Ather-audio

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SPEAKERS

Tarun Mehta, Siddhartha Ahluwalia

Tarun Mehta 00:00
Every single one of them hated the EV that they bought. Love the sector, hate the product. We said no... electric vehicles need to beat petrol vehicles. They need to be better than an Activa. When we launched in 2018, Ather450 was the fastest accelerating scooter ever produced in the country; I mean all scooters... all petrol scooters included and this was an electric. I'm a big believer that you have to market. I think a strategy of 'listen, we don't need to do any marketing.' (SPEAKS HINDI) I think it is a mistake in India. We are not a country where you can sell stuff on Twitter to a meaningful audience. You can still substitute out for like five crore people but two-wheelers are bought by like 30 crore people. But you almost need a washing powder Nirma campaign, right... like go mainstream. And that's very difficult for a Bangalore startup to like pivot so mass which takes some time (SPEAKS HINDI).

Siddhartha Ahluwalia 00:44
It's that Mumbai DNA— (SPEAKS HINDI)

Tarun Mehta 00:44
It's not just Mumbai. It's this mainstream DNA that sitting in your ivory towers in Bangalore, Koramangala... It's very difficult to understand that you have to do a washing powder Nirma boss as you have to sell 70 scooters monthly in Jabalpur... (SPEAKING HINDI)

Siddhartha Ahluwalia 00:55
This episode is super inspirational because building a hardware startup is the toughest battle you can choose to fight as an entrepreneur in India. And not only when you are building one hardware. What about creating 100 pieces of hardware from scratch... to fit together and making sure they all work seamlessly? This is the mother of all challenges. Today, I have with me an entrepreneur who has not only taken up that challenge, but has delivered it successfully. I have with me the one who has built the most loved electric scooter from India. A company that did 1800 crores of yearly revenue. We have Tarun Mehta, founder of Ather energy, on the neon show. Tarun is just 34 years old and today we talk about his life building Ather for the last 12 years. I would like to thank our sponsors, Prime Venture Partners, for sponsoring the Neon Show. Hope you like it!

Siddhartha Ahluwalia 01:51
Hi, this is Siddhartha Ahluwalia. Welcome to the Neon Show! Today I have with me Tarun Mehta, founder of Ather energy. Electric vehicle has taken India by storm and Ather has taken the electric vehicle industry by storm in India. I would say that and I would equate you to the Apple in India because I think you are one of the very few brands that believed in creating the end-to-end ecosystem. You own your manufacturing. You own your distribution. You own you know the experience that you provide to the customer. So, it becomes very important for a customer that 'I am interacting with Ather at all touchpoints.' There is no separate distributor. There is no separate service agency at any point, right? And I think that's a big reason that today Ather is at what... 1800 crores of annual revenue?

Tarun Mehta 02:41
Yeah FY 23.

Siddhartha Ahluwalia 02:42
FY 23... wow! This is fantastic and you guys are what... you launched Ather in 2016?

Tarun Mehta 02:49
No, no, it's been a while. Most people don't know that [chuckles]. We launched Ather in—

Siddhartha Ahluwalia 02:53
The product?

Tarun Mehta 02:54
This is the 10th year. Oh, the product is actually late 2018. So it's about five years.

Siddhartha Ahluwalia 02:58
Wow and in five years so much traction, right? And it took a good like what six to seven years right? From the first investment round from Sachin & Binny (referring to the Bansal duo) which happened in 2014.

Tarun Mehta 03:09
Yeah... Yeah.

Siddhartha Ahluwalia 03:09
Before two years, Ather was still as a part of the IIT Madras labs, right? Where you... the story is very popular that—

Tarun Mehta 03:16
It's a very garage story. It's as garage as it gets. Building hardware; starting from one of the labs inside a department in the engineering college inside IIT Madras. So what happened for us was... Swapnil and I always used to think about starting... doing something in the energy space. And we had already figured out the name Ather energy in second year of college, so it's an extremely old passion. The passion is... actually electric vehicles came secondary. The passion really was more about the energy

industry. And what we've been always passionate about is, how can we make a meaningful contribution towards reducing the cost of energy? And electric vehicles came much later. Actually, after we graduated—

Siddhartha Ahluwalia 04:01
You graduated in what, 2011?—

Tarun Mehta 04:05
'12. Yeah so graduated and then a year later, came back to the exact same lab where we graduated from. Convinced the professors to let us hang around in good faith, as we can kinda figure our way around these batteries and electric vehicles. And a few months later we became convinced that there's an opportunity and you got a lot of photos and videos from that time because for about six to nine months, we used to sleep in the department. So every night, I would sleep there, wake up, walk out of the campus, take a shower at a friend's place who used to live outside, and then walk back inside the lab. So as garage story as it can get.

Siddhartha Ahluwalia 04:47
Wow...and, you know, you guys have believed in the philosophy of first you created first principles... the philosophy. First, you created a battery, right? And you thought that why would OEMs adopt this battery, right? Because the products are not so good so nobody would notice the battery experience if the end product is not so good.

Tarun Mehta 05:06
Correct... correct.

Siddhartha Ahluwalia 05:08
And then you thought like, 'Let's build the end product which is an electric two-wheeler.'

Tarun Mehta 05:13
So yeah. So see I said at the start that we were more interested in the energy industry. We'd spent three, four years at college trying to figure out, what can we build in the energy industry? And we'd actually built a bunch of engines which we had sort of written off most of our internships and then nothing but did that. So when this idea came... the idea originally was, we should build lithium-ion battery packs for electric vehicles. The belief was that electric vehicles will be mainstream in the future and it looked like the customer problem was around charging. The customer problem was the quality of the battery pack and that resonated really well with us because we're like 'Let's build a battery boss. If we make a battery, we're back to being an energy company.' (SPEAKS HINDI) Brilliant, like the dots have all connected really well. So... and you get to use the name Ather Energy also, which is something we've been calling ourselves since 2009. So it's been awhile as well (SPEAKS HINDI) So we originally when we said we went back to the labs, we were actually just building the battery pack. And we thought we'll be this nameless, faceless B2B supplier to auto companies building high quality battery packs. Then the idea expanded saying 'If we are building batteries then we should be a genuine energy company.' (SPEAKS HINDI) You should not just build a battery but you should also refill that fuel. So we should also build charging infrastructure. Then with this idea, we went in and started doing customer

trials. We started doing customer clinics. Met dozens and like 50,60-100 customers we met over a period of a few months and that's when we realised that we can't... we can't do this business. Every customer that we used to meet would love electric. They believed this was the future. They were big supporters, believers, everything. Every single one of them hated the EV that they bought. Loved the sector, hated the product. And after a while, we started asking ourselves 'Boss, all these people are cursing the electric vehicle that they bought. How exactly—' (SPEAKS HINDI) [chuckles] because initially the idea was we will build these battery packs and offer them as a refurbishment. So when their old battery packs die, we will upgrade it to lithium (SPEAKS HINDI). And I realised, they hate their product so much, who will spend 40-50,000 rupees buying a new battery pack to fix a product they hate in the first place? This was a dead on arrival idea. Then we said 'We will sell it to OEMs.' (SPEAKS HINDI) So we went to the OEMs And we tried to pitch them and disaster. We realised OEMs are in two camps. Either they're very smart, and they know that 'This won't be possible for us.' [chuckles] EV is still like a 10 year old later story, or they are idiots and they think importing from China is a brilliant strategy. Who needs to buy from India? Like listen, the OEMs are doing a very bad strategy. We can't sell to them either. So there was a very brief period when we were both scratching our heads and said, Looks like a classical thing has happened. We just went after the wrong market with the technology. We'll have to close it. (SPEAKS HINDI) And then Swapnil suggested 'Look both of us are passionate about building a brand. Why were we even thinking of doing this nameless, faceless thing? We should just build a brand, no? We should just build the vehicle okay?' I was not convinced. I said, you know, just to sort of test out, we should just build a mock scooter to try and convince the OEMs. It was the idea that we can build a good scooter using our batteries (SPEAKS HINDI). In the process of building the scooter, we fell in love with the scooter. And then I also became convinced that, boss if we are going to make it then we make a proper vehicle brand.

