

Tally tries to reach for the stars

The company has gone through a roller-coaster ride — from being a garage start-up to a market leader, to seeing a meltdown in product pricing. It now plans to grow from a ₹210-crore to a ₹5,000-crore company in three years



Bharat Goenka's Tally software has a 80% market share, though analysts say competition is beginning to heat up

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Bharat Goenka, the founder of Bangalore-based Tally Solutions — India's largest company in the accounting software realm — has big ambitions: He wants to exceed \$1 billion in revenues by 2014-15 — at a growth rate that may shame some of the fastest-growing internet start-ups, given its 2011 turnover of around ₹210 crore. Growing twenty times in three years may come across as an irrational dream, but the aspiration to do so is perhaps more of a product of Tally's unrealised ambitions than a statement of hubris. After a long road pockmarked with struggle, success and then some colossal mistakes, Tally seems to have discovered itself and sees no reason why it shouldn't take the open road ahead in warp speed. Goenka, 50, seems clear on what his priorities are for Tally this time around. "It is easy to make money. But, it's not so easy to create an impact. If we do so, it is natural that money will flow in," he said.

Tally's flagship software, ERP 9, is widely considered the best accounting package available to a business today. Its ease of use and ability to impart real-time information access, thereby enabling up-to-date cash flow analysis and providing an ability to better understand the numbers behind a business on an ongoing basis are what make Tally unique in India. Its product has an 80 per cent market share. "For us, manual book keeping is the only competition," says Goenka.

Although financial accounting is a global product, it is very unique for every market. "The accounting standard and rules in India are very different, and our rules change very fast. One of the biggest advantages Tally has is the understanding of the regulatory environment in the country and the fact that they update their products with great frequency," says Karthik Ananth, director at research and analyst firm Zinnov. Tally's other big advantage according to Ananth is its strong network of partners, who actually go and sell their products in the market. For any global company to succeed in India, where a lot of small businesses need to have people coming and selling and having the products installed, this is a tough act to follow, Ananth points out.

Humble beginning

To understand where Tally stands today, one has to appreciate its origins. Shyam Sundar Goenka, who was in the textile business, moved to Bangalore from Kolkata in the late 60s. After reaching Bangalore, he set up a textile mill only to see it completely gutted in a fire in 1988. "Those were very difficult times for us as we had huge debts, and no tangible source of income," says Goenka who was around 25 at that time. The one enduring fascination that Shyam Goenka nurtured during these troubled times was for a machine called 'computer.'

Those were the days when the P&L accounts were maintained manually. This required a huge effort on the part of the team, registering every detail in opening stocks, purchases, sales and closing stocks. For the senior Goenka, the idea of using a computer software to do all the grunt work was a no-brainer. Soon, he bought an IBM PC-compatible from a company called Eiko, and in some time, the father-son duo started a computer training school, where Bharat taught language programming. Bharat also took up one or two odd jobs with Canara Bank. But that was more of a hobby than a serious business activity. The idea to develop an accounting software emanated out of the Goenkas' own requirements to have a machine that could effortlessly

do all the work, rather than manually updating a ledger.

Much in the vein of some of the legendary computer pioneers, such as Bill Gates and Steve Jobs, Bharat Goenka got to work on designing Tally's software from his garage, initially at his Palace Orchards residence and later in Koramangala. "It was the garage that we converted into the R&D centre. In the house, there would be too many disturbances, especially in the early years of marriage, with a young son around. So, for almost three years, the regular meeting which my wife and I had was when I would come to the bedroom to sleep and when she would get up to send our son to school," recalls Goenka, a graduate in Mathematics from National College at Basavangudi in Karnataka. In fact, for the initial 11-12 years, Bharat Goenka was the only R&D engineer of the company, while his father, the late Shyam Sundar Goenka was instrumental in marketing of the products.

During a demo to his father, Bharat Goenka insisted that computers didn't understand English, but codes. However, his father was very clear that there should be a programme to make the life of the user, and not the programmer, easier. "That forced the creation of a codeless system. If I can make it understand codes, I can make it understand English. It just needs effort," thought the younger Goenka. It took about two years for him to come out with the first product. By the time the Goenkas roped in some programmers for the company, about eight major versions and 30-40 minor versions of the software were already available in the market.

