

The new rage in startup town

Synopsis

How does the startup world look at the latest controversy involving the BharatPe cofounder, and what do the aggressive entrepreneur and the silent board reveal about the ecosystem?

ETtech



"I have seen this problem in some of the prominent founders in India. It's called the God Syndrome," says a leading founder of a [startup](#), who has known [BharatPe](#) cofounder [Ashneer Grover](#) for over a decade. "What happens is that whatever they (founders) want should happen — and it does (happen) many times. But when it doesn't, it comes out as extreme anger and frustration.... Ashneer's alleged remarks over the call are a typical example of this," says the founder, who did not want to be identified, about a controversial audio clip where Grover is allegedly spewing expletives and threats at a bank official. The SoundCloud audio recording first appeared on Twitter on January 5 and has since engulfed the entrepreneur in a fracas with [Kotak Mahindra Bank](#) [\[NSE -0.04 %\]](#). India's leading private sector lender has said it is considering taking legal action against the Delhi-based founder based on the audio clip.

Interestingly enough, Grover had started his career at Kotak Mahindra's investment banking business.

"Are you really surprised? He's always been like this. The only difference is, this time, it's out in public," a mid-level executive, who recently left BharatPe, told ET, when asked about what Grover had been like to work with and what he thought of the pugnacious entrepreneur.

The alleged conversation between the BharatPe managing director and the bank official over an IPO financing not coming through has come for flak from all corners. ET spoke to current and former employees, angel investors, board members, investors who dragged their feet on investing in the firm due to Grover's volatility, his batchmates from IIT-Delhi and IIM-Ahmedabad and one of the "sharks" on the reality show Shark Tank India where Grover's outburst was in public view for the first time.

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ET also spoke to top-tier entrepreneurs on what they made of the latest controversy and its impact on the startup ecosystem, especially when the silence of BharatPe's top investors continues even as its MD faces the real possibility of an FIR over his issuing "encounter" threats to a Kotak employee.

BharatPe did not respond to ET's queries on the matter.

Ashneer Grover
A TIMELINE

- 2000-04 → BTech, IIT-Delhi
- 2004-06 → MBA, IIM-Ahmedabad
- 2006-13 → VP, Kotak Investment Banking
- 2013-15 → Director, corporate development, American Express
- 2015-17 → CFO, Grofers (Now Blinkit)
- 2017-18 → Head of new business, PC Jeweller
- 2018-21 → Cofounder & CEO, BharatPe
- Aug 2021 → Cofounder & MD, BharatPe

Source: Grover's LinkedIn profile

Dazed not confused

Almost everyone ET spoke to says the fast-paced rise in BharatPe's valuation in a year that has seen unprecedented funding in startups has played a major role in Grover's mercurial way of dealing with people — internally and externally. They say this seems to have gotten the better of Grover, who was the chief financial officer at Grofers, now Blinkit, in 2015-17.

Having invested in BharatPe as an angel, he later joined as cofounder. Coming from an investment banking background, he has been quick to scale his fintech's valuation to almost \$2.85 billion within four years of launch and raise more than \$600 million in equity funding from top funds, including Sequoia Capital India, Coatue Management, Insight Partners, Dragoneer Investment Group, Steadfast Capital and Tiger Global.

"Grover has never been rude to investors; in some instances, he comes across as over-ambitious maybe. But that's what happens when you scale too fast; the success gets to you. You think you are invincible. But you need to draw a line, especially when you are working with regulators and have a banking licence," says an early angel investor in BharatPe, who didn't want to be named.

A venture capital investor, who had held several rounds of talks to invest in BharatPe but stepped back in the last leg of diligence, says with growing interest from a bunch of funds in the company, Grover's pride was fast turning into arrogance. "I didn't invest largely because it (funding craze) had already gotten to his head. And this wasn't even the bull market of 2021. Many other partners had a similar experience," he says, adding that he is relieved he is not an investor in the firm. "Grover has been allowed to get away with this so far. As long as he was getting new investors at a higher valuation, the board ignored everything else. It all boils down to money."

Employee discontent

Former and current employees ET spoke to say Grover's public bouts of brashness and inability to hear 'no' have bled into the company's culture.

"Many times we felt forced into doing things even when we knew it was not the best possible solution. I guess everyone who has worked here is aware of his (Grover's) temperament and many senior managers do not want to step out of line with him," says a mid-level employee, who spoke on condition of anonymity.

Several other employees, too, say the senior management is wary of confronting Grover, leading to several exits in the company.