Siddhartha Ahluwalia 08:38
This was which year?

Tarun Mehta 08:40
This is 2013... this is 2013.

Siddhartha Ahluwalia 08:41
Almost one year after you quit your jobs?

Tarun Mehta 08:44
Almost... no almost actually six months. We left our jobs in Feb 2013. By August, September, we start to become convinced of this. And by October 2013 we became convinced enough that this should be a company. And we should build an EV brand grounds up. We need to own the full stack. So that's how we landed up. And that's how it began from the battery and charging but then everything became...

Siddhartha Ahluwalia 09:08
So EV never took off in India for a long period of time.

Tarun Mehta 09:11
Yeah.

Siddhartha Ahluwalia 09:12
And it suddenly took off.

Tarun Mehta 09:13
Yep.

Siddhartha Ahluwalia 09:14
What are the market dynamics for this?

Tarun Mehta 09:17
So EV... actually electric vehicle, this is not the first time it's happening. Electric vehicles had multiple waves in India. The first wave I think was back in I think 2007 when some brands started importing electric scooters from China. They kept importing. Volumes actually hit a peak of I think one lakh units per year in 2009 or 10 and then the industry crashed. What happened is... a lot of crap vehicles were imported because nobody knew better and customers bought thinking that 'How bad can it be? It'll be like an Activa no? But without needing to spend on petrol. That sounds great!' And that's when reality hit them because Indian consumers are actually quite spoiled. Indian two-wheeler buyers have never experienced a truly bad product until electric vehicles hit them. And electric vehicles were really bad, like these vehicles will not go over a fly over. And when that word of mouth started spreading, the EV industry pretty much collapsed. It went from 80 brands to like 15 brands. It went from one lakh units per annum to like 15,000 units per annum. Major collapse happened... this is 2010-11, something like that. So, when we started in 2013, the industry was doing pretty bad frankly. When we launched in 2018, I would say that's the second or maybe the third wave of electric vehicles. I believe what Ather launched changed the market dynamic massively. There's a very clear pre and post Ather time. Before us, the market was very clearly very small power electric vehicles. These are vehicles that will do 25, 30, 40 kilometres per hour. Basically, they were like toys (SPEAKS HINDI) and the customer profiling is terrible. Like I could never figure out who wants to buy this vehicle because the pitch used to be please save the environment. And you need to be an early adopter to buy this product. And you need to have money to try and experiment like this and everybody who had money and was an early adopter also fundamentally wants to be proud about something they buy. They don't want to make an apology about it but these electric cars are terrible, like you go slower than others, your performance is worse, the vehicles look bad, you look like a dog on them. It's just like terrible from every possible perspective. You can't say with a straight face that listen, this is a very proud thing to do. So nobody would buy the vehicles (SPEAKS HINDI). So our view was fairly radical at that point. We said no... electricals need to beat petrol vehicles. They need to be better than an Activa, like on most parameters that mattered to consumers. We were inspired by Tesla. Tesla had launched Model S in 2012 to some ridiculous early success which surprisingly auto companies in India had not understood. We had seen and understood that so we said if we are going to make something then Tesla strategy makes sense. Launch something seriously leaps ahead of others. When we launched in 2018 Ather450 was the fastest accelerating scooter ever produced in the country. I mean, all scooters... all petrol scooters included and this was an electric. It was mind boggling for everybody. This was the world's first aluminium frame, bolted aluminium frame on a scooter in production. This was the first scooter anywhere in the world to deploy a touchscreen dashboard and the first one to have Google Maps. There were so many firsts that it

became the Model S equivalent of some sorts. Actually not Model S... this became the Roadster equivalent of some sorts and so it attracted a different customer. And then for the next two years we did not die. 'You've made a mistake as nobody in India will buy such an expensive product.' (SPEAKS HINDI) Next two years it did not die.

Siddhartha Ahluwalia 12:47
What was the cost of the first product?

Tarun Mehta 12:48
Terrible. It was minus 300% negative gross margin. Yeah negative 300% gross margin. That was the cost—

Siddhartha Ahluwalia 12:57
What was the real cost like?

Tarun Mehta 12:59
3-4 lakh rupees (SPEAKS HINDI). it was like 3-4 lakhs... like really, really high, But it came down super fast. It came down to like two in the first year itself. Then it came below two and that kept falling and now we are positive gross margin. But the first two years were difficult, but we did not die. We kept pulling and changing perceptions and I think our biggest success happened when multiple OEMs started copying us. So the wave three which is what we were, what we had started was high-performance electric scooters. Today high-performance electric scooters, which is at 80-90 cutoff speed, range of 80,90, 100 kilometres or lithium-ion... Every scooter with connectivity, with touchscreen dashboards became the market standard. Today 60-70% of the Indian scooter markets are products like this. So now it's very awkward to call this a high-performance category. If 75% of your market is a high-performance category, then you have to recognize that boss this is mainstream now. It's gotten to a point where the Indian scooter market is the most advanced scooter market in the world. Not a single country, not a single two wheeler market competes with the technology standards of India today,

Siddhartha Ahluwalia 14:10
Not even China?

Tarun Mehta 14:11
Nothing (SPEAKS HINDI)... I can't even define number of years because of how far behind they are now. Volumes, they are ahead, but volumes, we will catch up in the next three, four years. But in terms of just sheer technology and product quality and product... the feature list. Now I'm not just speaking for Ather... I'm speaking actually for the entire e-scooter market in India.... far ahead! Taiwan, Korea, Japan, China, all of Europe, nothing in us, nothing matches up with it.

Siddhartha Ahluwalia 14:38
And who are these top five players in two-wheelers and EV in India?

Tarun Mehta 14:42

The top three are us, TVS and Ola. After that it's a slightly longer list. Bajaj is an important player. Ampere is an important player—

Siddhartha Ahluwalia 14:56
But Ampere imports from China or used to import from China.

Tarun Mehta 15:00
See early on, everybody imported from China. I think Ampere has a reasonable portfolio now, but it's in the low speed category. Yeah, it's generally not high speed. That's the only primary difference. Yeah, these are the top four, five players

Siddhartha Ahluwalia 15:15
And in the bike category is there—?

Tarun Mehta 15:17
Bikes are still not prevalent in India. Electric bikes have not been cracked yet. We've ourselves looked at multiple times, right now bikes I think will take time. Scooters are far more successful —

Siddhartha Ahluwalia 15:28
Why is the reason for that... electric bikes will take more time?

