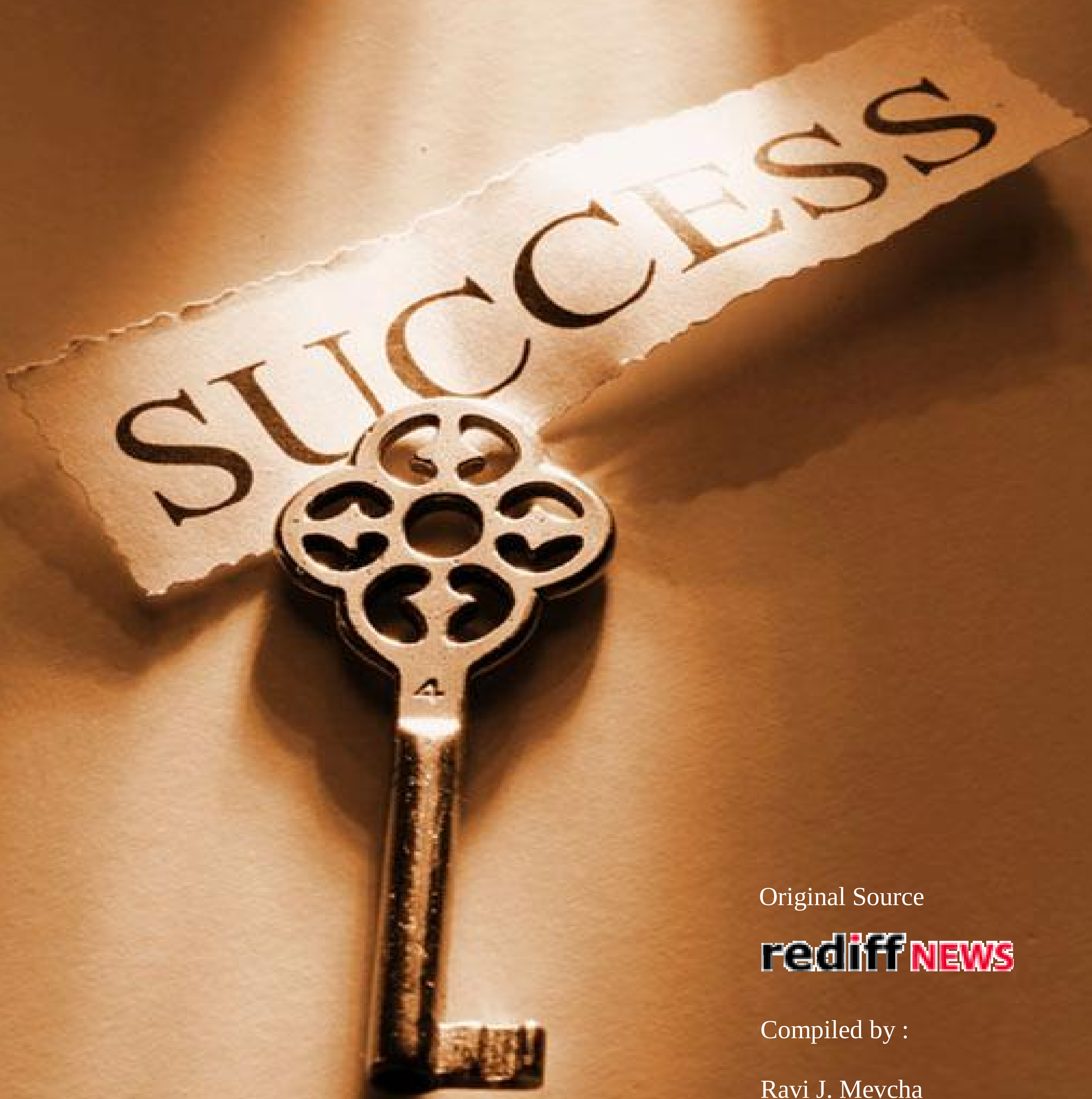
Success Stories



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Compiled by :

Ravi J. Mevcha
www.ravithesun.teks.co.in

Brief Profile

Sanjeev Bikhchandani
CEO, Naukri.com

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Raghav Kher
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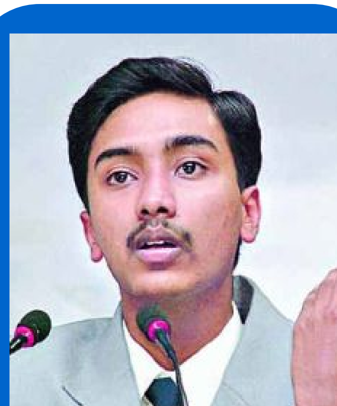

Suhas Gopinath
CEO, Globals Inc

Mark Zuckerberg
CEO, Facebook

Success Story 1

Sanjeev Bikhchandani
CEO, Naukri.com

Sanjeev Bikhchandani is a classic story of spotting an opportunity and chasing it with guts, determination, lots of hard work and a little bit of luck. **Naukri.com** *(the company is listed as Info Edge India Ltd on the Bombay Stock Exchange)* is India's number one job portal at a time when there is a serious scarcity of employable people in just about every sector of business and industry.

It is also an extremely successful dot-com, having weathered the 2000 meltdown. How much better can it get? Naukri's CEO spoke to *MoneyLIFE* editors **Sucheta Dalal** and **Debashis Basu** about the road he took and its various turning points.

Shall we start with a little bit about your background and your upbringing? When and how did you decide to be an entrepreneur?

There are no business people in my family. My father is a doctor and he was in the government from 1950 to 1983. So we were brought up in government colonies. I studied at St. Columbus School in Delhi, so did my brother. There was no business background in the family, no great financial acumen or anything.

My brother went to IIT, Kanpur, then IIM Ahmedabad and then did his PhD from Stanford. It was forgone in our family that one would do engineering or become a doctor -- the standard middle class aspirations of parents in government service. So I dutifully prepared for IIT entrance, took the exams and qualified.

Then two or three things happened. My rank wasn't great. I wouldn't have got the top three or four departments.

Secondly, I went for a medical test and found out I was colour-blind -- partially. Thirdly, it was a five-year course. So, I decided it was a better option to go to Delhi University and study economics.

Meanwhile, my brother had passed from IIM and he told me not to do an MBA right away because it is useless unless you work for a while. Then Lintas came to college for hiring in 1985. I joined as an Executive Trainee and worked in advertising for three years.

Lintas was hiring graduates those days?

They were hiring MBAs as Management Trainees who would be given a one-year training and graduates would be given two years of training and they would be equalized after three years or so. We were actually the first batch of graduate hires.

For a year I was in Delhi then I was transferred to Mumbai. I then wrote the CAT and went off to IIM Ahmedabad. Typically, in an ad agency you have this thing about meeting clients and then wanting to be on the other side of the table since an Ad Agency executive is typically at the lower end of the food chain. So I decided I want to be on the other side and in Marketing. I got a job at HMM, which is now Glaxo SmithKline.

I was in brand management, handling Horlicks. I was there for a year and a half. But all along, ever since I was in school, I was pretty clear that I was going to do my MBA, I was going to work for a few years and then start my company. This was there since I was 12 or 13.

Were you clear even in those days what was involved in running a company?

No clue! But I knew that I didn't want to join government service, after my father's experience, because in government, you are financially very badly off if you are honest. There was no way I was going to be dishonest, because those were not the values we were brought up with.

Since I wanted independence, it had to be in a business. This was my dream, a distant goal till I passed out of college and joined Lintas. By then I had decided that I would work for 2-3 years and then start out on my own. So I worked at HMM, came back to Delhi and within a year-and-a-half I quit.

I started a company called Info Edge. That is still the name of my company, Naukri is the brand. I started it with a partner and we soon set up two companies, one was for salary surveys and one was a database of trademarks on which we were doing searches.

In October 1990, we were operating from the servants' quarters above the garage at home and were paying my father Rs 800 as monthly rent.

What form of searches were you doing?

They were trade mark searches. We launched a salary survey in Info Edge and with the money we made from that, my partner had another idea.

He said the trade mark registry in Bombay has a library where you can see pending trade mark applications. The government takes five years to approve or reject a trade mark application so if you thought of a brand name today, you apply for it, launch it in six months and five years later if the government rejects your application you are dead, especially if somebody else is already using it before you.

People used to hire a law firm which sent out people to do a manual check in the library and assess whether the trade mark is likely to be accepted or rejected. This library is opened to public inspection. So we sent in 20 college students to note down all information filed under pharmaceuticals in all 134 classes.

We dumped this data in a computer and we wrote software to search it. We then began to call pharma companies -- there were 5,000 of them -- saying if you are making a trade mark application talk to us. For Rs 350 we give you a printed search report. This was a massive hit.

How did you deliver this?

We put the information in a computer. There were no online database searches then. So we said, you tell us what you need, we do a search, prepare a report and send it to you by courier. In 1993 my partner and I decided to go our separate ways.

I kept the salary survey company Info Edge and since the trademark thing was his idea he kept that. I moved back to the servants' quarters and started afresh. Over the next three years I kept costs low and made some money.

How did the survey work?

We used to do entry level salary surveys -- what companies are offering MBAs and engineers at the entry level. We would do a report and send it to maybe a 100 companies. It was not customised. It was a standard survey sold at Rs 5,000 to maybe 100-200 companies. As the price went up we sold at may be Rs 10,000. We used to speak to students who got offers usually from top ten engineering colleges. It worked well.

Where did you get the idea?

When I was in HMM we didn't have offices with partitions like we do today. It was an open hall where you could see, hear and speak to everyone. I noticed that when an office copy of *Business India* came in, everybody used to read it from back to front. It had 35 to 40 pages of appointment ads in every issue.

At that time *Business India* was the No.1 medium for appointment ads for managers. And people would openly talk about jobs that were available or slipping out of their hands. They discussed opportunities. Nobody was applying, nobody wanted to leave because they were in a comfortable MNC job with good brands, good pay packages etc., but they used to talk about it.

