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The magazine cover features a bright yellow background. At the top left, the 'Inc.' logo is in large red letters with the tagline 'The Magazine for Growing Companies' below it. To the right of the logo is a large, stylized orange starburst graphic. The main headline 'INSIDE THE CULTURE MATRIX' is in large, bold, black letters, with the subtitle 'What it takes to build a great company culture' and 'Page 18' below it. In the bottom left, a black box contains the text 'Are you holding women back?' and 'Page 42'. Below this, the word 'PLUS' is in a small black box, followed by 'Get More Done The science of working smarter' and 'Page 28'. In the center, a man in a red shirt and blue jeans is standing and talking on a mobile phone. To his right, the text 'HOW I DID IT' is in a small black box, followed by 'VALUE FOR MONEY' in large, bold, black letters, and 'How Lalit Agarwal scaled up V-Mart Retail' and 'Page 34' below it. At the bottom left, there is a small line of text: 'JUNE 2014 ₹ 195 Volume 05 Issue 06' and 'A V-Mart Publication'.

Inc.
The Magazine for Growing Companies

LESSONS FROM COMPANIES WHO HAVE GOT IT RIGHT!

INSIDE THE CULTURE MATRIX

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Are you holding women back?
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PLUS
Get More Done
The science of working smarter Page 28

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VALUE FOR MONEY
How **Lalit Agarwal** scaled up V-Mart Retail Page 34

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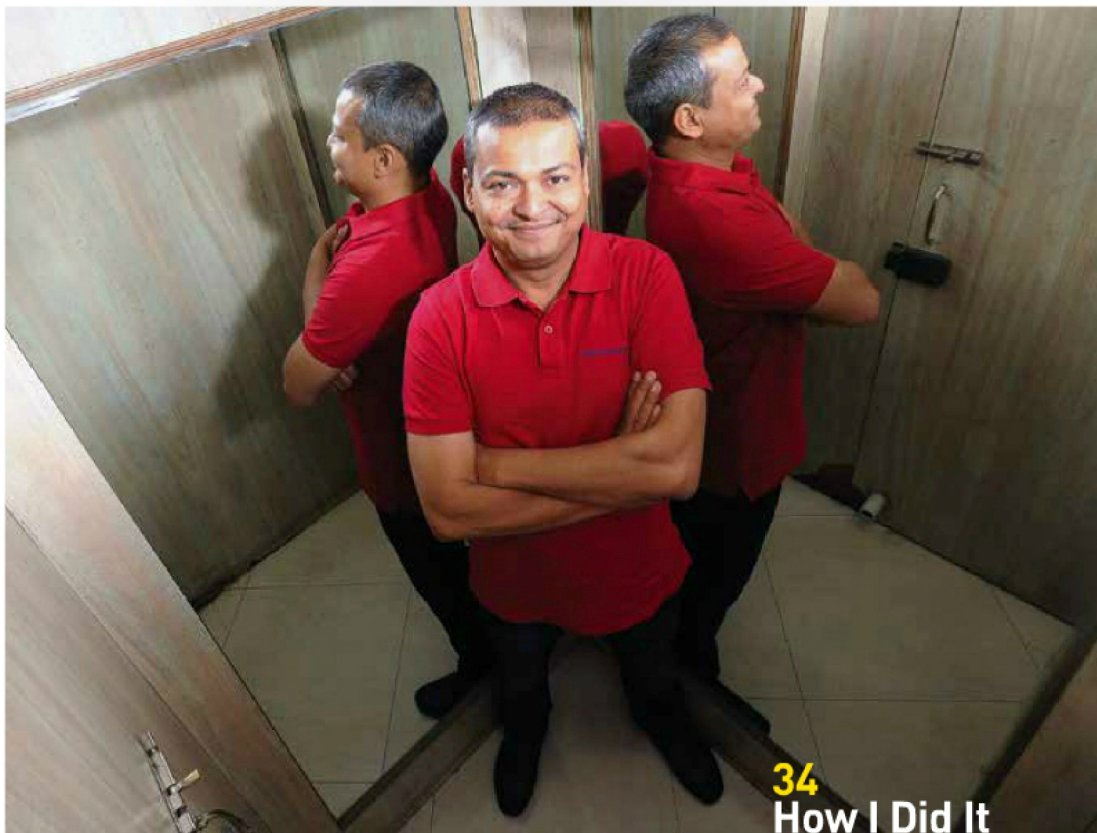
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Digital distraction and lack of focus in the workplace is getting the attention not only of authors and researchers but businesses too. Is this lack of focus on the job a big concern for you too?

