

Other Hotline

April 18, 2012

LAWYER WITH A SOCIAL TOUCH

Dear Friend,

We are happy to share with you an article on our firm's social sector practice that appeared on March 27, 2012 in The Economic Times, a prominent business daily in India. We hope you will enjoy reading it.

Please find the link: http://articles.economictimes.indiatimes.com/2012-03-27/news/31244918_1_social-businesses-social-entrepreneurs-profits

Thank you for being with us during our journey over the last two decades as we evolved into an independent global law firm. We truly appreciate it.

Sincerely,

Nishith Desai

Nishith Desai has three ideas to take the social-sector practice in his law firm to another level.

Nishith Desai has a flourishing law practice, with 100 employees, and offices in three countries. While international tax law and equity brings in the bread and brandy for Nishith Desai and Associates, at the rate of \$1,000 per hour, there's a less profitable part of the firm that occupies a special place for its 62-year-old founder: its social sector practice.

Set up about two years ago, this practice counsels social businesses in legal, tax and strategic issues, and mentors and advises social entrepreneurs. It also gives legal advice to non-profits, educational institutions, healthcare organisations and impact-investment funds like Acumen Fund, Aavishkaar and Elevar Equity.

And it does so on the concept of, what Desai terms, "happiness billing", or let the client pay whatever it deems appropriate. Desai says all the firm's employees are expected to spend time in this vertical. He himself, says Dr Milind Antani, head of the social sector practice, spends "15-20% of his time" here. Desai wants to do more through this vertical and has drawn up three new designs in the social -sector space.

THREE NEW IDEAS

The first is a seed fund for social businesses in the next three to six months, for which Desai is exploring a collaboration with IIM Ahmedabad and Grameen Creative of Muhammad Yunus, the father of microfinance. The fund will follow the Yunus model, where promoters have to reinvest profits in excess of the capital invested in the business or in another social enterprise. "It will not be a small fund," says Desai. "We will source a good quality team to run it and that will cost money." The second project is a strategy to develop mergers and acquisitions among non-profits that complement each other.

He cites the example of a non-profit with a 600-bed hospital in Mumbai, but no working capital. Desai found it another NGO with money to run the hospital. "Nishith is very innovative," says Zia Mody, managing partner of AZB Partners, who has known Desai for many years. "He thinks through things and does them with commitment."

Desai's third design is a social stock exchange: a commercial bourse like any other, except that it will trade in shares of only those businesses that value "larger social impact" above their profitability. As Nasdaq did for technology companies, this social exchange could help social businesses attract commercial risk capital, as well as influence philanthropic dollars seeking impact-investment opportunities.

MENTOR AND INVESTOR

Desai has been influencing others. He mentored Vikram Akula on legal and strategic issues when the latter was setting up SKS Microfinance. He has advised Vineet Rai, founder and CEO of Aavishkaar, which invests in social-impact enterprises with a profit motive. Rai and Desai have maintained an informal relationship.

"He (Desai) mentioned he would set up a social practice, but I didn't realise the sincerity and effort behind it," says Rai. "It's good news for this industry that someone like him who has contacts with large corporates and rich people wants to do this because it inspires them to follow suit.

I never had any support when I started my work." Desai's social-sector practice follows three revenue models: purely pro bono work, quasi pro bono and full fees. Even the full fees is not benchmarked to his normal charges of \$1,000 per hour, and is often left to the client. "Sometimes, if I like the concept and idea, I end up investing in them," says Desai. One such investment, of Rs 20 lakh, was in Aarusha Homes, which provides dormitories and hostels on rent to workers with a monthly salary of Rs 4,500-10,000 and students.

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Aarusha CEO V Satyanarayana says they are usually first-time workers from villages who come to the city to work and have families back home to support. Aarusha charges Rs 2,000 per month, which also includes three meals a day. "He (Desai) is a very good strategic advisor," says Satyanarayana. "I still remember the time when he told me to develop a company philosophy, to create a needle-like focus on an already niche market (low-cost housing). Even now, his team helps us with legal and tax issues."

Even at 62, Desai retains his enthusiasm for work. "He works 16 to 18 hours a day," shrugs Swati, his wife of 35 years. She runs a social business called Maa Divet, which sells cotton wicks for use in small oil lamps made by the elderly poor. Last year, the Desai family spent two weeks on a cruise liner in the Mediterranean—Desai's first vacation in 17 years. And that too because he had a break between a business trip in Paris and the next one in the US. There was a time when things not legal occupied his time.

Like modelling—in his final year at law school, Desai featured in print ads for haircream products, among others. He gave all that up for law. "We started our practice together some 30 years ago and I remember Nishith sitting on the benches of the courtroom the whole day taking notes," says Dr K Shivram, president, Income Tax Appellate Tribunal Bar Association. "He has come up only with hard work."

— Ahona Ghosh

You can direct your queries or comments to the authors

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