

ET tech
For comprehensive and insightful stories about all things startups and technology, log on to www.etechn.com

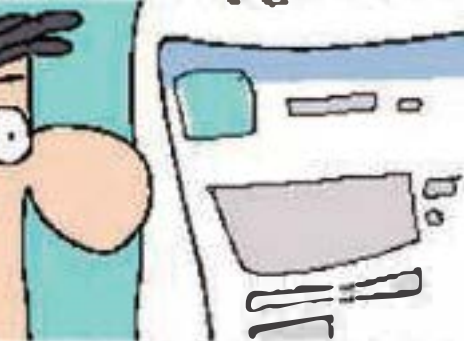
Tweet OF THE DAY



PAUL GRAHAM
@PAULG

One of the most surprising things I've learned from watching so many startups is that markets are far more adjacent than most people realise. You can get anywhere in 3 hops

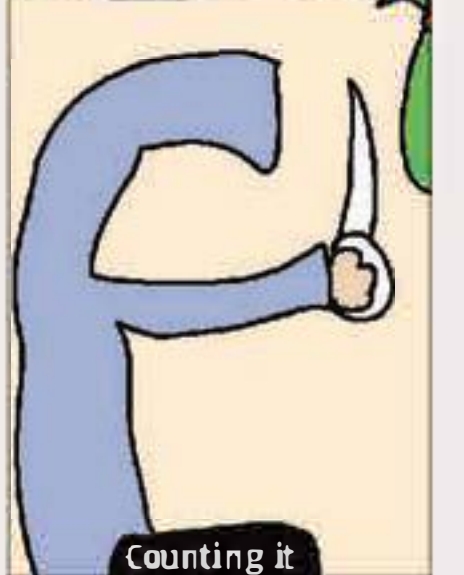
Tech Buzz
UK's Vortexa Eyes Energy Trading Fix



London AI startup Vortexa has secured \$5 million in Series-A funding as it looks to disrupt the opaque world of energy trading. Vortexa uses satellites, ship-tracking along with machine learning and AI to predict and map the movements of tankers. "It's a shift in an opaque industry because of a space revolution which allows satellites to be launched at lower cost," Vortexa founder Fabio Kuhn, said. —BI

Quick Byte ANIRBAN BORA

Facebook offers bonus to staff fighting fake news



\$68.1m
Pokemon Go revenues in January 2019, up from \$37 million last January

Apple Chip Unit to Work on Modems



Cupertino Apple has moved its modem chip engineering effort into its in-house hardware technology group from its supply chain unit, according to Reuters. A sign the tech company is looking to develop a key component of its iPhones after years of buying it from outside suppliers. Apple once used Qualcomm Inc chips exclusively but began phasing in Intel chips in 2016 and dropped Qualcomm from iPhones last year. Apple declined to comment. —Reuters

Jargon Buster
Brogramming
An term used to refer to computer code produced by 'bros'—slang for male friends, particularly fraternity brothers—who are programmers

