

# Hungry, GoI? Dial Zomato



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Zomato's listing means many things to many people — much like the spread served to millions of the app's customers. But two of these are dominant: people are either raving about how a visionary company still in losses is worth more than Tata Motors at ₹1 lakh crore, or pitying 'idiotic investors' who seem to be prey yet again to the 'this-time-it-is-different' syndrome.

Zomato Co-Founder Deepinder Goyal summed up the July 23 event, 'A lot of people are calling this a 'historic moment'. It is not. History is always made in hindsight. Never in the present. Back to work.' Whether Zomato turns out to be an Infosys or Reliance would be known a decade down the line. But there are lessons for those who want to invest, sell businesses, build infrastructure and keep the wheels of economy moving.

Corporates have been nimble. How to make the best out of adversity needs to be learnt from some of the best in the corporate world who turned the Covid-19 crisis on its head. The worst year for post-independence India's economy turned out to be the best for initial public offers (IPOs) that raised ₹31,266 crore in 2020-21, up from ₹20,350 crore a year ago.

It was a year to remember with deals such as Facebook and Google buying into Reliance Jio Platforms in record valuation. As societies pick up the pieces amid the Covid-19 debris, companies have raised as much as ₹24,809 crore four months into the new fiscal. But one thing stands out in contrast

— the inability of the State to do what Goyal achieved: failure to meet its target on strategic stake sales. In 2019, GoI declared that it would sell Bharat Petroleum Corporation (BPCL) and Shipping Corporation of India (SCI) to strategic investors. But there's no light at the end of that tunnel.

The unfortunate part is that the failure doesn't surprise anyone. Because the record of the Department of Disinvestment that got rechristened as the Department of Investment and Public Asset Management (DIPAM) in 2016 has been abysmal all along — barring a few years under the Atal Bihari Vajpayee administration.

Even in the years when it met the target, it was in an inefficient manner — either through sale to the Life Insurance Corporation (LIC) or exchange traded funds (ETFs). A desire to list LIC was also announced many years ago by Arun Jaitley, and a formal decision is at least 16 months old.

So, why does a manageable task at a private company look Herculean in government? Probably because of the sheer lack of accountability, a closed mindset and procedures that treat business issues like administrative ones. The biggest nightmare for anyone in government is the unique

phrase 'L1'. That means the lowest bidder, or lowest tender value. Contracts need to be awarded to the lowest cost bidders. It is no secret that you throw peanuts only to lure monkeys.

LIC's listing is supposedly the biggest ever on Indian soil, valuing the insurance behemoth at ₹10 lakh crore. If GoI gets even 5% of it at ₹50,000 crore, how much should it pay? Any average Indian would tell you that to buy a house, one has to pay 2% commission to a broker — which translates to ₹1,000 crore for the LIC IPO.

But what is the government's fee floor? Hold your breath — it's ₹1 crore. League table-hungry investment banks could quote the lowest price and do a poor job of the sale like they did with the Indian Railway Catering and Tourism Corporation (IRCTC). Investment bankers were paid ₹229 crore by Zomato for raising ₹9,375 crore.

The abject failure of the State to realise the potential value is the mindset. Take IRCTC, a State-owned food delivery and ticketing platform. In October 2019, it sold a 12.5% stake in the company at a valuation of ₹5,000 crore. By the end of listing day, it was ₹1,700 crore, reflecting a classic case of underpaid investment bankers throwing away a good business.

Ideally, it should be trading at a valuation far higher than Zomato, because it is a profit-making company and has businesses of both Zomato and MakeMyTrip rolled into one. But that's the discount that 'bureaucracy' gets.

Despite years of failures, the bureaucracy doesn't seem to have learnt its lessons. So, much of the Narendra Modi government's reputation on economic reforms will hinge on the promised strategic stake sales and the listing of LIC. If the bureaucracy needs a lesson in doing business, it shouldn't hesitate to call Zomato's Goyal.



Now, when will they deliver?

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