In October 2018, a few weeks before the Diwali festivities kicked in, celebrations came early for India's SaaS industry when Mercer, a leading global consulting company, acquired Mettl, a software-as-a-service (SaaS) platform which uses data science for talent assessment.

Although the deal value was not officially disclosed, it was reportedly close to $42.7 Mn (INR 300 Cr) — about seven times the company's previous valuation. It was a festive bonanza for early backers of Mettl, such as Blume Ventures, who got 7X returns on their investments — unheard of in an Indian SaaS company.

Mettl provides a online platform that helps its clients with their hirings and appraisals by making available tools to measure personality and job-specific skills that include psychometric analysis, aptitude tests, and IT/Non-IT domain tests.

It wasn't only boom time for the investors, employees of Mettl who had stock options in the company also made a killing. In total, 61 employees of Mettl owned significant ESOPs and all of them made cash exits, Siddhartha Gupta, chief revenue officer at Mettl, revealed to ***Inc42.*** He also spoke about life post the Mercer acquisition at Mettl and shared what lies in store for the Gurugram-based company in 2019 and beyond.

"Why this is especially significant is because in India, there are very few cash exits. In the case of share swaps, nobody really makes money, but in a cash exit, a company buys out your stake. We won't say that they (Mettl employees) have become billionaires, but one could say that they have certainly met their financial goals for the next 10-15 years," said Gupta.

Details given to ***Inc42*** by the company revealed that Mettl employees earned 30% to 100% of their CTCs, depending upon their experience level and years spent with the company, through the ESOPs sale. However, specific information about the actual amounts was not available.

Mettl's ESOP policy was put in place during its inception in 2010 with the primary objective of helping the founding employees grow with the company's growth.

At its core, ESOPs are the financial manifestation of a founder's beliefs. Our founders truly believed in creating wealth for their employees — Siddhartha Gupta, chief revenue officer, Mettl

According to Gupta, while angel investors have been backing Indian startups for a while, cash exits for investors and employees have been few and far between. Returns of this kind not only inject confidence into the system but they also create virtuous cycles where more angels venture into the market and pools of capital are reinvested into next-generation startups.

"Over the past few years, I have noticed that employees are open to taking a portion of their compensation in ESOPs. This is a major shift from even as recently as three-four years ago when ESOPs weren’t valued,” said Sanjay Swamy, managing partner at venture capital (VC) firm Prime Venture Partners.

Swamy believes early cash exits are a bigger part of the equation today than in the past. “As an investor, I’m comfortable where there is a need-based requirement (for founders and employees) like medical expenses, funding higher studies abroad, or other such situations for one to cash in their ESOPs.”

“Alternately, as long as founders/employees are taking out a small amount of cash (say 5%) in a later round relative to their overall holdings in a company, I am personally supportive, but this can’t be seen either as a right or as a goal by the founders,” Swamy added.

The Young And The Rich

The average age at Mettl is between 25-26 years and Gupta views this as an advantage, as the need for reskilling is very low — the younger generation is more in sync and skilled with the latest tech advancements.

Related Article: Mettl – A Startup That Is Solving The Problem Of Talent Mismatch Effectively

Interestingly, this is also roughly the same age group (25-31), barring few exceptions from the management (who undoubtedly would claim to be young at heart) that also benefited from the ESOPs.

Hiring from the best colleges in India, including IIMs and IITs, requires one to compete with some of the biggest MNCs and tech giants — a daunting task for any startup. Apart from providing equity stake, in order to hire and retain the best talent, the leadership team at Mettl came up with an offer too good to refuse for prospective hires.

To begin with, they created a founders and leadership team, consisting of Gupta and company founders Tonmoy Shingal and Ketan Kapoor, that would work in sync with the top leadership at Mettl.

Mettl then offered candidates from these institutes the opportunity to work in the leadership team and gave them bigger roles that would typically have taken some time to unlock in larger organisations.