RBI Move to Regulate ePayments may Secure, Stabilise Ecosystem

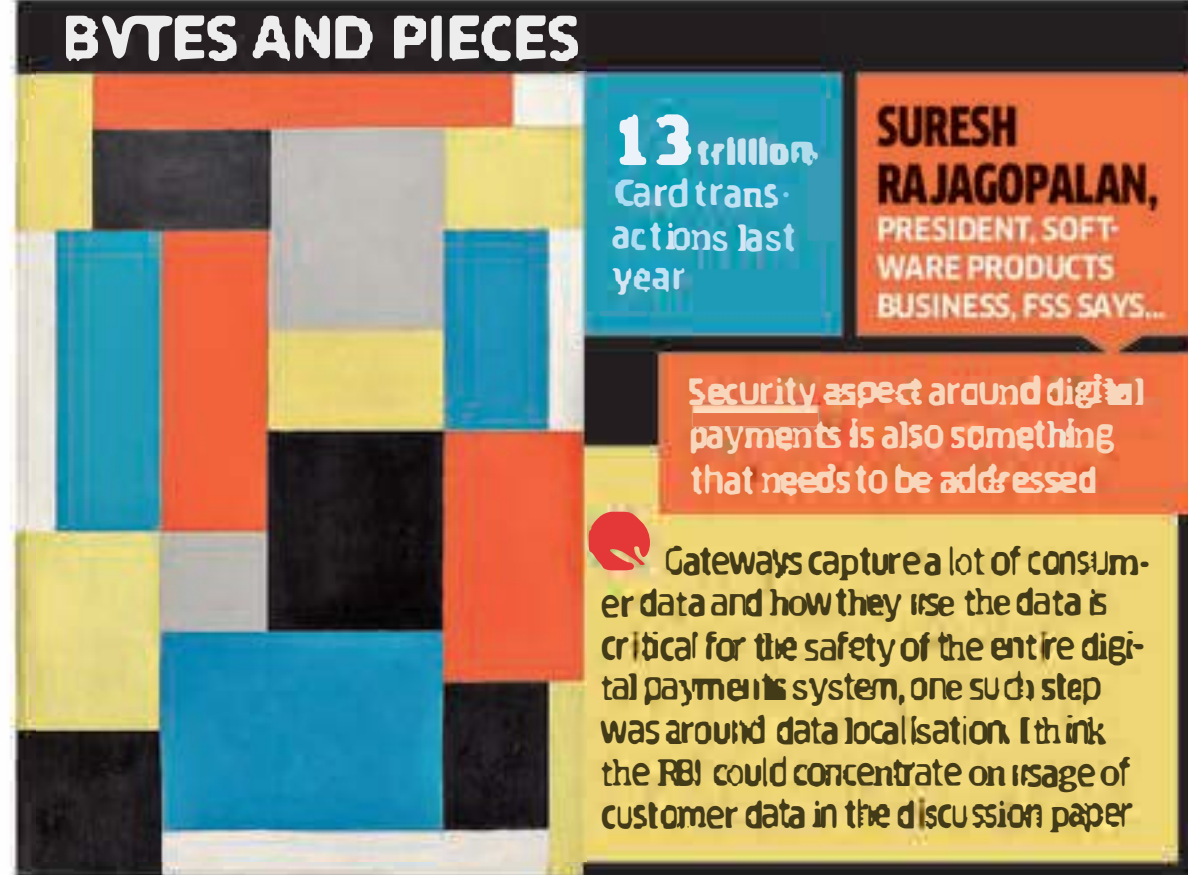
Experts say regulation needed as many firms just add a tech layer over gateway entity raising risks

Ashwin Manikandan & Pratibha Bhatta

Mumbai Bengaluru: The central bank on Thursday said it is examining the possibility of bringing payment gateway operators under the direct regulatory ambit, a move that industry players said will make the digital payments ecosystem more secure and stable.

"We are considering the feasibility of directly regulating these payment operators... given their growing importance in the payment systems of the country, we deem such a step to be important," Reserve Bank of India governor Shaktikanta Das said during his monetary policy speech. The RBI said it will soon publish a draft of the regulatory guidelines for stakeholder consultations.

Mint Road and New Delhi have been in talks for some time now to come up with a comprehensive regulatory solution for the burgeoning payment systems in the country, which is riding the growth of e-commerce and m-commerce transactions. Meanwhile, issues ranging from the fees that businesses pay for accepting digital payments to grievance redressal for failed transactions and even distinction of



HEO VAN DOESBURG, Composition XX

the types of payment gateway entities have emerged as major points of contention among the payment firms, banks and their customers. The payments industry expects the RBI to address these issues in the consultation paper. "The digital payments space has attracted a large number of players over the last few years, hence it is neces-

sary to evolve some sort of a regulatory mechanism to ensure serious players with sound finances remain here," said Anand Ramachandran, CFO of Ingenico ePayments India, one of the oldest payment gateway companies.

The space has evolved so much that it needs regulatory attention urgently, said Harshil Mathur, CEO

of payment startup Razorpay. "There is only self-regulation of sorts in our industry since we mostly have to abide by rules set by our partner banks which also differ widely. Common RBI guidelines will help bring standardisation to the space."

Industry sources pointed out that since the RBI encouraged the companies to bring in innovations in the retail payments space, multiple players have emerged. While this has helped connect a large number of smaller merchants who would otherwise not be serviced by big players, it has also caused a thicket in the ecosystem.

Many so-called payment companies are just bringing in a technology layer over the gateway entity and not making settlements directly through a local bank account. In case of a failure in transaction, the merchant could be at risk of losing money, said industry executives. "Grievance redressal mechanism is of paramount importance in the payment gateway space," said a top executive at one of the largest payment gateway entities in India.

The security aspect around digital payments is also something that needs to be addressed, said Suresh Rajagopalan, president, software products business at FSS, which provides payment solutions to banks and others.

