electricity makes women more productive in rural households.

(11:12) They can use a mixer grinder instead of grinding with your own hands. That kind of empowerment has actually made people more productive and even more aware. Boss *bijlee aane se yeh hota hai* (electricity brings the following progress). It's not just about one bulb, going for two hours in a night so I can read a book, it's not just about that. It's about actually becoming more productive in my life and the whole machinery, how people look for opportunities in necessities, that same opportunity now has been flattened and available to everybody. And that's the beauty of it, which is why I say that nobody wants to immigrate into cities as much as it was earlier. Particularly, nobody wants to shift to hell holes like Bombay, where you pay Rs.10,000/- a month for a 10 by 10 room. Way too expensive. And at the same time, if you're already in Bombay, you will collectively command reasonably good premium.

(12:00) So, the maids for example, nobody first of all wants to become a maid. All the kids of the maids are going into a Rs.2,000/- per month St Xavier school, there are so many Catholic schools (English medium) all over the country. And naturally, if you don't want to become a maid there is a major short supply. My thesis is that maids will command (higher incomes) the next 5-6 years in metro cities they'll come out for, because they don't want migration, now nobody wants to migrate to a city particularly to be a maid. There are enough jobs at beauty parlour for women, younger kids, retail and that is where the empowerment is coming from. People as they say in hindi *ijjat ki roti* (fruits of honest labour) and hence, a maid waala job will also typically come with 1-2 holidays a week and with a lot of money.

Dheeraj (12:46): Hopefully work from home has trained a lot of us too.

Anand (12:50): You're right Dheeraj. Because within a few years it's already happening. Affording a maid is a really expensive proposition for most people and similarly, affording a driver is also. Earlier the middle class, even if you are a bloody clerk somewhere, you can afford a driver and you can afford a maid. That's impossible now, that privilege of having a maid and driver will be only restricted to the real rich. This I would say that it's like a real progress because people are getting paid for something according to identity of the job.

### **Building for the 'unempowered majority'**

Dheeraj (13:25): Yes, Anand, I want to talk to you about some of the platforms you've helped build as an investor and as we speak, dial back to this whole idea of building for 500-600 million India, not for the 50 million India. And the fact that the language of consumption, the way you consume through UX UI is so different; so we do a lot of work for global brands. We built Amazon India, we are building Spotify in India, but there comes a stage when a Spotify & Gaana is neck to neck and the UX UI is coming into play because the Spotify UX UI is very international and slick & Gaana, UX UI is very bright, India coloured and so on and so forth. And most of these global players at some stages have said that we have to build for India's speeds.

Anand (14:18): You're right. Very interesting that people call it tasteful versus tasteless. Gaana interface is not as tasteful, I'd say so as we funded this company called ShareChat. There will be people who are not very smart in English who will consume the kind of jokes, fonts they love, red, bright, yellow fonts, which typically you receive greetings in your family WhatsApp groups, right? Good morning and *Shubh Dipawali* (Happy Diwali) all of those greetings you receive, the fonts are really bright and shiny like how the country is, it's a colourful country right now, you can't really apply a western taste here. What's happened as just good example, let's close your eyes and imagine what you think the internet is. Okay? When you say internet, the first thing you probably see is some kind of a browser. The Internet is a browser for me. What do I do on the internet?

(15:13) I go and type a URL or I go to the search bar and search for something, this is our natural behaviour, I've been born and brought up like that. At the age of 10, I started using Internet Explorer and I know how to do a logical search. Because I have good English, I have good reasoning skills, I can type a logical search on screens and I can use Google to reach wherever I want to reach right. Now that is an assumption that we have taken for rest of the whole world also, which is not true. Somebody who starts internet at the age of 30 for the first time, he doesn't imagine the internet to be a browser with an address bar. And you sort of assume that this guy has an email ID and he's been using email forever.

(15:57) So, I'll tell you what happened one of the master strokes of why WhatsApp worked very well against Facebook. In the early days, WhatsApp was the only chat platform where you could log in through a phone number. If you wanted to use Facebook chat, you had to have an email id. Now the assumption of a Silicon Valley engineer was very clear that everybody has to have an email id. How can there be a human being who's an adult at 18 and doesn't have an email ID, now WhatsApp said boss, no, people don't need email in their normal lives. And for the longest time, WhatsApp worked simply because you just needed your mobile phone number and there was no entry barrier, no friction there. The other part was about how simple it was. It was just chatting. Interestingly, even WhatsApp got it wrong because they designed it for typing.



