

Alumnus Entrepreneur Profile:

**Alexei Beltyukov MBA'97D**

*Entrepreneur and Investment Manager*

*From doctor, street seller to successful entrepreneur and investment manager*

When the Soviet Union fell Alexei Beltyukov was struggling to make ends meet despite working as a medical doctor. The healthcare industry had collapsed and his doctor's salary simply was not enough to feed him and his family. Alexei needed to supplement his pay so he tried his hand at many different jobs from teaching, translating and at one stage selling maze spray on the streets *"it was a dangerous part of the city I lived in so there was a market for these sprays!"*

Eventually he was approached by a friend to work in a pharmaceutical company as a salesman. He was in fact employed as 'Marketing Coordinator' – a title that covered the multifaceted nature of the job from translating patient instructions, to finally marketing the company's own products. It was during this time that he saw an advertisement in the Izvestia newspaper *"You couldn't miss it – it was the only one in the paper."* It was for INSEAD. Alexei had no idea what a business school involved never mind INSEAD.

*"I sent for the forms and when they arrived it was like the envelope came from Mars. At the time my wife and I were living in a really cheap part of Moscow. The flat we had was often raided by the police because it had been a brothel...and the cockroaches were incredible!"*

Both Alexei and his wife were accepted and began in January 1997.

On graduation from INSEAD Alexei worked at a reputed consulting firm in Moscow. He had intended to return to the pharmaceutical industry but *"I was so awful in the interviews they wouldn't take me!"* The main reason Alexei went to the consulting firm was because it was the only recruiter to offer mortgage loans. *"I never meant to spend five years there."* His work there, however, on the rail business proved useful for the next stage of his career path.

In 2003 he began work for a Private Equity firm in Moscow that wanted to launch a railcar leasing business. *"It was a great success and met its forecasts of 10,000 cars by 2008 much to the delight of the Japanese shareholders."* However, Alexei had already left before then in 2004 when

he and his other team members argued with the shareholders. It was, however, a turning point for Alexei. In 2004 he found himself working for a Russian oligarch with a vast portfolio of companies. Originally, Alexei and a former colleague from his consulting days had approached the oligarch for money to establish a private equity fund but had been refused.

*“He had what I call a ‘crown jewels’ of companies that were the most important to him - but with them came the ‘fluff’. He told us that if we could prove ourselves by looking after the companies that no one wanted to deal with – the ‘fluff’ - then he would reconsider giving the cash”.*

There were 18 companies in the diverse portfolio that included chicken farms, commercial banks, an airport, a brewery and a meat processing plant among others. The largest company in the portfolio had \$300million sales and the smallest \$200k. Their mission was to make sense of these companies and restructure them to make money. When Alexei took on the challenge many of the companies were on the verge of bankruptcy.

Between 2004 and 2006 they went to market with the companies and closed 27 deals - buying, selling and spinning them off. The return on equity was 78% and there were just eight companies left out of the original 18. From these they were given three to manage. One they sold and the two that remained were a real estate business in Latvia and a metal processing plant that makes wires and rods. The oligarch left them to manage these companies even though they were still owned by him. There were many challenges to overcome, however,

*“The real estate business New Europe Real Estate [www.neweurope.lv](http://www.neweurope.lv), was tricky because the market plunged massively but in 2009 the business is still alive thanks mainly to a contract we had signed for a 30 year lease for government buildings.”*

Alexei and his colleague were free to start other ventures and worked independently. He had learned an important lesson: there was money to be made in places that weren't so obvious “in the dirt!”

Meanwhile Alexei had the idea to launch a chain of automobile repair shops. These were common throughout Europe and the United States with franchises comprising thousands of shops but in Russia the largest one had just nine.

*“Since 2004 the country is more affluent and there is an increase in the number of cars and so there has been a rise in demand that far outweighed the supply.”*

He looked at the business models that other European chains had used and embarked on this new venture in 2008 - [www.mechanicus.ru](http://www.mechanicus.ru). Then the financial crisis really kicked in and meant the business did not grow in the way he had hoped. *“I intended to open one shop and then using the profits from that to open another and another....”* They signed a term sheet for funding the project on 15th September 2008, on 17th Lehman Brothers went bust.

*“People had either no money or they were scared to commit the money they had.” Alexei therefore delayed expansion and even had to sell one of the shops leaving him with just one outfit. He was not defeated though “when you can’t raise money, spend time perfecting the business model and that’s just what I’m doing.”*

Another business Alexei was developing in parallel dealt with associated petroleum gas that is released from the ground when drilling for oil.

*“Most countries view it as a valuable source - there are, however, three that still mainly burn it: Kazakhstan, Russia and Nigeria. When you fly across Siberia you can see the flares of burning gas.”*

Alexei proposed buying the gas from the oil companies, processing it and selling the products.

*“It’s beneficial for everyone as the regulators are now starting to look at the effects on the environment and so the oil companies are under pressure to take action. The local community have new jobs and I make money!”*

They are at the final stages of signing with the oil companies but there is still the issue of where the cash will come from. Raising funds is Alexei’s greatest challenge in 2009, mainly for the gas business.

For Alexei deciding on an entrepreneurial path depends on the person,

*“It’s a different decision for each individual. What I would advise is not to get bogged down in the theoretical frameworks – go out there in the field and experiment. And don’t be fooled by people with ‘glossy’ diplomas they may not be the right people for the job and may not deliver.”*

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Alexei says if he hadn't attended INSEAD he would have done everything differently! *"I would have probably stayed in pharma and been a country manager."* As well as his entrepreneurial activities Alexei is now a member of the Expert Council for special economic zones of the Ministry of Economic Development of Russia

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