

Outlier: Manish Sharma, Founder, PRINTO

People Involved:

- Interviewer – Mr. Pankaj Mishra
- Interviewee – Mr. Manish Sharma

Duration of the Interview:

- 41 minutes and 08 seconds

Hi everyone. Welcome back to the outlier's podcast. I'm your host Pankaj Mishra and we are back with a new season of outlier's called the season of resilience. These are uncertain times, and everyone is trying to cope with uncertainties, anxiety and so many unanswered questions. We thought we could be useful to all of you by doing a fresh series of conversations with outliers and some new guests. Please stay safe and I really hope all of us get out of this stronger and more resilient.

Interview:

Pankaj: I'm really, you know, privileged to be sitting down, remotely of course, with someone with whom we started the outlier's journey. Manish Sharma, who is the founder of Printo. Welcome Manish.

Manish: Hey, thank you, Pankaj. It's fantastic to be here. I didn't realize time has passed so fast and while we are not meeting in the best of times but it's always a pleasure to meet you and speak with you.

Pankaj: Thank You. You know, so Manish is of course a battle hard-end soldier of the start-up ecosystem is how I have been looking at him.

Manish: Cockroach, a lot of people call us.

Pankaj: Well, Ok, I'm glorifying it. Manish, there is a lot of anxiety, stress and the ongoing situation seems to be worsening. Before we jump into the specifics of your playbook and what you see, what do you think is happening? I mean, how do you read all of this?

Manish: So, Pankaj things are very-very bad and they will get worse and the way I look at things is I don't -I don't intellectualize too much for the future, you know, when times like these I just look at what's happening today and what has already happened.

When you look at that, you say things are bad, there are multiple things happening and its very-very important to identify what is the situation of your ship in this storm.

So, for example, PRINTO right now is going through a perfect storm in my opinion. Lot of my friends' companies are not going through a perfect storm, a lot of them are. So, this situation is so dire, I don't think I have faced this situation in the, you know, whatever, 25 odd years of my business start-up, entrepreneurial journey. **This is worse than what I faced in 2008 because the economy has ground to a halt.** I did not have a situation like this where you are zero, literally zero, on revenues. As we speak today, not just mine, but there are a bunch of companies whose **revenues were zero yesterday, are zero today, will be zero tomorrow. It's a pretty dire situation.**

Pankaj: Hmm-Hmm. Now, you talked about the 2008 crisis and I think we should go back there to see even if it was not as bad as today, you know, **what you really did and then we can get into where are you today and kind of, take a peek inside your war room Manish and what is your checklist like**, so hopefully, others can learn from it.

Manish: Ya, I think it's going to be useful, ya, because the checklists are similar for both scenarios, you know, when I look back, you know, it's just in hindsight. So, let's look at, you know, 2008 what I remember was, we were a much younger company. We were about a 100 odd people or less and we had merely 9 stores but in 3 cities, you know, there was Bangalore, of course and Hyderabad, Pune, Mumbai and we were expanding. We had a good amount of cash starting that year and when the Board decided that hey, we are going to really roll out and expand and you know, we had, 3 million dollars in the bank, another 3 million dollars. We had raised 6 million dollars and we were getting it in 12 months apart.

So, about, you know May, June, I started saying hey, I don't think we should be rolling out stuff, things are looking bad. **When in the Retail business, you kind of read trends earlier. You take the first hit. You see prices going up for Real Estate and sometimes demand coming down, right. So, these both things come hand in hand. People not paying you. Some of our large customers take time.** There were some instances there, but I didn't worry about it at all because I had 3 million dollars yet, almost as good as in the bank. Right.

What happened then was, the Lehman crisis hit, and you know our largest investor, Sequoia reneged on that, as in they said that we can't pay you 3 million dollars and that was disastrous for us because till a day before we were discussing growth with them and then they said they can't. **You know realities had changed and we had to quickly accept that.**

So, we were left with almost no money in the bank, maybe about 50-70 Lakhs. We were left with 200k odd, and we were bleeding, and this is USD, so you know 1 crore odd at that time and we were bleeding about 50 Lakhs plus per month, so we were going to run out of money right away, so there it was an existential crisis of a different kind. We were bleeding money, we were going to run out of it, we have to cut very-very deep. So, we cut deep, we had to shut down all stores outside Bangalore, we decided to just focus on Bangalore. We had to lay-off some of our team members, very painful, bring it to a core, hunker down, last out that winter, slowly convert into profitability with just 5 stores in Bangalore and come out of that. So, that was a very intense situation and now, as you make me recall it, I realize I should not be downplaying it and saying that, that's it.