(16:44) And now you come to India, anybody who types very well in Hindi definitely is educated enough to type very well in English also. That's a safe assumption for any language. I have not met anybody who has very poor English, but extremely great Hindi typing skills on a smartphone. So, what did people start doing? People started exchanging content. If I have to wish happy birthday to Dheeraj, the happy birthday wish is about me, Anand Lunia, it's not about Dheeraj. So, hey champ, have a blast, have a great day, miss you, blah, blah, blah. The way I will draft my greeting will be to make Anand Lunia come out as a great rockstar. It's not about Dheeraj's birthday, it's about how great I am in writing and wishing people, and that's what my objective of a greeting is. And I'll use the best of English language and best phrases and best references and all of that.

(17:26) A normal person in India, first of all can't type in English, is hesitant, not sure of his own grammar, doesn't know the right words, blah, blah, blah. What he or she will do is, go pick up an image, which is a happy birthday, try to modify it or not modify it & simply forward it to you 'Dheeraj, Happy birthday'. This is how simple people are, that's the stark difference in how people think. And hence the bigger use case of WhatsApp ended up becoming exchanging content and not typing and chatting, whereas the whole world kept assuming for a long time it's a chat app. It's not a chat app, it's a content consumption app. Now it's also a search app. And because of WhatsApp, people felt *yeh acha* easy hai (this is easy), I'm in a comfort zone. I'm not in front of the whole world. I'm in front of a group of people that I know.

If I want to find out what are the flight options available from here to Mauritius, I know which website to go to type into the URL. I know how to search for a flight timing and all of that and what the fares are and how to navigate all the complex navigations that airline websites have, which somehow try to trap you into something or the other. But a normal guy, what they will do, they will go to WhatsApp. In some friends group they'll ask *yeh flight kitne baje ki flight hai aur kya cost hai iska?* (what time is this flight for and what does it cost?) somebody will reply. So, for him, whatever the rest of the internet was doing, WhatsApp groups are doing the same function.

Dheeraj (18:41): And it's a known group.

Anand (18:42): Yes, I am comfortable, I'm not hesitant here, and somebody will respond to me. What is the bus timing? What is the train timing? Somebody will respond with something and there will always be some enthu punter in the group who will be happy to help. And this is sort of what people think is internet. When you tell people what is internet, this is what internet is, they have not been very sophisticated users who've been using internet for the last 10 years. For you and I, if you want to close a window, you know that you to go to the left top most corner and there's a cross button, you close the window. People don't know that theory. You'll be surprised that half of the country even today doesn't know that this is supposed to be a user experience (UX) principle.

Dheeraj (19:21): Because you've come through it on a mobile phone.

Anand (19:23): Absolutely. And which is why the assumption is made that everybody knows that there is a menu button which will drop down. People don't know that. And that assumption is the wrong assumption. And this reflects in everything, the choice of fonts, choice of colour. For the longest time Dheeraj, this happened where a lot of investors were intrigued by the numbers Sharechat was producing. We had millions of people using us every

day, but they would open the app and I don't understand what's going on here because I can't understand the font looks so ugly, like you said it's not colourful enough and for us only the colourful content will get interactions & interest. And that's the beauty of it, which is why India Quotient becomes an extra edge, understanding India becomes an additional edge if you want to do business in India. India is not a homogenous country, there are layers. The difference you see within a metro between Bandra and Borivali. And from Borivali you will see a difference from Borivali to Nagpur, to a smaller town and from there to a village, there are multiple layers. And these layers are there across the board and that's the beauty of it. It's a fascinating market to be in.

Dheeraj (20:41): Absolutely. And typically, Anand when it comes to investing, the whole feeling is that basically money chases technology and products, which is also perhaps true when you look at the investment pie, but it's also the rise of at least two things that I can see. I'm sure you can see a lot more rise of D2C brands. Some of them are scaling very well, also the rise of a lot of small medium entrepreneur B2B platform softwares enabling the B2B business, whether it is financing, business, khata book and so on and so forth. What do you feel? What's money chasing right now and what are you chasing?