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Not enough founders realise the power of culture, and the huge business impact it can have on their organisations—may be because the journey to a great workplace culture is so hard won. Fortunately, the companies in our story are distinguishing themselves by building a culture that's good both for the head and the heart.

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In ten years, Lalit Agarwal has built V-Mart Retail into a ₹575-crore business with 91 stores in 79 cities across 11 states. He's now prepping to get to 200 stores. Read his account of taking the modern retail experience to India's small towns.

AS TOLD TO MEENAKSHI KUMAR

PHOTOGRAPH BY SUBHOJIT PAUL

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ON THE COVER

Lalit Agarwal, founder, V-Mart Retail.
Cover design by Anil VK. Photograph by Subhojit Paul.

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HOW I DID IT

Value for Money

Lalit Agarwal

V-Mart Retail

For more than a decade, Lalit Agarwal has been selling denim jeans and dreams to people in far-flung areas such as Motihari in Bihar and Sultanpur in Uttar Pradesh. Agarwal launched V-Mart, a chain of value retail stores, in 2003. V-Mart was based on the concept of providing a growing segment of an aspirational middle class in Tier II and Tier III towns with the glitzy retail experience of swanky malls of the metros. Today, Agarwal owns and operates 91 stores in 79 cities across 11 states and union territories. His growth has been brisk and steady. In the first year, V-Mart had sales of ₹6-crore. It close FY2013-2014 with a turnover of ₹575-crore. Not one to rest on his success, Agarwal hopes to expand to 200 stores by 2018. This doubling of physical stores in six years might sound steep but Agarwal believes his signature style—a healthy dose of ambition and caution—will easily help them get there.

AS TOLD TO MEENAKSHI KUMAR / Photographs by Subhojit Paul

Retail runs in my blood. My father was a first generation entrepreneur who started his own garments store in 1975 in Kolkata. But when work for the metro started right in front of the store, it affected the business. My father was not one of those people who called it quits easily. He gave the shop to his elder brother and moved to Cuttack, Odisha in 1979. He was familiar with the town and knew there were business opportunities there. Here he opened a tailoring shop and also sold cloth pieces and ready-made garments. Back then, it was a bold step that he took and I believe it's something that I have learnt from him: Never to give up.

Childhood was a nursery of learning. My parents were clear that education was important. I would go to the school in the morning and after returning, spend time at my father's shop. I enjoyed being part of the activities there. At times when my father had to leave the shop for few hours, I would be given the task to attend to the customers. I thoroughly enjoyed it. As a 12-year-old, I felt grown up. It made me feel important. I would happily do the odd jobs in the shop as I found them more exciting than studies. Little did I realise then that whatever I was learning at my father's shop would help me in the future. I

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Smile of Success

As a teenager, Agarwal preferred doing odd jobs in his father's shop over studying. Those learnings have come in handy through the journey of building a ₹575-crore retail empire.

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I didn't know then though that I was going to be an entrepreneur too.

My first opportunity in business came right after college. After completing my graduation in commerce, I went to Mumbai to pursue a diploma in financial management. Soon, it dawned on me that I had ample time and nothing much to do once classes were over. I was initially staying in Mumbai with my brother-in-law and together both of us decided that we should start a small business of printing and packaging. My brother-in-law already had a small business and saw an opportunity in printing and packaging. I would attend classes in the morning and would visit clients in the afternoon for our business. Our first job was for Godrej Soaps. We were given a small order of about ₹1.5 lakhs to make soap wrappers. Those were exciting times. I was glad that I was utilising my free time intelligently, working hard and earning some money too. Along with the business and management studies, I even squeezed in a fashion designing course. Clothes interested me and I wanted to channelise my creative energies.

By the time my studies finished, the business bug had bitten me. I returned to Kolkata after my courses were done, and along with my cousin R.C. Agarwal started Vishal Mega Mart in 1999. It was the first-of-its-kind retail store in Kolkata. Since I had my roots in the city, I felt I owed it something. Plus, it was also my comfort zone. I was only 28 years old then and had big dreams of becoming successful. A year after starting Vishal Mega Mart, we opened Aquatica in Kolkata—the first of its kind water park in not just the city but the entire eastern region. The idea for this came when I visited the water park in Mumbai. But, Aquatica was a big gamble because we didn't know many things about running a water park—architecture and design, water filtration system, horticulture and the rides. Besides, there were basic infrastructure problems in

the area we had set up the park in. Despite the challenges, we went ahead and launched the park. We were overwhelmed by the positive response. Luckily for us, both our ideas clicked and we found ourselves riding on the wave of success.

