

SPECIAL ISSUE: IDEAS, PEOPLE, & COMPANIES

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Jayesh Desai's Shareconomy functions as an aggregator that connects entrepreneurs who have excess industrial capacity with those who can make use of it.



PLAYING TO A CAPACITY CROWD

A DIGITAL PLATFORM IS AIMING TO SOLVE A COMMON
PROBLEM THAT ENTREPRENEURS FACE: UNDERUTILISATION
OF THEIR PRODUCTION FACILITIES.

BY **RAJIV BHUVA**

PHOTOGRAPHS BY **NARENDRA BISHT**

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FOR A TYCOON WHO HAS Bollywood celebs like Priyanka Chopra and Sidharth Malhotra promoting Schmittens, his chocolate brand, and who doesn't think much of having shelled out a few crores in 2011 to buy Sachin Tendulkar's Ferrari Modena 360, Jayesh Desai doesn't seem like someone who cares about capacity utilisation.

It turns out that Desai, who heads the Rajhans (Desai-Jain) Group, which has a Rs 6,500 crore turnover from businesses including real estate, hospitality, entertainment, textiles, and confectionery, really hates waste. Manufacturing being a sector with high capital inflow, idle capacity leads to losses, he adds.

The 44-year-old Surat-based entrepreneur has even managed to sell excess capacity at one of his factories to none other than yoga guru and now business magnate, Baba Ramdev. Around November last year, when Ramdev was in Surat to conduct a camp, a friend of Desai insisted that he meet the spiritual leader. In the course of their conversation, Desai mentioned that his latest venture was into confectionery. "I told Baba that I had five hours of spare capacity," says Desai.

Ramdev jumped at the idea, and that conversation set the ball rolling for a partnership which is now nine months old. Patanjali's Energy Bar, Milki Bar, and layered chocolate Super Star are produced at Desai's 200,000 sq.ft. factory located at Mangrol in Gujarat's Surat district.

You'd think Desai would be delighted at having used the spare capacity. He is, sure. "But I wish Baba had found this extra production

capacity on Shareconomy," he says.

Shareconomy is Desai's latest venture—a digital platform that connects owners of spare industrial capacity with producers looking for it. It's the Patanjali-Schmittens deal minus the element of luck that brought Ramdev and Desai together.

When a company registers on Shareconomy to let out capacity, it provides much more besides its name, address, and contact number. The factory location is pinned on a Google map and its distance from the nearest highway, airport, railway station, or port is mentioned. The type of technology and machinery in use is also listed along with details of infrastructure and amenities available. Photographs and videos of the plant can be uploaded, too. Most important, there are details about existing clients, which helps to gauge the credibility of the unit. "Our aim is to make decision making easy for prospective capacity users," says Shekhar Kale, Shareconomy's co-founder and CEO.

Shareconomy charges a subscription fee of Rs 15,000 for each capacity listed. There is a plan to charge per transaction, but it will be implemented only when the number of listings reach at least 2,000. The focus now is on increasing listings, says Kale. The question is whether a fee of Rs 15,000, and that too from just one party, will be enough to sustain Shareconomy. While Desai has deep pockets, the venture is expected to find firm ground on its own. There is also a plan to monetise the website for digital advertisements and share the revenue that partners earn, adds Kale.

"OUR AIM IS TO MAKE DECISION MAKING EASY FOR PROSPECTIVE CAPACITY USERS."

**—SHEKHAR KALE,
CO-FOUNDER
AND CEO,
SHARECONOMY**

U**NDERUTILISATION OF CAPACITY** has haunted entrepreneurs in India for decades. The Order Books, Inventories and Capacity Utilisation Survey conducted quarterly by the Reserve Bank of India reveals that average capacity utilisation in Indian industry has remained below 75% since FY13 [see graphic on page 52]. "The problem for industrialists is lack of capital or conviction, or both," says Desai. And that's where Shareconomy comes in.

Take the case of Satara-based Lokesh Uttekar, 34, who left a stable job of senior brand manager at a leading pharmaceutical company in 2011



to start a nutraceutical business, Padmashree Biotech. Uttekar soon moved to food processing, launching two brands of fruit juice. He was producing 12,000 cases of fruit juice annually, utilising only 22% of his plant's installed capacity. He and his newly formed marketing team believed the business would break even in three to four years, but soon it reached a point when he was thinking of winding up.

In late 2016, Uttekar met Kale, an old acquaintance from Satara. A veteran of the food technology industry, Kale knew that roping in a user for the spare capacity could rescue Uttekar's business. He explained the idea of Shareconomy to Uttekar, who signed up.

Within a couple of weeks, executives from Ghodawat Consumer Products, part of the Kolhapur-based Sanjay Ghodawat Group, were visiting Uttekar's Satara unit to see if the company could use its spare capacity. After a few

K
Top and above:
Chocolate
bars being
produced at
a Rajhans
[Desai-Jain]
Group plant
in Surat.

rounds of negotiation, they decided to use Padmashree Biotech's facility to manufacture their Frustar brand of juices.

In the past nine months, Uttekar's plant has been functioning at 50% capacity and he expects to produce 1 lakh cases of juice a year. "Break-even in three to four years is again appearing realistic," says Uttekar. "Shareconomy has handed a lifeline to a sinking ship." Even better, he says, talks are on with two other companies who found Uttekar's listing on Shareconomy.