Tarun Mehta 15:32
Well, for that, you'll have to understand why do people buy bikes first. Why do you think people buy bikes?

Siddhartha Ahluwalia 15:37
I think part of it is show off part of it as a high-performance vehicle on a two-wheeler and the bike persona is either if you see right... go back, people used to buy Hero Splendor.

Tarun Mehta 15:49
Yes, they still do by the way. It's the highest selling two-wheeler in the country even now—

Siddhartha Ahluwalia 15:53
So I use it on crappy roads, right? That is the best vehicle in India for crappy roads, for village roads, for tier-three roads, right? Bajaj Pulsar became a rage in tier-one and tier-two. That's my understanding and then everybody built on top of it, whether they want to build for tier-one or they want to build for tier-three.

Tarun Mehta 16:13
So, you said you fundamentally gave three reasons. One was performance. Next was the show-off. Third was ruggedness, right? Now, number one & number two. Vehicles that are bought for performance or show-off are vehicles which have to be better than a scooter at least. If it gives scooter type performance then what is the point? (SPEAKS HINDI)

Siddhartha Ahluwalia 16:33
Bike is better than an Activa on any day, right for high performance?

Tarun Mehta 16:36
Important question. Splendor is not better than an Activa. Splendor is not better than an Ather at all, okay. What is better is typically a 180 cc bike and beyond. The market of 180 cc bikes and beyond in India, is I think about 6% of the Indian two-wheeler market and about 10% of the bike market. 90% of the bike market in India is basically Splendor. 80-90%. Now, that market is also increasingly buying it less for ruggedness. There was a ruggedness factor when roads were like absolutely shit in India and highways were like not present (SPEAKS HINDI). It was just all bad village quality roads. Roads have changed radically in India in the last five-10 years. Tier-1, 2 and especially tier-3. Tier-3 road quality is quite phenomenal. Interstate highways is like pretty good now —

Siddhartha Ahluwalia 17:32
I'm talking about inside villages or inside small towns —

Tarun Mehta 17:34
Inside villages is again is not large enough volume. In the village, road quality is no longer terrible. So what is starting to happen is, somebody buying a Splendor still does buy it for the bigger wheels so better suspension, but that's becoming less and less of a factor. Today people are buying a Splender because it's cheaper than an Activa to buy and it has more mileage, which means it's cheaper than an Activa to run. So splendor is fundamentally linked to purchase capacity. If you could afford, you would buy an Activa. If you can't afford the running cost or the upfront costs, then you have to opt for a Splendor and in my opinion, electric challenges that completely. Electric TCO is way better than Activa way better than a Splendor also. Splendor also you will spend 2000 rupees a month. Electric scooter you will spend 300 rupees a month. There is no comparison here (SPEAKS HINDI). I think the real bike market in India long term is the number one or number two reason which is the show-off and the performance buy but that's five-10% of the entire two-wheeler market. I think 90% of the Indian two-wheeler market really is got to be scooters. If you buy a bike in a city. If you buy a splendor, you're kind of condemning your entire family to not travel, right? Because then your wife can't travel on a Splendor. Your 60-65 year old parents can't travel on a Splendor. If you've got a young teenage kid, he or she can't travel on a Splendor Only you can travel on a Splendor. If you have storage, you're screwed. If you buy one apple you don't have space, right? So buying a bike in India is actually a lot of inconvenience. No storage, really bad ergonomics from a foot pegs perspective and very limited mobility. So the primary reason is cost. And electric breaks that completely. So my belief for the last several years has been, electric scooters will decimate the commuter-entry motorcycle market in India over the next 10 years. What will be left as motorcycles is the premium and the high-performance category: 180, 200 cc and beyond, which will be a meaningful chunk but 10%. Maybe 20%. So I think multiple people have sort of concluded the same which is why they're not attacking bikes very aggressively. Obviously, with the expanding business, all of us will launch bikes, but the reason it's not central to our pitch yet is because of these reasons.

Siddhartha Ahluwalia 19:55

So you sold one lakh scooters in FY '22-'23, right? Overall in India if you would have the number or approximate number, how many two-wheelers got sold?

Tarun Mehta 20:04
So, last year I think about six-seven lakh vehicles were sold; electric. Us, Ola, TVS were about I think 50% of it. I think we did one lakh. I think all of that 1.5 lakhs and TBS did again just under a lakh. So what three three and a half lakh between us.

Siddhartha Ahluwalia 20:25
And what will be the non electric vehicle sold in India?

Tarun Mehta 20:27
Oh huge. Talk about headroom. 1.6 crore last year.

Siddhartha Ahluwalia 20:33
And how much of that would be bike versus scooter?

Tarun Mehta 20:36
Roughly two thirds - 1/3. Two thirds is bikes, one-thirds is scooters.

Siddhartha Ahluwalia 20:39
But bike still owns like a 1/3 chunk of it which still makes —

Tarun Mehta 20:42
Because affordability. If you can't afford a scooter you have to settle for a bike; commuter. Electric scooters don't solve. Electric scooters solve that very differently rather. Electric bikes don't change that. So that's the prime reason so if you build an electric bike it's got to be a little bit of a performance bike, which has a market but it's just that it's not the market that you think it is. If you got to beat a Splendor, you will likely beat it with a scooter and not a bike.

Siddhartha Ahluwalia 21:05
Got it and Splendor still sells right... the number one bike —

Tarun Mehta 21:08
It is… it is outrageous. It is… it is so wrong [Scoffs]. It is unbelievable the success of that product 30 years later, it is still the market leader. I think if ever a sector needed disruption, it is the Splendor. Someone disrupt it yaar, what is this [jokingly] (SPEAKS HINDI). It's got the best gross margins like automotive companies I think globally would kill themselves for 20-25% gross margin. Splendor I am sure has way more gross margin than most premium automotive companies in the world.

Siddhartha Ahluwalia 21:40
They start.... Splendor starts at Rs. 60,000 I think today

Tarun Mehta 21:44

Yeah, 60-70k.

Siddhartha Ahluwalia 21:44
Activa today is at 80-90k.

Tarun Mehta 21:46
Yes.

Siddhartha Ahluwalia 21:47
So its phenomenal right and Splendor would sell what 10-20 lakhs units a year?

Tarun Mehta 21:51
What, no. Splendor sells 35-40 lakhs units a year—

Siddhartha Ahluwalia 21:55
And that number is still growing [chuckles] —

Tarun Mehta 21:56
No, it's not growing anymore (SPEAKS HINDI). Growth has stalled now so it will get disrupted now, but the lead has been just phenomenal.

Siddhartha Ahluwalia 22:07
Like four million units and in in two-wheelers scooters non-electric, what is the number one and how many units will it sell per year —

Tarun Mehta 22:16
Two-wheeler electric or non-electric?

Siddhartha Ahluwalia 22:17
Non-electric.

