

ILLUSTRATION: BINAY SINHA



Unicorns head for the market

A slew of Indian firms, including Flipkart, Byju's and Zomato, is building a path to profitability and diversifying into newer business segments ahead of mega-IPO plans

PEERZADA ABRAR
Bengaluru, 30 September

Top Indian internet-based companies, including e-commerce firm Flipkart, ed-tech start-up Byju's, food-delivery company Zomato and ride-hailing firm Ola, are gearing up for initial public offerings (IPOs) in two or three years that are expected to unlock a total valuation of \$100 billion for these firms.

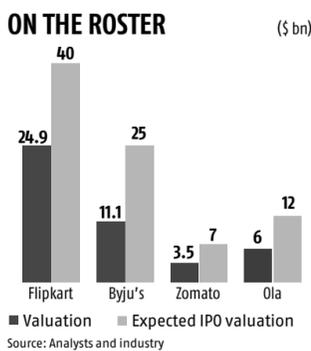
According to industry insiders and analysts, these firms are focusing on building a path to profitability, diversifying into newer business segments and consulting their finance and legal teams for listing overseas or in India.

Walmart-owned Flipkart and PhonePe, the digital payments firm, are planning to go public in the US by 2022. Sources said Flipkart is eyeing a valuation of about \$40 billion for the IPO. They said PhonePe is planning to go public as a separate entity and targeting a valuation of about \$10 billion.

In July, Walmart, the world's largest retailer, led a \$1.2-billion investment in Flipkart, valuing the e-commerce firm at \$24.9 billion. In 2018, when Bentonville-based Walmart invested \$16 billion for a majority stake in Flipkart, the Bengaluru-based firm was valued at less than \$21 billion.

"The Walmart leadership has told Flipkart and PhonePe about building the path to profitability and it wants them to go public and is providing all the support," said a person in the know.

To build a path to profitability, sources said that besides e-commerce, Flipkart is going deeper into the Indian financial services market, which could be worth \$340 billion in the next few years. Flipkart's overall fintech category, which comprises consumer credit constructs, device insurance and seller financing, grew 40 per cent in 2019. As the company brings the next 200 million consumers online, it aims to significantly multiply the number of users having access to its fintech products and services. This includes tier-2 and tier-3 cities.



The Covid-19 pandemic has accelerated the shift to e-commerce, as an increasing number of consumers are shopping online in greater frequency. The gross merchandise value (GMV) of products sold on Flipkart had already surpassed that of the pre-Covid levels. Upcoming festive sales are expected to push up the annual GMV of e-commerce companies to around \$38 billion, a 40 per cent growth over the previous year. The e-commerce festive sales could alone cross the \$7-billion mark. The season would be a great indicator of consumer spending and Flipkart's potential to go public.

"However, the question is would they (Flipkart) be able to get the valuation they are seeking," said Satish Meena, a senior forecast analyst at Forrester Research. "Because the competition is becoming tougher for them due to Amazon and the entry of Reliance's JioMart." Meena said he is more hopeful about Byju's IPO.

The pandemic has helped Byju's become a decacorn (a firm valued at over \$10 billion) this year. According to the analysts, Byju's has a better opportunity to go public, as the firm had almost doubled its revenue, from ₹1,430 crore to ₹2,800 crore in FY20. It is now inching towards the \$1-billion revenue milestone. They said that the Bengaluru-based firm, which is valued at \$11.1 billion, may target a valuation of about \$25 billion for listing in the US.

What would also support Byju's IPO ambitions is the acquisition of WhiteHat Jr, which teaches children coding, and US-based educational gaming company Osmo.

In a recent interview, Byju Raveendran, founder and chief executive officer (CEO), said that IPO is a clear option for the company. "It's a big aspiration to create a large public company coming out of India," he had said.

Ankur Pahwa, partner and national leader, e-commerce and consumer internet at consultancy EY India, said investor sentiment in the current geo-political situation is creating barriers for start-ups to access capital at a crucial juncture of high-growth, fast-paced innovative environments. "IPO listing provides more opportunities to both investors and entrepreneurs to capitalise on the growth potential," he said.

The Covid-19 pandemic has also accelerated food delivery firm Zomato's journey to profitability. Recently, Zomato Co-founder and CEO Deepinder Goyal, in an email to employees, said the firm was planning an IPO next year. Goyal said the firm had about \$250 million cash in the bank, the highest in its history. Marquee investors such as Tiger Global, Temasek, Baillie Gifford and Ant Financial have participated in its current round, which, he estimates, will take its cash in the bank to \$600 million.

In May, hit by lockdowns, Zomato said it would let go of 13 per cent of its staff, affecting close to 520 employees. But in July, the firm said its revenue for FY20 grew 105 per cent to \$394 million, while losses rose about 6 per cent to \$293 million. HSBC Global Research recently valued Zomato at \$5 billion, a major increase from its earlier valuation of \$3.5 billion. Analysts said Zomato may target a valuation of about \$7 billion for its listing.

Meena said for an overseas listing, the benchmark for Indian firms could be the companies in markets such as China and the US. These include Chinese e-commerce giant Pinduoduo (PDD) and food delivery firm Meituan Dianping.

SoftBank-backed ride-hailing firm Ola is also planning to go public in the next few years in India. The Bengaluru-based firm competes with US rival Uber, which witnessed a lukewarm IPO last year. Ola saw a massive slump during the lockdown. In May, Ola fired 1,400 employees, or over 33 per cent of its workforce, as Covid-19 pounded the transportation industry.

But green shoots are emerging: The firm is now serving over 50 per cent rides in most of the major cities compared to the pre-Covid phase. Ola was last valued at around \$6 billion. Analysts said it may target a valuation of about \$12 billion for its listing.

Experts said that by going public these companies will be able to tap into deeper capital pools and access lower cost of capital. Pahwa of EY said Indian listing norms and regulations, particularly for technology-based start-ups on their journey to profitability, are yet to catch up with markets like the US or EU. "Listing on overseas markets will also help appeal to a broader investor base, provide more avenues for existing investors to exit, and bring publicity and credibility for the company," said Pahwa.

However, it is not going to be easy. There are challenges such as the ability to sustain high valuations these start-ups have come to expect in the public market, ability to remain agile in their function, and scrutiny from regulators and investors. "There is also the need to respond to market pressures, which may push some start-ups to focus on quarterly earnings rather than take a long-term position," said Pahwa.

NEWSMAKER/ P D VAGHELA, CHAIRMAN / TRAI

Taking the tough calls

ADITI PHADNIS



If there were awards for popularity, it is unlikely P D Vaghela would get one. The 1986 batch IAS officer from Gujarat, who has just been named chairman of the Telecom Regulatory Authority of India (TRAI), is not in the business of winning friends and influencing people. "He is a totally straight guy, not diplomatic at all and one who knows his job. He is always fighting for the little people and is a dedicated Ambedkarite," says a course mate.

Local journalists — the first responders in any crisis — agree only partly. "He is a down-to-earth person, a Dalit from north Gujarat. He was totally different from other IAS officers — his doors were always open to us and he would discuss tax and GST implementation problems with us quite freely. Very low-profile, but amiable and very candid," says a local reporter.

Vaghela was collector in Banaskantha and Kheda. He was also municipal commissioner in Jamnagar and MD of Gujarat Tourism. During the United Progressive Alliance (UPA) regime, he was chairman of the Kandla Port Trust. Along the way, in 2011, he managed to do a PhD. His thesis was on the impact of the Tribal Sub-Plan schemes on the tribal communities of the Dangs.

But his biggest break came when he returned to the state and was made commissioner (commercial taxes) in 2016. He could not have reached this position if Narendra Modi, who'd known him from his chief minister days, had not backed the choice.

Those were the years of exiting from excise and VAT (which, too, Vaghela had a role in superintending in the state) and entering the GST regime. There was fear, confusion and uncertainty on account of the transition. A Gujarat-based company, for instance, got a scrutiny notice for a 14-

paise mismatch. Vaghela's academic qualifications — BCom in accountancy and an MBA in finance — helped him counselling patience and explaining to traders the upside of GST: No more visits from excise department officials, threats or bribes. More than that, it was his calmness and thorough understanding of the system that saw Gujarat topping the generation of e-way bills with 15 to 20 per cent share in the country in 2018 even though Gujarat's revenues from GST went down 13 per cent relative to VAT. Of course, it is another matter that the same year, a bogus e-way bill scam was also unearthed in Gujarat running into around ₹100 crore.

Around this time Vaghela caught the attention of P K Mishra, now the PM's principal secretary. He was sent to Delhi as secretary in the pharmaceuticals department where he did extensive work on the costing of medical devices and medicines — a subject very close to the heart of the ruling dispensation.

Vaghela was due to retire on September 30. On September 28, he was appointed chairman of TRAI, one of the more sought-after positions by superannuating civil servants. He will serve till he is

65: which means an unbroken five-year stint to fix things that are badly broken in the telecom and broadcasting space.

"TRAI is faced with many challenges today: court judgments, a crisis of credibility and a serious financial mess in industry. A lot now depends on what the new TRAI chairman does. The first most important thing is to restore the credibility of TRAI as a regulatory institution — and this must be done in the next six months. If the new chairman is also going to do everything at the whims and fancies of somebody else and allow regulatory capture, then whether it is Vaghela or anyone else in that position really doesn't make a difference" says Rahul Khullar, former TRAI chairman, known for speaking his mind.

Khullar says the finances of the telecom sector are in such a mess that there is little possibility of holding auctions for 5G spectrum in 2021, maybe not even 2022. But it is the government that will decide the timing. The regulator has to assess the state of the industry and tell the government what it needs to do to get 5G going. This is hamstrung by other problems. Telecom technology has high levels of obsolescence: so those who are going to bid for 5G will have to see if the game is worth the candle, given that all the players are still paying back court-mandated dues and will have to rejig systems if they are to acquire 5G spectrum. Then there's the question of whether ordinary Indians will be able to afford 5G after the cost for new hardware has been factored in.

In some ways, it is Vaghela who will have to decide whether all Indians should drink Blue Label (even if they are ruined in doing so); or they should be content with Blender's Pride, which takes you to the same destination but through a road less smooth.

There are also a plethora of issues in broadcasting, even more complex than telecom. Vaghela can be sure of being busy over the next five years. But industry players who speak his language should not make the mistake of thinking he's a pushover.

This addendum-cum-corrigendum to the Letter of Offer, the Abridged Letter of Offer, the Application Form and other applicable issue materials ("Addendum-cum-Corrigendum") in India is for information purposes only and does not constitute an offer or an invitation or a recommendation to purchase, to hold, to subscribe or sell either entitlements or securities. All capitalised terms used herein and not defined herein shall have the meaning assigned to them in the letter of offer dated September 21, 2020 (the "Letter of Offer") filed with the stock exchanges, namely BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") and The Calcutta Stock Exchange Limited ("CSE"), and together with BSE and NSE, "Stock Exchanges") and the Securities and Exchange Board of India ("SEBI").

EIH Limited

A MEMBER OF THE OBEROI GROUP

EIH LIMITED

Our Company was incorporated as 'The East India Hotels Limited' on May 26, 1949, at Kolkata, as a public limited company under the Companies Act, 1913. The name of our Company was changed to 'EIH Limited' with effect from November 1, 1996. For details of changes in our name and the registered office of our Company, see "History and Other Corporate Matters" on page 85 of the Letter of Offer.

Registered Office: 4 Mangoe Lane, Kolkata 700 001, West Bengal, India; Telephone: +91 33 4000 2200

Corporate Office: 7 Sham Nath Marg, Delhi 110 054, India; Telephone: +91 11 2389 0505

Contact Person: S.N. Sridhar, Company Secretary and Compliance Officer; E-mail: isdho@oberoigroup.com; Website: www.eihltd.com
Corporate Identity Number: L55101WB1949PLC017981

OUR PROMOTERS: PRITHVI RAJ SINGH OBEROI, SHIB SANKER MUKHERJI, VIKRAMJIT SINGH OBEROI, ARJUN SINGH OBEROI, DEEPAK MADHOK, ARAVALI POLYMERS LLP, BOMBAY PLAZA PRIVATE LIMITED, OBEROI BUILDINGS AND INVESTMENTS PRIVATE LIMITED, OBEROI HOLDINGS PRIVATE LIMITED, OBEROI HOTELS PRIVATE LIMITED, OBEROI INVESTMENTS PRIVATE LIMITED, OBEROI LEASING AND FINANCE COMPANY PRIVATE LIMITED, OBEROI PLAZA PRIVATE LIMITED AND OBEROI PROPERTIES PRIVATE LIMITED

ISSUE OF UP TO 53,794,768 EQUITY SHARES OF FACE VALUE OF ₹ 2 EACH OF OUR COMPANY (THE "RIGHTS EQUITY SHARES") FOR CASH AT A PRICE OF ₹ 65 PER RIGHTS EQUITY SHARE (INCLUDING A PREMIUM OF ₹ 63 PER RIGHTS EQUITY SHARE) OF OUR COMPANY FOR AN AMOUNT AGGREGATING UP TO ₹ 3,496,659,920, ON A RIGHTS BASIS TO THE ELIGIBLE EQUITY SHAREHOLDERS OF OUR COMPANY IN THE RATIO OF 8 RIGHTS EQUITY SHARES FOR EVERY 85 FULLY PAID-UP EQUITY SHARE(S) HELD BY THE EXISTING ELIGIBLE EQUITY SHAREHOLDERS ON THE RECORD DATE, THAT IS ON SEPTEMBER 23, 2020 (THE "ISSUE"). FOR FURTHER DETAILS, SEE "TERMS OF THE ISSUE" ON PAGE 119 OF THE LETTER OF OFFER.

ADDENDUM-CUM-CORRIGENDUM TO THE LETTER OF OFFER, THE ABRIDGED LETTER OF OFFER, THE APPLICATION FORM AND OTHER APPLICABLE ISSUE MATERIALS

This Addendum-cum-Corrigendum is being issued pursuant to item (4) Schedule IX, of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("SEBI ICDR Regulations"). Our Company has filed the Letter of Offer with the Stock Exchanges and SEBI. The Eligible Equity Shareholders are requested to please note the following:

NOTICE TO THE ELIGIBLE EQUITY SHAREHOLDERS OF THE COMPANY

- (i) Our Company has entered into a memorandum of understanding dated September 29, 2020 ("MOU") with the Mandarin Oriental Hotel Group Limited ("Mandarin Oriental Group") in respect of a long-term strategic alliance with Oberoi Hotels & Resorts across a range of initiatives. The alliance aims to increase the global reach of Oberoi Hotels and hotels forming part of Mandarin Oriental Group. Mandarin Oriental Group will also have access through the alliance to the guests of Oberoi Hotels & Resorts. Oberoi and Mandarin Oriental will list each other's hotels on their respective websites. The alliance partners will also work together to create culinary and wellness experiences for guests, and shall collaborate on innovation, sustainability and learning and development.
- (ii) The words "Issue Closing Date, i.e., by Tuesday, October 13, 2020", appearing in the second paragraph of page 122 and the third paragraph underneath the title "Credit of Rights Entitlements in dematerialised account" on page 125 of the Letter of Offer shall be read as "Issue Closing Date, i.e., Tuesday, October 13, 2020".

Accordingly, the Letter of Offer (including the sections titled "Material Developments" and "Terms of the Issue" on page 94 and 119 of the Letter of Offer, respectively), Abridged Letter of Offer, Application Form and other applicable issue materials stand amended to the extent stated hereinabove. This Addendum-cum-Corrigendum should be read in conjunction with the Letter of Offer, Abridged Letter of Offer, Application Form and other applicable issue materials. This Addendum-cum-Corrigendum shall be communicated to SEBI and the Stock Exchanges. Further, this Addendum-cum-Corrigendum can be accessed on websites of:

- (i) our Company at www.eihltd.com;
- (ii) the Registrar and at the Registrar's web-based application platform at https://rights.kfintech.com; and
- (iii) the Lead Manager at www.ambit.co.

Investors should only rely on the information included in this Addendum-cum-Corrigendum, the Letter of Offer, the Abridged Letter of Offer, the Application Form and other applicable issue materials while making an investment decision to invest in the Issue.

For EIH Limited
Sd/-

Place: Delhi
Date: September 30, 2020

SN Sridhar
Company Secretary and Compliance Officer

EIH Limited is proposing, subject to receipt of requisite approvals, market conditions and other considerations, to undertake a rights issue of its equity shares and has filed the Letter of Offer with the Stock Exchanges and the SEBI. The Letter of Offer is available on the website of the SEBI, BSE and NSE at www.sebi.gov.in, www.bseindia.com and www.nseindia.com, respectively, as well as on the website of the lead manager, Ambit Capital Private Limited at www.ambit.co. Any potential investors should note that investment in equity shares involves a high degree of risk and for details relating to such risk. For details, potential investors to refer to the section titled "Risk Factors" on page 19 of the Letter of Offer.

THE RIGHTS ENTITLEMENTS AND THE RIGHTS EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR ANY U.S. STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR THE TERRITORIES OR POSSESSIONS THEREOF (THE "UNITED STATES" OR "U.S."), EXCEPT IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. THE RIGHTS ENTITLEMENTS AND RIGHTS EQUITY SHARES REFERRED TO IN THIS ADDENDUM-CUM-CORRIGENDUM AND THE LETTER OF OFFER ARE BEING OFFERED AND SOLD IN OFFSHORE TRANSACTIONS OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S") TO EXISTING SHAREHOLDERS LOCATED IN JURISDICTIONS WHERE SUCH OFFER AND SALE OF THE RIGHTS EQUITY SHARES AND/OR RIGHTS ENTITLEMENTS ARE PERMITTED UNDER LAWS OF SUCH JURISDICTIONS. THE OFFERING TO WHICH THIS ADDENDUM-CUM-CORRIGENDUM AND THE LETTER OF OFFER RELATES IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN OFFERING OF ANY RIGHTS EQUITY SHARES OR RIGHTS ENTITLEMENT FOR SALE IN THE UNITED STATES OR AS A SOLICITATION THEREIN OF AN OFFER TO BUY OR TRANSFER ANY OF THE SAID SECURITIES. ACCORDINGLY, YOU SHOULD NOT FORWARD OR TRANSMIT THIS ADDENDUM-CUM-CORRIGENDUM OR THE LETTER OF OFFER IN OR INTO THE UNITED STATES AT ANY TIME. THE RIGHTS EQUITY SHARES AND/OR RIGHTS ENTITLEMENTS AND THE RIGHTS ENTITLEMENTS ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED IN THE SECTION ENTITLED "RESTRICTIONS ON PURCHASES AND REALES" ON PAGE 156 OF THE LETTER OF OFFER.

PRESSMAN

We need a separate regulator for broadcast: IBF president

Last week, the board of the Indian Broadcasting Foundation (IBF) elected Star and Disney India Managing Director **K MADHAVAN** as its new president. He succeeds N P Singh, India MD and CEO, Sony Pictures Networks. Vanita Kohli-Khandekar spoke to Madhavan on the IBF's priorities in a post-pandemic world. Edited excerpts

What is your assessment of the industry currently?

When you look at the industry in the post-pandemic world, there are some good things that have emerged, and some bad. Viewership has increased 25-30 per cent on both entertainment and news. That has been the best thing to happen during this time. The Indian Premier League (IPL), despite all the issues with putting it together live, has seen a 30 per cent viewership rise. The sector performed the important role of keeping the audiences engaged, while they were homebound. Broadcasters also supported cine artistes during these challenging times when production was at a standstill. So the industry has re-invented itself.

The bad things: The instability in the regulatory space. Globally, two-third of broadcasting revenues come from pay and one-third from advertising. In India, it is reverse. We (Star) bid ₹16,347 for the IPL based on certain assumptions. But after that, the goal post changed (with pricing controls coming in with the new tariff order, or NTO). This is peculiar in India.

However, if I go beyond the gloomy bits, Indian broadcasting is among the largest in the world. And there are still approximately 100 million homes without TV. The growth of Doordarshan on the back of mythological shows during the lockdown showed that if you get the right content, you get the viewer. Broadcasting is projected to grow to ₹882 billion (from ₹787 billion) by 2022, and we want to exceed those expectations. But to do that,



Q&A

K MADHAVAN
President, Indian Broadcasting Foundation, and MD, Star and Disney India

there are certain prerequisites. Support from policymakers and regulators is critical.

What are your top five priorities as the new IBF president?

Three key players are needed for the broadcasting industry's growth: Broadcasters, policymakers and regulators. Our first priority is to get all of them together to create an atmosphere conducive to the growth of broadcasting. The idea is to meet the growth projections but the NTO 2 is not conducive to growth.

The second is trying to exceed expectations on growth. Third, a long-standing request on the granting of infrastructure status to broadcasting. This will bring cost side benefits and help formalise the business. Getting loans for day-to-day business, and investment into content, require capital. While big broadcasters are able to

get loans, the small ones don't. This will help small broadcasters.

Fourth, a revision of the GST (goods and services tax). This will facilitate growth. Let the business increase first. The broadcast industry provides employment to 4-5 million people, directly and indirectly.

Fifth, push for policies that facilitate growth.

Why hasn't the IBF been able to convey its point of view to the Telecom Regulatory Authority of India (TRAI), especially on bundling, pricing and so on?

The first question you have to ask yourself is: Is TRAI the right regulator for broadcasting?

We need a separate regulator for broadcast. IBF always believes in dialogue with both MIB (Ministry of Information and Broadcasting) and TRAI. It has tried to convey its point of view to TRAI. Before its implementation, broadcasters had tried to explain to the regulator that NTO 1 may eventually lead to the shutting down of niche channels and increase in consumer prices. We suggested changes. But it was not accepted.

Once it became policy, we started rolling out according to NTO 1. But within 10 months, they changed it again and brought NTO 2. Even then, IBF has tried to explain to TRAI that this will further add to financial viability concerns of many channels and may even reduce the ability to invest in quality content.

There is a notion that only someone from the big five (Disney, Sony, Zee, Viacom18 and Sun) becomes head of IBF; that small and regional broadcasters are not given importance. Your comments.

I do not think there is any reason to have such a feeling. IBF is a board managed organisation that focuses on a participative process, takes inputs from all the participants and keeps industry interest above all.