

“Exchange is to Financial Technologies, what Search is to Google—Platform for Mass Disruptive Innovation,” says Jignesh Shah, Chairman of the \$2.5 billion Financial Technologies Group in a press conference in Mumbai, his company’s headquarters. He is talking about how his company will leverage its leadership position in global technology markets to re-define ‘Brand India’ from a cost arbitrage value proposition to an Intellectual Property centric business model. He continues, “India 1.0 IT companies were about creating their global IP, India 2.0 companies are children of liberalization and are about creating and owning global IP themselves. Financial Technologies is first of the many to come out of India that will choose to become a Nike rather than a Nike sweat shop and Coke, than a Coke bottling plant in their respective industries. China did it in last decade; India will do it in this one.”

Meet the face of Brand India 2.0

Sounds too bold? You would not think that if you knew the man saying it. Meet Jignesh Shah, the youngest, first generation Indian billionaire who wears various epithets like the Exchange King, Transaction Czar and the Socialist Capitalist with ease and operates on 1000 day cycles to create wealth and billion dollar enterprises. The company he built a decade back has placed him on India’s bil-

Jignesh

Chairman, Financial Technologies Group.

The Serial Entrepreneur Driving the India 2.0 Growth Story

- by Aritro Ganguly





lionaire pedestal in almost less than half the time his peers in the same industry took. Standing tall with \$1 billion, Shah has risen to the likes of Narayana Murthys, Azim Premjis and Shiv Nadars in monies, but only that his is the first company to offer branded

FT Labs - The engine for Innovation and Growth

“Financial Technologies has created IP centric business enterprises around digital transactions through our core technology platform and industry domain knowledge for financial mar-

Financial Technologies will leverage its leadership position in global technology markets to redefine ‘Brand India’ from a cost arbitrage value proposition to an Intellectual Property centric business model.

productized services targeted for financial markets and transactions. A list of his employees who joined the millionaires’ club recently made it seem as if it had no significance. Over hundreds of them today own houses in plush colonies of Mumbai—the most expensive real estate city in world. In other words Shah is a wealth creator for the masses; a vision he’s had since his college days.

Recently, Dr. Manmohan Singh, the Indian Prime Minister, said: “No force in world can stop an idea whose time has come.” True indeed, India’s tryst with destiny and opportunity to take its rightful global place is here and now. And compa-

nies such as Financial Technologies and MCX are surely the ones leading India 2.0 by unlocking value at the middle and bottom of pyramid and bridging the urban-rural divide. This has in fact sowed the seeds of change in India’s brand perception from cost and labor arbitrage to Intellectual Property centric business model.

kets across all asset class. Given that most of the digital transactions flow through financial markets, we are putting a tap on these market flows. We have positioned ourselves for perpetual growth with a model that is linked to the equity and the transaction value,” he avers.

Over the years, he has waylaid

Shah The Man

- The wealth creator’s personal net worth stands at \$1billion with 40 percent stake in his group.
- He is the youngest among the under 40 first generation billionaires and has created his wealth in less than 10 years.
- Other investors have \$1.5 billion stake in the FT group. It has created several millionaires in the past 10 years and has attracted top talent from across the world.
- Many employees of the FT group has managed to buy real estate in the highly priced market in Mumbai, thanks to the wealth generated by Shah’s company.

Shah

A bird's eye view

FINANCIAL TECHNOLOGIES GROUP

- Financial Technologies (India) Ltd. is a \$2.5 billion (group market cap) global leader in creating IP centric business enterprises around digital transactions through technology platform and industry domain knowledge for financial markets across all asset class—Equities, Commodities, Forex and Bond.
- Business World ranked Financial Technologies No. 1 in their 2006 annual BW 500 ranking for delivering highest shareholder returns over the past three years.
- Financial Technologies is the 8th most valued software company in India, among the list of top 1000 software companies, published by NASSCOM (National Association of Software and Service Companies) in 2006.
- Financial Technologies was awarded "ISV Partner of the Year" by Microsoft India in the innovation category at the Microsoft Partner Summit.
- Financial Technologies' consolidated revenues have grown 221% in FY2006 with the technology business being the core growth engine.

competition from IBM, TIBCO Software, TCS and others to establish his grip on the market. FT's domination in the online trading software sphere is such that in due process, in little over four years, share prices have risen from a measly \$.45 cents to \$35. Financial Technology Group has garnered 80 percent of online trading in the Indian market with many exchanges.

