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Business India

THE MAGAZINE OF THE CORPORATE WORLD

March 13-26, 2017

- MODI'S NEW PRIORITIES
- THOMAS COOK
- JINDAL ALUMINIUM
- INDIAN PORTS

DIGITAL PAYMENTS

The Promise To Pay

New technologies are changing the way banks and consumers interact

Publisher Ashok H. Advani

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Business India

Digital payments are the new big thing.

There has been a David vs Goliath battle in the field. Interestingly the drive has been led, not by the big banks but by small fin-tech companies which have grabbed market share and more importantly mindshare. With large capital, provided by private equity firms e-wallet companies like PayTm, MobiKwik and a host of others spent heavily on promotions and cash backs, which built market share but at the cost of heavy losses. This has prompted leading bankers to call the business model unsustainable.

But finally the big banks have woken up. Using their powerful computer systems the banks are now trying to replicate digital payment mechanisms quickly. And importantly the banks and big card systems like Visa, MasterCard and RuPay are focussing on developing inter operable systems.

The governments emphasis on digital India and then the demonetisation have given a big push, almost to force people, to switch to digital payments. And the payments banks, including telecom companies with their new services, which will launch soon will add a new dimension. The demonetisation in particular helped to spread the idea of digital payments very quickly to all sections of society. Having said this the reality is that for some years now the RBI has itself encouraged people to move away from physical cheques to more efficient electronic payments. But small payments were the missing bit in the RBI's efforts.

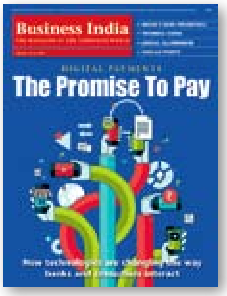
World over countries have been moving to digitising small payments. For some years now to travel by bus in London or Singapore required the use of a refillable card. Many lay people fail to appreciate the costs of handling loose change in millions of small transactions. But businesses world wide have been struggling with the issues and there has been a gradual evolution globally to digitising small payments. The same would have happen here naturally too but governments push is forcing the pace of change.

One of the barriers to speedier change has been the transaction costs that historically banks have charged on credit and debit cards and other electronic payments. For them digitising small payments made no business sense. And naturally consumers and small merchants are loathe to pay relatively high transaction charges where cash can be used for free!

Also the RBI, as in several others areas has been very conservative in allowing innovations in the financial system. Whether it is bitcoins, money remittance systems, peer to peer lending or crowd funding, many western countries and the smaller countries of Southeast Asia have led the innovation. This ideas sprouted in India almost five years later. But the time has long gone when India can remain isolated from the world.

Having said all this, in all the excitement of rapid change, one must not lose sight of the fact that every where in the world cash is still king. The majority of transactions even in the US and Europe are still in cash. In India this will remain too. Therefore while the government is right in encouraging digital payments it is pointless to force and penalise people for using cash.

Ashok H. Advani



SURVEY-PORTS

CORPORATE REPORTS

SPECIAL REPORT

Modi's new priorities... 40
... Anchoring tax/labour reforms, tackling Opposition at home and Trump abroad

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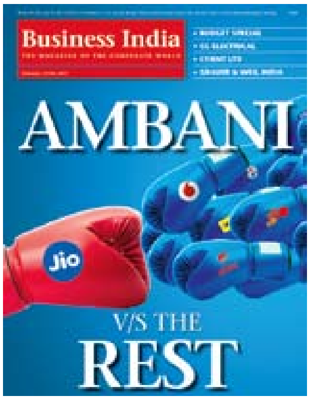

◆ In detail

'Ambani vs The Rest' (Cover Feature, 13-26 February) detailed the prevalent conditions in the Indian telecom industry at the time of the advent of Reliance Jio. It is saddening that, though telecom is a sunrise industry, the effect of the latest generation mobile telephony services has not permeated on economies of scale through the country, due to policy aberrations. And, 'Murky Politics' (Editorials, 13-26 February) was a clarion call to put Tamil Nadu back on the track of development.