Uttekar knows he may get more takers for his spare capacity from small players who are into contract manufacturing through trade portals such as TradeIndia and Alibaba. But, he says, contract manufacturing, "a fancy term with a lot of risk", is restrictive because it comes with exclusivity clauses. He says he will be content with capacity utilisation of 70%, if the spare capacity goes to a couple of large players. That's one of the big reasons he prefers Shareconomy.

T **HE EXPERIENCE OF** Sachin Shinde, a 34-year-old electronics engineer and second-generation entrepreneur from Satara, represents another aspect of capacity sharing. Shinde's company, Precise Systems, which manufactures equipment such as control panels and electronic enclosures, invested in a new plant in Pune in 2011. While three plants in Satara focussed on high-volume business with blue-chip clients such as Larsen & Toubro, Honeywell, BHEL, and Cummins, the Pune plant functioned more like a small-scale unit. But that might change now, with British-based food-processing equipment company Baker Perkins choosing Precise Systems to make control panels and electronic enclosures. Baker Perkins found Precise Systems on Shareconomy.

Shinde credits Shareconomy with paving the way for his company to get into exports. He says even though Indian manufacturers use sophisticated machinery, they don't get a chance. European quality and safety standards are high, which is why companies there feel more at ease giving their business to those in the continent. But then, he adds, European companies are keen on manufacturing in India because it is 35% to 40% cheaper. Besides being a big market itself,

India can be the supplying hub for other Asian countries, he adds.

For now, Shinde has offered one-third of the Pune plant's capacity to Baker Perkins. If things go smoothly, he expects huge volumes from the British company. "We may gradually go on to 100% capacity allocation and also shift production to the Satara units [which are much bigger and built to handle large-scale production]," he says.

According to Alan Woodbridge, Baker Perkins's purchase manager, Shareconomy is a helpful digital platform which removes barriers of doing business with Indian industries. "It saves time and energy and helps us do business with peace of mind," Woodbridge says in a testimonial for Shareconomy. "This really is the best gateway for international industries to associate with Indian industries for healthy business objectives."

VISHWAS CHITALE, a third-generation entrepreneur of the Chitale Group, has a totally different take on working with small enterprises—it is a learning experience for him. "Small enterprises teach things that make lot of sense to a 75-year-old business group," says Chitale, who heads Chitale Agro Industries, which produces and packages fruit pulp, juices, and flavoured milk.

He finds Shareconomy helpful in finding partners in small and medium enterprises. "They won't provide volumes, but they are definitely attractive," says Chitale. "For us, it's not about mere economics but also about helping buddies grow."

At the other end, a lot hinges on the economics of the business for Ashish Bhobe, executive vice-president overseeing R&D, supply chain, and operations at consumer goods company Global Consumer Products (GlobalCP). Run on a zero-asset business model, GlobalCP outsources all its manufacturing to its partners. Networking is one way to scout for them, but Bhobe finds it quite limiting. Which is why Shareconomy is a godsend for him. "We want to do things yesterday, and Shareconomy's closely scanned database is the differentiating enabler," he says.

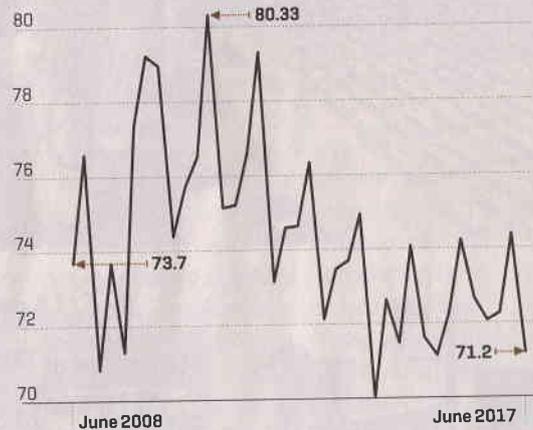
Shareconomy has helped GlobalCP shortlist capacity providers for its food and beverages portfolio, which accounts for over 80% of the

"SHARECONOMY SAVES TIME AND ENERGY AND HELPS US DO BUSINESS WITH PEACE OF MIND."

—ALAN WOODBRIDGE, PURCHASE MANAGER, BAKER PERKINS

UNDERUSED FACTORIES

Capacity utilisation has been below 75% since FY13.



Source: Reserve Bank of India's Order Books, Inventories and Capacity Utilisation Survey; Fortune India research

company's business. It has 75 stock-keeping units across 15 lines, for which a wide spectrum of technologies are used. Overseeing such a range of operations is a tall order, but Bhobe says the detailed backgrounds of the capacity owners listed on Shareconomy is a boon. "It saves time," says Bhobe, "and, that is money." Although he declines to talk about the costs of using Shareconomy, he says the success rate is over 80%.

Although capacity-sharing is Shareconomy's main business, it also provides a range of allied services, including incorporation of companies, due diligence, and product development. The platform has region-wise partners for these services, even scientists for product development in the areas of food, pharmaceuticals, textiles and engineering.

Kale recalls a Chennai-based food company which found a food scientist, a label designer, and spare packaging capacity on Shareconomy when it started a confectionery business. "We charge a finding fee or success fee [commission paid by allied service partners for fees earned from deals from the platform], depending on the kind and value of work," he says. If the service charge is below Rs 1 lakh, Shareconomy earns between 5% and 10% of that. If it is higher than Rs 1 lakh, the commission is 1%.

Desai may insist that Shareconomy is only a matchmaker, but he has clearly set his sights on turing it into a wedding planner. ■