Anand (21:20): Well finally, money is chasing an audience. And the good part is because of some of the stuff that I told you earlier about information access, power access, payments access, banking access, there are new large audiences opening up now. So, there is a segment of the market which is in the metros, perpetually stuck to their phone. Loves Instagram, Tinder, Spotify, those kind of apps, maybe they'll buy HotStar or Netflix or maybe share a Netflix password with a friend. There is that audience, but there is a different audience, I'll give you an example. We have a company called Bharat Agri where they are just doing advisory, like a robo advisory for farmers on how to grow better crops. We don't give them anything. We simply give them advice and we charge money from them. Every month we are collecting money from 10,000 farmers for a one year subscription, one season subscription for them to get advice from us.

(22:14) That's all. Now in a country where if you sit in the metro and you read your pink newspapers, you will imagine that the farmers are such a class that they'll never pay for anything, they always live on subsidies, that's what you'll imagine. But here we have 10,000 farmers signing up for a digital subscription. In fact, we typically charge more than what Hotstar would charge for a year so, they're actually paying a good amount for advice. They use UPI to transfer their money, and this is a whole new audience opening up, and that's the audience that money's now seeking. Okay boss *naya market khul raha hai* (new market opening up), this is a new audience, new needs and the good part is that this audience, for example, if I say Amazon had one audience, FlipKart had one audience of e-commerce buyers, and suddenly from nowhere you have a company called Meesho.

(23:03): Which is suddenly selling to a whole new breed of buyers, maybe lower cost, maybe all of that is fine, but they have figured out a completely new audience who probably found navigating Amazon, by the way, buying for example, buying an earphone on Amazon is completely impossible. Now with so many choices, so many things to decide, so many ratings, blah, blah, blah. It's just impossible for somebody to navigate. What people want to do is, let me ask somebody. I know my neighbour is dealing with Meesho, that person will get me a good earphone, good enough. I don't want to have too much of cognitive overload just for earphone. These audiences are opening up and these audiences will not have the same winner. So, the people who won the metro audience and the audience which people were

catering to all this while, that same player will not win, some new players will emerge and new winners will emerge. And that's what the money's chasing right now.

(23:51) You mentioned D2C brands, Dheeraj. Same thing. I mean people have thought that D2C brand is about introducing a premium brand in India. Typically, that's what the assumption is, right? That's not where it'll go. D2C brands will emerge largely in goods which are lower priced than what they are today. Right now most of the brands are built for malls; there are probably 50-60 malls in the whole country, maybe including High Street, a brand can put 200 selling points today. And these are very expensive sales points, retail points. So, most of the brands are pretty expensive because they'll sell for the retail cost and then they sell online at the same price. A D2C brand would probably solve for a large market. Why would a D2C brand stay in the same metro city where people have multiple choices? This is how the whole evolution of everything starts with. Anybody who comes to India or anybody who thinks of initially, they'll start, okay, let us build for the city people because that's what they know. But eventually entrepreneurs learn and say, okay, let us go where the audiences, and I'm expecting the D2C brands to say, in India for example, the poor people suffer so much with footwear because Rs.200 or 500/- footwear, is all they can afford, and they get really, poor quality. To that extent somebody who will buy expensive shoe will have a better deal because the shoe last for a lot much longer and much more value for money.

(25:21) But poor people don't get value for money. They are saying, boss I can't afford Bata, but can somebody give me a Rs.400/- worth reliable shoe, which will have a warranty for six months? So that's not there today. It doesn't exist because nobody thinks of those people as a market. And with technology and internet, that market is opening up. And I feel that this D2C wave will go into lower end of the market where volumes are very high and they'll really use and leverage digital distribution efficiently. And that's the new market I think money will chase. Smart money is already betting behind those. Not too many people are funding cupcake, premium vegan cupcake else say pet friendly or organic food for pets products, nobody's funding those kind of food products, or you might see another organic food line for pets, but not too often, form bulk of the market is following the larger audiences.

Yeah. Awesome.

### **Why he is bearish on Thrasio**

Dheeraj (27:42): It's an amazing conversation. I want to pick your mind a bit on the Thrasio model. The whole idea of collecting a set of brands and some people in India are beginning to think like that as well. What are your thoughts on that? Where do you think is that headed?

Anand (27:59): Dheeraj, if you don't mind I'd love to hear from you how you describe a brand. What is a brand?

Dheeraj (28:06): I would say increasing what's happened is a brand to my mind is something that helps to drive business, right? I'm not saying a lipstick brand is a brand. I think Infosys is a brand because somebody picks up Infosys saying that, as you said, there's no cognitive overload on this. I will be successful using Infosys for my company. So that's how I define brands.