From these conversations I figured that even if you are not looking for a job, you look at a job. You are constantly looking for a new benchmark and checking if you are missing out on anything.

Also, every week 2-3 head-hunters would call offering jobs. There must have been 100 headhunters out there and each of them probably had four to five clients. These jobs were never advertised because we never saw them in *Business India* or elsewhere. I figured, what is appearing in the newspapers is the tip of the iceberg. There is a massive market below the surface, highly fragmented and scattered across HR Departments and placement consultants.

If somebody could aggregate it, it would be a powerful product where you could somehow make money. I knew this by 1990. When you are trying to become an entrepreneur there are a thousand ideas -- this was one of them.

Where would your money come from, in a model like this?

I had no clue. This was only an idea and I knew something would come out of it but I didn't know how. It was just one of a thousand ideas -- file and forget kind of thing. By then I had quit my job.

The Department of Telecom had put an ad on the front page of a newspaper saying it was looking for private information providers to launch a video text service, like the one in Paris. They would put up a server. . . I didn't even know what a server was those days. . . and there would be terminals in 45 telephone exchanges and 50 other public places from where information can be accessed for a fee.

They said, we want people who will own and maintain the databases and will not charge us anything; but when the user pays we will do a revenue split. I spoke to my former partner and said let's make a proposal where we get jobs from the company head hunters free of cost and put them here and charge 50 bucks per search, so Rs 25 will be DoT's and Rs 25 will be ours. He agreed we put in an application, were short-listed and they called us.

We found that around 30 to 40 people had turned up, some wanting to put up tenders, others planning something else. So they said, fine, we have plenty of proposals so now we can move to the next stage and get into details. We got a plan ready, produced documentation and end user schemes with classifications for every industry type.

That was in 1991, before the Internet came to India. They approved our proposal and said they will get back to us on implementation. But the project was cancelled. So we had this concept ready in 1991-92 and didn't know what to do with it.

But by then I was charged up on the idea and wanted to try it out. We tried franchise models, couriered floppies, etc. We kept getting data but whatever we tried it didn't look like it would work. It was too cumbersome. Meanwhile, I and my partner had parted. This idea came along with me while he kept the trademark thing.

In October 1996 I attended the IT Asia exhibition in Delhi which is held every year. Usually at IT Asia they have one pavilion with 100 or more tiny stalls where one always found a lot of interesting things. I saw one stall with www written on it. So I asked this guy what it meant, he said it was the World Wide Web. I asked him what that meant and he said it was the Internet and explained it to me.

At that time there was no TCP/IP access, only black and white monitors on which he gave me a demo. He was a retailer, reselling VSNL e-mail accounts. I said I don't want e-mail, show me the Internet. So he took me to a site called Yahoo!, showed me how to search, browse, check other sites -- there was lot of information.

I asked him how many users are there in India. He said 14,000. So I said, 'Wow!' I told him I don't want an e-mail account but I want to set up a Web site, show me how to do it. He said I can't help you there because there you need a server and all servers are in the US.

My brother is a professor at the UCLA business school, so I rang him up and told him I wanted to start a Web site. I told him to help me hire a server, but didn't have the money and said I would pay him later. We were really struggling financially those days because in 1996, if you recall, there was a recession. He said, no problem, I will pay for it and you pay me when you can.

You didn't ever regret having moved out of a cushy MNC job and the long struggle?

I struggled for 10. . . no, 13 years. I had moved out of the MNC job rather early. My salary was Rs 80,000 per annum. This was decent in 1990 but I was not giving up a Rs 20 lakh (Rs 2 million) job to come to a zero rupee salary. In those days you could not buy a car for three to four years even after you passed from IIM Ahmedabad.

I had a two-wheeler. I had not seen the higher salaries so I didn't miss it. What happened over the years when I was struggling is that my friends changed because they were doing different things. They used to go on foreign holidays, visit hotels and bars, which I simply could not afford. Over time, of course, I have re-established contacts.

Were the adjustments easier because of your family background?

Well, for the first three years, my wife was in Nestle and the company couldn't pay me. The next two years, the company could pay me and my wife was still in Nestle so we were okay. She quit in 1995 and around 1996 I became the Consulting Editor of *The Pioneer*'s career supplement called Avenues. That gave me a monthly cheque; we were not well-off but we got by.

By that time my reference group had changed, so I was not seeing what my batch mates were getting. In 2000 when we got venture capital from ICICI, I had been through the second round of not taking salary for three years -- 1997 to 2000. That was tough.

During that time my wife was not working, so I had to do a second job. I got up at 6.00 in the morning, dropped her to the bus stop, was in the office by 7.00, worked till 12.00 then would go to *The Pioneer* come back and work till midnight again. This went on for three years.

That was tough, but the thing about doing your own business is that you are probably very happy even though you are not making money, for the simple reason that you are in control of your life and priorities and that is important to me.

Was there the fear factor -- wondering how long you would have to keep struggling?

I got over the fear factor in the first two years. I realised that for an entrepreneur the real risk is often a lot less than the perceived risk before you jump. You learn to cope, to manage -- you find your cushions and buffers.

But sure, you have to be willing to say that I won't have a fashionable lifestyle, I am okay not buying a big car or owning a house. And it is easy if it is early in your career. So, in 1997 my brother paid for the server and I gave him 5% in the company. At $25 a month he got a good deal for the server.

I went to another friend who is a very good programmer and I told him about my idea to start a Web site. I gave him the old file and I asked him to do the programming. Since I didn't have the money I gave him a 7% share in the company. He was a freelancer working from home.

Then there was another friend, a year junior to me, called Saroja. She was also doing an independent consulting project. I told her that I am doing a second job in the afternoons and will she be interested in coming in for six hours a day. I offered 9% in the company and she agreed. Then we had some data entry guys and support staff from our other regular business.

We went to the Central News Agency and brought back some 29 newspapers with appointment ads. We built the structure of the database and told them to input the jobs. We got a thousand jobs, then I took a floppy to my techie friend and told him here is the menu and the navigation we want and he built the Web site -- Naukri -- in one week.

We launched on April 2, 1997. It was a very rudimentary site. If you look at it today it was really embarrassing. For the first six months I did not have an Internet connection.

But a good thing happened to us then. We were the first site that was targeting Indians in India. All others like rediff.com, Khoj and Samachar were all targeting Indians in the US. At around that time, journalists in India had begun to write about Internet and were looking for Indian examples to talk about.

So we began to get massive coverage. In the first year itself we had two fat files of press coverage and that really helped us. Because we got coverage without trying, we also got traffic. Our contact strategy was very good -- we would always allow you to log on free. Because we were sure that with 14000 people accessing the Net, we had a small base of users and we had to get people to keep coming back.

So where did your revenue come from?

We were doing salary surveys still remember? In year one in Naukri we did Rs 2.35 lakh (Rs 235,000) of business and 80% of the jobs were free. In year two our figures jumped to Rs 18 lakh (Rs 1.8 million) and that is when I realised that we had a serious business possibility here, although I was not able to pay myself a salary.

The company was, quite frankly very very stretched even though we broke even. What I did was to shut other parts of the business and all workstations and people were working on Naukri.

The next year, turnover jumped to Rs 36 lakh (Rs 3.6 million) and we made Rs 1.8 lakh profit, but that was because I did not take a salary. I was now clear that I would grow to make Rs 50 to 60 lakh (Rs 5-6 million) and then the profit could be around Rs 10 lakh (Rs 1 million) and I could even take home Rs 5 lakh (Rs 500,000). In 1999-2000 we did Rs 36 lakh, but by October we were sure we would go to Rs 40-50 lakh.

So we were very optimistic and thought we will do well after 10 years of struggle.

Then, around May-June 1999, we began to get phone calls from people saying 'we want to invest in your company, why not take money from us'? We found it surprising, but I said we don't need your money, we are going to break even and are concentrating on profits next year, so please go away.

Then we learnt that funded competition was coming in and the game was going to change. Suddenly, I realised, you cannot be a Rs 50 lakh Web site and make a 10 lakh net profit; you will have to be a Rs 5 crore (Rs 50 million) Web site and make a Rs 1 crore (Rs 10 million) net profit -- that is the only way you will survive or else you will die, because the game is going to change.

Sure enough, Jobs Ahead was launched on the India-Pakistan Sharjah Cricket tournament. We didn't know what the budget was but somebody told us it 'it is twice your turnover.'

That is when we called back the venture capitalists and said look we have changed our minds. So they said, sure thing, write your business plan. So we went back to them, the terms sheets were signed and due diligence done and April 8, 2000 we signed the agreement and they cut their first cheque.

We got lucky. If we had taken the money six months earlier we would have spent it foolishly. The market melted down around that time. We were the last or second last dot-com in India to get funded. By March the meltdown had started but people did not officially acknowledge it till September-October. They kept saying it is a technical correction. We got the money on April 8th and we just put it in fixed deposit.

We had done business for three years and we knew how tough it was surviving on the Net so when the market crashed we knew it was a real crash. We knew of it six months back because we were in the business so I told ICICI that this is a real crash, we have to build the business slowly.

ICICI, to their credit, never ever asked us for revised valuation and did not hold back subsequent tranches.

Was this only for you or for everybody else?

For us. For whatever reason -- I don't know what their thinking was and why us, but the fact is they gave us the final cheque at the same valuation a year and a half after April 8th.

We began to invest in servers, technology, people, products, sales offices and we began to focus on growing the business -- not just by spending but through better products and a feet-on-the-street approach. Around this time the IT meltdown began. This was in November 2000.

Then 9/11 happened and although we continued to grow, we were very scared. There was a time when we had only two years of money left. And then slowly the revenues caught up. We made two years of losses and then we broke even and made a one crore profit.

Going forward, we see there has to be solid emphasis on product and technology so in the last two years we have invested a lot in these and will continue to do so. We need a lot of innovations and scaleable technologies because funny things happen when traffic suddenly goes up. It is easy to run a Web site when there is low traffic but you are really tested when traffic goes up.

