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Kapil Sekhri's WINE BROTHERHOOD

The CEO of Fratelli Wines on challenges in the wine business, the importance of patient capital, and support from the family

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I think I'm ageing faster than wine," says Kapil Sekhri, the chief executive officer of Fratelli Wines Pvt. Ltd. "I am 42 years old but I feel like 50." Sekhri says he would not have entered the wine business if he had known what it entailed. "It's just so damn difficult; requires too much patience and a lot of capital."

And when Fratelli started in 2007, "it wasn't my money, it was my family's". So there were a lot of nervous moments, and many close calls, some too close for comfort.

Today, of course, Fratelli is India's second-most widely distributed wine, after Sula. In fiscal 2017, sales stood at 172,000 9-litre cases in terms of volume and Rs65 crore in terms of value. In the current fiscal, Sekhri says, the target is to grow 40% in volume and 50% in value from the last fiscal.

Winemaking is a capital-intensive business. Right from picking the correct variety of grapes and managing different parts of the manufacturing process, to dealing with the bottlenecks in the distribution and supply chain, the business requires continuous capital inflow and a never-ending reserve of patience, or patient capital, as Sekhri calls it.

So it makes sense when he says that the company is not in the "five- or 10-year game". "If you look at wine families in the West, the business goes from one generation to the other. Look at JCB, for instance," says Sekhri. "That's the kind of long haul we have in mind." In 2015, Fratelli forged a partnership with Jean-Charles Boisset, or JCB (a second-generation winemaker and president of Boisset Collection, one of the biggest French winemaking groups), to import some of its labels into India. It also imports about 40 other brands, including Fortant and Mullineux.

Arjunsinh Mohite-Patil; Andrea and Alessio Secci, long-time business partners of Sekhri's father—and Tuscan winemaker Piero Masi came together to "create a wine of international standard using centuries-long Italian wine-making traditions from grapes that are grown in India".

The idea came to Sekhri in 2006, when he was vacationing in Italy with his wife, and was fuelled by a love for the drink and a nagging entrepreneurial instinct.

"When you have seen your father starting a business from scratch and still going at it about four decades later, you get that relentless urge to do something new," says Sekhri.

During the Italy trip, the couple met the Secci brothers in Tuscany over dinner. "They expressed their willingness to start a business venture in India and around that time, I wanted to do something different. And we all loved wine," recalls Sekhri.

It helped that this was a time when the wine industry was growing at about 30% annually in India and that the Sekhri family had experience in agro-processing.

"So things were falling into place," says Sekhri. "The Seccis invited me to meet Piero Masi, who is considered one of the best viticulturists and winemakers from Tuscany." Masi was persuaded to visit India, taken around wine-pro-

2007. In 2010, the first vintage year, Fratelli produced 30,000 litres of wine. But they soon realized they were in trouble.

"The idea was to come out with 50,000 cases of premium wines and we worked towards that plan," says Sekhri. "But we realized soon after the launch that if we needed to be in the premium wine business, we needed to feed the other big end of the market, which was the sub-Rs700 market. So we had to go back to the drawing board. We made our cheapest wine at Rs600."

The business plan changed, volumes increased, and more investments were made to scale up capacity.

They stumbled again, not having planned a clear road to the market. "That's where lots of brands falter. We made the wine and thought it was so good that people will come themselves. We didn't realize the difficulties in the distribution channel," says Sekhri. Luckily, he had his family's support.

Sekhri was born in Delhi to a family of refugees. His great-grandfather and grandfather migrated from Gujranwala, now in Pakistan. Till the age of 17, he lived with his extended family of 21 in Patel Nagar.

"The only thing I have seen my father doing was working," says Sekhri. "He

dales and a bachelor's in business administration from Richmond, the American International University in London. He joined the family business in 1996, right after college, and started looking after international footwear sales. He moved to India in 2000. The family exited the footwear business two years later. "Around the same time, we were launching the rubberized performance-based asphalt business and I was given charge of marketing for that venture. Within four years, the business was more stable, and by 2006 I was looking to do something different."

Sekhri, however, wasn't always a wine drinker. "I still remember the first time I got hooked to wine," he says. It was during a meal with Andrea and Alessio's father in Florence in 1997. "He asked for a bottle of wine and I couldn't ask for a beer in front of an Italian in Florence," Sekhri recalls. "The bottle came, he tasted it and sent it back for some reason. I loved the fact that the fate of the product was decided by the customer on the table. This was a product that was about flavours and conversations, art for your senses. That's what got me."