Anand (28:29): Yeah, good points. You're saying that a brand means there's a performance assurance of performance.



Dheeraj (28:35): Assurance? Yes. And helps me make choice easy as a consumer.

Anand (28:40): And as a consumer it also gives me a certain sense of wellbeing and certain sense of innovation or certain sense of status, for example. It doesn't have to be an expensive brand. Typically brands are built around values. Most brands if you look at Infosys, the first thing you say, Infosys is a great brand to say the first thing that'll come to your mind is how well NRN and then Nandan Nilekani, how well these people build the company, what kind of policies they had, what value systems they had. It again, boils down to the founders there. So, Infosys and the founders are connected, although he absolutely just stopped managing the company for years now. But even today it is still defined by the founders. And if you've seen the founders still continue to have a say, they will be upset with a few things that are happening with the management.

(29:32) So founders are a very important part of any brand. In fact, if I see, when was the last time a bunch of ex-consultants who were hired guns built a great brand, just one brand, forget a bouquet of hundred brands, I can't remember an example, right? Unless somebody owns the thing and has serious skin in the game and brings the values that they want to reflect in the brand, which is very important, lots of value around frugality, how to treat people, long-term employment quality, all of that. All of these things are values that the founders will bring to a brand. Now you say that all are not important, the founders get rid of them let's put collectively all of these brands into one warehouse & store them together it will become more efficient. It does.

(30:24) There is a serious efficiency and a lot of gains will come when you combine a lot of brands under one umbrella, one ownership. But what you'd forget is that it's a very competitive world. Most of these things are brands, meaning they're easier to produce, but they sell well because of the brand value, the value which the brand brings. Otherwise, there is no difficulty replicating the same thing. Now, every time a brand goes out of business and goes into a Thrasio model, it'll give room to competition. And some other entrepreneurs will say well this particular cosmetic brand or bags brand has gone into Thrasio model and now the room is clear for me to build another brand. There is a vacuum. Yeah.

(31:18) And if you also, look at deteriorating brands and I'm sure you have a lot of examples if you want, brands deteriorate because of poor management or lack of attention. Look at Hindustan Lever and P&G, they are the real Thrasios of the world. This Thrasio is okay, but this is what they are doing. Hindustan Lever is doing Thrasio all their life. And I'm sure those people are wondering now, what is this new thing like a unicorn and I've been building brands for the last 20 years in Hindustan Lever & nobody took notice here. So, if you look at it, how many (great) brands does a company like Hindustan Lever or a P&G build, very few, right?

Dheeraj: Yes very few. 5 or 6 power brands which you go across.

Anand (32:10): Yeah, very selective, very few, not more than. The brand doesn't do well. Brand has <incomprehensible>, they'll kill it. They don't want a smaller brand. Now, I don't understand this thesis of if Hindustan Lever were a company full of hundreds of brands, no brand is bigger than ₹100cr revenue, how would it work? It just wouldn't work. And then to imagine that Hindustan Lever didn't grow all of these brands, all of these hundreds of brands together, I am sure they'll give up for these (HUL, P&G) are really successful brand

machines. So, I think in my mind, I'm sort of old style in this. I think this is all financial engineering, and these companies are probably just 2-3 years old. I believe in this thing called whatever is the oldest will last long longest. So, the oldest method of brands is sort of what Hindustan Lever and P&G have been doing, that method of very selective experimenting and building a power brand or killing the rest of them. That experiment will continue and that is what will last longer, Thrasio is probably 3 years old in the world and probably has a life of 3 more years. That's my take on this.

Dheeraj (33:14): Amazing. But one of the things you were also saying, Anand, very categorically, is that scale is so important, right? It's not a long tail of a portfolio game, which they will play?

Anand (33:27): No, it should not be. Yeah, exactly. I mean how do you hire a celebrity for each brand of today's well-loved brand, typically there's a celebrity behind it. There's a founder behind it. There's a lot of history behind it. And they stick to values. They look at what Cadbury's did when they faced a crisis, they revamped the brand, even Maggi went through it. And I can't imagine so many things will go wrong when you have a hundred brands in under one company. I don't think that they'll be able to really do any justice there.

Dheeraj (34:01): And you'll not be able to create deep value for any of them.