“The team, which works on our proctoring technology (which helps prevent cheating during tests) is led by a person from IIM Lucknow under whom the algorithm was changed from a manual testing one to one using artificial intelligence, wherein the accuracy went up up by 40%. The guy who is handling the US and Canada region is 27 year old,” said Gupta.

The strategy seems to have worked. Gupta tells us that the overall the attrition rate is below 5% and the total headcount at Mettl today is close to 400 employees.

2018: A Year Of Exits

Last year (2018) was the year in which the Indian startup ecosystem levelled up in its perceived value with Walmart acquiring Flipkart in the world's biggest ecommerce deal. This resulted in many successful investor exits along with employees, who became millionaires overnight. Flipsters were estimated to gain $500 Mn from selling their ESOPs through the deal.

The year also saw other instances of employees striking gold. Here are some examples:

- UrbanClap, a on-demand home services platform, facilitated an employee stock repurchase programme worth $2 Mn-$2.5 Mn (INR 14 Cr-INR 18 Cr), which will see some of its staff turn into millionaires.
- In May, the Swiggy board approved its first employee stock repurchase programme worth $4 Mn.
- OYO Rooms is expected to hold a share buyback in January, that is projected to yield its former and current employees a total of $150 Mn-$200 Mn over the next two to three years.

Things are certainly looking up for employees to reap big rewards through their work in Indian startups, but it's still very early days and the ecosystem needs more such stories.

Swamy agrees: "We are yet to see employees opting for a pay cut and more equity — only when this happens quite frequently can we say that we truly have a startup culture that is risk-taking and it's only then that we will see the outsized returns."

Mettl's Next Frontier: The US

The US represents the largest market for global consultancy firms and Mettl had tried to make inroads there back in 2012, but it exited the market within a year without tasting any success.

"We went to the US after we had finished raising our Series A and at the time there was not much traction for the product. The US is a very different scenario, where to market your name and even sponsor events requires you to burn cash very quickly in an environment that is very noisy and cluttered," said Gupta.

But Mettl's American dream is finally coming true. The deal with Mercer, which has offices in 37 US states and 12 Canadian cities, will give Mettl a huge boost and a strong base for entry into the American market as it aims to take its growth to the next level.

Mercer is headquartered in New York with its office located between the Empire State building and Rockefeller Centre.

Mettl already has 25% of its business coming from overseas regions and now operates in the US, Mexico, Germany, Philippines, Nigeria, South Africa, Indonesia, Japan, and the UAE.

Full Steam Ahead

Mettl's ambition from Day 1 has been to become the Salesforce.com of the assessment world, Gupta said, adding that this ambition has been further reinforced after the deal.

Founded in 2010, Mettl quickly grew to a startup that had 110 employees in two years without raising significant external funding, the last one being a Series A round from Kalaari Capital ($4 Mn) in 2012 before it got acquired in 2018.

Going into 2019, Mettl and Mercer are working on integrating their teams. When it comes to post-acquisition integration, Gupta knows a thing or two as he was working at Compaq before it was acquired by HP in 2002.

Mercer claims to be the world's largest human resources consulting firm and by acquiring Mettl, it seeks to compliment and diversify its offerings.

Gupta told ***Inc42*** that the first round of discussions and meetings around work streams have already taken place in the first week of December.

The global management consulting market is worth an estimated $130 Bn. Operations consulting holds the lion's share of the market, at an estimated $70 Bn, followed by HR consulting and strategy consulting, each of which have $30 Bn markets, according to a 2017 report by Greentarget, a strategic communications consultancy company.

The global market is currently dominated by the Big Four, familiar names all of them — Deloitte, EY, KPMG and PwC — who command an 11% market share, representing $19.6 Bn.

In the larger scheme of things, Mettl's story is an indicator of the rising maturity of Indian SaaS companies, which according to a joint report by Google and Accel Partners are estimated to see strong growth and create $50 Bn in value by 2024. This trend will run alongside the upward trajectory of India's assessment services market, which is projected to cross $750 Mn by 2021.

This is something that Mettl will be banking on to play out as Gupta predicts "in the next one-two years, we are going to hit the roof."