TikTok Makes Move to Take Bad Content by the Horns

Chinese app is taking steps to ease government's concerns around content and privacy policies

Megha Mandavia@timesgroup.com

Bengaluru: TikTok is taking steps to quell the Indian government's concerns around the content and privacy policies of the Chinese short video app, which is hugely popular among the local teen and pre-teen population. The company recently poached lobbyist Sandhya Sharma from Mastercard India to drive its government relations and policy initiatives here. It is also looking to appoint a local grievance officer.

Recent proposals by the government, seeking to combat troublesome content and nudging it along with fake news and hate speech, will affect TikTok, which has an estimated 39% of its 500 million global users in India, making it the country's biggest foreign market.

On Tuesday, TikTok, which is owned by ByteDance, the most valuable startup in the world, started an online campaign in partnership with Cyber Peace Foundation to promote online safety. It roped in social media celebrities such as Arjun Kanungo, Shirley Setia and Neha Kakkar on TikTok to talk about reporting hate speech and sexually explicit content, maintaining privacy online and avoiding doing dangerous stunts to shoot videos.

The content that goes viral on Chinese video apps such as Tik Tok, Kwai

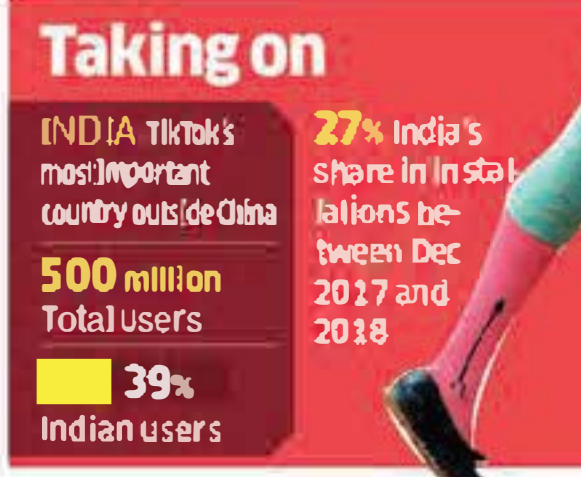
and Bigo Live is often viewed as dangerously close to exposing children to nudist and possibly those who seek to coerce or groom underage users into committing explicit acts. ET had reported that Tik Tok was filled with child predators.

"At Tik Tok, we are committed to maintaining a safe and positive in-app environment for our users to showcase their creativity and talent. Tik Tok in no way endorses or promotes content that is in violation of our community guidelines," Sharma, director, public policy, told ET.

On TikTok, users create short videos set to music, often lip syncing, dancing or acting out skits. The

app contains templates and visual effects to spice up the videos. There is also a live-streaming feature that allows users to send virtual "gifts" to their favourite creators, which can be bought with real money.

The rest works like any other social app — followers, hashtags, likes and comments.



India has emerged as a key battleground for American and Chinese apps fighting it out to get hold of citizens' data. Between this intense competition, Indian social media and messaging apps such as ShareChat, Hike and JioChat are pushing the country's authorities to get stricter with foreign firms to protect Indian data sovereignty.

While Tik Tok has grown its user base substantially outside of China over the past year, India, in particular, witnessed significant growth, according to Sensor Tower, a market analysis firm. Accounting for 27% of new Tik Tok installs between December 2017 and 2018, the country saw downloads of the app increase nearly 25 times during that time, from 1.3 million to 32.3 million.

To ensure the safety of users, the app combines technology with a robust content moderation team covering major regional languages in India, Tik Tok said. Its moderation team, which is based in over 20 countries and regions, has grown five times in the last one year.

On the Same Page

Parekh's transformation move gets NRN's approval



Salil Parekh (L) and NR Narayana Murthy

Bengaluru: Infosys founder NR Narayana Murthy appreciated CEO Salil Parekh's move to transform the company since he took over the top role a year ago.

Recognising these conditions founder CEO's efforts in driving the company's growth. Murthy said Parekh increased the number of interns through the InStep programme after 50 many years and that was one of the many steps taken by him since 2018. "I am glad that Salil has blessed the In-

Step programme," said Murthy, adding that "Salil has, indeed, for the first time in so many years, expanded the scope of this project. I believe as against 175 interns we used to take across the globe, it's now 250 or so. This is part of the various transformation initiatives that he has put in place ever since he took over in January 2018 as CEO of the company."

The duo had a freewheeling chat on the sidelines of an event to mark 20 years of InStep. — ET Bureau

Country Delight Gets \$10m Equity Funding from Matrix, Others

Biswarup Goopu @timesgroup.com

New Delhi: Matrix Partners has led a \$10-million equity financing round in Gurgaon-based milk producer and distributor Country Delight.