Anand (34:05): No. I think it's financial engineering. I think the objective is just to leverage the arbitrage between how much you can buy a brand for and how much will the public markets pay for it. And public markets are too generous right now. So, I think that's what is going on.

### **What Anand looks for in founders**

Dheeraj (34:19): And Anand, what do you look for in founders? What do you back, are you backing people? You are saying business models will pivot, don't worry, I like you guys, I like your hunger so you get stuff. We will make whatever we make or are you looking at, I see you have a good POC, you've been doing well for 3 years your curve looks good let me back you. How are you making those choices? And what would you recommend for young entrepreneurs? What path to take? Two questions actually in that.

Anand (34:48): Dheeraj thanks. I look at two extreme ends. So, the first thing is the market, the choice of the market. The market has to be very large. It should be ripe for disruption. Existing competition should be stale or old and not able to move. And market structures should be such that somebody can make a lot of money. So, a lot of focus on the market and on the other extreme, lot of focus on the founder. Is this the right guy for this market? Is he a missionary? Is he in this market because he loves this market? Or is he simply a consultant or a banker or IIM MBA who's saying, I don't like a job so, let me start a startup. What is it for?

In the middle there is the POC (Proof of Concept or a basic working product), there is the business model, distribution strategy, how do you build a brand? What kind of pricing, blah, blah, all of that lot of stuff happens between the market and the founder. And I don't need to look at that. There's no point. My strong belief is two things will happen in a great market. The market will pull the product out of a good entrepreneur. A good entrepreneur will be able to respond to the market and the market will pull the product out of the founder & a bad founder will register the feedback and will waste the opportunity. In a bad market, you put anybody, you put even a Steve Jobs, nothing will happen. So, market is the most important.

And my advice to young founders would be to spend a lot more time on picking the right market, tuning to the right opportunities, which goes back to the India Quotient.

(36:20) You can't sit in your ivory tower and in your gated community in Lokhandwala and then you'll get ideas. You'll have to travel, you will have to interact with people of all sorts or have a very strong sense of observation. I'll give you an example of observation, a very interesting thing that comes to my mind. I told you about this Western wear thing. My observation when I was analysing this opportunity was that Indian wear is getting Westernised at the same time people are sticking to their cultural roots and not wearing Western wear. So, Indian wear if you see, Indian wear ke andar dupatta gayab ho gaya hai, (the Dupatta, a scarf to cover the front of the top garment as a modesty device, has disappeared) it's gone forever now. You rarely see somebody wearing a dupatta even in a small town. First step towards western wear, second the bottom the salwar of salwar kameez it has actually has become similar to a tights from Western. So the dupatta has gone from the top, the bottom has become like a western wear. It's become knit wear fabric, which is more convenient and more comfortable. And even the top, the salwar top also has become knit wear in all sorts of design shapes there. So, it's sort of become very westernised, but at the same time, it's Indian.

Now you'll know this only if you go & observe this in the market. If your observation phase is very small, you'll say, oh, I want to be an entrepreneur. I want to do something. I think this is a great opportunity. Instead of jumping into it and starting to build something. I would rather spend a lot of time on observing. There is a large market. What are people really wearing? What are people really doing? How are they using? And then jump in only if the market is very, very large and you want this to be the love of your life. There is no such thing as building a great company for five years and selling it off; nothing comes out of it. You have to say, I want to dedicate the rest of my life to this company. And you'll do it probably because it's a very great & exciting market, only then you'll be able to do something. There is no such thing as a short term gig where you make money, get out and retire. Doesn't happen.

Dheeraj (38:19): What are you saying? You're saying IPO is not the great exit.

Anand (38:23): It is not. I'll tell you what, only the companies where the founders commit their whole life to the company. Only those companies go to a great IPO by the way. If Falguni Nayar for example, from Nykaa says that, I'm going to retire a year after the IPO. You could see the response the market will give. It'll be completely opposite, that's the point. So, entrepreneurship is not about making money at all. It's a choice of a lifestyle. And I have seen that people who come for a short term, think of it as a gig, it never works out. You have to dedicate the rest of your life. It's a very hard choice and you want to do it, do the commitment to a right market only.

Dheeraj (39:06): Yeah, absolutely. Cause you have to stay with that it's like a marriage actually.

Anand (39:09): No. Marriages are different by the way, much shorter commitment.