Those were different circumstances and they were clearly, I think, now that I remember it, they were crazy because we didn't even have access to help. Today we have access to many other things. That's what I remember from 2008. Lots of lay-offs, lots of, you know, calling, existential crisis for sure, wondering if we will be alive and then slowly, very-very slowly, recovering.

Pankaj: So, how are things now Manish and now let's go deeper into your checklist.

Manish: I think, let's look at, as I said things are bad, so let's take stock of what we have. We've got to look at, so I would look at my company's EBITDA for sure. We are a reasonable size company, at least from our perspective, we have like 120 crores of revenue in a year, we are just

about profitable and we are generating cash month-on-month. But we are also growing so we are making investments in the future.

I think the first thing that you want to very quickly assess, how much cash are you making? How much did you make last month? Right, so that's the reality. So, if you are assessing in March, you have to look at the February number and then look at the real March number, not the projection. **Change the projection very quickly with whatever remaining days are there at zero revenue, how much cash you're going to make, how much do you have left? So, you get a real EBITDA + Cash situation. Look at the cash in the bank. It is very simple maths. Figure out, when revenue is zero, what is your EBITDA,** which will give you your direct cost and fixed cost and you will realize, man ok, your EBITDA is, in our case, it could be, you know, I am just giving approximate numbers, let's say you've got 10 crores in the bank and my cost are about 5.5 crores a month, if the revenue is zero. So, in less than 2 months I am going to run through the 10 crores, fine. **That's reality, we have to take stock of that, but we need to know that picture. If you don't know that picture, you cannot act. You know, you have to stand up, accept that picture, right. Take a day, take 2 days, take one day of inaction after that but get that picture right.**

The second thing to do is act, once you've got the picture, act very-very fast. In the scenario today, there is lockdown announced, we acted, we has a checklist in, and we tried to act fast, maybe, 12 days – 15 days before the lockdown and this means **create lockdown checklist, assume lockdown's going to happen, assume revenue is going to go down to zero, assume offices are shut, we need to collect cash from those who owe us money. We need to stem all capex expenses, you know, no further investments, cut down marketing,** you know, there is no point marketing if customers can't access your services or can't use your services for anything else. If travel is going to be shut, for example, in our case, a lot of workshops, training programs, marketing seminars, which take print and need print, are going to stop, **so you don't want to throw marketing dollars in this time at a situation and completely cull those expenses.** Bring your expense down to zero. Bring your food intake down to complete low, minimum calories, right. At the same time reduce capex as I said.

Once you do this, once you make a list of things you're going to do, I think, it's important to assign one person to each, right, from your team, ok. You cannot be the General doing this. And as I say General, you need to just, even if your team is a 50-person start-up or 20-person start-up, you know, you have to be the guy monitoring the situation, the girl monitoring the situation. **Assign it to your team members, have them do this, jump in, script things out if required, what action needs to be taken and help them take this action.**

Hence, coming to the **big point, you have to give the real picture to the team.** If you think you are going to be the, you know, smart girl or guy who's going to be superman or superwoman, right, turning this whole thing around, right, please disabuse yourself of that illusion. This is a business. This is a company. This is a team. **This is not an individual sport, when it comes to implementation, right.** You have to get the real numbers out to the team and you got to face the fact that the team is going to be smart enough to recognize the issue and **you are going to be a good communicator not to make them panic,** that's the other aspect of it.

In India today, the first phase is over, lockdown happened, for example, you can't do anything about that now. So, in some sense I am much more relaxed about my business only because the checklist of activities is not running around in my house, right. It's there in my head. And just doing, I got to do this, I've got to call up vendors, let me follow up on payments, let me follow up on any bit of sales that I can get in. There is no point, right. Shops are shut. Business is shut.