Does your application still perform and your service still deliver? You don't realise that until you face the problem. We have invested a lot in scaleable technologies, in new products and features and in bringing mobile and Internet together as well as voice and SMS.

In our scheme of things, the first priority is the product, the next is the brand -- we spend a lot of money on advertising both online and offline. The third is the sales force and sales network in order to sell. We have 400 sales people all over the country so we can reach many more companies and service them better.

Where are you vis-?-vis your competition?

There are two publicly available sources of checking who is bigger. One is Alexa.com where you can check out the traffic of various sites. The other is a paid site called Matrix. As per Alexa we got over 75% to 80% share of job traffic in India and according to Matrix we got between 60% to 65%.

In terms of revenue share -- we roughly estimate that we have around 55% of the market. But the metrics we really look at is how many CVs we are adding everyday, how many applications are going daily from our Web site? On all these metrics we have no competitive data but we estimate we are ahead by 30% to 40%.

How are you advantaged or disadvantaged vis- vis well known brands such as *Times* which is also in this business now?

Times of India obviously is a big company with a huge print presence and they are able to support their online presence through print. However, so far we have not been challenged in our market share or traffic share.

I think with online media a lot depends on your product instincts and qualities. How fast is the site? How many CVs do I get? How many finds do I get? We are in a situation where it is very easy for the customer to evaluate competitive offerings because you can measure how many responses you get and how many you hire.

But what about your original insight that people look at *Business India* **from the end, even though they are not really looking for a job. Are you able to give that window shopping experience?**

Yes, some people are looking for jobs, some people are just looking around. While you can browse through the site we do have an issue about the window shopping experience for passive job seekers. We recognise that.

A newspaper goes into the house for some other reason and you see jobs there. You don't have to make a separate effort. What we are able to do with technology is that if you register your resume with Naukri, the headhunters will call you.

But newspapers have a massive reach within the city on a given day. So if you are doing a walk-in interview, thousands will be walking in, after reading a newspaper ad. But then the Net is not expensive and will deliver results over a week, ten days or two weeks and it will deliver the results from all over the country.

So, it is not as if the Net will replace print, it's just some of the stuff which is going into print will rather be on the web. Besides, employees can themselves search nearly 2 lakh (200,000) job listings -- they can search, they can browse, they can set job alerts -- there are a lot of things the Net can do that print cannot.

Do you expect Jeevan Sathi and 99 acres to be successful as well?

As of now, Naukri accounts for over 80% of my turnover. Jeevan Saathi and 99 acres are plays for the future. If you look at our strategy there is a pattern. We started with Naukri -- a classified listings kind of business, a database search kind of business.

The market structures of the other two are very similar. There is big market in print, there is a segment which is run by consultants, there is an intermediary in the market -- a placement consultant, there is a job seeker, there is a final employer. We are creating a platform. Our job is to enable a handshake and we are charging for the prospect of enabling a handshake. Jeevansathi.com is similar. There is a large print market, there are two parties who frequently use the services of marriage brokers.

So again there are similar players. It is the same in real estate. So we have actually gone after markets which are very similar in structure and are financially viable in print and hence not risky. So we expect to do well, but don't know how well.

Jeevansathi is the No. 3 matrimonial site in the country; when we bought it in September 2004 it was distant No. 3 and now we have narrowed the gap substantially and I think we should be No. 2 in the not too distant future. For 99 acres, there was nobody else of any significance so we launched in August 2005 and we are No. 1 already.

What is your special input in 99 acres? Why have other property sites not done well?

I don't know. May be they were too early in 1999-2000, may be their strategy was different from ours, maybe they were not neutral platforms, may be they did not aggregate enough content. We have 55,000 listings on our site right now and have a whole tele-calling team which calls up brokers asking for listings on the phone and give them free trials. So it is a question of intuition also.

The basic funda is the Naukri funda -- we have got the most jobs so we get the most traffic, we get the most traffic so we get the most response, we get the most response so we get the most clients, we get the most clients so we get the most jobs -- it is a virtuous circle like in any other media market. It is the same in newspapers and the same in Jeevan Sathi or 99 acres.

Looking back, what advise would you have for young entrepreneurs with your mindset?

I would say that frequently the perceived risk is lower than the real risk but nevertheless you should understand the risk and try to reduce it.

It is a myth that entrepreneurs are not risk averse. I must be the most risk averse person I have met in my life. I am really scared of risks. The point is to keep de-risking at every opportunity. So first, I did not quit my job until after I got married knowing there is income in the house. I began to teach on weekends.

If I had been single, or my wife was not working -- in fact she was the fist angel investor -- it would have been a lot more difficult. I may not have done it. These were all de-risking strategies. When you start out you don't know where you are going to end up.

When we launched Naukri and you had asked me what is your vision I would say there was no vision. All I thought was, if I get a thousand companies to pay me Rs 500 a month to list a job and this would be every month I can do a Rs 60 lakh (Rs 6 million) turnover in three years time I will multiply the turnover of the company five times, that was the opportunity I felt.

Somewhere down the way this dot-com thing happened, then venture capital happened, the meltdown happened and if somebody had told me that I would do a Rs 84 crore (Rs 840 million) turnover five years from now I would say he was joking. Our projection to ICICI in our business plan was Rs 25 crore (Rs 250 million) for this year. So a lot of things are also unpredictable.

What do you see happening in the business in future?

I think there is lot of growth left in the company, there is more business that we can do. I think that there is a lot of improvement to do in product and technology to make it a world class company.

I don't see us diversifying significantly outside the Internet, at least as of now. We are not evaluating a fourth portal. The reason is we want to at least make sure that Jeevan Saathi breaks even and makes a profit. If we were only in Naukri and Quadrangle -- the recruitment part of business -- our pre-tax profit would be about Rs 28 crore (Rs 280 million) just last year.

So we don't want to spread ourselves too thin, particularly from the management point of view. In our business, the constraint to growth is not money but execution and leadership.

Success Story 2

C K Ranganathan
Chairman, CavinKare

C K Ranganathan, chairman and managing director of CavinKare, has shown the world it is possible to beat the multinationals even in the most difficult market of fast moving consumer goods.

Ranganathan's journey, which started from a small town of Cuddalore in Tamil Nadu, has been an amazing one. A business which he started with only with Rs 15,000 is now worth Rs 500 crore (Rs 5 billion).

He learnt the first entrepreneurial lessons from his father, Chinni Krishnan, who started a small-scale pharmaceutical packaging unit, before moving on to manufacture pharmaceutical products and cosmetics.

In an interview with *rediff.com*, the CavinKare chief speaks about his inspiring journey.

His father, his inspiration

My father, Chinni Krishnan, an agriculturist, was also into pharmaceutical business. As I was poor in academics, he wanted me to either do agriculture or start a business.

My siblings were good in studies -- two of them became doctors and another a lawyer. I was the odd one out. While my siblings studied in English medium schools, I was put in a Tamil medium school. I used to suffer from an inferiority complex because of my poor academic record.

Studies did not interest me, but rearing pets did. When I was in the fifth standard, I had a lot of pets -- more than 500 pigeons, a lot of fish and a large variety of birds. I used to earn my pocket money out of pet business at that time. Perhaps, the entrepreneurial spirit in me showed its first streak.

The origin of the concept of sachets

My father died as I entered college. He had come out with the sachet concept a couple of years prior to his demise. He felt liquid can be packed in sachets as well. When talcum powder was sold only in tin containers, he was the one who sold it in 100 gm, 50 gm and 20 gm packs.

When Epsom salt came in 100 gm packets, my father brought out salt sachets of as low as 5 gm.

'Whatever I make, I want the coolies and the rickshawpullers to use. I want to make my products affordable to them,' he used to say.

Selling things in sachets was his motto as he said, 'this is going to be the product of the future.' But my father could not market the concept well. He moved from one innovation to another but never thought of marketing strategies. He was a great innovator, but a poor marketer.

Joining the family business

After my father's death, my brothers took charge of the family business. In 1982, when I joined them after my studies, they had launched Velvette Shampoo. Within eight to nine months, I left the business because my ideas clashed with theirs.

As I was in the manufacturing unit, I did not know anything about marketing or finance. But, my inferiority complex notwithstanding, I was somehow confident of doing business better.

Starting his own business with Rs 15,000

I had left my brothers saying that I did not want any stake in the property or business. That was a defining moment for me. I had saved Rs 15,000 from my salary and that was all I had. Yet I was confident of achieving success. I did not feel anything about riding a bicycle after having got used to cars.

For a week, I could not make up my mind as to what business to do. I knew only two things; making shampoo and rearing pets. I didn't want to venture into the shampoo business as it would initate a fight with my brothers. However, I decided to do the same later as I could only make shampoo.

I rented a house-cum-office for Rs 250 a month against an advance of Rs 1,000. I took another place for the factory for a rent of Rs 300 a month and against an advance of Rs 1,200. I bought a shampoo-packing machine for Rs 3,000.

How Chik Shampoo was born

I named it Chik Shampoo after my father. The product did not succeed immediately; we learnt many things during the process. In the first month, we could sell 20,000 sachets and from the second year, we started making profits.

I moved to Chennai in 1989 but our manufacturing unit continued to be in Cuddalore. It took me three years to get the first loan because banks asked for collateral. I did not have any. But one particular bank gave me a loan of Rs 25,000 which we rotated and later upgraded to Rs 400,000, Rs 15 lakh (Rs 1.5 million), etc.

You know what the bank manager wrote in our loan application? 'This person does not have any collateral to offer but there is something interesting about this SSI unit. Unlike others, this company pays income tax!'

I must say my business never looked back because I was very particular about paying income tax.

Strategies that made Chik Shampoo No. 1 in South India

When Chik entered the market, Velvette Shampoo was being marketed aggressively by Godrej. But a scheme of ours became extremely successful -- we exchanged five sachets of any shampoo for a Chik Shampoo sachet, free.