Orios Venture Partners, an early-stage investment firm and an existing backer of four-year-old Country Delight, also participated in the round. It is not clear if IFMR Trust and MAN Impact Accelerator, two other early backers, invested. "This is the first step for us to achieve the goal of building one of India's largest consumer brands that is direct-to-home," Chakradhar Gade, co-founder of Country Delight, said in a statement.

The company will use the proceeds to expand operations across the country and add product lines. Currently, Country Delight operates in the National Capital Region and Pune through its home subscription model managed through its consumer-facing app. The company's USP is providing fresh and unadulterated cow and buffalo milk at mass premium pricing, using a sourcing model that claims to ensure quality and eliminate middlemen.

"We have been tracking Country Delight for more than a year now and have been very impressed with Chakradhar and Nitin's vision backed by strong on-the-

EYES ON THE PRIZE

This is the first step for us to achieve the goal of building one of India's largest consumer brands that is DTH

CHAKRADHAR GADE, Co-founder, Country Delight

ground execution and customer feedback. We are privileged to invest in this round alongside Orios," said Avnish Bajaj, managing director of Matrix Partners

Small Sellers Say Field is Still not Level for Playing

Say they are back to competing on price, shipping and logistics on platforms

Annoor Peermohamed @timesgroup.com

Bengaluru: With Cloudtail and Appario Retail making a comeback on Amazon, third-party vendors have expressed concern over how they would compete with these preferred sellers. ET spoke to several third-party sellers, who said they are once again competing on price, shipping and logistics and do not expect a level playing field even now. The ownership of Cloudtail and Appario has been restricted so that they are no longer Amazon group companies and can sell products on the e-commerce marketplace, in compliance with FDI rules effective February 1, ET reported on Thursday. "It got our hopes up for all but five days. The changes in rules might have forced Amazon and Flipkart to do some restructuring, but at the end of the day there's still no level playing field. The government has failed miserably," said a mid-size online seller, asking not to be identified.

The smaller sellers had first demanded that the government check the predatory pricing and deep discounting practices on online marketplaces because it was hurting their businesses. When the government clarified the FDI rules for e-commerce marketplaces in December, clamping down on sellers in which marketplaces had equity and prohibiting them from controlling inventory, the smaller sellers thought it would fix the problem.

"It's a given that Amazon and Flipkart will want to control 50-60% of their revenue, leaving 40% to a long tail of sellers who can bring differentiated products to the market, which is what I do. I have no problems selling to Cloud

tail or Flipkart's Alpha sellers, but I'd hoped for a level playing field where all sellers were treated equally," said another seller.

For many of these sellers, it wasn't about Flipkart and Amazon having a stake in sellers, but about these sellers getting better deals on shipping and advertising, reducing their overheads and allowing them to sell products at lower costs. The latest FDI guidelines, while addressing them at the level of control over inventory and influencing prices, also say that e-commerce platforms should provide services such as fulfilment, logistics,