Now that you've got out of lockdown, phase 2 is again to assess what you can do, model your business plan for this month and for the next month and the next month. Next 3 months. Figure out how long a runway you have. You'll come out with an answer of I've got 4 months, let's say. Now, try to get double the runway because *you-will-be-wrong*. All of us are wrong in our runway calculation, new stuff may happen, you don't know how long this will last and no point getting into intellectualizing how long it will last. It is just not going to matter. If it's going to last for two years, your actions today will be the same, should be the same, right, and I only want to end this piece with saying that **one thing I learnt is among the many mistakes I've made, the few things we got right was cut very deep but very-very fast**. It almost sounds like panic for a lot of people. **You don't have to panic, you have to be prepared but you have to cut fairly deep, right and fairly fast** and this is something which I find lot of my friends dithering about saying that let's see how it will improve next month and you know the data is in front of you for last month and this month, why are you waiting for next month.

Let's not do that please and I plead rather than advise people, you know, we are saving jobs here, that's what I would do, here in this phase.

Pankaj: Manish, **this situation is also going to mean having some uncomfortable conversations**, right with employees, with vendors, and even family for that matter, right. You know, I called you a battle hard-end entrepreneur because you have seen these cycles and you perhaps have done those conversations. We have a lot of first-time founders and for them, and you are talking about people on the edge or at fences, not cutting deep fast, you know. **How do you deal with those uncomfortable situations, and can we break them down across employees, vendors, and family?**

Manish: You've made the right demarcations in your question itself and right units at least. I think the **first uncomfortable conversation needs to be with yourself**, right.

Look, as entrepreneurs, we are thick skinned, we are forever optimistic, that's what makes us what we are. But, **we cannot, at this time afford to be unrealistic**. Unrealistic is what is going to drive us down. **Let's get a good measure, a good dose of reality into us** and say hey, how bad is this, right and face the reality. And when you are thinking about how bad this is please don't think of May, June, July or you know 10 months down or 12 months down. Go through your process and you will see yourself getting distracted about, you know, if this fails, what the hell will I do, what'll be my.. go through that and then get a grip of it and figure out how bad it is.

Once, you've faced how bad this is and I use a method which is to say the worst case scenario and what it looks like and visit the worst case. Worst case you won't have a company, you will have to go and start things all over again, you will have to get a job. But once you get it out of the way at least you will get to reality and the reality will be, ok, this is really bad. **That's what reality will be, and I don't know how to solve it right now, but I am trying to figure out how to do it**.

This was my reality and you have a conversation, **first conversation**, I had was, I am trying to remember, yes **was with my CEO**, who is like a partner on business and I sent him a mail, early in the morning, maybe 5.30 saying, Code Orange, this is bad, this is going to get bad. This is on 6th March. Just to give perspective, lockdown happened around 22nd of, 23rd of March is basic lockdown in India. So had that. **My next conversation was with my co-founder**, who is now not active in the business but is on the Board of the business, Lalana and she is my wife and I said, hey you think we have any, any expenses coming up which we have not thought of. Things are going to get bad; I don't think we may have income for a few months, what does it look like. We had a quick check, a quick chat. Luckily our risk profile is very different, all our costs which are kind of high are limited to the cat food for our two cats and we don't have kids, so no admissions, so none of those other stuff and we had a quick chat and we said ok we are clear there. **Quick, take a look at your bank balance.** Unfortunately, I put everything in a SIP and it goes into the stock market.

The third chat is with your team, you know and say things are bad. Now when it comes to the **specific, uncomfortable chats, I think, once the team is convinced the company in a bad shape or the situation is a bad shape, it's very important for the team to get that conviction, at least your top managers. They should never have a conversation with anybody below them or around them saying, my CEO thinks we are screwed. The conversation should be, we are in a bad shape not I think *we are in a bad shape*. I would spend a lot of time on that conversation. I would spend like 4-hour meetings on that conversation to get that out of the way.** So, that's your next uncomfortable conversation.