Later, we altered the scheme -- we started giving one free Chik Shampoo sachet in lieu of five Chik Shampoo sachets only. Soon, consumers started asking for Chik sachets only. The sales went up from Rs 35,000 to Rs 12 lakh (Rs 1.2 million) a month.

When we introduced jasmine and rose fragrances, our sales went up to Rs 30 lakh (Rs 3 million) per month and with actor Amala as our model, our sales rose to Rs 1 crore (Rs 10 million) a month! Each idea of ours was rewarded by our customers. There has been no looking back since then.

Our market share increased and in 1992, we became the numero uno in South India. It took nine years for me to overtake my brothers' business.

How Chik Shampoo conquered the rural market

Multinational companies sold products in big bottles and not in sachets and they sold only from fancy stores. They did not look at the small kirana stores, nor did they look at the rural market.

We went to the rural areas of South India where people hardly used shampoo. We showed them how to use it. We did live demonstration on a young boy. We asked those assembled to feel and smell his hair.

Next we planned Chik Shampoo-sponsored shows of Rajniknath's films. We showed our advertisements in between, followed by live demonstrations. We also distributed free sachets among the audience after these shows. This worked wonders in rural Tamil Nadu and Andhra Pradesh. After every show, our shampoo sales went up three to four times.

Today, the Indian rural market is growing at a pace double than that of the urban market.

Launching Meera Herbal powder

We continued with Chik Shampoo for seven years before venturing into anything else.

Meera Herbal powder was actually not our idea. Shaw Wallace already had a herbal product but it was marketed very poorly. We felt there was a demand for herbal products and we made a good product. I felt we should be the leader if ours was a good product. And guess what? In the third month itself, we topped the market. In six months, we had 95 per cent market share, while Shaw Wallace had only 4-5 per cent.

How Beauty Cosmetics became CavinKare

As we planned to expand to new products, we thought the name Beauty Cosmetics would be restrictive. In 1998, we ran a contest among our employees for a name and one of them suggested CavinKare; with C and K spelt in capitals. CK, my father's initials. Cavin in Tamil means beauty and grace.

Perfumes for the poor

We wanted to cater to those who cannot afford (high priced) perfumes. Good perfumes came at a huge price -- they were beyond the means of ordinary people. We decided to come out with a Rs 10 pack Spinz. We were successful in that too.

Shampoo market share

In the last two to three years, our market share has come down though we are growing. It is mainly because of the anti-dandruff shampoos in the market. We do not have an anti-dandruff shampoo yet. From 0 per cent, the anti-dandruff shampoos have taken over 25 per cent of the market.

Only 75 per cent of the market, therefore, constitutes ordinary shampoos. We hold 20 per cent of the market share.

But we are the largest brand in rural Uttar Pradesh, Andhra Pradesh, etc. and we are the number one in many other states as well.

On the decision to launch a fairness cream

We decided to launch Fairever in 1997 as we saw a huge demand fairness cream. We are the second largest player in the market in this.

Research states that when a product is good, consumers do not shift to a new brand. Our team told me not to venture into the fairness cream market as the consumers were quite satisfied with the existing products. But we went to launch our product containing saffron -- which is traditionally used to get a fair complexion. In six months, our sales galloped. This was followed by Indica hair dye.

Two and a half years ago, we launched Ruchi pickles in sachets and we became number one there too. We sell close to 5,000 tonne of pickles per annum. We hope to double this in two to three years. Food is a huge market: we have understood that. Our target is to be a Rs 1,500 crore (Rs 15 billion) company in another three years.

Reasons behind his success

Teamwork is the main reason for our success. We have good professionals who work really hard. The second reason of our success is innovation. We have executed innovative ideas as well.

CavinKare Ability Award

I stayed as a tenant at Jayashree Ravindran's place (the woman who started the Ability Foundation). Once, she said she wanted to start a magazine for the disabled. Though she did not ask for sponsorship, I gave her a cheque of Rs 25,000. I also became one of the Foundation's founder members.

Once we came to know about the disabled who have climbed the ladder of success, we -- Ability Foundation and CavinKare -- decided to institute an award for them.

I feel each of us has to give something back to the society. I have great admiration for those who fight against all odds and attain success. When I started my career, I only faced shortage of funds but these people tide over graver difficulties. We must applaud their fighting spirit.

Success Story 3

Raghav Kher
CEO, Seventymm

From small town Dharwad in Karnataka to Silicon Valley, California, Raghav Kher's journey has been an exciting one.

Kher is now back in India with his latest venture, Seventymm, an online movie rental company that promises to deliver the movie you want to watch at your doorstep, from more than 10,000 titles from Hollywood, Bollywood and seven regional language films.

Kher, founder and chief executive officer, Seventymm, says: "Consumer is the king here and people have money in their pockets. Besides, DVD prices have crashed to below Rs 3,000. So I thought about a product, which people could use throughout the year. India has supply of 900 movies a year. There is a lot of content here. I also looked at how people watch movies and I found the market completely fragmented -- each store carries only 200-500 titles."

Kher talks about his experience as a professional in Microsoft and his transition to an entrepreneur and how he plans to make his latest venture a grand success in an interview with Manu A B, at the TiE-ISB Connect 2006 in Hyderabad recently.

Tell us all about you latest venture, Seventymm.

Seventymm is India's first online DVD rental service operating in Delhi and Bangalore. We intend to make watching movies a hassle-free experience. All you need to do is log in to the site, register and specify your office or home address, where you want the DVDs to be delivered and it will be done in 24 hours.

How did you get the idea to start this venture?

I came to India in March 2005 on a vacation. After a month I got bored and I wanted to do something new in India. The booming entertainment industry was an eye opener. I was amazed to see that PVR Cinemas charged Rs 500 for a gold class ticket. I grew up in a small town called Dharwad where we had to pay just Rs 2.50 to see a movie!

Here families are ready to spend even Rs 1,000 for a film! It's a completely different India from the one that I grew up in. Consumer is the king here and people have money in their pockets. Besides, DVD prices have crashed to below Rs 3000. So I thought about a product, which people could use throughout the year.

India has supply of 900 movies a year. There is a lot of content here. I also looked at how people watch movies and I found the market completely fragmented -- each store carries only 200-500 titles.

When was the company formed and how easy was it to get funding?

The company was founded in August 2005 and we launched the service in March this year in Bangalore. We received $2 million from DFJ in November last year. We received another round of funding of $7 million with Matrix Partners recently. Today, we have raised a total $10 million.

How do you plan to offset competition from other players?

If you want to rent a movie on Friday you have to drive to the nearest outlet. Suppose you want Spiderman, it is not available and the local shop gives you Batman. You may get it cheap but when you take it home you find it is not clear and realise it is a pirated copy.

So consumer expectations are not satisfied. Home delivery in India has taken off unlike food delivery business which has become big business in India.

Convenience is what people looking at along with the choice of content and variety of languages. You can also check how others have rated the film on the site and refer it to friends.

This is a disorganised sector and consolidation is happening in various sectors of retail, we being an organised player would like to make the best use of the opportunity.

How many start-ups have you launched so far and how was the experience?

I started three companies in six years. I started a company called Rendition Networks before this. It was a software technology firm with an elite clientele. Last year, Opsware acquired it for $40 million. Prior to that, I founded iMandi, an Internet marketplace to serve households in the United States.

Suppose if you want to get your house cleaned, or want a lawn moving service, you could get it done with our service. It's like the next version of yellow pages. We had over 300 categories in house cleaning and tied up with 200,000 merchants in the US and had about 1 million users. It was a great experience.

How was the experience working at Microsoft? Did you get to interact with Bill Gates?

It is very exciting. Microsoft was a great experience. When I joined Microsoft there were only 6,000 people. I spend 8 years in Microsoft, when I left MS it had 30,000 people and it had become bureaucratic.

I loved working at Microsoft, it's an awesome company but as more people joined, it was a totally different feeling. I left Microsoft in 1998. MS was one of the hottest companies to work with. The last two years I was in the finance group.

I was part of the Hotmail acquisition; I used to interact with him *(Microsoft boss Bill Gates)* on a project basis. He is a shrewd businessman and you have to prepare really well before you go for a meeting with him. You have to back up what you are saying.

The best thing about MS is they have hired very smart people. They have done an exemplary job in hiring the right talent. People are very passionate about their ideas, and even get confrontational! But the best way is to win and do well.

How important is education for an entrepreneur?

Education is important for an entrepreneur. In my case, the masters in mechanical engineering did not help. A bachelor's degree in engineering helps as it gives a good base, but if I can redo my education, I will not opt for MTech. A degree in computer science has been very helpful, I can understand technology very well.

The business school taught me a structured way of thinking and analyse market opportunities. My family also had a business in Karnataka but my father can't think of big deals and diversifying business. He cannot think about evaluating risks. they only think about what coming in and what is going out than about the large picture of business and how you can grow further.

A B-school teaches you to understand opportunities and risks. It also teaches you to grow big, create customer value and think about the competition.

What would be your advice to budding entrepreneurs in India?

- Go after your passion, if you have a passion for anything you will be very successful, I tell my kids also if you want a be a rock star, pursue it!
- There are huge opportunities in India. All you need to do is prioritise your ideas and work hard.
- Don't be afraid to make any mistakes because you are bound to make mistakes.
- If one start-up fails, it doesn't mean that you will also lose, it is a great learning experience.

What are the reasons for your success?

The drive to succeed is very important. Clarity of thought and ability to focus on the right things have helped me. I have been able to focus on making changes and have the ability to solve unstructured problems.I also believe prioritising and execution. I believe that strategy is 20 per cent and execution is 80 per cent.

What are the challenges you face in India?

The biggest challenge in India is hiring. I spend 90 per cent of my time on hiring people. Attrition rate and salaries are very high. And when people come for interviews, they are not keen on finding out how challenging and interesting their job would be, they straightway ask, "What's my package?"

Indians historically are very conservative and don't want to work with a start-up. It's because we did not grow up in a society with many start-ups. In Bangalore, people want to work only for IT companies or BPOs (business process outsourcing units).