The first sale

When returning from a temple with his family, Shyam Goenka saw the signboard of a computer accounting centre in Krishnarajapuram near the ITI factory. The centre was owned by one Nagesh, who used to do accounting for 36 factories in suburban Whitefield area in the city with the help of 10 staffers working in two shifts. When Goenka briefed him about his new codeless accounting software, Nagesh didn't believe a word of what he said. Goenka somehow convinced him to buy the software for ₹10,100 with the guarantee that if his business did not go up in three months, he would take his software back and return the money. Just about three

months after that, Nagesh walked into Goenka's office. Apparently, thanks to Tally, he was now handling the books of 400 companies with the same staff strength, now working in just one shift. In the sixth year of its operation (1994-95) Tally had become the highest-selling software in India.

Major stumbles

Tally's growth, however, was marred by a couple of bad decisions without which the company, perhaps, would have grown at least five to eight times bigger than what it is today, says Goenka. A major one was in 2004, when the Value Added Tax (VAT) was introduced in the country. The company not only spent around ₹40 crore in promoting the adoption of VAT — saying it had the best software solutions available to calculate the tax across industries — but it also tried to commoditise its software by dropping the price to ₹5,000 from the earlier ₹22,500. The immediate result was nothing short of a catastrophe: The company ended up doing a business of just ₹10 crore, compared to the projected ₹200 crore. The second big mistake the company committed was raising its headcount to 850 in one go in December 2004, from just 85 in September. "It took us five to six years to recover from those shocks. We managed to hover around ₹100 crore revenues for the next few years, till 2010-11, when we exceeded ₹210 crore. In the next two years after 2004, we managed to rightsize to about 550 people. It took us some journey to move from that price of ₹5,000 to the present stable price of ₹13,500," says Goenka.

Looking ahead

Tally sells its products under two brands — Tally and Shoper. The company is now planning to introduce solutions like Tally ERP. It has also identified an area of opportunity going forward, namely 'supply chain visibility' — trying to harness its wide reach to provide the last-mile connectivity to small and mid-sized companies and, in this case, it is working with IIM-Ahmedabad. Here, all the stakeholders in their business chain, including suppliers, customers, banks and the government, will be connected. Transactions can happen at a much faster pace, especially those linking buyers and sellers. It could also help businesses get real-time quality

reports, at a faster pace from customers. This could help them immediately fix any problem that may exist in the production line.

There exists another big opportunity in the payments system space for Tally. For example, Goenka says the cashless transaction in India, at present, is quite low, at just 2 to 3 per cent, as banks are not interested in giving a point of sale (PoS) machine to a merchant and service him if the transactions are below a certain amount. Since most merchant outlets are already Tally's customers, the company is exploring the possibility of offering the payment system as an additional service. "Our ability to go and make this change happen in the market is tremendously high. We are on the path of solving the technology and regulatory problems here," says Goenka.

Does Goenka have any plan to make Tally a professionally managed company and go for external funding? Goenka says Tally remains a family-run business as of now. In May this year, Goenka's son Tejas (22) joined the business as an executive director after receiving a degree in engineering from the University of Pennsylvania. With Tejas taking care of the sales and operations of the company, Bharat Goenka has again started focusing on the R&D side of the business.

But can Goenka achieve his lofty goals of \$1 billion in just three years? "Today, there is a market for us. Also, we do not need to search for a new product," says Goenka. True, but the road ahead may be more perilous. "Clients always perceived them (Tally) as a poor cousin of expensive ERP, but that gap is narrowing," says Sunil Padmanabhan, research director, Gartner India. "Each of these vendors like Oracle, SAP and Microsoft has started coming out with India-pricing and mid-market additions, which are appealing to the segment in which Tally operates. Tally's strong hold on very small organisations is actually waning. Clients are actually evaluating and eating into Tally's cheaper market segment." Padmanabhan says the kind of SMB offerings that global players — and even Indian players like Ramco Systems — offer, will challenge Tally's mind share and supremacy for extremely small organisations.

For Tally to stave off growing competition and hit that \$1-billion mark, it probably needs to get back to the things that made it successful in the first place — namely, pioneering innovation and a hard-to-match work ethic.



Bharat Goenka showing his software at a conclave in the early nineties