Tarun Mehta 22:18
Non-electric would be Activa. Every other scooter sold in the country is an Activa. So Indian scooter.... The Indian two-wheeler market is a very unique dynamic. Generally, car markets globally are fairly fragmented. Like if you want to be successful as a car maker in the US, you will need a wide-enough portfolio (SPEAKS HINDI). You need like 10 product lines. You need like 10-12 variants on each in your pretty rich portfolio. In India, the market leader in two-wheelers always gets to 50% + market share. Splendor dominating market-share... more than 50%. Activa winner 55% market share. Pulsar winner in the commuter sports category, I think more than 50% market share. Royal Enfield winner in the... I don't know what to call that category but 350 cc category - 90% market share! So India two-wheeler winners never have to settle for scraps. If you're a winner, you will just like 50,60,70% market share is a given, which is what creates a really rich margin profile. The Indian two-wheeler companies enjoy, like Indian two-wheeler gross margins and maybe I'm jinxing them. I hope I don't jinx them [chuckles] are one of the richest globally. Not one, I think they are the richest—

Siddhartha Ahluwalia 23:26
20-25%, right?

Tarun Mehta 23:28
More. I think close to 30. It's outrageous. Premium luxury products get to those kinds of margin structures in automotive, not commuter products.

Siddhartha Ahluwalia 23:39
And globally, cars are less than 10% gross margin business.

Tarun Mehta 23:43
15ish. If you get to 20, you're a Tesla. Tesla got to like I think late 20s and it was considered an anomaly. Two-wheelers do that regularly in India [scoffs].

Siddhartha Ahluwalia 23:55
I think one area where electric vehicles won't make that much revenue is the cost of service and parts.

Tarun Mehta 24:03
Right.

Siddhartha Ahluwalia 24:03
So do you bake that into the product?

Tarun Mehta 24:05
It's a very interesting dynamic. You're right, on a per unit basis servicing of an EV will not generate the same revenue as ICE. You don't have an Indian oil change. You won't know how much of your revenue finished there (SPEAKS HINDI). Right now we have an interesting dynamic where because all of us are new players.... while per vehicle revenue might be like 1/3 compared to its ICE counterparts, every vehicle has to come back to the dealer for servicing. So what happens in petrol vehicles technically is that only 1/3 of the vehicles come back to a dealer, two-thirds goes to the network, informal network outside (SPEAKS HINDI). So on a fleet capture is only 30%. Electric per unit economics is 1/3, but then fleet capture is 100% so even if we balance it out today. But okay, long term I do think that electric vehicles are not going to make money on servicing. They just can't and as quality improves for each one of us, that number will drop even further. I think long term electric vehicles will have to make money on something else. You'll have to make money on most likely upgrades. You'll have to make money on accessories. They'll have to make money on generally technology upgrades, battery upgrades, touchscreen, dashboard upgrade, software upgrades... those kinds of things. So over here business model, underlying business model is changing for sure. (SPEAKS HINDI).

Siddhartha Ahluwalia 25:24
 And today, the price of Ather is between 1.35 to 1.65.

Tarun Mehta 25:28

1.55 but yeah it will rise a little bit now. Yeah...

Siddhartha Ahluwalia 25:32
Because the subsidies is getting—

Tarun Mehta 25:33
Yes, the subsidy is getting reduced so will increase prices marginally. We'll try and maintain prices with newer product launches but yeah, the current products will become more expensive.

Siddhartha Ahluwalia 25:41
And how many products SKUs do you have right now?

Tarun Mehta 25:44
That's just these two. In fact, that's actually one SKU, because what do you see as 1.55 is essentially a 20,000 rupee software upgrade sold. So, in a sense, our revenue is I'd say about 85% is hardware. 15% is already software.

Siddhartha Ahluwalia 26:00
And what do you charge in software for?

Tarun Mehta 26:02
So a lot of features. There are a lot of advanced right assist features. So for example, you want to turn Auto Hold on. So it's a pretty nifty feature where if you bring your scooter to a stop and leave your brakes, your scooter won't roll back and forth. So you could be on a little bit of a slopy surface, and the scooter will just stay there. So you don't have to keep your brakes pressed and the minute you throttle, it'll start going forward. It's actually very well implemented. So this algorithm is part of the software pack. There are some advanced regenerative features. There is the entire connectivity suite turns on. So 4G connectivity in the vehicle, bluetooth connectivity on the vehicle, the ability to take calls, the ability to listen to music, mobile phone tracking, remote service booking, many, many, many. So everything with software in it, they're kind of bundled in... in a single pack. In a sense, a little similar to how Tesla does a single software pack of its autonomous features. Obviously, this has nothing to do with autonomy, but everything non-hardware-ish kind of comes in this one package.

Siddhartha Ahluwalia 27:04
So I would say Tesla had a big influence on Ather, right? If we remove Tesla from the picture, let's say Tesla hadn't existed, right? Would Ather be today where it is?

Tarun Mehta 27:15
I think… I think our philosophy would have been very similar, because that's how we were wired: fairly first principles and very strong; very strong confidence in our product. But I think if Tesla never existed, some of the supply chains would have been very different globally. I think electric vehicles owe a lot to the lithium-ion supply chain that Tesla created. Tesla created this entire model of using these small form factor cells and stacking them together to build a battery pack. This was difficult. I think it would have been difficult for most other companies to think through because it's a giant leap what Tesla took Tesla

basically said that 'listen, before Tesla automotive companies would say six sigma, yeah? So you want a big battery made, so you'll buy these small modules and you'll stick them together but how many modules (SPEAKS HINDI)? Like 20-30 modules. You will take 20-30 modules. Connect positive, negative, positive, negative, positive, negative, positive, negative and then end-to-end positive negative taken out, connect to the motor. Very simplistically put. Even at 20-30 modules itself you will be sweating that boss out of 20-30 modules 60 welds out there, operating on six sigma so you can only have like three failures in a million. You're already signing up for like one failure for every few 1000 vehicles, right? It's already sounding scary. Tesla came and said, 'You know what, we'll have a battery back with 6000 cells, which means something like 24,000 welds per pack.' Even if you operate at six sigma, three failures in a million or something like that, means you are guaranteed a failure in every 40th car. Even if you operators tell you a failure every 15th car means every 15th car there will be a failed weld and if in the battery pack, one weld fails you're doomed, right? So even if you open a Six Sigma, you have no business here. And Tesla took that challenge and cracked it. And I think the world owes a lot to Tesla because of this leap that they were able to make. Particularly this leap. In the absence of it, there's no way lithium-ion prices would have become affordable, because it changed the underlying economics of the industry radically. The small form factor cells were very affordable. But small form factor cells would have never never come into automotive. In fact, automotive OEMs kept.... we were obviously, we embraced it very early because we loved how Tesla thought about these decisions, but most major auto guys kept resisting this until like a few years back. They're like 'this is madness and this will catch fire' (SPEAKS HINDI). But it did not catch fire. So I think Tesla's been influential, but not on everything. I think core philosophies, I don't think we would have been very different.

Siddhartha Ahluwalia 29:49
And Tesla open-sourced this right? This technology.

Tarun Mehta 29:54
They open-sourced their IP. I think that's more PR. See IP is truly open source value, if what you have is fundamental science, like a chemical compound or like a pharma, some miracle compounds. Open sourcing designs, design patents anyways companies find a way around them. So nobody needs to use a patent.

Siddhartha Ahluwalia 30:16
It would reverse engineer right?

Tarun Mehta 30:17
Yeah, that happens (SPEAKS HINDI). So I think open sourcing the patents was more, ultimately serve more PR purpose, then genuine as per the industry purpose.