B. RAJASEKARAN
Bengaluru

◆ Incisive

Re: 'Ambani vs the rest' (Cover Feature, 13-26 February), my congratulations to you for the blood-and-sweat effort to bring out such an incisive article. Reliance Infocom has changed the dinosaur tariff structure in mobile telephony and brought it on a par with the landline tariff, truly enabling every one of us to connect to everybody else in India, to say the least. You have captured the commitment of Mukesh Ambani quite poignantly.

RAMESH J. BHOJWANI
Mumbai

◆ No gain

Re: 'The midway push' (Special Report, 13-26 February), the Union Budget 2017-18 benefitted only the government at the Centre and not the common man. Section 80L should have been brought back and the tax-exemption limit on interest earned from banks' fixed deposits should have been raised to Rs50,000 per annum. Also, the pensions should have been increased.

JUBEL D'CRUZ
Mumbai

◆ Who knows?

Amidst all the hue and cry about 'who will rule Tamil Nadu' (Editorials, 13-26 February), the real 'man behind the scene' has escaped attention – the governor. He ignored constitutional provisions, dilly-dallied with his obligation to call a majority leader to be sworn in and kept everyone on tenterhooks as long as he can – for reasons best known to him only. Was it just him enjoying a feeling of 'power' or did he play the game according to the will and pleasure of the 'puppet-master'?

A.A. VARMA
Kochi

◆ Where to?

'Murky Politics' (Editorials, 13-26 February) rightly concluded that the last thing Tamil Nadu wanted was uncertainties hanging over its head. The scenario is bewildering: a floor test, where the chief minister designate wins the trust vote after a splurge of violence; the assembly, which gets reduced to a party meeting; MLAs, who walk out or are being sent out on one reason or the other; the self-assumed leader, who loses her *locus standi*, as she is cooling her heels in prison; and the pantomime that prevails all through. Where do we go from here?

R.S. RAGHAVAN
Bengaluru

◆ Good beginning

Please refer to 'Spring cleaning' (Government & Politics, 13-26 February). Going 'cashless' could be a good way to make political donations transparent. Parties should publish a complete list of donors in newspapers. Also, there should be a compulsory audit of parties' accounts.

M. KUMAR
Delhi

◆ Relevant

The article on Sony Entertainment (Cover Feature, 30 January-12 February) contained statistics and other details relevant to the story. And, re: 'Playing to the galleries?' (Editorials, 30 January-12 February), your argument that a banker should not be arrested after retirement, for sanctioning bad loans during his service, is faulty. In some cases, investigations bring to light evidences of such a person's involvement only after his retirement. In such a case, *a la* Mallya, the bank personnel should be punished too.

P.G. KRISHNAMURTHI IYER
Kochi

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Move in the right direction

Returns for EPF deposits will be better, if higher allocations are made to equity

The equity market is doing well and has attracted hundreds of thousands of small investors in the near past in the hugely popular SIPs. Data points suggest that more than 600,000 new SIP accounts are being added every month. At last the government seems to have realised its mistake of not allowing EPFO money to be invested in the equity market in the six and a half decades since our independence. This was corrected, when in 2014-15, the government allowed EPFO money to be parked in the equity market, within the band of 5-15 per cent of the funds' assets. Recently, Bandaru Dattatreya, Union minister for labour, announced that he would soon talk to the Central board of trustees to increase the EPFO allocation to equity from the present 10 per cent to 15 per cent.

This is a good move – beneficial, not only for the employees whose funds are parked with the EPFO (who will get better returns), but also for the country. India faces huge unemployment problems. This is where we need entrepreneurs who can expand their businesses or start new ones and provide employment to millions. But any business needs capital. And, a healthy equity market is the best place to raise capital. If more Indian savings are diverted into the equity market, it would also be less vulnerable to foreign flows.

Empirical studies show that equity has given the best returns over the longer period and EPFO funds are invested for the long term. On the other hand, for many years debt has been giving returns that just about matched inflation, while creating a feeling (which was misleading) among millions of employees that their savings were growing.