It is Shah's unwavering faith in his beliefs that has contributed to his meteoric rise. His Financial Technologies today stands at a net

among the 14 selected.

Early on in the precincts of BSE, Shah was hit by the tidal wave of hyperactivity in the stock market. Transactions intoxicated him, and he plunged into the library in the BSE, at times losing track of day and night, reading about the history of the Indian commodity trading and exchanges. His inquisitive mind began understanding macro and micro mechanics and fine threading of markets.

In 1993, BSE sent him abroad to learn about the global markets. Over

Jignesh's ability to execute with unmatched speed and focus, coupled with his innovative IP (Intellectual Property) centric business model gives FT Group, an unfair advantage to deliver exceptional shareholder returns in today's knowledge economy.

worth of \$1.7 billion. He is the youngest first generation billionaire Indian entrepreneur with a 47 percent stake in his group, and has created three different billion-dollar companies in a span of just 10 years. His group has other investors who have pooled in \$1.5 billion in the business, and has in the process created several millionaires in past 10 years and has attracted top talent from across the world!

Sahasa Laxmi Varam (Fortune Favors the Brave)

Shah was an Electronic Engineer hailing from a traditional Gujarati family, trading in iron, steel and chemical. Having specialized in digital designs of logic, he was looking to go to the U.S. for higher studies in 1990. At that time, the Bombay Stock Exchange (BSE) was looking for talented, young engineers for its \$25 million pan-India trade automation project BOLT. Shah jumped the gun, quit plans of going to the US, applied for the job, and was

in the London, Hong Kong, New York, Tokyo, Singapore and other Exchanges, Shah studied every bit of the sophisticated execution of the knowledge that he had internalized during his learning curve in BSE. Online trading in these exchanges convinced Shah that stock trading in India would come of age once BSE's automation project was implemented.

Shah returned to India to a shocker: BSE had decided to award the automation project to CMC, and as such, the engineers working in the project would be moved elsewhere. The maverick in him sprang up. Defying logic, Shah quit BSE, coughing up \$22000 as a penalty for having violated the three-year employment contract.

Jobless, he did not flinch. He instead devised his motto in life: 'Courage of Conviction and Power of Perseverance', which he often uses in his speech. And incredibly so, he went ahead and bet whatever wealth his family had including mortgaging

the house—to raise \$11000 capital for institutionalizing what many called his ‘madness’. He spent a part of the money paying the penalty for his four other colleagues, who followed his vision. On New Year’s Day, 1995 Shah’s Financial Technologies India Limited (FT) was born in a humble 250 sq. ft. mezzanine floor office in Mumbai’s Fort area in the hands of Shah and Dewang Neralla.

Interestingly Fort area in Mumbai happens to be the hub of financial markets of India, very unlikely place for a technology company to have its office. But Mr. Shah strongly believed that he and his team should breathe the same air that his customers were breathing for the first 1000 days of the company! No great results were visible initially. The team plunged into research for the next three years. Patience is an important virtue for any entrepreneur and Shah has that in plenty. It was a time span long enough

Our goal at MCX is to create globally competitive market infrastructure and ecosystem that will bridge economic divide by integrating rural India with global markets.

for Shah and his associates, with no immediate prospect of earning profit, to get disillusioned and move on. For somebody as qualified and experienced as Shah, there would have been no dearth of job opportunities either. He was holding offer to work in Merrill Lynch NY office in currency trading. But patience combined with self-confidence and gut feeling, made him hold on to his dream; the rationale being that once a technology is created, it would allow them to charge in a different way.

An over view



Financial Technologies Group Companies Brief Overview

Multi Commodity Exchange of India Ltd. (MCX)

- India's No. 1 commodity futures exchange, live since November 10, 2003, has a highest peak daily turnover of \$1.7 billion with 500,000 daily traded contracts in 10 major commodities.
- MCX is among the top 10-commodity future exchanges in the world.
- Globally, MCX is No. 2 in Silver and Natural Gas and No. 3 in terms of Gold exchanges and is at the fourth position in energy volumes.