Siddhartha Ahluwalia 30:26
I want to capture the journey from 2018 to till now, right? If you can recall, right, how many scooters you would have sold in 2018?

Tarun Mehta 30:33

FY '18-'19, maybe 1000 scooters—

Siddhartha Ahluwalia 30:37
You expected that... across how many stores?

Tarun Mehta 30:41
One. [laughing]

Siddhartha Ahluwalia 30:42
The Indiranagar store? [chuckles]

Tarun Mehta 30:43
Yeah, the Indiranagar store. Maybe like 200 a month. Demand was healthy only. We, however, could not produce more than 200 a month because our unit economics was terrible and I could never justify burning money to sell more hardware. Hardware has no lifetime value of the customer. It's one sale, and after that the customers are out for the next six-seven years (SPEAKS HINDI). So that was one challenge. Second also was, this was the first time an EV of this calibre was being built in the country, so the underlying quality was very uncertain. Like I didn't want to be in a situation, we have sold 10,000 scooters, and batteries catch fire across the entire country tomorrow. We can't even like stomp all of them out. So you wanted a fairly controlled pilot for the first couple of years. The idea was Bangalore first year, Chennai by year two, and then pan-India in year three. So 2020 was meant to be the pan-India push. 2018 August we started and 2019, August we opened Chennai (SPEAKS HINDI).

Siddhartha Ahluwalia 31:45
And oh, if you can, same recall how many scooters you sold in second year and third year?

Tarun Mehta 31:50
So I remember the revenue numbers better. I think first year revenue was probably, FY 19 was 20-30 crores. FY '19-'20 was I think again, something like that only 30-35 crores. FY 2021 was 75 crores. FY '21-'22 was 410 crores. '22-'23 was 1800.

Siddhartha Ahluwalia 32:20
So this is a massive jump right?

Tarun Mehta 32:21
Yeah it's a massive jump.

Siddhartha Ahluwalia 32:22
Between 75 to 400 and 400 to 1800. What happened—

Tarun Mehta 32:24
I think a lot of people think that 'now you've matured. It's a 10 year old company.' I'm like sir, it's only been one year of sales, the other 9 years are R & D research (SPEAKS HINDI). So it's a... it's a legacy company now with extremely young sales and business processes. Like, forget even in FY '22-'23 till

August, our monthly revenue was like 30-40 crores. Finished the year with like, 200 something... Yeah, much more than that, I think, close to about 260-270. So its last few quarters have been particularly crazy growth. But see, that's how hardware works. I think a lot of things. I think what's what's going to happen now is gradually, I think today, most investors don't have a mental model of how hardware makes money, right? And that's because we haven't seen hardware stories play out. So all we know about hardware is that it takes a lot of money and a lot of time— (SPEAKS HINDI)

Siddhartha Ahluwalia 33:23
A lot of R & D also gets exhausted. (SPEAKS HINDI)

Tarun Mehta 33:24
Lot of R & D, and by that point, internet businesses will scale up so much (SPEAKS HINDI). The differences that you will start gradually understanding as more and more stories like ourselves play out is that once you build hardware, once you've stabilised your platform, you got a really powerful lead. You got a really powerful moat, that internet businesses can never deliver on. Almost never. SaaS, maybe. Internet-powered businesses almost never. Think of it. Ather raised 12 million at Series A. 30 million at Series B. Ather's raised roughly like about 300 odd million till now. With the exception of Ola, because its entry was very lateral. That's not a regular startup process.

Siddhartha Ahluwalia 34:03
Ola was a giant when they entered—

Tarun Mehta 34:05
Ola was already a large cap business. It had an ability to bring in a lot of money. So forget about Ola, the exception. The next company after Ather has raised 20 million- 30 million.

Siddhartha Ahluwalia 34:13
Which one is it?

Tarun Mehta 34:15
I think Ultraviolette has raised some followed by I think Simple Energy and some of these startups in the 5-10,20 million range. You never see this dynamic play out in the internet business. Internet business if one startup raises Series B, there are five others who are funded with Series A in six months. Somebody gets to Series C, four others get to Series B after that—

Siddhartha Ahluwalia 34:38
Same thing happened: food delivery—

Tarun Mehta 34:39
Grocery shopping, quick delivery, quick commerce everywhere, right? Because the fundamental.... because all you prove out is that there is market demand. But the servicing of that demand, you haven't built a moat (SPEAKS HINDI). It's not like oh, I am Amazon, I built like 30 years worth of understanding of how to build these infrastructure. No, right. Everybody's on the same footing. In hardware that's not the case. You build, you build, you build, you build, you stabilise, stabilise, you learn from mistakes, you

beat quality metrics, you beat them down, you beat cost down. So by the time you launch, and if you find success... I would say it's a high risk, high reward strategy. You have to go all in for a long while, but if it works, you will see a sudden explosion of revenue. Like 10 years later, I would argue that there are so many other startups, so many other software businesses, internet enabled businesses who would probably have the same gross margin or revenue profile as Ather. But their journey would have become maybe five years, six years before us. So our hardware generally is a more spiky success situation. If you're successful, you will certainly skyrocket, but it takes... it comes at a time.

Siddhartha Ahluwalia 35:48
And who are the other three, four hardware startups from India that you respect?

Tarun Mehta 35:53
I think there's a lot of good work happening on the satellite side. A lot of good startups in Hyderabad, some of them have done really good work. Along with us, I'm blanking on the name just now. But there was… there's another tiger-funded hardware startup for e-commerce, logistics.

Siddhartha Ahluwalia 36:17
Grey Orange.

Tarun Mehta 36:18
GreyOrange yes! I just forgot the name. It's been a few years. I think they all enjoyed a lot of really, really credible work back in the day. Obviously, I haven't tracked them in recent times. There is.... I think we're seeing a lot of hardware companies come out of IIT Madras in particular, and many of them are fairly niche topics, but very solid businesses. That's what I'm seeing. There's a lot of good work that's happened the drone side. A lot of really good drone startups that have come up in the country. What was the pioneer out of IIT Bombay? ideaForge! Yeah. So there, I think is a pretty fast expanding hardware ecosystem in the country. And it's no longer... it's no longer an art to do hardware. I think there's an ecosystem of engineering talent coming out now, that's kind of seen these systems built out. There have been so many hardware startups that have come out of Ather. There's Appliance in cooking. There is Exponent Energy. There is another one in the battery side. I'm blanking on the name right now. There is at least seven-eight startups that are popping up from Ather. So that ecosystem of hardware is just starting to pop up.

Siddhartha Ahluwalia 37:30
And I think on the consumer side, because most of the names that you said, right, be it GreyOrange, right? ideaForge. They are on the B2B side, right? So they still don't require the marketing, branding, distribution muscle. They are more like sales, if you build a great product, you are able to prove the value and know how to sell to enterprises, governments but still make that cut.

Tarun Mehta 37:54
So companies like Appliance, or on the cooking side, I think there are a fair bit of consumer-focused hardware companies sort of coming together. And they're all trying very different, very interesting models. Very design heavy. Very product heavy. Very, very manufacturing heavy. I think there are very interesting models starting to emerge. None of them existed when we started 10 years ago.