Yet over the years, a wrong perception has been created in the minds of the common man that equity investment is risky and, hence, at best, it should be avoided. In reality, today the Indian equity market is one of the best regulated markets in the world. It's strange but true that the common man is often comfortable parking his hard-earned money in chit funds and multi-level marketing schemes but not in equity markets. This is due to their poor standard of financial literacy; and to a great extent government policies are also responsible.

It is ironical that 65 years after Independence, foreign institutional investors have put more money in the Indian equity market than domestic institutional investors. What many forget is that many foreign institutions are pension funds, which believe in India's growth story.

According to the NSDL Website, the foreign portfolio investors' investment market value stands at ₹21.51 lakh crore, as against the Indian mutual fund industry's mere ₹5.53 lakh crore. In that sense, Indians are heavily underinvested in their own equity market, which must be corrected.

The time has come for EPFO allocation to equity to increase to a minimum of 25 per cent over the next couple of years. Granted that equity returns are not linear, as is the case with debt investments, but the 75 per cent of the corpus in debt instruments would take care of the yearly regular outflows due to pay outs. Also, employees have grown used to having about 8 per cent annual returns on EPFO. It is time they realise that 8 per cent returns, when inflation is 10 per cent, is worse than 7 per cent returns, when inflation is at 5 per cent.

We have seen unions asking for higher returns on EPFO, despite inflation being on the way down. Yet India can't afford to be a high cost of borrowing economy, as it is making Indian companies offer domestic consumers higher prices and uncompetitive in the world market. Hence, whether the unions like it or not, returns from EPFO will slip, if it remains with debt instruments. Real returns can be better on the EPFO corpus, if higher allocations are made to equity.

Today, all investments in equity are going through the ETF mode, which is not only less volatile but will also offer good returns in the long run. EPFO has invested in ETFs to the tune of ₹17,000 crore. This tally should reach at least ₹1 lakh crore in the next three years. Unions must realise that their members' future is more secure in equity, which continues to grow money and real terms, so they should embrace equity markets. ◆

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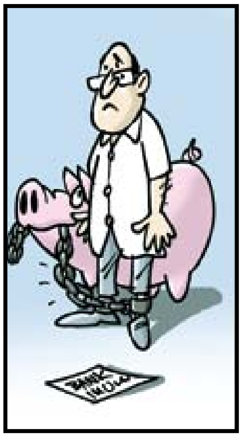
Financial terrorism

It is high time the Reserve Bank of India introduced bank account portability



A key rule in marketing a product is that you don't try to change the customer, you align with her. But if the recent moves by Indian banks are any indication, they would seem to have no clue about their customers.

Last fortnight, private sector HDFC Bank, ICICI Bank and Axis Bank announced a ₹150 charge on more than four cash deposits and withdrawals a month at branches across the country. The move has set the CAIT (Confederation of All India Traders) – which claims to be an advocate for 60 million merchants – up in arms. "Levy of such charges is a kind of financial terrorism on account holders. It can't be the way to encourage digital payments by putting the people at the will and mercy of the banks," it said.

Then public sector State Bank of India announced it would impose an average quarterly balance requirement of ₹5,000 on its metro-based customers and lower amounts for rural and semi urban areas. Chairman Arundhati Bhattacharya went as far as to call the Jan Dhan accounts – no frills accounts gathered by the public sector banks at the behest of the government – a "burden" that needs support. Never within banking had the 'b' word been mentioned in public before.

The world over, there is a general angst against banks and bankers who are regularly accused of fleecing customers to justify inflated salaries and ramp up profits for their investors and shareholders. In Switzerland, leave alone get an interest on deposits, account holders must pay a regular fee to hold any amount. To push consumption, negative interest rates prevalent in Japan mean consumers there lose money by simply holding them in a bank.

In Africa there is a different strategy at play. Remittance service providers charge as much as 2 per cent to complete a transaction and another 1 per cent if the customer at the other end chooses to withdraw the funds in cash. Customers in such places prefer to transact digitally, considering a 1 per cent saving by refusing to withdraw.

The issues in India are far removed from these countries across the world. But when leading Indian banks say that it is time to start charging against deposits and withdrawals they are sending a few key messages. One, in line with the government's stand, the use of cash is a no-no.

Two, the recent demonetisation exercise has filled their coffers to the brim, at a time when they don't see enough avenues to lend. Many are happy lending to the government at a low interest rate. But profits must be padded even in a lacklustre environment, and fee-based incomes form a good portion of a bank's profitability strategy. When there is a surplus of deposits, losing a few customers will not make a big difference to them.

Should the customers be held hostage to these banks then, and pay charges and fees that are demanded of them at their whim and fancy? It is clear that there are not enough banks in the country (in spite of all the new launches), and surely not enough that a lady can trust her money with and be providing a decent customer service at the same time. That reflects in the high price/equity ratios that private sector banks command on the stockmarkets, which are the highest in the world.

Having said that many banks in India treat customers individually. And if the customer has a strong enough relationship with the bank – in terms of fixed deposits, mutual funds and insurance purchases, or housing and auto loans – customers have in the past negotiated better terms and conditions and found the bank to be willing to waive charges.

What is sorely missing, however, is bank account portability so that consumers dissatisfied with a bank's service are not held hostage and can shift if they aren't happy with a service. The nature of banking demands that customers deposit their savings for longer periods of time.

Fixed deposits are charged a penalty to close and re-arranging automatic debit instructions for bills, credit cards, and loan payments can be a time consuming and tedious affair for a customer that chooses to shift from one bank to another.

But if the telecom companies could do it, it is time the RBI stepped up to the challenge. ◆

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New man in charge

Principle vs rule based regime required

Not much is publicly known about Ajay Tyagi, 58, a 1984, IAS officer from the Himachal Pradesh cadre who took over the reigns at SEBI from U.K. Sinha who stepped down after a six-year term. The longest term served in SEBI, after D.R. Mehta's 7 years tenure. A quiet person, the former additional secretary (Investments) in the Department of Economic Affairs, who also handled capital markets, has all round experience. He had worked in various ministries in his state, including power, information technology, revenue and finance. At the centre, Tyagi has had diverse exposure having worked in ministries including steel, petroleum & natural gas and has also served on the RBI board. Given his rich qualifications and his academic background in economics, computer science and IT, topped with a Masters in public administration from Harvard, Tyagi has been given a five years term, from the outset, with the appointment approved by the prime minister Narendra Modi headed Appointment Committee of Cabinet.

The government, in a way, has continued to carry on the tradition of bureaucrats occupying the top post at SEBI. The difference in Tyagi's case was that unlike, Sinha or Damodaran or earlier S.A. Dave who had stints in UTI or D.R. Mehta who served as deputy governor of RBI, or G.N. Bajpai who served as CMD at LIC, ahead of being appointed to the regulator's post, Tyagi does not have any experience on the ground. This, in a way, could be considered beneficial as Tyagi does not, unlike his erstwhile peers, carry any likes, dislikes or opinions about the system and in a way comes with an open mind.

The government may or may not have briefed Tyagi about its expectations and how it requires these deliverables to be prioritised. Each chief at SEBI has however, left his mark, be it in vigorously pursuing high profile cases, resisting diverse pressure, like Sinha did, or adopting a consultative approach with brokers like Bajpai did or bring about a more orderly system like G.V. Ramakrishnan or Damodaran did.

Tyagi's immediate task, of course, will be to complete the unfinished agenda of his predecessor. This includes the passing of an order in NSE's co-location server facility case and streamlining procedures for high frequency trading, getting the Reits and invIT Reits going, integration of the commodity markets, completing the various investigations into the NSEL related cases, amongst others. On the softer side, Tyagi also has the onerous duty of motivating the staff at SEBI's and praising morale and ensure investigations are done thoroughly to ensure that SAT does not overturn cases appealed against.

Tyagi has to understand that the regulator's main duty is to regulate the orderly functioning of the capital markets. It is not the job of the regulator to stand like a traffic politiceman atthe corner of road signals and catch strong offenders. A principle-based regulation has to be ushered in, not a rule based one, where circulars after circulars are issued at the drop of a hat. Currently, the medium sized companies in places outside the metros are not able to tap the capital markets. Not for want of quality but lack of advisors and merchant bankers willing to traverse the maze of rules and circulars and the hefty fines to be faced in case of an inadvertent slip. Treating all offences with a heavy hand has virtually throttled the capital markets of these issues. *Mens rea*, a Latin term used in jurisprudence which literally means the mind/knowledge behind the act has to be considered before tairing even inadvertent red light traffic jumpers with the same brush used on a rash driver. Tyagi has to ensure ease of doing business for the capital market participants.

Tyagi has to redress the institutional defects and usher in a regime where participants in doubt can look at getting advance ruling on vexatious matter and consult the regulator. The regulator also has to set a reasonable time limit for speedy disposal of cases and ensure that they do not drag on for years at a stretch. Currently the feeling amongst participants is that there is too much power being wielded by the regulator.

On the developmental side, Tyagi like all his predecessors, has to apply his mind to galvanize the moribund debt markets. If successful in this initiative, Tyagi will have ensured his place in the history of worthies who have contributed to the development of the capital market. For now, Tyagi requires some freedom in setting up his timetable. ◆

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Expanding footprint

According to a source, Kem One and Chemplast Sanmar, flagship companies of the Sanmar group, have signed an agreement to establish Kem One Chemplast, a 50:50 joint venture to manufacture chlorinated polyvinyl chloride (CPVC), mainly used as a raw material to produce pipes and fittings for supplying water which requires heat resistance, pressure resistance and high tolerance for water treatment. The new facility, for which approvals are in the process of being obtained, will come up at a coastal location at Karaikal, Puducherry, India. The project which is being set up at an estimated cost of ₹325 crore will have technology from Kem One and a capacity of 22,000 TPA of CPVC resins. Kem One is an €800 million company and the second largest producer of PVC in Europe, mainly located in France. With this partnership with Chemplast Sanmar, Kem One is expanding its footprint in the fast growing Indian market.

Reducing NPAs

As part of attempts to recover its loan, the Hemant Kanoria-run Srei Infrastructure Finance is on the move to further improve its book. According to a recovery agent, the company plans to acquire Sandesara group's stake in a ₹4,060 crore greenfield port being developed at Dahej, Gujarat. The Gujarat Maritime Board (GMB), the regulator for all non-major ports in Gujarat, had signed a concession agreement with Sterling Port for the development of Dahej port in June 2015. Sterling Port is promoted by the Sandesara group. This recovery comes in the backdrop of around ₹6,000 crore in loans advanced to several companies of the Vadodara-based Sandesara group turning bad, as widely reported.

Shopping around

Microfinance company Bharat Financial Inclusion has been in the news recently, with at least two banks – RBL and IndusInd Bank – rumoured to be in discussions for acquiring it. While RBL has since denied progress, last fortnight, IndusInd Bank notified to the bourses that such talks did take place but no agreement has been arrived at so far. Bharat Financial, the largest microfinance company in India which was earlier known as SKS Microfinance, failed to secure a bank licence even as smaller rivals turned into banks. Two smaller players that turned into banks – Ujjivan Financial and Equitas Holdings – are trading at price/equity ratios of 20 per cent plus. After its share price rose in the past week, Bharat Financial trades at a p/e ratio of 18.77. But perhaps the trigger is another microfinance company that has turned into a bank – Bandhan – which post demonetisation is said to have built a low cost deposit base that runs into a few thousand crores. Clearly, the company sees the need for scale and a future in banking, with or without a licence.

On track

According to a source in Delhi, the government is moving on a fast track to meet its public sector unit disinvestment target of ₹72,500 crore. But this time there is a big difference in the approach. It has clearly marked railways and insurance sector up in the priority list. Under the railway ministry, Suresh Prabhu has his job cut out to take nine railway PSUs to IPO which includes Burn Standard Company, Dedicated Freight Corridor Corporation, Konkan Railway Corporation, Kolkata Metro Rail Corporation, Bharat Wagon & Engineering Company, Mumbai Railway Vikas Corporation, Railtel Corporation of India, Rail Vikas Nigam & Braithwaite & Company. Meanwhile, the Union Cabinet has cleared the proposal for listing insurance companies like General Insurance Corporation, National Insurance, Oriental Insurance, New India Insurance & United India Insurance.

Exploring opportunities

France's FM Logistics is betting big on the Indian logistics space in the wake of implementation of GST. One of the largest players in the word, the $1.5 billion company forayed into India last year by acquiring Pune-based Spear Logistics, a specialist in contract logistics which manages 75 warehouses in 26 Indian cities. FM is planning to investment to the tune of around ₹500 crore in the next two-three years in India to ramp up its presence in the post-GST market. Starting with Mumbai this year, the company will build up new warehouses in major cities like NCR, Chennai and Bangalore. Spear Logistics which was backed by PE player Ambit Pragma Ventures since 2009 (majority stake was taken over by FM), has been in operation since 2001 and provides, distribution, transport management and high value-added services with a customer profile including names like Atlas Copco, Siemens, Cummins, Honeywell, Indus Towers, Crompton Greaves, Federal Mogul, Castrol and Dr. Reddy's.

Driving growth

Carzonrent, a leading urban mobility services company, continues to be bullish on the domestic market. The Delhi-based company, the first to receive PE investment in 2005 and the only car rental company to have the backing of three large PE funds – SIDBI Venture, Sequoia/WestBridge and BTS Advisors – has drawn up an ambitious plan to take its revenue to around ₹2,200 crore by 2020, from around ₹300 crore at present. In the last five years, the company which started as a corporate leasing and cab rental service provider in 2000 by Rajiv Vij, is ramping up its talent pool at its National Command Centre and the Technology Lab in Bengaluru to further expand the scope of operations and scale up its technology infrastructure. It will be increasing its technology team to 600 from the current 200 people. Carzonline operates over 10,000 cars across three verticals – Corporate sector (70 per cent of business), Easy Clubs (a radio taxi service launched in 2006, and Myles (a self-drive service) and plans geographical expansion to the 100 smart cities from the current 39 cities including the Tier II and Tier III cities.◆

COMPANIES

Tata Sons, DoCoMo settle legal dispute

Tata Sons and NTT Docomo have told the Delhi high court that they have reached a settlement agreement concerning enforcement of an arbitration award on the Tata DoCoMo issue. However, the high court will have to adjudicate RBI's objections to Tata's application to buy back DoCoMo's stake at ₹58.5 a share. Both Tata Sons and NTT DoCoMo have objected to the RBI's statement before the court terming the exit agreement as illegal.

State Bank merger effective from April

The merger of State Bank of India's five associate banks (State Bank of Bikaner & Jaipur, State Bank of Mysore, State Bank of Travancore, State Bank of Patiala and State Bank of Hyderabad) with the parent will become effective in the new fiscal year, the government said. In gazette notifications, the government said the entire undertakings of these five banks shall stand transferred to State Bank of India from 1 April 2017.

Mittal plans solar farm in Karnataka

Lakshmi Mittal-led ArcelorMittal may set up a solar farm on the land allotted to it for a 6 million tonne steel project in Karnataka, in view of the excess global steel capacity and delays in securing raw materials. It had entered into a pact with the state government for such a steel plant, which would have a captive 750 MW power plant too. After failing to set up plants at Odisha and Jharkhand in over a decade, ArcelorMittal had signed an MoU with Karnataka government in June 2010 to set up a greenfield project at Kuditini in Bellary, but the same is yet to take off.

GOVT. & POLICY

Muted response to disclosure scheme

The government's efforts to get people to disclose unaccounted cash deposited in banks after demonetisation has received a muted response. At the end of February, the Pradhan Mantri Garib Kalyan Yojana (PMGKY), also known as the Income Declaration Scheme II, saw declarations of ₹2,500 crore, of which the Mumbai circle alone accounted for ₹500 crore.

GDP grows at 7 per cent

Advance estimates released by the Central Statistics Office (CSO) shows that the GDP has grown by 7 per cent in October-December 2016 quarter, compared to 7.4 per cent during the corresponding period last fiscal. For the current fiscal – 2016-17 – the CSO expects the GDP to grow by 7.1 per cent.

Telecom may default on repayments

The Department of Telecom (DoT) has warned that the sector may default on its loan repayments, if the ongoing financial stress continues. Telecom operators cumulatively owe over ₹4.5 lakh crore to various banks. The DoT said the ongoing tariff war in the industry, triggered by new entrant Reliance Jio's promotional offers, was the main reason for the precarious financial health of the sector.

India lobbies WTO

India is lobbying the World Trade Organization (WTO) to support increased trade in services and making a case for allowing its IT professionals to work across borders with greater ease, amid a rising tide of protectionism. The government has suggested multiple entry visas for those who meet the host country's immigration criteria.

Import duty on wheat likely

The government has said it might re-introduce import duty on wheat, if the need arises. The duty on wheat was abolished by the government in December 2016, after prices started rising in the open market due to low stocks. With wheat production expected to reach a record of over 96.6 million tonnes in the 2016-17 crop season, which will end in June, the government could be considering a re-introduction of the duty.

TRAI to review tariff plans

Following a decline in revenue of the telecom sector for two quarters in a row, the Telecom Commission has the asked The Telecom Regulatory Authority of India (TRAI) to review mobile tariff plans offered by telecom operators, including promotional offers.

Investment pacts to be extended

The European Union (EU) has pressed India to extend by six months its bilateral investment pacts with several EU-member countries, which are about to expire, saying that the absence of the treaties could adversely impact trade ties and FTA talks. Geoffrey Van Orden, chairperson, EU delegation for relations with India, stated that the Union wanted India to renew the investment deals first, before taking forward the stalled FTA talks.

GST Council clears law

The Goods & Services (GST) Council has cleared the final version of the Compensation Law, which seeks to stipulate the manner in which states will be recompensed in the event of a loss due to the implementation of GST. The other draft laws, pertaining to the GST law at the Central, state and the interstate levels, will come up for legal vetting during the next meeting of the council.

Removal of India from watch list sought

The Indian Pharmaceutical Alliance (IPA) has written a letter to the US Trade Representative (USTR), making a strong case for removal of India from its Priority Watch List (PWL) on intellectual property rights (IPR) in its 2017 edition. The 2016 edition of the USTR's PWL had included India for allegedly failing to adequately protect IPR in its pharmaceutical sector.

Tepid response to FM auction

Out of the 266 frequencies offered in the second batch of the phase 3 FM radio auctions, the government could sell only 66 frequencies in 48 cities, informs the ministry for information & broadcasting. The auction fetched the government ₹200 crore. The electronic auction of the FM radio frequencies, conducted between October and December, had on offer 266 frequencies in 92 cities.

REGULATORS

No regulator needed

The Chartered Accountants Institute does not see any need for a separate regulator to oversee its members. "Our view is clear," said Nilesh Vikamsey, the newly elected president of the Institute of Chartered Accountants of India (ICAI). "We are doing a good job and we don't need another regulator. We had lagged earlier in showcasing our capabilities. Now, the perception gap is being bridged by engaging with the ministry". He also said that CA Institute – as a regulator of audit profession – was open to work on its weaknesses, if any, and make appropriate changes that may be suggested by the government.

Norms for mergers streamlined

To protect the interest of public shareholders, the Securities & Exchange Board of India (SEBI) has strengthened regulations for mergers, whereby large unlisted companies will be restrained from getting listed by merging with a small company. Besides, to improve disclosure standards, an unlisted company merging with a listed one will have to comply with the requirement of disclosing material information. The objective of these changes is to encourage wider public shareholding.

Comments on norms governing bourses sought

SEBI has issued a consultation paper to review the norms governing stock exchanges, clearing corporations and depositories in view of changing market dynamics. The Bimal Jalan Committee in 2009 had also recommended a review of the SECC (Stock Exchanges & