

AJVC SLACK CHANNEL

AMA#23 WITH **SUHAIL SAMEER** DATED
20TH DECEMBER

SNEAK PEEK



Suhail Sameer, Group President, BharatPe. At BharatPe Suhail is building a robust financial service business and creating new revenue lines on top of their rapidly expanding merchant network.

An IIM Lucknow and DCE alumnus, Suhail has also led McKinsey's clean-tech practice for South Asia and the Power practice for India and is an early-stage investor across consumer, consumer tech, fintech, and SaaS spaces at OTP Venture Partners.

He also won the Economic Times Most Promising Leader of Asia Award last year. Prior to BharatPe, at the RP-Sanjiv Goenka Group, Sameer launched and scaled the multibrand fast-moving consumer goods (FMCG) business for the group. He also set up and led their consumer VC fund, RPSG Ventures where he drove growth and portfolio decisions across many group companies.

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You've had a very interesting journey through consulting, venture and now building. When did you realize that you wanted to be part of the Indian tech ecosystem?

I had little experience of what tech could bring to the ecosystem in financial services before starting at BharatPe.

First few months have completely blown me over.

How did the pandemic change/shape your future roadmap for BharatPe?

Significantly. Digital payments have got a big boost due to Covid. Our transactions ate up 4x, the value of xs up 5x.. due to which our core monetization, lending is also up significantly.

What would be one thing that you would have done differently at BharatPe if given a chance?

I would have focused on lending a lot before than what we did.. charging for payments is not a sustainable model in India where margins are low.. and lending in India is established behaviour.

You are building a transaction heavy product. What are the biggest challenges you have faced from the Product Adoption perspective by Indian Consumer ?

- Digital payments are safe.
- There is really no transaction charge

What are the challenges that you foresee for the next 3-5yrs in fintech and payment space?

Regulations is the biggest puzzle here.

Rest is simple

How do you see the overall global fintech and specific to India context shaping in the following 2-3 years time?

- UPI will continue to grow crazy fast.
 - Digital lending will become the norm
 - Many digital lenders will fail and die due to poor underwriting, but the ones which will survive will beat banks at their game
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What do you believe is the future of embedded lending for small SMEs with lower ticket items based on cash flow? Is BharatPe looking into this? What other upcoming companies are trying to solve this problem?

We are the biggest SME lender based on cash flows. Paytm is also trying to do this.

So would Khatabook and OkCredit at some stage. Paytm has a good business model.

Government came up with various rules and regulations related to Digital payments, like capping volume of transactions from on app, then removing MDR rates, how these regulations will impact BharatPe's business and how the company is looking at it?

Don't impact us. We were the first ones to make MDR free (18 months back, so the government is too late). And capping volumes impact B2C companies like GPay and PhonePe, not B2B companies like us.

What do u think will be the payments trend considering the recent cap of 30 percent transaction through one platform and RBI allowing private setups other than NPCI for transactions?

We have recently embedded insurance and have seen great traction. Insurances that work best on our platform are a shop, followed by life. And then 2 wheeler. health, as expected is also reasonable.

NPCI is both the regulator and a competitor, going forward do you see things changing? Do you think RBI will solve this?

I think RBI is already creating competition to NPCI. so in a way, solving it. It impacts B2C businesses more than BharatPe though, where NPCI is not really a competitor.

What are the means of revenue at BharatPe?

Lending, Cards, Value-added services like insurance, digital gold, bills, Etc.

How was your FMCG stint? Did you enjoy the whole supply chain game more, or the product development game? Also, what did Too Yum compete with? Healthy snacks or all snacks? Where does it stand now vs these?

Super fun. PD and Marketing any day. TY competes with all snacks. Snack is a snack.. health is a reason to try.. not to repeat.TY is holding well so far.

When I left in May, we were roughly doing 500 Cr a year on our FMCG business.

What do you think about UPI and its usage? Will it replace debit and credit cards?

Replace is a tough question. But it is growing much faster than then. Eventually, they also have to come down to 0 transaction charge.. else they will not succeed long term.

In the SEA, companies have started selling very low value insurance, i.e. when you buy a lipstick, you can add insurance against allergic reaction. Do you see that gaining traction in india?

Not too soon I think.. We are still grappling with life and health and vehicle. where penetrations are so low.. then comes loss of business.. This is a growing trend in SEA.. I don't foresee any big changes in India in the next 5 years.

Do you think SME space will ever be digital in terms of payments considering the promoters themselves are afraid of becoming completely transparent from taxation point of view?

My answer is embedded in your question.. I don't think digital will cross 60-70% of transactions even in the final state due to tax avoidance.. but total we are at 20%.. still a long way to go.

What advice do you have for youngsters debating between becoming specialists versus generalists?

I love new engagements and challenges.. so I always prefer a generalist route.. but each person would have his own answer.. My only advice would be to follow your heart.. most paths can lead to successful careers.

What advice do you have for youngsters debating between becoming specialists versus generalists?

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How do you think the P2P lending scenario will pan out. How will platforms ensure credibility and do you see BharatPe foraying into the same?

P2P lending is tough.. as lenders incur CAC on both sides (attracting depositors and lenders). So very difficult to make money. Given the inherent benefit of our own network, we are seriously considering getting a P2P NBFC license.

What are your thoughts on crypto as a payment method of the future?

Very promising.. I have used it for payments in the US.. it worked seamlessly. But in India, with consumers not very trusting (and aware), long way to go.. It has taken UPI 10 years to get here (and it is a simpler product).

Any advice on how to build a cleantech company in India considering that it could be capital intensive? What are some areas which you think can be disrupted by startups in cleantech?

I think Ops and revenue management is a much more start up friendly space and less capital intensive.

Is there any scope for innovation in the fintech ecosystem or is it just about doing good business for the next few years?

Tons of scope. from payments to underwriting for lending to POS acceptance. We are just starting in the space.

What do you think about BNPL in India?

Aren't lots of people already trying it in small ways? Huge potential. but who bears the cost.. only large brands can.. retailer margins are by definition poor in India, so they can't. It is an exciting and globally proven space, but am not over-enthusiastic about it.. I prefer the pay day loan space.

Education lending is another space that is picking up. What are your views on the traction in this space and do you see a higher or lower probability of NPAs amongst this target audience ?

NPAs are a function of underwriting.. so a good lending space can also have high NPAs.. In general, I believe NPAs in this space would be lower, but so would be the lending rates (IRR). NPAs in isolation mean nothing.. I can have a 2% NPA and still lose money (if my lending rate is low, which may be true in this category as most people have access to bank finance). I may have a 7-8% NPA in unsecured lending and still make money as I would lend out at 20% Interest rate.

What are some unique things you learnt while running a large corporate, being in VC, and building one of the biggest payment services in India?

- The team is most critical. Businesses have different challenges, but good teams solve most.
- Skill and hard work always win over industry experience.

What's your thoughts on challenges come up in lending space with pandemic, As more of lenders/NBFC's are struggling with collection thing and some small players might shut.

If one can't underwrite well, they should not lend.. It is very easy to give out money.. I can stand at a red light and loan out 100 Cr by the end of the day.. Underwriting and collection strategy is much more important.. so companies that do that well would survive.. rest will struggle.. and many would shut. We focus tons on underwriting well.. even at the peak of covid, we were recovering money on 90% of our loans.. So if one can't do that well, they are in the wrong business.

Are there any new products Bharatpe is working on?

Yes, we are working on a few more lending products first of all. from gold lending to auto lending and then we want to open the cash flow between distributors and retailers for lending (vs. today only being in the cash flow between consumer and retailer). And then we are working on a credit + debit card.

How do you see digital Lending especially for the untapped market in msme segment?

Huge potential. Lots of demand.. but so little data.. people who get 2-3 things right can really scale..

- 1). Underwriting based on non-cibil data..
- 2). Collection methodology which is not EMI based or heavily dependent on pulling money from the bank of the person taking the loan

What are the unexpected challenges that you faced during the pandemic?

We are a predominantly offline player. so transactions went down massively as offline stores closed in April. though we have more than recovered now. The same happened on NPAs on lending. if businesses are shut, people lose their ability to pay back loans.

Is Bharatpe looking to foray into Bank Guarantees services for SMEs as managing physical copies and maintaining a database of expired BGs is quite frustrating.

Thinking about it.. Interesting space.. We have to see how much of our TG would it be relevant to (many of our merchants are small shops).. But exciting space nonetheless.. and waiting to be disrupted..