Silence of the system

After Kotak Mahindra Bank issued a statement about Grover's "inappropriate language" and its pursuing "legal action" against him, several top-tier entrepreneurs told ET that they are surprised there has been silence from the board of the company and its main backers. "If it was in the US, at least a founder would be placed on some sort of a leave for a few weeks. He, after all, was allegedly heard giving encounter threats," says a founder of a top unicorn startup who shares a common investor with BharatPe.

At least two top-tier founders have told ET that they raised the matter with senior partners at Sequoia Capital and that the fund should react on the matter, officially. "It's unlikely. I am not hopeful," says one of the entrepreneurs. An email sent by ET to Sequoia Capital India has not elicited any response. Insights Partners and Ribbit Capital, too, did not respond to ET's queries while Tiger Global declined to comment.

This, say industry executives, reveals a systemic problem. "Boisterous behaviour" among founders of Indian technology companies is not new or an isolated incident. In 2015, Rahul Yadav, cofounder and then CEO of the real estate startup Housing.com, had a public run-in with investors, before being booted out.

"This happens in each wave of funding boom. It has been a founders' market for a while and that's why a balance (between founders and investors) is needed," said the investor who eventually didn't invest in Grover's BharatPe. For now, most of the board has been silent as the company continues to grow and is said to be in talks to raise another round of funding, say multiple sources. A source aware of the matter said the company has been in talks with a new set of investors for the last two months but those will now slow down because of the latest controversy. "It is bound to have some impact, even if temporarily — for a few weeks, if not months," this person adds.

Jitendra Gupta, a fintech veteran and founder of the consumer-focused neobank Jupiter, quit his position on the BharatPe board last September. This, sources say, was because Gupta had a conflict of interest — since BharatPe too has lending-related business. "But even for Gupta, it was becoming a bit of a hassle to deal with the cofounder at the board level," says a person aware of the matter. Gupta declined to comment.

"The problem is that the investors (of BharatPe) haven't spoken about or even acknowledged the incident in public. Investors have a lot of stake in certain companies and their judgment is clouded due to their focus on returns," says the angel investor quoted above.

Deal hunter

The crux of the latest controversy, however, is not BharatPe but Grover's personal wealth. He is always looking for the best outcome for himself, which is not a crime, but it can't be the only thing at the cost of others, says the entrepreneur quoted above. One of the judges on Shark Tank echoes this. "He is constantly looking at scoring the best deal for himself and is insecure about it, you can tell. Everyone is looking to make good investments but what you are willing to do for it is what makes the difference. This leads to him talking down to other sharks," says the judge on the programme.

One of Grover's batchmates from IIM-Ahmedabad says he always wanted to be the alpha male in a group: "He would outdo others to be the alpha...that's very important for him. I am surprised by the contents of the alleged call but the legal notice is not surprising at all. If something gets to his ego, he loses it."

Another batchmate says there are many founders who have done the things Grover is being accused of. "But Grover has been a bit more money-minded than others, looking for the best outcome personally," says the second batchmate.

"The problem is personal greed. Ashneer isn't a founder who is focused on making his wealth through the company he cofounded. He represents a new set of founders who want to make more wealth by deploying their personal money, and is equally aggressive about it," says a person who has worked with Grover during his previous professional stints. "This is definitely a reality check for the entire Indian startup ecosystem and a lesson."

While some believe the startup ecosystem is too big to be marked by Grover's outburst, a few are taking a call to stay away from the BharatPe cofounder, at least for now.

"I keep making angel investments and have told founders that Grover is keen to invest early on. But now, the founders are not willing to have him on the cap table," says one of the people mentioned above. While there is a marked change in the reaction to investment proposals from Grover, this person is not sure if this will be permanent.

An angel investor quoted above has known Grover for some years. He says, "His ambitions have always been big and stress levels are high. He is in a highly competitive segment and built a nearly \$3 billion company in less than four years. In such an environment, as a founder, you will push through your thought process. This is not the first time a founder has acted in this manner. There are many incidents involving Indian founders which go unreported. Having said that there is no justification for the alleged death threats and bad behaviour. If the audio clip is true, it is a big problem."

Says another early angel investor of BharatPe: "When success comes too fast, it is tough to handle. Ashneer's recent behaviour can be seen as an example. Also, he is not a cofounder in the traditional sense, since he was first an angel investor. A lot has been going for him. It gets to you after a while.... To be honest, everyone has moods and he has more of them and definitely has been rash in the past."