In fact, in August 1999, on his first dinner date with his would-be wife, she too opted for wine. "She also thought it culturally looks more acceptable if she asked for wine," says Sekhri.

annual growth rate) of about 20%, wine consumption in India is likely to reach 22 million litres this year and about 37 million litres by 2018..." the study said.

Sekhri, however, doesn't want to put a number on where the company will be in another decade. "If there is a need to grow, we will, but we don't want to get into the greed to grow mode. Because if the market is growing at 15-20% and Fratelli is growing about 50% this year, and let's say 30% the year after, I can't ask for more."

"If we sell 10 bottles, eight customers come back. So we are on the right track. But if we start becoming greedy now, it will be counter-productive."

He says it will take five years for Fratelli to become comfortable with free cash flows, when they can invest more freely in projects that need to grow inorganically.

Fratelli directly employs about 500 people in the company and the vineyard, which is spread across 240 acres. It currently has more than 20 different kinds of wines and sells in 16 states, Australia and Hong Kong. And for now, the idea is to continue working without thinking too much about margins and growth plans.

Though Sekhri says he wouldn't have got into the wine business had he known about the rigours involved, he is "proud of what we have achieved so far". Especially after a rocky start.

In 2006, about 350,000 wine saplings handpicked by Masi were to be imported from France and Italy, and planted in Akluj. "When we got them, we were very nervous because the plants had overslept," says Sekhri.

Saplings are frozen when they are to be transferred over long distances, and generally "sleep" for about 20 days.

"But in our case, they had slept for close to four months," Sekhri recalls. "The transfer got delayed due to regulatory hurdles. Even the vendor was not sure whether the plants would survive."

So they leased a local dairy and brought the saplings to a normal tem-

We are meeting at Fratelli's Chhatrapur office in Delhi on a rainy, humid evening. Tucked away in one of the quieter pockets of south Delhi, the address is almost elusive, even on GPS, on a day that has seen a heavy downpour and traffic.

Fratelli, Sekhri says, is Italian for brothers. "We are primarily a group of seven people who fight like brothers and stick to each other in times of need," he says. The company was formed when three sets of brothers—Kapil and Gaurav Sekhri; Ranjitsinh and

ducing regions, and given a taste of the wines produced here.

Sekhri's brief to him was simple: "I don't want to hide behind the table when my wine is opened."

Masi, unimpressed, told him that the soil quality wasn't up to the mark for a signature wine.

Another couple of rounds of soil testing and visits later, they found the soil suitable in Akliji, a small town in Maharashtra's Solapur district.

And that's how, with an initial investment of Rs35 crore, Fratelli started in

didn't even know which class we were in, but every year he tried to make our lives a bit better."

In 1977, his father, along with his five brothers, started Tinna Industries, which expanded into rubber compounding, footwear manufacturing, merchant exports, agro-processing and edible oil manufacturing. The brothers have gone their separate ways over the years, but Sekhri's family is still invested in Tinna Rubber and Infrastructure, Tinna Trades, and Fratelli.

Sekhri did his schooling from Spring-

In India, wine is seen as a healthier, classy and socially acceptable beverage and people are ready to "spend more on wines to impress", according to a study based on a survey commissioned by the Mumbai-based Sonal Holland Wine Academy.

Wine production in India is expected to reach 18 million litres this year and 21 million litres by 2018, *PTI* reported in July, quoting an Associated Chambers of Commerce & Industry of India study. "Clocking a CAGR (compound

perature over several weeks, increasing the temperature by, say, 5 degrees Celsius each week. "It was nerve-wracking," Sekhri admits. "We were monitoring the saplings every day. When the first bud came out, it was magical. I remember sending that photo to my father and brother, saying that the journey has began."

As he narrates the story, there is a smile on Sekhri's face that tells me the man will do this business again and again, no matter how many times he has to return to the drawing board.

IN PARENTHESIS

Eat, drink, sleep, business, repeat. This is how Sekhri describes his daily life, "rather boring compared with someone like Jean-Charles Boisset (his flamboyant peer, who is also known as the James Bond of winemaking)," he chuckles. An avid reader of non-fiction, he is currently reading 'One Child: The Story Of China's Most Radical Experiment'. "There are six other books in the pipeline," he says.