The smooth sailing didn't continue for very long. Initially, both the businesses did well but labour problems plagued Vishal Mega Mart in Kolkata. We had to shut our store and shift out of Kolkata. We incurred huge losses. Meanwhile, misunderstanding between my cousin and me started affecting the business. It reached a point where we decided to go our separate ways. I moved out of Vishal Mega Mart and Aquatica in 2002.

It was time to strike it out alone. While travelling in Gujarat I realised how the lower middle class didn't have access to good quality goods. They would need to travel for miles even for everyday items. This got me thinking that there was an opportunity for a value retail store which would cater to the growing middle class in smaller cities by bringing them good quality products sold in a mall-like ambience. In 2003, I launched the first V-Mart store in Ahmedabad, Gujarat. I conceived of it as a chain of value retail stores which sold apparels, accessories, footwear, luggage, toys and home stuff. I started with 50 people and invested ₹75 lakhs. I put in all my effort and hard work into making this a success. Within five years, by 2008, we had

“Every time we open a new store in a small town, it gives me immense pleasure. For me, my customers in Tier II and III towns are the people who matter the most to me. I feel great joy in making products available to them.”

opened 32 stores in Tier II and Tier III cities across the country.

The turning point came in 2008. I was surprised when Aditya Birla Group came forward to invest in our business through their private equity fund Naman Finance and Investments. They took a stake of 23 per cent and invested ₹20 crore. This was their maiden investment and helped us a great deal to grow. It was a tremendous boost to our growing enterprise. I consider this incident as pure serendipity as it happened out of the blue. At that point in time, we were still small in size. This investment gave us the confidence to move ahead.

But, setbacks which we hadn't anticipated loomed ahead for us. After the funding came in from Aditya Birla Group in July 2008, we had big plans to expand. Obviously, we hadn't foreseen the global recession that set in later that year. We bore the brunt. Some of our stores made losses and overall profitability went down. We had to shut eight-nine loss-making stores in western and northern part of India in places such as Navi Mumbai, Patiala, Kohlapur.

It is painful for me when stores shut because each store is important for me. Every time we open a new store in a small town or a semi-urban area, it gives me immense pleasure. For me, my customers in Tier II and III towns are the people who matter most to me. They are the game changers and I feel great joy in making



Easy Profits The turning point for Agarwal came in 2008 when Aditya Birla Group invested ₹20-crore in V-Mart for a 23 per cent stake.

products available to them. There have been instances where V-Mart has been the first of its kind big store in a particular city. Three and a half years ago, I opened a store in Srinagar. It was a bold decision because people discouraged me. They cautioned me against the unsafe conditions and terrorist attacks but when I had first visited the city, I had seen the aspiration among the people for latest products and clothes. That made me firm up my plans. In the future, I would like to open a store, say in a

place like Azamgarh. Most business houses would shy away from this town notorious for its terrorist links but I would take it up as a challenge.

Transparency and honesty matter the most to me. All throughout my business journey, I have tried to ensure that in all my dealings with vendors and customers alike, even when things are not going well. It's impossible to run a ₹575-crore business without that. Today, we operate 91

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stores, employ 4,240 people and cater to around two million customers a month.

The big moment for the company came in 2013. We went for an initial public offer (IPO) and were able to raise ₹122 crore. Now we can go ahead with our future plans—I would like to open 200 stores by 2018 but that doesn't mean I'll rush into things. I would like to grow at the present 30 per cent for some time now and later scale up. I'll try to inch and not fly.

Weekly catch-ups with employees has helped the business to grow. Without good employees it is difficult to sustain a business. I strongly believe that it's important to have patience, the ability to listen, to create an environment where ideas and creativity flow. Only then can one expect employees to give their hundred per cent. For the past year, I have devised a system by which I meet a junior employee for 20 minutes every day. He or she can come to my room and speak on anything they wish to. The idea is to make them feel special. These informal interactions have been a revelation. People have talked about things they may not share even with their friends or family.

My father has been my greatest mentor. Whatever I have learnt and applied in my business is all thanks to my father. As a child, in our Cuttack showroom I would observe him closely when he was dealing with customers. The other person whose life I closely follow is Richard Branson. His life inspires me and has made me realise that being creative and innovative is the only way forward.

But, every time I had a doubt or faced negative, challenging times, I reached inwards. I believe in what my inner sense of logic tells me. All major business decisions have to be scientific, well-argued and based on pure logic. At the same time, it's important to listen to one's heart—which I often do—and have self belief and faith in oneself. **❶**