Siddhartha Ahluwalia 38:14

I think on the consumer side, only you are there and you are the largest and second would be Ultrahuman which builds running out of windows. So why is it so hard, right? Because one is VCs don't understand, as you said, right? Why is the second most hardest reason why hardware doesn't sell in India? Is it because people take time to build the value in their minds, especially consumers? For a new hardware?

Tarun Mehta 38:36

No, I don't think that's the case now. I think India has enough demand. I am a firm believer, somebody said this from Reliance many years ago. India's never been historically actually really if you think about it has not really been a demand constrained market. We've been a sup— genuinely we've been a supply constrained market. We don't get the good stuff. We get the good stuff at a ridiculous premium in India historically. So I think there has been, just like Japan of the 60s and 70s... I think we have a huge market wanting and willing to buy good high quality products. It's just that there are not enough domestic champions building them at a sensible cost to sell to India today. I think if you were to start a consumer-focused hardware company today in India, you would find demand actually an easier problem. Distribution actually is an easier problem because we've cracked distribution in India. There's phenomenal leadership that can quickly join you at a moment's notice and scale up your distribution across the country. Whether it's FMCG, whether it's EV, or anything. I think what we have historically missed out are two things. One is access to capital. I would still say that's a very serious challenge. We were talking about it before, right? Like there are no... there are no traditional name VCs on our cap table, right? Like you would imagine, like a Sequoia and Axel or —

Siddhartha Ahluwalia 39:57

No Indian VC is there. No Indian franchises is here.

Tarun Mehta 40:00

Because I think historically, it's been very difficult for Indian investors. They just not been exposed to how hardware makes money. So you need a few champion success stories that oh, yeah, you know what a hardware company can become worth like $50 billion, then suddenly capital access will just skyrocket. If one $50 billion outcome can happen, then then we should be putting in $5 billion into the sector not like 50 million, so that has not been fulfilled but I think it's just in the process of now starting to happen (SPEAKS HINDI). Second is, there's a very, there's been historically a very serious shortage of engineering and manufacturing engineering talent, because India has not done enough core product development. We have amazing number of engineers. We have really good engineers. But unfortunately, either they are pure play software. Or if they are working on hardware, they get what I call as the 'backroom work' more often than not. They will get an automotive... German automotive company. They will not send their good work to India, or they will send... they will say 'listen we already have this car, when you indigenize it right? So make a few changes so that it meets Indian compliance. It meets Indian cost requirements, and that's it. But how do you fundamentally come up with that platform? How do you fundamentally think of manufacturing constraints in day one of design? How do you think of the marriage of design and manufacturing constraints coming together? How do you think of supply chain as you're thinking of product specs, right? You have to. You can't just say oh, I'll just do

the textbook machining technique, right? Because there may be not a single supplier in this country who does die casting in that way. So it's very theoretical. What you're thinking is very theoretical. You need experienced manpower who's seen this happen and India is... I don't think we have a very robust ecosystem of talent on that track.

Siddhartha Ahluwalia 41:57
Or new talent getting created.

Tarun Mehta 41:59
Now it is getting created. Ather has over 1000 engineers today. I think we are obviously creating some of the talent. So will Ola, so will maybe TVS as they build their own EVs. In fact, I think electrification... electric vehicles because of the amount of lead India has is going to create one of the first waves of genuine platform builders on hardware in India, after a very long time. But those two I think, have been the biggest missing pieces in the past.

Siddhartha Ahluwalia 42:27
And do you think that the engineers on the manufacturing side are getting paid as well as on the software side, the top minds? Because if that doesn't happen, like people will still aspire from colleges to become the best software engineers, rather than the best... hardware engineer would still be a passion project. They'll still... they'll follow that route because of passion, like you did.

Tarun Mehta 42:47
I don't think so. I think there's still a gap but the gap has started narrowing a little bit. With again electric vehicles coming in, the automotive gap has started narrowing, because you suddenly, historically never needed these mechanical engineers to do new work because platforms have already been made (SPEAKS HINDI). The scooter that you build today was perfected 30 years ago. So what's the new value added a new mechanical engineer brings today? Well, not much. But the minute you say, 'Listen, I need to build as an industry, we need to build like 50 different electric scooters.' Somebody should come in and do the platform work for the first time and the person who can do it becomes extremely valuable. So I think electric vehicles, we're seeing a considerable correction today. There is demand and supply at play still so I think software still commands, premium but I think premium has narrowed. And I think the more the more businesses that get created, that get funded, those businesses will demand more of this talent. A talent shortage will continue to exist and their payrolls will continue to shoot up which is good because that will then be a very useful feedback system back to engineering colleges. 'Boss, EV companies are paying like you know, mechanical engineers like this really sweet salary. Why am I trying to get in McKinsey? I'll get a 20 lakh package if I joined like a really nice EV company, you know.' Obviously a long cycle. It won't happen like in one year. It takes like a decade; I think in the middle of that cycle.

Siddhartha Ahluwalia 44:14
That's very right. Why are mechanical engineers we have seen shifting into consulting even from IITs...

Tarun Mehta 44:20

Yeah consulting and banks. Yeah, because it's the demand and supply, who will pay more. And I think we will see some of the corrections now.

Siddhartha Ahluwalia 44:26
Do you go for a day one hiring at IIT for these mechanical and manufacturing—

Tarun Mehta 44:30
On and off?. Not necessarily every year. We went last year. We did not go the year before. We went the year before. We're still not very stable as an organisation. How much talent we'll need is still of course unpredictable. So we go on and off—

Siddhartha Ahluwalia 44:43
And how big is the overall team that's fully on payroll?

Tarun Mehta 44:46
1500-1600 on payroll and about another 1500 are contracted.

Siddhartha Ahluwalia 44:51
Out of that 1000 is engineering?

Tarun Mehta 44:53
Product development and testing. Okay, I should correct. They are technically engineering but yeah product development and testing.

Siddhartha Ahluwalia 45:00
And how is you know... you mentioned you have been able to build a large distribution branding muscle over the last few years and you yourself don't come from that background, right? Pure engineer who was a product developer at heart and you loved innovating. Can you share that journey? How did the distribution muscle get built over a period of time and what you did for it?

Tarun Mehta 45:23
I think we're still building it. We may have 140 stores, but our ICE competitors have 3000 [chuckles], so I think there is a long way to go. But yeah, 140 has been extremely educational. See founders have to learn. I think it's rare for a founder who's truly experienced in the industry. So neither were we. We've learned as the years have gone by and generally we've realised that, it's best to build a muscle in the company yourselves first and fail a little bit at it before you bring in the real leadership and before bringing in the big guns. Every time we've attempted something as a lazy approach, 'Who is going to build this? Lets just hire a solid VP for this and get out of it.' (SPEAKS HINDI), it's generally not worked. So yeah, we've got closely involved with sales. We've always been all in marketing, because we care of the brand right from day one. Remember I said at the start, Swapnil was very careful about 'Hey listen, we should own the brand. That will be the fun thing; that will be a good story.' So brand we've always been very particular about. So we're involved in marketing right from day one. Sales is something that's only the last year I would say that we got involved in. So thinking about it in systems, you learn from failures. We opened the last 60 stores... terrible results. So now you get in and now you try to figure out

what they do right in the first 60. What can you... we are big believers of process by the way. So wherever we can stick to the process, set up a proper SOP and purpose readers we will... our minds will automatically go there. That's... it helps learning (SPEAKS HINDI).

Siddhartha Ahluwalia 46:56
And if you can share, right, what worked for you in marketing and sales? Like what initiatives? What cost? What are some of the processes, so that other hardware startups listening to it can learn?

Tarun Mehta 47:09
I'm not sure these are necessarily good feedbacks for other hardware startups particularly. See our big learnings out of a marketing strategy was... go with a very high conviction pitch. Market I think sees through pretty quickly if you're testing something with them, so you got to go with very high conviction, because that'll reflect in the product, will reflect in the design, and will reflect in the communication. What works for us is having very clear and transparent communication. We generally will not sugarcoat or try and confuse you if we've got bad news, for example. So very transparent communication, generally... Most people are surprised. So there was a time, 2020 we increased our prices. Our product was one lakh fifteen thousand. In January 2020, I announced an upgrade to the product and increased the prices to one lakh sixty five thousand. Obviously response was not good. So we called it an all hands sorry we called a consumer catch up. We called about 350 people to our office. We can catch up and I opened up the PnL in front of them. I opened up the company. I said, this is our PnL (SPEAKS HINDI). This is the cost of goods. Clearly we are not making money. This is what I long-term believe... First principle, this is how our cost will add up and this is where I think we'll be able to get to, and I do believe hand on heart that we will have the best cost structure. This product if I price less than one lakh sixty five thousand without subsidies will not make a business case. It worked wonders! We got so many people signing up and say, 'because you guys told us this, we will now buy the vehicle and this is amazing.' And those guys became champions for us over a period of time. They became the earliest community leads who went out and even today on social media would fight for us. Like if... There are a lot of campaigns that run against us. There are a lot of paid campaigns that run against us. Like if somebody will post like something bad about Ather then suddenly we'll see 100 retweets with like three likes, obvious what's happening. These guys become the champions. Certainly, you know, kind of cleaning up the mess there. So transparent and honest communication has been one very, very, very big thing for us. And final thing, for I think... best to do it yourselves first. Like, while we have dealerships today, the first three stores that we set up were all owned and operated by Ather so it let us perfectly design the placement, the training, right down to the uniforms, and you know like what is the story that you are telling of Ather. If you outsource this, just like anything else, then you kind of... this will not become your moat. This will not become a differentiator for you. First band was important. So we did it first.

Siddhartha Ahluwalia 49:53
And how do you drive sales to... let's say you have 140 locations right now. How do you drive sales to each of those locations? What are you doing for that?

Tarun Mehta 50:01

Let me think. What we do... so there are fairly granular targets broken down store by store, day by day at every step of customer interaction. From booking a test ride to doing the test ride to making a booking, to making a full payment, to taking delivery. All these steps are tracked multiple times a day, and they get discussed at leadership level every week. I think one big learning for me is that India needs marketing. So we had this very pure view at one point, probably inspired by Xiaomi and also Tesla, that boss 'we should not do marketing. No marketing dollars spent by us. We will only be like this online community driven cool thing. And then I realised that's good for some D2C brands, but if you want to do like 1000s of crores of automotive revenue in India, how do you drive awareness? Like your competitors Hamara Bajaj and Desh ki Dhadkan hero like if you say Ather. Our early market researchers told us that most people, they don't believe that we are an Indian brand. 'It must be an imported brand. We don't know how long it will last.' It sounds very European. Unfortunately that does not bode well for us because they're not sure if we are here for the long stay. So we realised this in 2021... I am a big believer that you have to market. I think a strategy of 'Listen, there's no need to do marketing.', I think is a mistake in India (SPEAKS HINDI). We are not a country where you can sell stuff on Twitter to a meaningful audience. Yeah you can still substitute out for like five crore people but two-wheelers are bought by like 30 crore people. So you have to... you should almost consider which actually even we have not been successful yet at, but you almost need a washing powder Nirma campaign right... like go mainstream. And that's very difficult for a Bangalore startup to go so mass which takes some time (SPEAKS HINDI).

Tarun Mehta 51:46
It's not just Mumbai. It's this mainstream DNA that sitting in your ivory towers in Bangalore, Koramangala... It's very difficult to understand that you have to do a washing powder Nirma boss as you have to sell 70 scooters monthly in Jabalpur... (SPEAKING HINDI) Like how? They don't know you have an amazing community and like you do open house events and like Palace road grounds in Bangalore. For them yeah, 'They're like another automotive company.' They've heard of mg. They've heard of Hero. They've heard of Bajaj. They've never heard of Ather... how will I buy? So our biggest learning has been don't shy away from marketing. Marketing is a very important tool. Spend on it. Automotive margins allow us to spend but I think you have to spend meaningful quantums.

Siddhartha Ahluwalia 51:53
It's that Mumbai DNA— (SPEAKS HINDI)

Siddhartha Ahluwalia 52:33
And if you can share like rough number right... how have your spends in marketing grown over the years and what is it on—?

Tarun Mehta 52:42
See they've dropped dramatically as a percentage of revenue. They're now like single digit percentages but even five % of 2000 is still a 100 crores in marketing. Early years you will have to spend. Like when we used to 35 crores of revenue, we are still spending 20-30 crores in marketing...

Siddhartha Ahluwalia 52:57
On TV—?

Tarun Mehta 52:58
No, that time we didn't do TV. On 30 crores revenue... it's only Bangalore right so no TV. Mostly just... mostly just online. And we used to think online will be enough until we hit scale of late 2021 where we realised 'Boss we need TV.' We want to now sell five-six thousand scooters a month... To give you a comparison: Royal Enfield Bullet. Yeah, bullet. It's a famous product. Yeah, we all know about it. It does I think 14,000 units a month, Pan India. We do 14,000 today. So how do you beat a Royal Enfield's brand awareness without spending. You have to, right?

Siddhartha Ahluwalia 53:39
And what channel worked for you?

Tarun Mehta 53:41
I love newspapers. I think newspaper awareness is... I know a lot of marketers will tell you 'Wow, it's such an inefficient media and performance marketing is brilliant.' I've had a pretty different view. I love newspapers—

Siddhartha Ahluwalia 53:53
Front page ads—

Tarun Mehta 53:54
Front page ads! Nothing works better. Like the amount of footfall they bring in, I kid you not they pay themselves back over weekend. Like the best ROI.

Siddhartha Ahluwalia 54:03
You do that on a Friday then right? [chuckles]

Tarun Mehta 54:05
We do that on a Saturday or Sunday but now we don't [laughing]. But yeah basically, but they pay off very quickly. I think newspaper ads are one of the best spends possible for a brand like ours. I like TV also but TV needs a minimum threshold. I can't do like a five crore TV campaign. You need a larger chunk so if you're willing to spend 30-40 crores then I think TV also works pretty beautifully.

Tarun Mehta 54:26
We did it. We did last IPL. Not this IPL but we did it the previous IPL. We've done... We did it during the last festive, October. We did also something this January. We don't do it as continuous thing. Nobody does it as continuous thing. There are spikes when you've got a new product introduction, etc.

Siddhartha Ahluwalia 54:26
Have you done it?

Siddhartha Ahluwalia 54:42
And that immediately drives footfall for you. The TV campaigns?

Tarun Mehta 54:46
TV... I don't think TV drives immediate footfalls. I think TV is more salient, more long term salience. You kind of want to be that brand that ' Ahh I've seen them on TV so they must have lots of money, they must have thought of something. (SPEAKS HINDI)' Basically setting up an experience centre with a lot of nice marble in it, a lot of nice glass on it. Turning up on a IPL team's jersey. Doing mainstream TV. None of this drives immediate traffic but what it does is, it gives air cover to the customer that if they buy an Ather they will not be asked awkward question. (SPEAKS HINDI) 'What is this you have bought?' They'll be like 'I know what Ather is.' Even their friends will know Ather as well. You need to give them... you need to give your buyer air cover. While buying they need to feel convinced that nobody will feel 'I've made a mistake. Yes, everyone knows Ather, so I'm making good decision.' (SPEAKS HINDI) So I think all of this advertising is primary to give them air cover,but product ultimately has to speak for itself.

Siddhartha Ahluwalia 55:42
In today's market, right, what would your aspiration be? Not in a EV but let's say in a two-wheeler, would you want to be Bajaj? Would you want to be Hero?

Tarun Mehta 55:52
I think the EV market... I think that, overall automotive market will change considerably this decade. I think the current frameworks of Royal Enfield, Hero, Bajaj, TVS; They will not operate frankly. I think it'll be a very different world. I think as a brand, we're not necessarily too hung up on doing the lowest cost product. We think it's difficult to build a very valuable business doing that. Equally, we don't want to do super niche. We don't want to be— so if I were to give polar examples. Here's super mass market, but obviously with beautiful margins and Royal Enfield is super niche but amazingly Apple-like margins. I think I think the right I think the opportunity in India is now to be more mainstream than Royal Enfield without necessarily trying to do very entry level products. because our per capita GDP is rising. I think that's, I think some of the middle is very Ather will lie. Like our true north on the product side will be experiences. We want to deliver pretty amazing experiences. I think the new customer in India is seeking them which is why they're buying iPhones. Which is why they're buying compact SUVs. Which is why premiumization of two-wheelers is a pretty massive phenomena. We want to... we want to solve that customer's needs, their mind states solve for them in a big way

Siddhartha Ahluwalia 57:16
I think today, Hero would be what 30-40,000 crores in yearly revenues?

Tarun Mehta 57:22
30 Yeah.

Siddhartha Ahluwalia 57:23
And Bajaj would be what 40?

Tarun Mehta 57:24
30, roughly yeah.

Siddhartha Ahluwalia 57:25
Both of them and they both hold the same position like as number one, number one.

Tarun Mehta 57:29
Market cap, Bajaj is larger. Bajaj is a one lakh crore brand. 1.2. Hero is I think 50-60 thousand crores because Bajaj's margins are more richer than Hero's—

Siddhartha Ahluwalia 57:39
Like 4x of their revenues, Bajaj would be today's public market, right... and Hero would be 2x.

Tarun Mehta 57:45
Yeah.

Siddhartha Ahluwalia 57:46
And I think the car segment would be more poorer in terms of —

Tarun Mehta 57:49
Yeah 1x is a good look.

Siddhartha Ahluwalia 57:52
So I see right in the next few years, Ather would be what... journey would be 8000 crore, 16000 crore and then this kind of journey over a period of time—

Tarun Mehta 58:03
See I don't know exactly, I don't know real revenue numbers. I do believe that this decade, two wheelers will overwhelmingly go electric. I believe Ather will keep shaping the market. We've been the pioneers. We have shaped the market. Today, we are... I believe we have the lion's share of the market in the industry, it comes to a close to Ather. I believe that will continue through the decade and it will imply whatever revenue it will imply.

Siddhartha Ahluwalia 58:32
I think Ola Electric is testing the public markets before Ather. They are I think just preparing—

Tarun Mehta 58:39
I think there's some announcements going public in the next... this year.

Siddhartha Ahluwalia 58:41
This year itself, right? I think by the end of December they should go public so that that'll I think help Ather set like what goes in the mind of Indian retail market or what you can—

Tarun Mehta 58:48
I think it'd be good to understand and good to learn the response they get. But to be honest, I think EV is the story of the future. It is the growth sector. So I think timing issues aside I think EV brands in

general will be, will be the one in demand. If you're an automotive buyer, as a stock buyer, EV is what you've got to put money in.

Siddhartha Ahluwalia 59:20
See Tata has leveraged that very well with Nexon.

Tarun Mehta 59:22
Absolutely yeah. It's opened up such a big valuation for them and such a considerable lead in the category for them.

Siddhartha Ahluwalia 59:30
So thank you so much Tarun. I want to do an episode two and episode three with you. This is it for you know, your introduction, your introduction of how you think, how you have built Ather. It's such a beautiful product. It's such a great experience.

Tarun Mehta 59:47
Thank you, thank you.

Siddhartha Ahluwalia 59:48
I always whenever I pass through Indiranagar, I always look up to your store.

Tarun Mehta 59:51
Arey we have eight showrooms in Bangalore. See more showrooms also [laughs].

Tarun Mehta 59:51
Yeah that remains often our... generally our highest selling store in the country. I do believe that's the highest selling E two-wheeler store in the country and it might just be the highest revenue per square feet... anything in the country.

Siddhartha Ahluwalia 59:54
Indiranagar one was if my favourite showroom so— [laughing]

Siddhartha Ahluwalia 1:00:14
I think globally, you were saying right, next to Apple the—

Tarun Mehta 1:00:18
We do... Indiranagar on many months beats Apple global averages quite comfortably. I think on a regular month I think it also beats but on a good month - festive months - I think it's like double that of Apple global average.

Siddhartha Ahluwalia 1:00:31
So I think what you have built is... a lot of hardware entrepreneurs will follow your lead and I think already people are coming out of Ather and building their Ather mafia.

Tarun Mehta 1:00:39
I think we need a lot of hardware companies in the country. I think that's where jobs will get created. I think if you want real industry, real scale industry, you need hardware companies. And hardware startups of today will become giants 20 years out.

Siddhartha Ahluwalia 1:00:57
Lot of work is happening on the battery side, right?

Tarun Mehta 1:00:59
Battery... yeah!

Siddhartha Ahluwalia 1:01:01
Super exponent and a lot of stuff. Battery swapping is there. Then battery charging is there. A lot of infra is getting built. Do you think there's so much demand that... for that infra?

Tarun Mehta 1:01:11
Absolutely. There are 250 million two-wheelers on Indian roads. This number I think will become close to about 400 million by the end of this decade, including exits of old vehicles. Outside of mobile phones, this is the highest other device in the country. So yeah, there's demand. If you're saying there's charging infrastructure, then yeah, there's a demand for charging infrastructure. There's probably fast chargers demand. There's gonna be a 30-35 million annual EV two-wheeler battery requirement. I think it's an enormously large industry.

Siddhartha Ahluwalia 1:01:42
Thank you so much!

Tarun Mehta 1:01:43
Yeah, pleasure.

Siddhartha Ahluwalia 1:01:44
Loved this podcast with you.

Tarun Mehta 1:01:46
Yeah. Glad could come and glad— thank you for hosting me!