From industrial pipes to aircraft engines, a three-year-old company is firing up Make in India

Synopsis

A three-year-old company tries to leverage India's mega manufacturing push and the world's hunt for an alternative to China. Its growth and valuation indicates self-reliance isn't a mirage.

Amrit Acharya was living the great American dream. After completing his engineering from IIT-Madras in 2010 and a four-year stint in ITC, he went to the US for an MBA and then joined McKinsey in 2016. But a trip down the memory lane changed all that.

During a visit to India, Acharya decided to catch up with old friends. That led to a reunion with Srinath Ramakkrushnan, his IIT batchmate who had also joined the FMCG behemoth. They swapped stories about each other's lives. Ramakkrushnan, by then a marketing manager at ITC, recalled the challenges

they had faced together while at the conglomerate. Acharya soon realised that the problem of finding a suitable vendor — something he had also struggled with — was still an arduous task for large manufacturers.

A few more rounds of discussions later, Acharya quit his job in the prestigious consulting firm and got together with Ramakkrushnan to set up **Zetwerk** in 2018. Their plan was to be a supplier of suppliers.

The Problem

Large manufacturers, Indian and foreign, often find it difficult to find the right suppliers or vendors who can convert their machinery designs into moving parts. It entails precision and high-quality work. Not that such experts aren't available in the **MSME sector**, but it becomes a resource-draining effort for these large companies to rake through the country's largely unorganised and unstructured small businesses to find the best alternative. There are, after all, over 63 million MSMEs spread across the country, and they make everything from needles to key components used in space exploration. These small businesses have a 33.4% share in India's manufacturing output.

Ramakkrushnan has faced the challenge from both sides. ITC had given him a taste of the challenge from the demand side. He had exposure to the supply side too: before joining the IIT, he would sometimes help his father run their metal fabrication shop — which made products for L&T, **BHEL** and Thermax — in Coimbatore. Small manufacturers like Ramakkrushnan's father strived to keep business running and find contracts, while product managers in companies like ITC were struggling to find the right suppliers.

Zetwerk manufactures industrial goods and consumer products and makes sure its customers get a cost-effective solutions.

Acharya and Ramakkrushnan roped in friends Rahul Sharma and Vishal Chaudhary to bolster Zetwerk's expertise in supply chain management and manufacturing. The B2B software firm based in Bengaluru helped large companies manage supply chains by making a database of MSME vendors. "We understood the problem really well, and we empathised with it," Acharya says. This dedication helped them raise Rs 1.5 million from Kae Capital and Sequoia in 2018, just a year into operation.

As they went deeper into the business, Acharya and Ramakkrushnan started understanding certain nuances. For example, getting the contact of a supplier wasn't the main issue, but getting the right output was a huge challenge. That made the company transform into a full-fledged marketplace for contract manufacturing. "The business model pivoted when we discovered that there were a large number of companies who were really constrained by their ability to make products and they were looking for a reliable partner who can support them in their journey," Acharya says. "These large companies give us designs and we convert those designs into physical products through a network of various manufacturing partners."

Design and Forget

The customer only needs to design a product, the execution will be done by Zetwerk. "These products can range from an electricity tower pylon to a handrail to something as complex as an aircraft engine component. These are fairly complex items and we service that entire spectrum," says Acharya.

The startup manufactures industrial goods and consumer products. Apart from finding the right supply partner, Zetwerk makes sure its customers get a cost-effective solution and also takes care of the logistics and shipping. A ready database of manufacturers and suppliers helps it find the right price point for customers.

In a little over three years, it has created a network of over 10,000 suppliers and has made deliveries to over 1,000 projects in over 15 countries. The products include industrial pipes, technological structures, aircraft components, auto components, robotics systems, medical devices, kitchen appliances, televisions and apparel.

As the founders widened their industry knowledge and nuances, they came across a piece of information that seemed strange in the age of the internet: there were no efficient tracking systems for bulk orders in the industrial sector. "Today, when you buy a product on Amazon, you get it in seven days. But when you actually want to make those products, it can take 30-60 days and sometimes

three months. We give customers complete visibility and real-time status of their orders. For example, if someone gave an order to make 1000 earphones, we can show them at what point how many have been made and how many are being made and how many have been dispatched," Acharya says.

Zetwerk's clients are relieved that the startup can deliver efficiently while ensuring transparency in operations. The list has some notable mentions: **Delhi Metro Rail Corporation**, **Tata Power**, JSW, L&T, Sterling & Wilson and Tata Steel.

The company has created a network of 10,000 suppliers and has made deliveries to over 1,000 projects in 15 countries.

A spokesperson for one of their customers, **Hitachi** India, says, "One thing that has had an immense impact on our business is the extremely accurate tracking system offered by Zetwerk. The system offers transparency, thereby aiding us to track real-time progress on our orders. This has also significantly reduced our expediting efforts, and its associated expenses. With the option of a customisable system of digital tracking of raw material deliveries is an added advantage."