Dubai Gold and Commodities Exchange (DGCX)

- DGCX is a 50:50 JV of Financial Technologies, Multi Commodities Exchange (MCX) and Dubai Multi Commodity Center (DMCC), a venture of Dubai Government.
- It is the only international exchange in a Free Trade Zone with a 50-year tax holiday and currently trades in Gold, Silver and Currency derivatives.
- The exchange was set up in a record time of 1 year, 12 days and 45 minutes by FT and His Highness General Sheikh Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai personally came to inaugurate the exchange in November 2005.

IBS Forex

- IBS Forex is the number 2 player in providing currency-trading solution sphere with a market share of 30 percent.
- Over 30 banks have subscribed to FXDirect™, which is a digital currency trading platform that caters primarily to USD:INR inter-bank transactions.
- On average, a daily volume of about \$100 million is transacted on this platform, and has achieved a cumulative turnover of about \$ 40 billion until July 2000.

National Spot Exchange Ltd. (NSEL)

- NSEL is a pan-India electronic spot market for commodities. While futures trading conducted by MCX provides price discovery and price risk management functions, NSEL will provide a marketplace for price realization.
- NSEL will create a bridge between physical market traders and MCX by providing a sound system for physical deliveries, enhancing the depth of futures markets and create a better balance between speculative, hedged and spot trades.

National Bulk Handling Corporation (NBHC)

- NBHC is an end-to-end provider of warehousing and bulk handling of agri-commodities supporting the agri-spot and futures marketplaces with requisite infrastructure for settlement and delivery.
- NBHC offers solutions for collateral management, quality inspection, testing and control for commodities.

TickerPlant Infovending

- Global content provider for financial data offering customized real-time data feed solutions on equity, commodity and forex markets.

ATOM technologies

- Solutions in the electronic payment space starting with mobile payments.

Riskraft Consulting

- Focused consulting services for financial risk management and data warehousing to the BFSI sector.

Safal National Exchange (SNX)

- Joint initiative with NDDB (National Dairy Development Board) provides a nationwide platform for trading in horticulture, floriculture and allied products.

Between 1995 and 1998, Shah and Neralla built the base technology DNA from scratch that powers most of FT's technology centric markets and ecosystem innovations. While Shah would develop the business algorithms, the latter would write the codes. ODIN, FT's first product was born in 1998, but it was hardly the end of tribulations.

Against All Odds

Shah tried to achieve this in an age, when services companies were taking off and posting profits unheard of. But he refused to be sucked in by the vicious cycle and adopted the previous generation software services business model of skilled labor arbitrage. He was determined to build a global productized service around financial markets out of India, he pledged, and a tad more dauntingly, enter into an IP centric business model with all his cus-

Through MCX, DGCX, NSEL and SNX among others has established how the next generation Exchanges are becoming 'eBay' platform for all 'non-eBay things' and unlocking value at the bottom of the social and economic pyramid.

tomers. Shah decided to take a novel high-risk, high-gain approach. He drew up the unique model of linking the potential income from a product with the transaction of the exchanges it was designed to process. Behind this was his belief that he could garner more revenue by following this model. This effectively meant, the greater the volume, more would be the revenue generation. Like Revi Seth, Board Member of GE Shipping, puts it: "Jignesh's ability to execute with unmatched speed and focus, coupled with his innovative IP (Intellectual Property) centric business model gives the FT Group, an unfair advantage to deliver exceptional shareholder returns in today's knowledge economy."

In conjunction, Shah also decided to take a parallel route—to pick up to 50 percent of equity from exchanges using his technology. Shah wanted his company to benefit from both the short term gains produced by the regular transactions as well as to capture the value unlocked by the implementation of his technology in order to generate liquidity in the long term. He reasons in retrospect: "Financial Technologies has consistently realized the highest value for its technology with its intellectual property centric business model that has scaled beyond conventional dollar per hour, quarter on quarter and sum of parts models adopted by traditional IT software and service companies." Shah refused to provide other companies with skilled labor, to make them more successful

and competitive. He wanted to develop indigenous technology, which is compatible with the trading platforms of new generation markets across the globe.