This morning, I had a very senior colleague of mine and I told him, dude, I have a conversation with people, and I **break it down in 3 parts – How is health? How are you feeling, everything's ok? How are mom and dad?** In his case, its only mom. You know, everything ok? Taken care of? Great. **How is your financial health and I ask what your savings are like, I ask literal numbers,** right and in India it's a little more relaxed. I can ask these things. I asked him how much is your EMI? He is a very senior guy and he told me how much his EMI is. Then I told him this is the last salary, the last full salary, you will get, you know, you know that. He said ya, I know that. I said, ok. I just want you to treat this very-very carefully. He said sure.

Once I've had that conversation I can ask him is there anything else you need help with? If you do say kids' education happening this time I'll have to pay you know almost a lakh of rupees in education of the kids new year and I said good if you don't get, he says I'm going to push it and I said we'll help, don't worry, and he said my investments our mutual funds as well and the market just tanked. So, **have this personal conversation with your core team, its very important to get the health of the core team right.**

Now let's get to a list of what's happening. So, we have team members who we'll cut last, that's your family, you don't want to. We have vendors whose payments we don't cut at all but, we delay. We have conversations with them saying I'm not getting any money in, I can't give money out. And everybody understands but, you do promise them that as soon some money coming in I keep giving some money out. So, there is some flow in the economy. It's important to have our vendor network to get some money. The third one are people like landlords who don't have necessarily a variable input cost and they have a fixed cost, they did build the place out but, you went in and did all the capital expenses, you paid the electricity bills, this does not apply to co-working places but, it applies to my landlords and we

have a conversation saying we can't pay rent for 3 months. So, have that conversation very clearly and these are the **tough conversations**.

I think one tough conversation which we don't have is with our customers. One of my early morning calls again today was to a colleague to whom I said this is your target, this month you will be helping save us and get us another one month of life. He's after customers who owe us money. I said forget everything, you know if you need let's get access to CEO of the company I don't care if its Infosys, Wipro, whoever it is and I don't care if the amount they owe us is only 20 lacs, **we need that money to survive and let's do our best.** Now customers are not used to too much aggression on this you know, especially in certain industries. Most of us start-ups are in the knowledge industry, they'll ask you for money once, twice, thrice. They won't really bother you too much and that's what we need to change during these times. **Go have the difficult conversations with customers saying, I'm going to have difficulty paying not just rent but, even salaries. Please release money for me.**

So, that's my last piece of conversation in terms of difficult conversations. **Then you have one conversation if I may, with your investors. You have to give them the information way upfront.** Investors are an interesting breed because they are also between fear and greed. Entrepreneurs get into fear and greed in situations like these but, investors are always in fear and greed, so you need to give them that scenario. **At the same time and I picked up this tip from one of my favourite investors and he said that Manish, you need to give some upside story and I think that's important. It's not just faking it but, saying I'm going to come out of this healthy and I start applying that even to my vendors and my landlords, saying I'm going to come out of this healthy but, right now you have to act really fast.** You have to talk like a surgeon who says I'm going to fix you, you have to trust me, you will make it through, you are going in for a bypass and it's a complicated surgery but, **trust me. Give me all the help you can and I'll take you through.**

Pankaj: This is very well articulated, Manish. One more thing I want to understand from you is that we are assuming the businesses we are talking about have some cash flows. Now there are lots of **first-time founders who don't have any revenue for ever**, they are testing their ideas, they are experimenting, you know kind of seed to early stage. **The question they are going to be asking is, should I stay in or get out of this? What would you tell them?**

Manish: I find that first stage very interesting because you are already in an existential crisis in that first stage of your business. You are saying no cash. I don't have money coming in, I'm trying to find a product which will make me money, for example. So you may already have a product but, you've not yet figured out how to capture value in that. So, you are already trying to figure out your existence and I feel, in my opinion, **such companies are at that stage because being in that stage, I'm much better placed than companies who have revenue and especially if they have got profitable revenue but, just about profitable revenue.**

Let me explain because when you don't have revenue your projections are all based on zero revenue, so your projections are completely cost-based. I've got like you know 50 lacs in the bank that will last me 6 months, maybe I should start looking for funding and you meet somebody who says what a crappy idea you'll not get funded for another 12 months. Says okay, let me make my 50 lacs last for 12 months, you are thinking of the cost, you know all your costs. **What happens when you have revenue you think you'll fight a battle right, which is the silliest thing to do, revenue forecasts go down the drain as soon as a bad economy hits us. So, a young company has the advantage of not having a revenue forecast at all. So, I would**

ask them to just do the same thing, hunker down big time, use this to relook at their cost and relook at their runway and say okay, If I've got 6 months of runway make it an 18-month runway. Can't think of an 18-month runway, at least get it to 12 months. In times like these if you don't have a 12-month runway, a 12-month path to survive, you are not going to make it.

Please do not say, hey, I'm going to knock off my salary to zero so then I'll survive another 6 months. It's a very dangerous thing to do if you are already paying yourself a salary, you are angel-funded, you've got some money, reduce the salary a bit but, see that you have enough saved up that if you don't have to pay your salary for 9 months, you can manage. **So, that's a fundamental error we do with the early stage** because the money is so little and in our mind, we say I won't pay my salary. It's great for 3 months but, in 6 months' time you've got almost no options, you don't even have the option of paying yourself no salary or continuing without a salary.

Pankaj: Manish, what you are saying is if I were to look at it from an individual's lense, all of us have personas, some of us are helpful, some of us are realistic, practical, pragmatic and so on. **Situations like these are going to test our core value system and things that we believe are good or bad.** You know firing someone can be bad in someone's playbook but, then you are faced with this. What I'm trying to understand from you, especially because you have gone through these cycles, **how do you stay sane and how do you explain the changing, I don't know if it's a value system? How do you imbibe all of this and still stay someone who you admire, yourself?**

Manish: You know Pankaj, a crisis, a stage like what we are going through and you know irrespective of the stage of the company we are in, **I think a crisis is what defines us in our unique way.** When I say our unique way, it's not a good way or a bad way. **It just defines us, it brings amazing clarity and at the same time, it kind of unmoulds us and remoulds us in many ways.**

Let me explain with an example what I mean. It's like just a decision whether to cut compensation by 50% or lay-off people or not pay a vendor, right, at all, right, or drag a vendor because he does not have the ability to fight you, he's completely dependent on you and pay the big guy who is going to basically screw you, right. This is a whole series of decisions we go through. Decisions about, to lie to an investor that things are okay, to lie to a team member things are okay, to lie to vendor things are okay right, just so that you can get something, it's a hustle right, we are always hustling as entrepreneurs but, hustling during this time is like you know takes a very different proportion, it actually starts chiselling you and saying, hey what is that I want out of it right and starts asking you all these questions.

So, I think crisis actually really at the end when I look back crisis I've always come out very clear about certain things about myself because it's a self-discovery process it's not something which I can say this is how I will be in the crisis, I can't say I'm going to be calm and collected and truthful and honest right. When the crisis plays out right I will look back and say oh I decided to be calm and collected, truthful and honest, well I was maybe, calm and collected, maybe partially truthful, honest I'm not sure you know there is, this is what you can judge but it's not something which you can prejudge maybe you want to just pick one principle.

I'm setting principles for my team and for my decision making right how do we pay rent? You know for example the principle is small guys need to be paid right away, right, you know for a

50000 rupees bill he has no other place to go, please pay him right. Big guys haggle-haggle-haggle-haggle-haggle get me on the line, I'll haggle, I'll do that, you know things like this. But. what stays with us is that hey this small guy got paid right we feel good about it somewhere right and we, **I think this is going to be an interesting process, there is no prescription one I can give for this I can only say it'll define us.**

The other part of your question was that if I understood how do you deal with this you know mentally? I think I go through the same checklist as I started off with saying you know I need to besides look at myself once I've looked at my personal finance initially and my personal you know, my personal commitments I've got that out of the way even if it's bad you know even if it's really bad if there was an EMI or loans I've told those guys I won't be able to pay for the next few months, **I do think it's important when I look back to things which I've not done well earlier and I can see me having to remind myself to do this nowadays in this crisis is mental health right. I got to remind myself to meditate you know I'm older so I'm okay with meditation, and I've got to remind myself to speak to friends right. I will pick up the phone, have a beer, you know have some completely you know ridiculous conversation,** you know tell them man you guys you software engineers get paid for nothing you know have one of those conversations you know because you are working in this big ass MNC firm right what do you know about the pains of a start-up right those kinds of things and they will say man you know you are foolish I told you don't do this stuff nobody buys print man where are you going and we have a good banter over maybe a beer, unfortunately at these times you can't even go out for a beer but, I could over a phone call so **I think it's important to let go and you know just have that release which is not so intense because you will see the decision your day changes in crisis all your conversations are high intensity** unlike you know regular you know work day where you have high-intensity conversations but maybe 20% of it or 30% of it, rest of it are all you know pretty much transactional, relaxed, I'm finding myself only doing high-intensity conversations right so that's, **so I'm welcoming any conversation which is not high intensity right.**

Pankaj: The final couple of things maybe Manish, when you were talking you know I was also thinking about it you know it's a lot like that doctor who has a limited supply of ventilator systems and the doctor has to make this choice about which patient should get it first. So it's a lot look this you know the question of ethics, right?

Manish: Yeah-yeah, absolutely you know many questions will come and I'm dreading this will happen even in my company you know, I don't know when your podcast would go-live but it will happen where it will come down to people right and it will come down to question of 50% or you know lay-off a certain number of people, it will come down to questions of should I pay myself, you know half a salary or should I just stretch pay myself full salary just for one more month? right and all these things will come in you know for yourself as well as for the team and I **don't think there is a right answer** and that's why I said that here is where I don't like to be prescriptive but I just like to say, **hey set some principles in place in the beginning and then at the end of this you know 2020 is the year of hindsight so we look back and we'll see how we behaved you know were we the evil humans, were we the mad monkeys or were we just you know okay fine blokes trying to do a start-up**

Pankaj: Final question Manish. We focussed a lot on individual decision making put the spotlight on founders. What I want to understand from you is you know is company or a start-up is also like an individual, right. **So what happens to that culture the core DNA of the company crisis after crisis specially the ones that survive you know how do you answer that**

question? Like is the face of the company in terms of its culture and what it stands for does that also go through this metamorphosis like if I'm talking to you couple of years down about PRINTO what would have changed?

Manish: It's a fantastic question Pankaj. **I think a lot of changes and I realise this now**, right and it changed with us in 2008 you know from this little Indian cowboy where we said let's get on to the horses' let's go and conquer every city, we are PRINTO right, this is come forth men and women follow me into Delhi, into Gurgaon, into all cities lets set that up. It was a whole testosterone-filled march of a company which got deflated when the reality hit us, **when the crisis hit us** and we ran out of money but **we hunkered down, we learned to share our troubles and we came out extremely strong and I saw this impact our DNA as always a company fairly conscious about cost, you know, now getting aggressive about growth but more conscious about profitability, wanting to look at profitability.** Our conversations in our meetings would be, Oh yeah if we do that order the gross margins would be less than 40% so what do we do about that? You know this is an important conversation in the meeting and you can see that change the big change I see is this time when I got the team together and I was speaking about it you know we had no problem sharing data which was bad, no problem projecting things are going to be really bad, in general team kind of knew okay it's time for action, one of my colleagues said we have done this before so yeah we'll do it this time. One of my colleagues who was unconvinced you know said that, Manish you are always positive all the time, since you are calling in this time, I'm not convinced, but since you are calling it lets go and act as if it's happening you know so **he was saying I don't agree with you but, I think I trust this process you know and we'll do it because I know what to do right and I think that's come out.**

I don't know if PRINTO will survive this right you know as I see this because I don't know this is going to last 20 months, it's going last 20 days you don't know but, I do know you know that we fundamentally changed and we are in a much better position to take care of this crisis so, **your ability to handle crisis change** but also you become this I think at least PRINTO has become more of this you know, I can use that word because I come from that background this middle-class conservative company right, you know and **growth is good but not at the cost of profitability**, right, those kinds of things you won't hear a start-up say so we've become less set and I think that's how we've been moulded I'm sure other companies will be moulded in their own unique way.

Pankaj: Very well said Manish, I think this was a really-really sobering conversation and insightful too.

Manish: Thank you for bringing good things out of me so and you've surely given me my break for the day to help me go back and think about how to save my company from this.

Pankaj: I'm just trying to be useful. Thank you. Thank you, Manish. We'll catch up soon and stay safe.

Manish: Thanks Pankaj. Thank you very much.

*****Ends*****