### **‘Select founders who need zero help from you’**

Dheeraj (39:16): Shorter commitment. We went further than that. And what's your relationship pattern with the founders? What are the leadership principles you apply there? What's there to learn for us from there?

Anand (39:29): People become founders because they don't want to take direction from anybody in a country of 125 Cr people. I want to select founders who need zero help from me. They don't need help from me, they don't need advice from me or rather anything from me. At the best they want is they want me to be a little bit of a sparring partner, little bit of brainstorming, bouncing off some ideas. And I have to create an environment of comfort where they can come and discuss anything with me knowing very well that they can disagree with me and still do whatever they want to do. That is all I offer. In fact, one of my USP's is that we will not do board meetings, no board meetings until the third or fourth investor comes into the play. India Quotient as a firm doesn't believe in board meetings. We don't believe in giving instructions to founders, and we treat them as peers. We typically have an inclination to learn from what the founders are telling us. And the other thing that I provide to founders is patience. So, there are two things you need to build a company, capital & patience. The world has plenty of capital and very little patience. At a seed stage a founder should be in an environment of patience. I mean, when a company is three years old and not going anywhere, you need somebody to say, well, don't worry. It's okay.

Dheeraj (40:56): Yeah, it'll happen. Yeah, it happens,

Anand (40:57): Let's hang on, that's what you need to offer to them. In fact, there is no advice or *gyaan* (advice or knowledge). All that is overrated. In a country of 125 crore people if you pick founders to fund who need *gyaan* from you what's the point? You're not doing a good job. I'll pick people who are very, very capable they don't need any help. They just need patience from me that's all I want to do.

Dheeraj (41:19): That's fantastic. Thank you so much. Anand it's been such a great conversation and thank you for making time for this.

Anand (41:24): Welcome.

Dheeraj (41:30): So, there's one section that we typically do Anand, I don't know if you have time where we do a reverse. So, if you want to ask any quick questions. But you can make up anything if you have time, you could do that.

Anand (41:45): Dheeraj tell me your favourite startup right now in the market?

Dheeraj (41:47): I would say Boat right now cause we work for them as well.

Anand (41:54): Well, Good. You have to be loyal to your customers. And besides Boat, any favourite D2C brand that you use?

Dheeraj (42:02): Favourite D2C brands? I would say I have a lot of heart for how the cosmetic brands are building up, let's say Sugar, etc. Because I've done a lot of work in FMCG and it's hard, FMCG is so hard and I have a lot of heart for these guys building their brands and finding success.

Anand (42:19): Any 1 company or start-up where you were confused as to why it's doing well?

Dheeraj (42:26): A lot of the fantasy players actually.

Anand ([42:27](#)): You're confused?

Dheeraj ([42:28](#)): Yeah, I'm quite confused. I mean maybe if you can explain anything about it.

Anand ([42:33](#)): Again. I mean out of the circle of my competence. Again, same thing, and that's the beauty of it, assuming that they're all doing really well his is yet another audience where we have no idea. It's not people like us.

Dheeraj ([42:45](#)): Yeah. There's something working, it's sometimes.

Anand ([42:48](#)): I have the same feeling for crypto, by the way. I have no clue, how come Crypto is doing so well in India. Yeah. Dheeraj what would be your favourite city?

Dheeraj ([42:57](#)): My favourite city would be my hometown, Patna.

Anand ([43:00](#)): Nice. If you were to start a brand today. What would it be?

Dheeraj ([43:08](#)): Brand, it'll have to do something with content for the masses of India, for the new majority of India, I would say.

Anand ([43:17](#)): Any favourite YouTube channels?

Dheeraj ([43:19](#)): YouTube channels?

Anand ([43:20](#)): Any content player that you like?

Dheeraj ([43:24](#)): In terms of OTT you're saying?

Anand ([43:26](#)): OTT or anything. Any content it could be media.

Dheeraj ([43:30](#)): I think Prime is trying to go down a bit, I feel. I think Netflix has caught in the 50 million game. But yeah, I would say Prime ,MX those platforms. But I would say YouTube, my bet actually is on YouTube because that's the long tail. Because we just did a shoot last week with an influencer, and we paid that influencer same money that we pay Bollywood celebrities.

Anand ([43:56](#)): Wow, nice.

I'm Anand Lunia on Twitter and not much on LinkedIn. My email is [anand@indiaquotient.in](mailto:anand@indiaquotient.in), so largely Twitter and email.