The past ten years has proven beyond doubt that his unconventional model has helped him capture the highest value for the company for its technology IP as reflected by the shareholders' returns in the past three years to its investors. For which, Business World magazine in India ranked his company as the No.1 in their 2006 annual ranking. Nasscom (National Association of Software and Service Companies), India's premier IT body, awarded FT as the 8th most valuable software company in India among 1000 software companies of 2006. The company was also awarded "ISV Partner of the Year" by Microsoft India in the innovation category at the Microsoft Partner Summit.

Unlocking value at the middle of the pyramid

Be successful by making your customers successful

FT was in the online trading software market that was dominated by IBM, TCS and TIBCO Software. Shah figured out that he needed a compelling proposition to overcome the high-end competitors, and in that he segmented the market, micro targeting the middle and bottom of the client pyramid. FT's products' unique selling proposition was that they were compatible and affordable for the largest chunk of the users in the particular vertical domain. While companies like TIBCO were selling their software for \$1 million, FT offered it's own branded product as service to a Gujarat based company Growth Avenues at one-tenth the price in the pay per use model, helping the company to set up a retail chain in Surat. FT revenues soon soared as its customer volume grew and helped in creating several Charles Schwab and E-trade in India way back in 1998 /99.

Next, Shah cashed in on the competition between ICICI bank and Investmart to be the first to launch an Internet Trading facility. He took on IBM and beat the company to obtain the order for ICICI Direct, India's first online share and mutual funds trading facility. Soon companies like Sharekhan, the online share-trading portal in

India followed as clients. In the next three years, FT became the numero uno player in the institution market, virtually becoming the primary supplier to all the big names with 90 percent of the market share.

MCX: Opportunity to change life of a billion people

But Shah's thirst was not quenched. All the while building FTIL, he had his sights set on an online transaction exchange. He was clear in his mind about the eventual goal: He always wanted to build a globally branded productized services company out of India. Thus he made his next big stride in 2002, when the commodities trading market in India was taking shape. He applied for a license to set up an online trading exchange with Forwards Markets Commission. This pitted him against heavyweights like BSE and NCDEX, who were also vying for the same. The media quickly wrote him off since he was neither a trader nor a banker. Besides what did a technology company have to offer, they questioned.

The doubting thomases were again left rubbing their eyes in disbelief when Shah won the license. Multi

Tokyo Commodity Exchange (TOCOM), The Baltic Exchange, the Chicago Climate Exchange (CCX), the London Metal Exchange (LME), the Dubai Multi Commodities Center (DMCC), the New York Mercantile Exchange (NYMEX), the New York Board of Trade (NYBOT) and the Bursa Malaysia Derivatives, Berhad (BMD) Euronext-Life and Zengzhou Exchange (China). It also had tie ups with 14 public sector institutions and institutions like State Bank of India group including all subsidiaries and SBI Life, National Stock Exchange of India (NSE), National Bank for Agriculture & Rural Development (NABARD), HDFC Bank, Bank of India, Union Bank of India, Bank of Baroda, Canara Bank and Corporation Bank as its shareholders in a very unique and successful Public-Private Partnership (PPP). P.G.Kakodkar, former Chairman of SBI, considers Shah's success with the FT group as a role model for the next generation budding Indian entrepreneurs. "It has shown the way to create the next Google, Microsoft and GE in our own backyard," he says.

Shah's farsightedness assured that MCX beat the behemoth National

Financial Technologies is first of the many to come out of India that will choose to become a Nike rather than a Nike sweat shop and Coke, than a Coke bottling plant in their respective industries.

Commodity Exchange (MCX) was born and it was up running in a record nine months. Like FT, MCX's success too was achieved on the basis of segmenting the market and micro targeting the maximum extent of the market.