We have solid team in place. We have a staff of 70 in our Bangalore office and will hire about 50 in Delhi.

Why do Indians lag behind in product innovation?

Ten years ago, Indians who were in Silicon Valley were engineers. After 1995, many company CEOs were Indians. Now, 50 per cent of Silicon Valley companies are run by Indians.

We have climbed the ladder to leadership positions. We have shown the world we can run companies. We started with business process outsourcing, started with small projects and are now getting bigger deals. We have done value addition to the existing projects.

Next step will be in product innovation. Small companies and start-ups are already making products. It is true that Indians who have gone to US have become good product developers but in India they are not as creative. I still can't figure out the reason.

What are your future plans?

We plan to launch operations in Mumbai by the end of this year. We will also be launching in Chennai, Hyderabad and Kolkata by the first quarter of next year. We plan to have 1 million users in 5 years generating revenue of $100 million. Every month about 1 million DVD players and 1 million VCD players are sold.

So 24 million players will be sold every year. In 5 years, this will grow to 60-80 million. When you have 80 million players what good is it if you can't watch your favourite movies? So rental schemes will do very well!

Success Story 4

R Subramanian
MD, Subhiksha Retail

When R Subramanian became an entrepreneur and started a retail chain called Subhiksha, there were not many entrepreneurs in India. In his family too, there were no entrepreneurs.

After obtaining an engineering degree from the Indian Institute of Technology-Madras, he decided to join Indian Institute of Management-Ahmedabad as he was sure about one thing -- that he would not leave India to go abroad.

Ten years after Subhiksha was set up, the retail chain has around 500 outlets all over India which Subramanian wants to double by 2007-end.

In an exclusive interview with Contributing Editor Shobha Warrier, Subhiksha managing director R Subramnian talks about his adventures, the success of his retail chain and also his future plans.

Staying back in India after studying at the IIT

I was one of the few students who didn't go to the United States for higher studies. Going to the US never fascinated me. I don't know why. I had always been doing unconventional things, so it was kind of offbeat not to go to the US.

I preferred doing something in front of my own people rather than going to a foreign land because this gives you more satisfaction and recognition. And the sense of achievement is far greater than doing the same thing in a far-off land.

Even the US was not the same US in the mid-eighties. Being one among the many workers and researchers there did not fascinate me. India is your country and you will get as much opportunity as anybody else. If you don't do well here, you have only yourself to blame.

On choosing to study at IIM-Ahmedabad

That is why an MBA seemed a logical corollary because hardcore engineering was not really my cup of tea. Even when in IIT, I went and did Economics, and took electives like Accounting and kept topping those subjects. I was always doing different things from what everybody wanted to do. So, I joined IIM-Ahmedabad.

At that time, my intention was to get into a good company like Pond's in Chennai and probably work in its marketing department. After my summer training at Pond's, they offered me a job too.

But I got interested in the investment bank department of Citi Corp and I was one among the three who were recruited by them from IIM-A. After working there for 3-4 weeks, I realised that that was not where I wanted to work. I felt you were cut off from the world and living in a world of trading. I felt you were doing more and more of the same and earning more and more money. That was not what I wanted to do in life.

The thought of doing something on my own came to my mind then. It was 1989 and there were no VCs (venture capitalists) to fund your ideas and investors chasing you in those days.

There was no precedent in my family for me to dream of becoming an entrepreneur. My father used to work for the Reserve Bank of India and his brothers too were in government service. My cousins, after studying at various IITs, went abroad. That was how it was

Leaving the investment bank and joining hands with Enfield

I called Mr Viswanathan of Enfield who had given me an offer when I was a student of IIM-A and asked, 'Is your offer still on?' He said, 'Yes.' I resigned from Citibank and came down to Chennai. My family in Chennai was shocked. Resigning from Citibank to join a sick company was unthinkable.

What I saw was this: it was a manufacturing company which would have all spectrums of job. I was with Enfield for two years from 1989-91.

Starts his first company called Viswapriya

I wanted to start a company of my own and told Mr Viswanathan about it. He asked me from where was I going to get the money? I had no idea. I told him I would figure out. He then told me that he would give me money to set up the company and I run it for him. As long as I could run the company, it was fine with me. He provided me with the money, and in 1991, I set up my first company called Viswapriya.

We got a galaxy of very good people on board. We basically did three things. We bought debentures from thousands of people who had them in very small numbers and consolidated as 1 lakh (100,000) or 2 lakh (200,000) debentures and invested in mutual funds. And the investors got a monthly income. Every time the money went to lakhs of investors, it went from Viswapriya and that way our company's name became popular.

It was a good business to start and we were the pioneers in it. After we started, all the big guys got into the business. So it was good fun.

Starting asset securitization

Today, everybody is talking about 'asset securitisation,' but in 1992, it did not exist in India. When we released a project to do asset securitisation, it was a huge hit. Three months after we did it, the State Bank of India did it, and a month later, ICICI Ltd too started. As we were the first guys, it was noticed; some small company in Chennai starting something like this for the first time in the country. It was making money, it was making us survive and also, it made people notice us.

The big breakthrough

The big breakthrough nationally came in 1994 when we started a new product IPO financing, which we called Prime Advancing. We created the first loan anywhere in the world for a guy who applied for shares without collateral, without guarantee. This industry and we, both, boomed.

Customers were making tons of money, and we were also making tons of money. So it was a win-win situation for everybody.

In 1994-95, we lent Rs 200 crore (Rs 2 billion). In 1995-96, we lent Rs 1,200 crore (Rs 12 billion). Our net profit zoomed to around Rs 25 crore (Rs 250 million). Of course, competition came soon. And then in 1996, the stock market collapsed.

Entering the retail market ten years ago

There was no great logic behind entering the retail market in 1997. We made a study of two areas: software and retail. Between software and retail, we thought we were a bit late for software as Satyam, Infosys, Wipro, TCS, etc had already established by then. We didn't want to be a small and late entrant.

In retail, we would be one of the early entrants, so we would have the learning curve much to our advantage. We allocated a Rs 5 crore (Rs 50 million) corpus to it and entered the retail business. There was a lot of thought process behind it. We wanted to attract not the top end customer but the aam aadmi.

From our research of three months, we found that consumers prefer buying groceries from closer home. So, we decided to set up 1,000 sq ft shops all across the city and not a 10,000 sq ft big store at one location in Chennai.

The next question was why would he come to our store abandoning the existing store? It had to be the price, because ultimately there is no difference between the branded products like say Boost or Surf or such things. So, we decided to sell branded products at a lower price.

On starting Subhiksha

We looked at all sorts of names; and finally we chose the Sanskrit word Subhiksha (prosperity) because it reflects the Indian ethos and it is a word that can be understood all over India. What we were trying to do was different from the western model; our model is truly Indian. Our theme was, why pay more when you can get it for less at Subhiksha?

In March, 1997, we opened our first store in Thiruvanmiyoor in Chennai with an investment of around Rs 4-5 lakh (Rs 400,000-500,000). We opened it with the clear idea that it is part of a larger system. We thought the day we opened, there would be a stampede because the prices were low and we would sell goods of Rs 30-40 lakh (Rs 3-4 million) by the month end. But there was nothing of that sort! We sold goods of only Rs 5-6 lakh (Rs 500,000-600,000) in the first month.

Yes, consumers were very surprised, and they gingerly looked at the products and asked, are they seconds or old stock or defective products? In the first year, we opened ten stores in Chennai.

We also started selling medicines at a discount. On the third day of our opening the pharmacy, there were about 100 people outside our store in the morning. We thought all of them were waiting to buy from our store. What we were expecting on day one happened on day three, we thought happily. But we soon found that they were not there to buy anything; they were chemists from the neighbourhood who had come to do a dharna (protest) saying we could not sell medicines at a discount.

Finally we had to go to court, and it was only in 1999 that the Supreme Court gave a ruling that we could sell medicines at a discount. We were doing quite well on the pharma front and we enjoyed all the attention we got.

Another thing is the medicines that we were selling at a discount were bought mainly by the elderly who have no fixed income and they welcomed any discount. We were quite happy to be able to help them in some way. Medicine retailing is more of a service than business for us. Of course, it is good business for us too. But our main motto is service.

On his expansion plans

By March 1999, we started expanding rapidly. From 14 stores, we expanded to 50 stores by June 2000. In the next two years, we had 120-130 stores across Tamil Nadu. Another big thing was, in 2000, ICICI Venture invested in our company. Today, we have 145 stores all over Tamil Nadu.

We saw to it that the moment we got into a city, we started as many stores as possible there. Only that made business sense. Then, till 2004, we made sure that we consolidated before we expanded, though there was a lot of pressure on us to expand nationally.

We decided to look at every part of India which is significantly literate and is a significant consumption market. We wanted to be everywhere. We looked at the telecom companies as our role model. They employed capable regional managers and expanded.

Our business is also extremely local. We can't sit in Chennai and run a store in Chandigarh. We decided to have very good quality people to run the region, area, town and the store.

In 2004-05, we decided to have 420 stores in places like Gujarat, Delhi, Mumbai, Andhra and Karnataka by 2006. In 2005, we started recruiting people in various regions. Today, we have 500 plus stores in all the places that we had planned. It will go up to 600-plus by the month end.

We are already India's largest retail chain store with 500-plus stores. We plan to have 1,000-plus stores by the end of this year.

India is a large country and there are still opportunities to avail of. Though now, the thought of opening stores outside India is not tempting because there are enough opportunities in India. We may look at overseas markets too. . . Maybe later, after we open 2,000 or 2,500 or 3,000 stores in India.

Risk in retailing and expansion?

We are not mad risk takers. We are not producing movies. We do a lot of research before starting business in an area, and we have back-up plans in place. We work with very good people, and if something goes wrong, we try to take corrective steps.

The big advantage we have is, we are not creating products. So there are no worries about whether it would succeed or not. Consumers are smart and they are all price-conscious and they want to finish the work as fast as they can. They don't go to a provision store for fun.