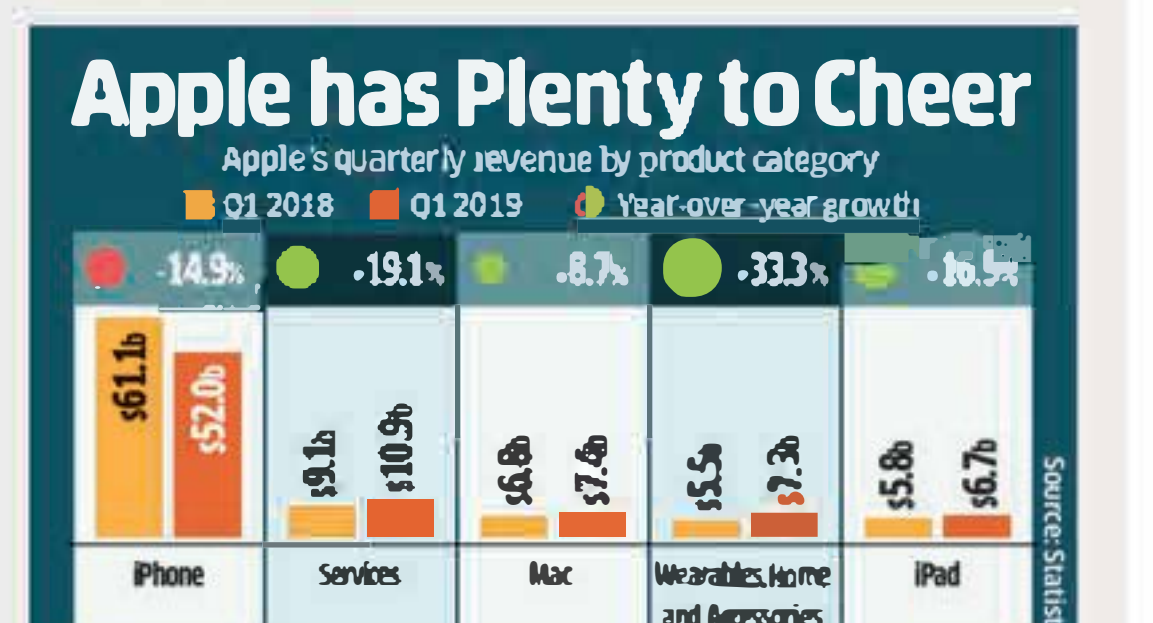
Not off the Hook

- Smaller sellers demanded that the government check predatory pricing and deep discounting practices of online players
- Govt amended FDI rules clamping down on sellers in which marketplaces had equity and put checks on controlling inventory
- Sellers thought it would fix the problem
- New norms have not led to marketplaces maintaining a uniform pricing for sellers

warehousing and advertising to all their vendors in a fair and non-discriminatory manner.

"If there is a level playing field on the platform where all sellers are treated equally and charged the same fees and policy effects, all sellers are welcome. In case of Cloudtail its growth has been fuelled by the huge difference in the fees that Amazon charges from it compared to normal sellers. We just want a level playing field," said a member of the All India Online Vendors Association.

GLOBE TROTTER Meanwhile in tech...



Tesla, Benz in Talks to Build Electric Vans

NEW YORK Tesla and Mercedes Benz are in talks about a potential collaboration on an electric version of Mercedes-Benz's Sprinter van, Bloomberg reports. "These talks are happening," Mercedes-Benz CEO Dieter Zetsche said. Tesla CEO Elon Musk said in November that he would reach out to Mercedes-Benz. —BI

Italy to Ban Huawei from its 5G Plans

MILAN Italy will ban China's Huawei and ZTE from playing a role in the roll out of the country's 5G infrastructure, Italy's La Stampa newspaper said. In order to do so the Italian govt is ready to use the so-called golden powers that allow it to pull out of contracts already signed without having to pay penalties, the paper said. —Reuters

Apple is Once again the most Valuable Co in the World

NEW YORK Apple has retaken the crown. Apple surpassed Microsoft as the world's most valuable publicly traded company at the close of trading on Wednesday after a hot streak stemming from better-than-expected earnings last week. Apple was flat on Wednesday, giving it a market capitalisation of \$821 billion. —BI



'Ecommerce Rules won't Hit Cloudtail Volumes on Amazon'

Seller's sales on Amazon platform have always been below a quarter of the retailer's annual sales transactions, say industry sources

KR. Balasubramanyam @timesgroup.com

Bengaluru: The recent change in e-commerce regulations will in no way impact the transaction volumes of Cloudtail India on the Amazon portal, as those had always been below a quarter of the online retailer's annual sales transactions, people familiar with the matter said.

Cloudtail, in fact, will derive growth from the expansion of India's retail market and pick-up in volumes on portals such as Amazon India, they said.

According to statistics, online transactions were 0.8% of India's total retail market in 2014, and are expected to touch 4.4% this year and expand quickly in the coming years. E-commerce revenue in India is projected to grow to \$150 billion in 2022, a report by Nasscom and PwC had said in August last year.

The new regulations bar any single seller from contributing to more than a quarter of an e-commerce platform's sales. The updated rules,

which came into effect from February 1, also say inventory of a vendor will be deemed to be controlled by a marketplace entity if more than 25% of purchases of such vendors are from the marketplace entity or its group companies.

Cloudtail India is 100% owned by Prione, a provider of services to small and medium sellers across India. Prione was formed as a joint venture between Catamaran



ventures, the family office of Infosys founder NR Narayana Murthy, and two Amazon entities: Amazon Asia Pacific Resources and Amazon Eurasia Holdings. Murthy's company has increased its stake in Prione to 76% from 51% after the new regulations came into effect.

Cloudtail had always been an India-owned and India-controlled entity and a wholly-owned subsidiary of Prione, the people said. Catamaran nevertheless raised its stake in Prione to remove any hint of violation of e-commerce regulations, they said, adding that the changes had been notified to the Reserve Bank of India as Amazon's equity comes under the foreign direct investment regulations.

Cloudtail, as a seller on Amazon platform, never had any direct equity participation from Amazon, and was already compliant with the new regulations, the people said.