Shah is an astute player and to strengthen MCX, he strategically tied up with nine International Strategic Alliances across the world—the

Commodities Exchange (NCDEX) in no time to become the biggest player in the Indian market. With 55 percent of the commodities market share in the country—while the balance 45 percent comes from 22 other exchanges in the country, including 2 national exchanges, NCDEX and NMCE—MCX is among the top 10-commodity future exchange in the world. Globally, MCX is No. 2 in

The Accolades

- CLSA, a leading Asia-Pacific research institution recognized him as among the top 20 Indian entrepreneurs and inducted him in their Hall of Fame in 2006 along with Late Dhirubhai Ambani of Reliance and Narayana Murthy of Infosys among other Indian business leaders.
- Vilasrao Deshmukh, Chief Minister of Maharashtra, India recently honored Jignesh Shah with MEDC 'Entrepreneur of the Year' award for 2005-06.
- Shah also was recently awarded 'Priyadarshni Global Award 2006' for outstanding contribution to Innovative Entrepreneurship at the hands of Kamal Nath, Union Minister of Commerce and Industry.
- Shah has also been invited to receive USA India Business Leader of the year award for 2006 by USINPAC in Washington DC at the hands of Senator Hillary Clinton for linking rural India to global markets.





Stock Performance of FT

Silver and natural gas and No. 3 in terms of Gold exchanges and is at the fourth position in Energy volumes. It has more than 1500 brokers operating in 1000 cities in India with 30,000 commodity-trading terminals. With the highest peak daily turnover of around \$4 billion and 500,000 daily traded contracts, the establishment has given Shah the required boost to go in for an IPO to raise around \$100 million for infrastructure development.

The MCX leadership and growth has attracted Fidelity International to pick up a nine percent stake in MCX at a valuation of \$540 million. Shah also has a broader vision for the exchange: "MCX's vision is to truly enable India's 70 percent of agri based population (700 million people) to participate in its economic growth through an exchange platform that injects new level of efficiencies by eliminating intermediaries, benefiting both consumers and producers by providing them a level playing field and an industry ecosystem that rewards value creation." The goal at MCX is to create globally competitive market infrastructure and ecosystem that will bridge economic divide by integrating rural India with global markets.

DGCX—Making India Proud

Shah's first Global expedition started off from Dubai markets in August of 2004. Dubai Gold and Commodity Exchange (DGCX) a 50:50 Joint Venture of Financial Technologies, MCX and Dubai Multi Commodity Center (DMCC), a venture of Dubai Government, gave him great confidence in taking his technologies overseas and deploying it.

It is the only International Exchange in a Free Trade Zone with 50-year tax holiday and currently trades in Gold, Silver, and Currency derivatives.

The Exchange was set up in a record time of one year, twelve days and forty five minutes by FT and His Highness General Sheikh Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai personally came to inaugurate the exchange in November 2005.

MOG-Model™ (Market Oriented Growth) Model for Social Entrepreneurship

After setting up MCX, India's No.1 commodity future exchange, in order to bridge this economic divide, Shah decided to set up the National Spot Exchange Limited (NSEL), which he says will create a parallel market for spot trading in agricultural commodities, thus enabling the doubling of farmers' income in five years. He always had his eyes set on improving the lot of the poor farmers, who toil away in the fields under the uncompromising sun, only to be denied the deserved price on his produce. It is an effort to bridge this gap and provide the farmers with a level playing field. Apart from making the process of peasants selling their produce more transparent and efficient, it will offer them the opportunity to trade at par with international prices.

On the growth radar are warehouses in several districts across the country to facilitate the reception of goods from the cultivators. While MCX is geared at price realization, NSEL will be focused on price discovery in a spot market, attracting many players to the exchange. Agencies like Food Corporation of India (FCI) and National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) will be able to buy and sell agri-products here. It will create a bridge between physical market traders and MCX by providing a sound system for physical deliveries, enhancing the depths of the futures market and create a better balance between speculative, hedged and spot traders. The farmers will be able to quote their asking price, thus giving them some leverage in getting the deserving price. It will reduce pressure on the farmer to sell directly after harvest by facilitating institutionalized credits against warehouse receipts.

Shah has also set up National Bulk Handling Corporation Limited (NBHC), an end-to-end provider in warehousing and bulk handling of agri-commodities. It will support the agri-spot and futures marketplaces with requisite infrastructure for settlement and delivery. Apart from improving the supply chain efficiency, the company will also provide single-window access to information, finance, trade and logistics facilities. As a reflection of Shah's success, NBHC was recently appointed by the Food Corporation of India (FCI) as a consultant in the matters of procurement, hedging and disposal of agro commodities. Some of the leading national level banks have also officially recognized NBHC as their collateral manager.