On the entry of MNCs and Reliance in the retail market

Everybody has been asking me, are you worried about Wal-Mart coming to India? Ultimately Wal-Mart is also going to be run by people like us. The point is you need not worry about anybody's entry. There is a huge potential for growth in India. There is potential for another ten people to come in.

Ultimately the share of the unorganised kiranas will come down and the share of organised sector will go up because of the efficacy in buying and distributing. Also, this is an extremely low margin business. Ultimately, everybody has to sell within the cost. It is not that we are geniuses; we have been in the business for ten years, and we have made enough mistakes and learnt from them.

I don't think any child will learn to walk without falling down first, however good the parent is.

We made our mistakes when we were small. The bigger you are, the mistakes will cost you more.

Satisfaction

There are two kinds (of satisfaction). We genuinely believe that through efficiency, we are helping the consumers save more. We are also happy that we are bringing in a model that is Indian, capable of supporting the middle class of India.

On what he does other than thinking about Subhiksha

I would like to say I think of Subhiksha all the time, but I do not. I read a lot, mainly online. I lead a reasonably balanced life. Working 12-13 hours a day six days a week, is my working pattern. I keep Sunday evenings and afternoons only for family. But I travel 12-15 days a month visiting all the Subhiksha regions.

I am a pretty cool person, relaxed all the time. I am not hassled about anything. Personally I am not a very ambitious person; I am happy with my curd-rice! What gives me a kick is to show that a business model from India is superior to a business model imported from the West.

We are living in an age where we do not have to be taught by the West what we should do in our country.

Success Story 5

Suhas Gopinath
CEO, Globals Inc

Globals Inc.
Setting the global trend

Suhas Gopinath started a software company at age 14 and has since become one of the most remarkable success stories of the Indian IT boom. Now he's 21 and runs a world-class business with 400 employees.

Kala Gopinath worries about her son, Suhas. He eats too little, sleeps too little; "This can't be healthy," his mom frets. She piles more vegetables and two idlis -- white dumplings made of rice and lentils -- onto the 21-year-old's plate. "Today he lay on the sofa until 4 a.m. working on his laptop. Then at 8:00 he went into the office."

Now it's noon, and Suhas has come home for lunch -- just a five minute walk from the office. "My mother insisted that my workplace be reachable without a car," he laughs.

Gopinath is the CEO and co-founder of Globals Inc. -- an up-and-coming IT company that produces Web sites and software, employs 400 people around the world and has become a national icon. The Limca Book of Records -- the Indian version of the Guinness Book of Records -- lists him as the "World's Youngest Chief Executive." Politicians in his home country celebrate him as the model Indian: Look what our young people can achieve!

"Why should I sell my baby?"

Suhas Gopinath could be chauffeured around in a big car. He could live in a penthouse or buy his parents a villa in a nice neighborhood in the suburbs. But instead, the family lives in a medium-sized house; he drives a small car; he doesn't have a trendy cell phone; and he doesn't wear designer clothes.

In 2005, an investment firm from Houston, Texas offered him $100 million for a majority stake in Globals. He refused, "after several months of discussion, admittedly." The reason for his negative response: "Why should I sell my baby?"

During the mid-1990s, the first Internet cafes began opening up in Bangalore, with one going into operation nextdoor to Gopinath's house. "My brother Shreyas took me there. I was fascinated. The Internet changed my life," he says. He spent every spare minute online.

He taught himself how to build Web sites. "He spent every rupee he had in the Internet Café," says his mother, disapproval still evident in her voice. Gopinath admits, "I had been a good student up until then. After I discovered the Internet, I was an average student." Before finding cyberspace, he had dreams of becoming a veterinarian.

The struggle for "Cool Hindustan"

In 1998, when he was 13, Gopinath launched his first website: www.coolhindustan.com. "I wanted to provide Indians all over the world with a forum to post public events, tips for eating out and everything else they're interested in," he recalls. The Web site became popular -- including with hackers in Pakistan. They attacked "Cool Hindustan" and replaced the Web site's logo with "Cool Pakistan." "That was a terrible experience," Suhas says today. He abandoned the project.

By then, talent scouts in Silicon Valley had already heard of Suhas Gopinath and the company Network Solutions invited the young Indian to its headquarters in San José, California. It was the first time he had ever boarded a plane and the first time he had been outside India's borders. "They offered me a job. They also would have paid for my education in the United States," he says. His answer, though, was no. "Why should I do for another company what I could do for my own?

That's when he made the choice to become an entrepreneur. He was 14.

It was a decision that faced resistance from many sides. His parents pressured him to finish school and study something practical, and there was the temptation of a secure job. Indian law also proved an obstacle -- you have to be at least 18 years old to start your own company.

A Californian detour

Gopinath wasn't going to wait four years. He cheated: Along with three friends, he registered his company in San José. "Online, of course," he says. He wanted to name the company Global Solutions, but that name was already taken. He opted for Globals.

Today, he still regrets that he wasn't able to start his company in Bangalore. India's most important politicians know the young man. He was even granted a private conversation with President Abdul Kalam. "I told him that the age limit for starting a company has to be removed," Gopinath says. Kalam promised him support, but so far nothing has changed.

The law wasn't the only obstacle, though. Potential customers canceled their orders when they learned their business partner was barely 14. "Many people didn't take me seriously," he remembers. As soon as he began sprouting facial hair, he grew a moustache, though he has, on the advice of friends, since shaved it off.

Ultimately, Gopinath managed to overcome every obstacle. Word gradually spread about his company's abilities and Gopinath hired more and more people and opened up more offices. He became the boss, employer, and chief executive -- all in mid-puberty.

Most of his employees are just as young: The average age is 21 with the oldest being a ripe old 26 and the youngest 12. Gopinath is unable to give the latter a full time job -- that would amount to child labor. "But we gave him a computer with an internet connection," Gopinath says. "Now he works for us sometimes on Web design."

200 Customers the World Over

Meanwhile Globals has amassed 200 customers across the globe and now has offices in 11 countries with some 65 percent of company turnover coming from Europe. The young Indians have become particularly good at identifying unfilled market niches. They developed a software product for schools, for example, allowing teachers to easily enter grades and attendance and enabling parents to check that their children are showing up to class -- a kind of electronic class register. The Indian government was thrilled with the idea and recently contracted Globals to set up the program in 1,000 schools.

Now that he is 21, Gopinath is thinking of transfering the company headquarters to India -- even though some 125 people now work for Globals in San José against only 25 in Bangalore. What would happen to the employees in the United States? "We'll see," Gopinath says. "The new developments are coming mainly from Bangalore."

Going to university on the side

Bangalore would certainly be cheaper. Globals employees there earn between 20,000 and 25,000 rupees a month, the equivalent of between €400 and €500 ($540 and $675) -- a good wage in India, but still a pittance compared to the €1,100 ($1,485) that colleagues in Western offices are earning. "For us, money isn't why we work for Globals," says 22-year-old Gayathri Kumar, who is responsible for finances. "The atmosphere and the fun are much more important to us. There aren't any hierarchies here."

Gopinath's father, M.R. Gopinath, once a scientist at the Defense Ministry, now acknowledges that his son made the right choices during the last seven years. They are proud parents, but they still haven't let him go. "To us, it's important that he gets a degree," the father says. "Education is the most important thing in India."

His son has listened and is now studying engineering in Bangalore on the side. But it's difficult to find the time; he just skipped an exam because of a conference in Germany and the next chance to to take it is one year from now. At university, Suhas listens to lectures and even gives some himself occasionally, to people who are often decades older than he is.

Sometimes, he says, he's sad he didn't have a youth like most of his friends. They went to the movies while he sat in front of his computer and worked. And there's another thing: "It bothers me that even my fellow students call me 'sir,' take pictures of me with their cell phones or ask for autographs."

Gopinath shakes his head. "I never wanted to be a star."

Success Story 6

Mark Zuckerberg
CEO, Facebook

"I'm just lucky to be alive." Mark Zuckerberg, the 22-year-old founder and CEO of social-networking site Facebook, is talking about the time he came face-to-face with the barrel of a gun. It was the spring of 2005, and he was driving from Palo Alto to Berkeley.

Just a few hours earlier, he had signed documents that secured a heady $12.7 million in venture capital to finance his fledgling business. It was a coming-of-age moment, and he was on his way to celebrate with friends in the East Bay.

But things turned weird when he pulled off the road for gas. As Zuckerberg got out of the car to fill the tank, a man appeared from the shadows, waving a gun and ranting. "He didn't say what he wanted," Zuckerberg says. "I figured he was on drugs." Keeping his eyes down, Zuckerberg said nothing, got back into his car, and drove off, unscathed.

Today, it is an episode that he talks about only reluctantly. (A former employee spilled the beans.) But it fits the road he has taken--an adventure with unexpected, sometimes harrowing, moments that has turned out better than anyone might have predicted.

Zuckerberg's life so far is like a movie script. A supersmart kid invents a tech phenomenon while attending an Ivy League school--let's say, Harvard--and launches it to rave reviews. Big shots circle his dorm to make his acquaintance; he drops out of college to grow his baby and Change The World As We Know It.

Just three years in, what started as a networking site for college students has become a go-to tool for 19 million registered users, including employees of government agencies and Fortune 500 companies. More than half of the users visit every day. When a poorly explained new feature brought howls of protests from users--some 700,000--the media old and new jumped to cover the backlash.

But Facebook emerged stronger than ever. According to comScore Media Metrix, which tracks Web activity, it is now the sixth most-trafficked site in the United States -- 1% of all Internet time is spent on Facebook. ComScore also rates it the number-one photo-sharing site on the Web, with 6 million pictures uploaded daily.

And it is starting to compete with Google and other tech titans as a destination for top young engineering talent in Silicon Valley. Debra Aho Williamson, a senior analyst at eMarketer, says it is on track to bring in $100 million in revenue this year--serious money indeed.

Yet there is an undercurrent of controversy about whether Mark Zuckerberg is making the right decisions about the juggernaut he has created.

