

The Real Constraint On Our Entrepreneurs

This month has been about trade wars, with market participants hoping that the double US tariff will get rolled back before the due date. We Indians love our cliffhangers and last-minute miracles, no matter how rare. Akash Prakash of Amansa has written a brilliant article on how India has the size but lacks heft, we are not significant in the areas that truly matter globally and unless we do much more, the special treatment we seek will remain out of reach.

We Indians also embrace challenges for the opportunities they create. In our view, the government should push the easiest lever with the biggest impact - bringing down the cost of debt for our enterprises. This has to be done in mission mode as no other speed will do.

At present, large companies have the luxury of being debt-free, supported by buoyant equity markets and easier access to banking system. The problem lies in the middle - firms that are not yet large enough to tap capital markets and are eager to scale. These companies face the burden of high-cost of debt and struggle to provide the "security" demanded by the traditional financing system.

The current financing system is broken. Banks complain about tepid loan growth, while companies who need capital complain about slow process of decision-making and excessive collateral demands. Acquisition financing and other special situations come at 22% + IRR expectations. Real estate, one of India's largest sectors, is out of the formal banking system and so is finance for long-gestation projects. How will we build anything meaningful this way? There should be a better way than just reinvesting cash flows.

Wholesale NBFCs collapsed after the 2018 funding crisis, the only game in town now is retail NBFCs —unsecured personal loans, gold loans, housing loans and vehicle finance. The system that broke during the 2018 funding crisis has neither been fixed nor acknowledged. NBFC, Rating Agencies, Bond markets and general risk aversion, the entire ecosystem needs a relook. This is the best time to upgrade the broken system to one which works for an aspiring USD 10 trillion economy.

Only a handful of promoters have the skill to keep raising equity and burning it to achieve scale. All the other businesses follow the traditional route: some equity and reasonable debt. Unlike equity, debt requires monthly repayment of interest and periodic refinancing of principal. The cost of debt has not changed significantly in the last two decades – both the cost and the availability of credit needs to be significantly improved.

The current system works well for boutiques and intermediaries but not for the principals. We need to drastically bring down the cost of debt for our entrepreneurs so that scaling up becomes easier, capital efficiency improves and the cycle turns much better. With reasonable interest cost, our entrepreneurs will do much more. With the high costs, they have to be selective.



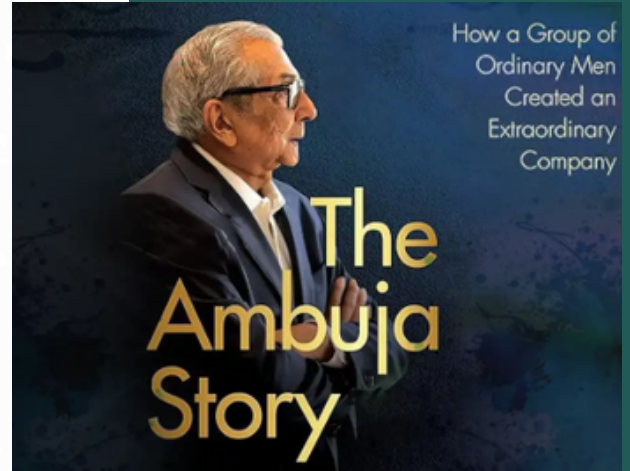
This month we cover a business with 50%+ ROCE 40%+ ROE and about 50,000 Cr annual profits, available at 11 PE and P/BV value nearly 50% discount to its listed peers. A business trusted by millions and a solid over 6-decade history.

This is **Life Insurance Corporation of India (LIC)** — the most recognizable name in Indian households. Despite the gradual market share erosion due to rise of private players, LIC's scale remains unmatched with 57% market share.

Its brand recall, extensive distribution network and sheer scale make it a powerful proxy for an industry which is expected to grow at 14–15% annually over the next many years.

LIC's reasonable valuation compared with private listed peers makes it attractive. There are optionalities too — from its expected move into general insurance, which could significantly enhance its market presence, to the potential value unlock from its 10% stake in NSE and the structural tailwinds of higher life expectancy and the financialization of savings.

The overhangs of future government stake sale and continuous market share loss to private players remain, but are already factored in the price, in our view.



The Ambuja Story is an inspiring journey of how Shri Narotam Sekhsaria, a cotton trader turned industrialist with no prior experience in cement, built Ambuja Cements into one of India's most admired companies. It's a story of vision, grit and business acumen - of how an outsider challenged established players and changed the rules of the game.

The book charts Ambuja's rise through the turbulence of the license raj, fierce competition and industry scepticism, showcasing how innovative strategies and relentless cost efficiencies turned a commodity business into a benchmark of excellence.

For us, the revelation is in the honesty with which the founder recounts the setbacks, the risks he took and the resilience needed to sustain belief when odds were stacked high. It shows how ambition and discipline can turn a dream into a lasting legacy. And how powerful branding and consistent messaging transformed a bulk commodity into an aspirational product.

This book is a masterclass in business building and the art of a David taking on a Goliath with sheer grit and intelligence. It opens your mind to new possibilities and provides a new perspective on business and life, inspiring the next generation of entrepreneurs to scale greater heights.