And we can't forget about Safal National exchange (SNX), which is a joint initiative with National Dairy Development Board (NDDB), providing a nation-wide platform for trading in horticulture, floriculture, dairy and allied products. All these exchanges together are changing

the dynamics of the Indian market. Asserts Shah: “Financial Technologies, through MCX, DGCX, NSEL and SNX among others has established how the next generation Exchanges are becoming ‘eBay’ platform for all ‘non-eBay things’ and unlocking value at the bottom of the social and economic pyramid.”

Currency Markets – Putting India on Global Map

It is impossible to map Shah’s ambitions. At about the same time when Shah was making his foray into the commodities exchange market, Shah also spread his tentacles into the currency markets. The outcome of this shrewd move was IBS-Forex, a digital currency-trading platform, providing currency-trading solution sphere. Success kissed Shah once again. With a market share of 30 percent, a daily volume of about \$100 million is transacted on this platform, on average. It has achieved a cumulative turnover of about \$40 billion until July 2006.

The strategy to micro segment the market and enable the Davids to compete with the Goliaths with monthly fee at \$500 for IBS Forex, Shah has opened up a brand new market for the product across a wide spectrum and has taken Reuters by surprise, forcing them to downgrade their own fee from a staggering \$2,400 to \$600. Over 30 banks

always had dreams of hiring the best, and being able to afford pay scales that outmatched all others. Today I can afford to not compromise on salaries when it comes to hiring and retaining the best.”

A benevolent visionary, Shah not only takes care of his employees, but also acts on his dream of transforming the rural economy of India with his enterprises. He is driven by a desire to create wealth for others. Jignesh Shah Foundation has also sponsored two fellowships in the name of two of his Gurus—Dr. Madhu Pavaskar for cotton and Madhusudan Daggá for gold, from whom he learned the respective domains. And to meet the demand of about 1 million trained professionals over the next three years, Financial Technologies has sponsored ‘Research Chairs’ at the four IIM’s—IIM C (Currency), IIM B (Debt), IIM A (Commodities) and IIM I (Equities). It has also tied up with Welinkar Institute of Management and Mumbai University to offer a variety of courses ranging from a 3 month Diploma to a 2-year full time degree courses along with short-term executive management programs.

He has not lost his zeal to project India’s tech talent pool and has now set his sight on wireless telephony technology sector with Atom Technologies, specializing on providing transaction automation for wireless telephony services in the

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have subscribed to ‘FXDirect’, which is a digital currency-trading platform that caters primarily to USD:INR inter-bank transactions. The market now being even, this contest should also be worth watching.

Leadership – Winning the global war for talent

But is it possible to achieve this unprecedented success without the support of an excellent team? Understandably, Shah is very proud of his management team. He names them in rapid succession, rattling off their credentials; he seems to know them like the back of his hand.

The volume of business on his exchanges seems to be ever growing, but he dismisses benchmarking success against it as hyperbole; his focus is innovation.

“Every step we have taken has been copied by a competitor within a few months. There should be a regulated cooling period, which protects someone investing in innovation. Otherwise there is no incentive to be innovative because the second player always has the advantage,” he says with a touch of bitterness.

Unlike most other business tycoons, Shah does not list a more ‘lavish living’ as his aspiration. Instead, he says, “I

field of mobile-commerce. But he has not removed his focus from the equity, commodity and forex markets. His Ticker Plant Infovending has ambitions to become a global content provider for financial data offering customized real-time data feed solutions on equity, commodity and forex markets.

“When media turns completely digital, we will be there too,” he says. A voracious reader, he has a library with 5000 books on various complex market opportunities that FT can get into when the time is right. If his reading in the BSE library could spring such miracles in 10 years, then imagine the possibilities that his library conceals now. Surely, the Exchange King still has many tricks up his sleeve, which he would unleash at the right moment to better his own achievements till date. And the most important of all achievement is clear: “India’s financial markets are proxy to India 2.0 growth and Financial Technologies is proxy to the growth of India’s financial markets, as we have 90 percent of market share in India. Hence Financial Technologies is proxy of India 2.0 growth story.”—He signs off as we enter the hallway of his hotel, he looks at the elevator and reflects: A true entrepreneur is the one who sends the elevator down for others, once he is successful. 