Late last year, a blog called TechCrunch posted documents said to be a part of an internal valuation of Facebook by Yahoo. The documents projected that Facebook would generate $969 million in revenue, with 48 million users, by 2010. The New York Times and others reported that Yahoo had made a $1 billion offer to buy Facebook -- and Zuckerberg and his partners had turned it down.

This followed an earlier rumor of a $750 million offer from Viacom. Yahoo, Viacom, and Facebook would not comment on the deal talk (and they still won't). But Silicon Valley has been abuzz ever since.

"It's all been very interesting," deadpans Zuckerberg, sitting in a conference room in Facebook's Palo Alto headquarters. He looks every bit the geek in his zippered brown sweatshirt, baggy khakis, and Adidas sandals. He came into the room eating breakfast cereal from a paper bowl with a plastic spoon.

He still lives in a rented apartment, with a mattress on the floor and only two chairs and a table for furniture. ("I cooked dinner for a girlfriend once," he admits at one point. "It didn't work well.") He walks or bikes to the office every day.

Zuckerberg's college-kid style reinforces the doubts of those who see the decision to keep Facebook independent as a lapse in judgment. In less than two years, the two reigning Web 2.0 titans have sold out to major corporations: MySpace accepted $580 million to join News Corp., and YouTube took $1.5 billion from Google. Surely any smart entrepreneur would jump at a chance to piggyback on those deals.

Looming over the Facebook talk is the specter of Friendster, the first significant social-networking site. It reportedly turned down a chance to sell out to Google in 2002 for $30 million, which if paid in stock, would be worth about $1 billion today.

Now Friendster is struggling in the Web-o-sphere, having been swiftly eclipsed by the next generation of sites. The same thing could happen to Facebook. New social-networking sites are popping up every day.

Cisco bought Five Across, which sells a software platform for social networking to corporate clients. Microsoft is beta-testing a site named Wallop. Even Reuters is planning to launch its own online face book, targeting fund managers and traders.

So is Zuckerberg being greedy--holding out for a bigger money buyout? If so, will that come back to haunt him? If not, what exactly is his game plan?

Zuckerberg's answer is that he's playing a different kind of game. "I'm here to build something for the long term," he says. "Anything else is a distraction." He and his compatriots at the helm of the company--cofounder and VP of engineering Dustin Moskovitz, 22, his roommate at Harvard, and chief technology officer Adam D'Angelo, 23, whom he met in prep school--are true believers. Their faith: that the openness, collaboration, and sharing of information epitomized by social networking can make the world work better.

You might think they were naive, except that they're so damn smart and have succeeded in a way most people never do. From a ragtag operation run out of sublet crash pads in Palo Alto, they now have two buildings (soon to be three) of cool gray offices and employ 200 people who enjoy competitive salaries and grown-up benefit packages--not to mention three catered meals a day with free laundry and dry cleaning thrown in. And they continue to crank out improvements to a Web site that is in every meaningful way a technological marvel.

Right now, the folks who fronted Zuckerberg that $12.7 million back in the spring of 2005 and the other venture investors whose money and connections have helped juice Facebook's growth describe themselves as content.

After all, since news of the Yahoo deal surfaced, the user base has continued to boom, arguably increasing Facebook's value. But when those money guys start agitating to realize a gain on their investment, can a sale--or more likely an IPO--be far behind?

"What most people think when they hear the word 'hacker' is breaking into things."

Zuckerberg admits to being a hacker--but only if he's sure you understand that the word means something different to him. To him, hacker culture is about using shared effort and knowledge to make something bigger, better, and faster than an individual can do alone.

"There's an intense focus on openness, sharing information, as both an ideal and a practical strategy to get things done," he explains. He has even instituted what he calls "hackathons" at Facebook--what others might call brainstorming sessions for engineers.

But it was old-fashioned breaking-and-entering hacking that spawned Facebook--and Zuckerberg was the culprit. Zuckerberg grew up in the well-to-do New York suburb of Dobbs Ferry, the second of four kids and the only son of a dentist (he has no cavities) and a psychiatrist (insert your own mental-health joke here).

He began messing around with computers early on, teaching himself how to program. As a high school senior, at Phillips Exeter Academy, he and D'Angelo built a plug-in for the MP3 player Winamp that would learn your music listening habits, then create a playlist to meet your taste.

They posted it as a free download and major companies, including AOL and Microsoft, came calling. "It was basically, like, 'You can come work for us, and, oh, we'll also take this thing that you made,'" Zuckerberg recalls. The two decided to go to college instead, D'Angelo to Caltech and Zuckerberg to Harvard.

That's where the hacking episode occurred. Harvard didn't offer a student directory with photos and basic information, known at most schools as a face book. Zuckerberg wanted to build an online version for Harvard, but the school "kept on saying that there were all these reasons why they couldn't aggregate this information," he says.

"I just wanted to show that it could be done." So one night early in his sophomore year, he hacked into Harvard's student records. He then threw up a basic site called Facemash, which randomly paired photos of undergraduates and invited visitors to determine which one was "hotter" (not unlike the Web site Hot or Not). Four hours, 450 visitors, and 22,000 photo views later, Harvard yanked Zuckerberg's Internet connection.

After a dressing-down from the administration and an uproar on campus chronicled by The Harvard Crimson, Zuckerberg politely apologized to his fellow students. But he remained convinced he'd done the right thing: "I thought that the information should be available." (Harvard declined to comment on the episode.)

Ultimately, Zuckerberg did an end run around the administration. He set up the Facebook template and let students fill in their own information. The new project consumed so much of his time that by the end of the first semester, with just two days to go before his art-history final, he was in a serious jam: He needed to be able to discuss 500 images from the Augustan period.

"This isn't the kind of thing where you can just go in and figure out how to do it, like calculus or math," he says, without a trace of irony. "You actually have to learn these things ahead of time." So he pulled a Tom Sawyer: He built a Web site with one image per page and a place for comments. Then he emailed members of his class and invited them to share their notes, like a study group on cybersteroids. "Within two hours, all the images were populated with notes," he says. "I did very well in that class. We all did."

Thefacebook.com, as it was originally called, launched on February 4, 2004. Within two weeks, half the Harvard student body had signed up. Before long, it was up to two-thirds.

Zuckerberg's roommates, Moskovitz and Chris Hughes, joined in, helping to add features and run the site using a shared hosting service that cost $85 a month. Students from other colleges began approaching them, asking for online face books of their own.

So the trio carved out new areas on the site for places like Stanford and Yale. By May, 30 schools were included, and banner- type ads for student events and college-oriented businesses had brought in a few thousand dollars.

"We just wanted to go to California for the summer."

That's how Zuckerberg describes his decision, at the end of sophomore year, to head out to Palo Alto with Moskovitz and Hughes. They sublet a house not far from the Stanford campus. And then fortune intervened.

Out on the street one evening, Zuckerberg bumped into Sean Parker, a cofounder of the file-sharing program Napster. The two had met briefly back East. It turned out Parker was moving to Palo Alto but didn't yet have an apartment. "Basically we just let him crash with us," Zuckerberg says.

Parker moved in, bringing with him an irrepressible spirit, lots of ideas, a killer Rolodex--and a car. Parker was also a walking, talking cautionary tale for what can happen to young entrepreneurs.

After Napster was derailed by legal challenges from the music and movie industries, Parker had helped launch Plaxo, a site that updates contacts. But he told everyone he'd been pushed out by venture heavyweight Michael Moritz of Sequoia Capital, an early backer of Yahoo, Google, and YouTube. (Sequoia declined to comment.) Zuckerberg took it all in.

Within a few weeks, Parker introduced Zuckerberg to his first major investor, Peter Thiel, cofounder of PayPal, president of hedge fund Clarium Capital, and managing partner of the Founders Fund. After Zuckerberg's 15-minute pitch on Facebook, Thiel was clearly interested.

"Peter is a fast-talking, sort of intimidating guy," says Matt Cohler, then a colleague of Thiel's who was in the room. "But Mark stayed calm and got the information he needed." By the end of the talk, he also got a commitment for $500,000 in seed money and an enter into the exclusive social network of Silicon Valley.

Zuckerberg and his friends had caught the entrepreneurial bug. With the end of summer approaching, Zuckerberg thought back to a presentation he'd heard at Harvard from a well-known dropout. While taking a computer-science class, he recalls, "Bill Gates came and talked."

Gates encouraged the students to leave and go make something, since Harvard lets students take as much time off as they want. "If Microsoft ever falls through, I'm going back to Harvard," he joked. With Thiel's money to sustain them, Zuckerberg and Moskovitz decided to follow Gates's advice.

Zuckerberg and a growing cadre of engineers managed the Facebook site from a series of sublets around Palo Alto, coding together in endless sessions on rickety furniture. "We never had any money," he recalls with a laugh. "We actually bought a car on Craigslist. You didn't need a key. You just had to turn the ignition." In November 2004, Facebook passed the 1 million--users mark. Six months later, with the help of Thiel, Zuckerberg signed the papers for that $12.7 million in financing from Accel Partners. He hired a new fleet of engineers (including Steve Chen, who would leave a few months later to cofound YouTube). And he moved the company into real office space, on Palo Alto's University Avenue. By the fall of 2005, there were 5 million active users, those who visit the site at least once a month.

Ask anyone who works there what Facebook is, and you will get pretty much the same answer: a social utility that lets people share information with the people in their world quickly and efficiently. Unlike MySpace, where anyone can trawl the site or take on a different persona, Facebook is based on real-world networks of people who share the same email domain and actually want to know more about one another.

What you share--vacation photos, contact information, favorite movies, current whereabouts, upcoming events, whatever--is entirely up to you. This all made perfect sense for the college crowd, who show up at school hungry to meet the people around them. But Web 2.0 watchers wondered how Facebook could grow into something that would work for the rest of us. And it needed to do that, if for no other reason than that the original audience was growing up and getting jobs.

In September of 2005, Facebook was opened up to high school students, many of whom had older siblings already on the site. The following month, the site added a photo feature, and technical demands skyrocketed.

"We're one of the largest MySQL Web sites in production," says chief operating officer Owen Van Natta, 37. MySQL, a popular open-source software, "has been a revolution for young entrepreneurs," Van Natta explains, partly because it frees them from paying the licensing fees of, say, an Oracle. But with sophistication comes heat. Literally.

"In computing, as things get smaller, they run hotter," Van Natta says. When he first joined the company in late 2005, he recalls, it was growing so rapidly there was almost a meltdown. "We were trying to predict how many new users we'd get, how they would use the site, and what we'd need to serve that," he says.

There weren't enough people to do all the analysis. "We were just trying to keep the wheels on the wagon." When he went to check the data center, he was horrified. "There were little fans like this big"--holding up his hands to indicate the size of a grapefruit--"tucked between the servers. It was over 110 degrees in some aisles."

And the data-center guys were plugging in more servers and screwing them into racks, trying to keep up with the rapidly scaling site. The Plexiglas sides of the server racks were warping from the heat. "I was, like, Mayday!" he recalls. "We need to get on top of this!"

Growth continued. In June 2006, the site was opened to work networks. There are more than 20,000 networks of employees, from the Central Intelligence Agency and the Internal Revenue Service to Macy's, McDonald's, Time Inc., and the U.S. Marine Corps. Even MySpace, considered by many to be a Facebook rival, has a corporate network of 22 employees.

Then in September, Facebook announced what it called "open registration": Anyone with a valid email address could join a regional network. It was an auspicious moment--until the Facebook community rose up and almost destroyed its creator. The problem was a new option called News Feed, which creates regular reports about the activity within a network or group of friends.

It may have seemed like a good idea at the time, but it set off a revolt in the Facebook community. Users felt that their personal information was being broadcast all over the Web without their permission. Never mind that they had posted it all publicly themselves. Or that it went only to people who were friends or already in their networks.

Facebook is a fast-moving, throw-it-up-and-see-if-it-works sort of place that typically adds a feature, watches how people use it, and, based on feedback, adds things such as extra privacy controls. But this time, Zuckerberg and his crew had made a mistake by not putting privacy features in place first.

Taking advantage of another new feature, which allowed individuals to start their own issue-oriented "global groups," disgruntled users set up a group they called Students Against Facebook News Feed (Official Petition to Facebook).

Ironically, the News Feed service itself then spread the campaign ("Your friend has just joined this group!"). In less than 48 hours, 700,000 people had joined the protest, and the blogosphere declared it the end of Facebook. News crews camped outside the Facebook offices, as if a bald Britney Spears were being held captive inside. "There was a hilarious email thread as we discussed what to do," says Zuckerberg, who was stuck in New York fending off his own onslaught from the media.

"Someone writes, 'Okay, it's like midnight, and we want to leave. But we can't even look through the blinds because they're videotaping us. I'll pay someone $50 to go streaking.'"

From his New York hotel, Zuckerberg posted an open letter to users via the blog on the site. "We really messed this one up," he wrote.

"When we launched News Feed and Mini-Feed we were trying to provide you with a stream of information about your social world. Instead, we did a bad job of explaining what the new features were and an even worse job of giving you control of them." His engineers worked around the clock for three days to add better privacy features.

The storm eventually passed, and Zuckerberg now claims News Feed has actually been a hit. "Once people had the controls and knew how to use them, they loved News Feed," he says, launching into some uncharacteristic hyperbole.

"We're actually producing more news in a single day for our 19 million users than every other media outlet has in their entire existence." (Facebook has also been snared in a more lingering dispute: When the site first launched, four other Harvard students sued, claiming that Zuckerberg stole their idea. The Facebook defendants filed a countersuit. At press time, litigation is continuing.)

"We're private, and we just don't talk publicly about these types of things."

We're in the Facebook conference room at the end of the day, and Zuckerberg is politely ducking questions about the company's financials. Last spring, Facebook received another infusion of VC funding--$25 million led by Greylock Partners and Meritech Capital; Accel and Thiel also reinvested.

But conversations with the executive team make it clear that Facebook isn't living on VC cash, at least not anymore. When I met with Cohler, who joined Facebook as the vice president of strategy and business operations, I asked bluntly whether a report in The New York Times that said the company was profitable was correct. At first, he hemmed and hawed. "It depends on how you look at GAAP accounting." But then he allowed: "We're growing very fast, and we're funding the growth of the company through revenue and the operations of the business as opposed to financing."

And the scale of those operations is significant. Beyond the 200 staffers and prime Valley office space, explains cofounder and chief of engineering Moskovitz, Facebook has multiple server facilities. The company is also about to invest what COO Van Natta says is "many millions of dollars" on more infrastructure.

So how does Facebook make its money? Advertising and sponsorships, mostly. Apple was an early backer, sponsoring a site for iTunes enthusiasts. JPMorgan Chase and Southwest, among others, pay for similar programs.

"Flyers," the online version of the paper ads that students use to publicize events, also provide a very modest source of revenue. And there is a nascent-but-growing local advertising business. The big money, though, comes from an ad-placement alliance with Microsoft in which the software giant will place banner ads on the site through 2011.

It mirrors a deal MySpace inked with Google last year. (MySpace reportedly got $900 million over three years. Facebook hasn't released the value of its program, and neither party will comment on the terms.) Facebook also just inked a deal with Comcast to create and Webcast an episodic show based on user-generated video content.

Called "Facebook Diaries," the series will be shown on both Facebook and Ziddio.com, Comcast's video-uploading site, as well as through Comcast's video-on-demand service.

"Okay," Zuckerberg says, "you have a Viacom, News Corp., and Yahoo. So you compare and think, This is social, but we're a technology company. What's in it for us? How will it work?"As everyone remembers from the heady sock-puppet days of Web 1.0, you hatch an idea, build it into a company, and concoct an exit strategy--that's the key to taking the business to the next level and rewarding early-stage investors for their money and employees for their hard work.

And there are two basic formulas: Sell to a bigger company, or file an initial public offering. With all the talk about valuations and acquisitions, not to mention the pressure of investors and employees with stock options, exit has to be on Zuckerberg's mind, right?

"The word--it applies a certain frame to thinking about things," he says, decompressing after a long day of meetings. "If you sell your company, that is the exit. That's just not how we think about it."

He pauses, then says with a sigh, "Okay, you have a Viacom, News Corp., and Yahoo. So you compare and think, This [site] is social, sure, but we're a technology company. What's in it for us? How will this work?" The companywide focus is on innovation and engineering, and the commitment to optimizing the user experience, he says.

The goal is not to create a media company. It is not about selling movies. "There are ways that you could do it, but right now, we're focused on building this. And if you look at the stats we have, it's been a good decision so far." But eventually? "At some point, it probably makes sense to do something. But we're in no rush."

One clue to the company's future plans comes from early investor Thiel, who has mentored Zuckerberg through the last year's swirl of acquisition talks and rumors. Bottom line, Thiel asserts, "it's much more valuable than anybody on the outside thinks." He points to the growing user base and page views as evidence. "The people who understand the power are the users. The people who wanted the company don't understand the power and don't want to pay enough for it. So we're not going to sell."

He adds, "I think the MySpace sale was a giant mistake. The Flickr sale to Yahoo--a giant mistake." A better idea, he believes, is to focus on the technology, which he says is the Facebook team's great strength, and continue to grow the company. He points to a laundry list of benchmarks that they'd all like to see. "Can we get to 35 million users this year?" Dominating another sector beyond the college crowd would be key. "If we were to see that in the high school space, that would be very significant."

But Thiel is aware of a ticking clock of sorts, determined by a Securities and Exchange Commission rule. "Once we get to 500 shareholders, we'll be forced into a situation where you have to give full financial disclosure," he says. (Facebook employees have shares as part of their compensation packages.) Most companies go public at that point. "But our current bias is not to do it any sooner."

What seems most likely is some version of a publicly traded Facebook, one that might emulate the quirky Dutch-auction IPO that Google filed in 2004. It seems like a natural fit; Facebook admires the minimalist sensibilities of Google's design, its focus on engineering, and the "do no evil" philosophy that, theoretically, at least, informs its business. Best of all, if handled properly, an IPO keeps the founders firmly at the helm, just like Sergey Brin and Larry Page at Google.

And an IPO would seem to be a good fit for Meritech Capital Partners, which participated in the last round of financing for Facebook a year ago. "Certainly most of our companies go through liquidity in the public markets," says Meritech founder Paul Madera. "Public markets seem to want to pay more than acquirers these days."

If Facebook got a very large offer, they'd have to consider it, he says. "But today, any offer around a billion would be way low."

But Zuckerberg maintains that nothing is happening quickly. "It's a really big change if you go public--all the regulations and stuff, so it's not something that you do lightly."

For now, the company is on track to double its engineering team of 50 this year (check out the first step in the application process at facebook.com/jobs_puzzles) as well as its 50-person customer-service group, headed by Tom LeNoble, who ran global service operations for Palm and customer service for walmart.com and MCI. His reps are mostly from top-shelf universities. (By my estimate, there's $5 million worth of tuition handling customer service at Facebook.)

New users keep flooding on board--100,000 signed on in a single day this past February. The college markets in Canada and the UK have been growing almost 30% a month (Prince Harry and his girlfriend are Facebook users, according to breathless reports in the British tabloids), and nearly 28% of all users are now outside the United States.

And slowly but surely, the site is adding older folks: 3 million users are age 25 to 34, 380,000 are 35 to 44, and a pioneering 100,000 users are currently eligible for Medicare. With stats like that, you can certainly see public-market investors getting excited.

Thirty-six months ago, Zuckerberg was a college sophomore cruising out to California on summer break. Now he approves everything from new hires to the activities of every advertising partner and runs the board meetings of a very-much-established company.

Zuckerberg was even invited to speak at Davos this year. How did it go? "It was great," he says, leaning forward conspiratorially. "I wore shoes."

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