Zetwerk makes metal fabrication structures for Hitachi India

Acharya goes to great lengths to explain that they are not just a business listing website. "Such a company throws up a list of hundreds of vendors. The buyer will have to go to each to find the right one. It is a self-search model. With us, we will take care of all this headache of discovering the right manufacturing partner, the price point. We make sure that your product gets delivered on time. So it is a more

full-stack solution than a catalogue," he says.

Reaching Across India

The IIT graduate says India has a huge manufacturing ecosystem that has not been tapped. "We would love more people to join this journey because in the next 10 years, we felt that manufacturing is going to be a big part of India's growth story." The work is also helping Zetwerk create a database of MSMEs, their machines, expertise, experience, track records and certifications. "This is not information that you can find on **Google** or IndiaMART today. We are creating an information layer that does not exist." Acharya says.

In effect, this could be a goldmine of information about the unorganised players in India. But collecting such information from across the country isn't a simple task. The team had to visit big and small companies in manufacturing hubs as well as in smaller towns. "You cannot digitally onboard small manufacturers in India. We do it the hard way, where we visit these guys, spend time with them and collect a lot of information. We also do a technical assessment of capabilities and qualities and only then do we introduce them to the network. It is a curated approach," Acharya says.

Team Zetwerk: Srinath Ramakkrushnan, Amrit Acharya, Vishal Chaudhary and Rahul Sharma.

The suppliers were not confident of Zetwerk. "They said that we are from outside the industry and were skeptical if we would be able to deliver," Ramakkrushnan says. But the startup kept its promise; the suppliers started receiving enquiries within 30-40 days of signing up.

These efforts could be beneficial for the country too, especially with the government's Aatmanirbhar Bharat, **Make in India** and the Production-Linked Incentive (PLI) Scheme — all aimed at making the country's manufacturing capability globally competitive by using domestic suppliers. One of the main impediments is an inefficient supply chain. Firms like Zetwerk can play a significant role to bridge the gaps here and make India self-reliant.

Acharya says India has a lot of advantages over other countries. "Manufacturing in India is fairly competitive, as the cost of manufacturing in China has been increasing for many years now. So even without a PLI, if you take manufacturing processes like die plastic and injection moulding, India is already pretty competitive. It is only going to get better and better over 5 to 10 years," he says.

He credits the PLI Scheme for trying to help segments where India is not competitive. This could help the country attract manufacturers looking to set up factories outside China.

George Paul, CEO, Manufacturers Association of Information Technology (MAIT), had earlier said as countries look at a China-plus-one strategy, India was in a great position to leverage that opportunity. Apart from drawing up and implementing a road map to make the country the most competent destination for electronic manufacturing, he had added, SMEs and ancillary units should also get a leg up in finance, skill management and market linkages.

'Unique Model'

Being a successful bridge between large companies and small manufacturers made Zetwerk grow from Rs 20 crore in revenue in the first year of business to Rs 950 crore last year. If that wasn't enough, the company last month became India's 26th unicorn, that too in a span of three years.

Zetwerk's international business has witnessed a 10X jump year-on-year.

With a funding of $150 million in the Series E round led by D1 Capital partners, Zetwerk's valuation stood at $1.3 billion. The valuation was $600-$700 million in February 2021.

After raising its seed capital in 2018, the startup has had three rounds of funding with high-profile investors, including **Accel** Partners, Lightspeed Venture Partners, and Greenoaks Capital.

Vaibhav Agrawal, partner, Lightspeed India Partners, credits the company's unique model and full-fledged offering as one of the biggest solutions to the manufacturing sector's problems. "Zetwerk is not a distributor or merely a buyer-seller connector. The company goes several levels deep into solving the problems plaguing the manufacturing world today. It takes upon itself the responsibility of manufacturing an item in full or delivering a project ahead of time. It delivers on the promise through a network of manufacturing facilities that follow stringent quality and manufacturing processes monitored by Zetwerk's proprietary technologies."

Acharya says while the domestic business is growing 3X-4X year-on-year, the international business is witnessing a 10X jump year-on-year. On its list of 500 customers are 60 from the international markets, primarily the US. This exposure has given the company some insights into global manufacturing trends.

"There are lots of shifts happening in the manufacturing sector globally. The US, for example, used to pretty much buy exclusively from China or East Asia. Now they are looking to adopt a China-plus-one strategy because of disruption that happened in the supply chains in the last one year," he says. The company is seeing a similar trend from Europe as well and sees this as the beginning of a 10-year trend where a lot of manufacturing is going to boom in countries like India and Vietnam. "We see Zetwerk as a catalyst for the manufacturing transformation in this country," Acharya adds.

If this isn't self-reliance, then what is?

(Edited by Ram Mohan)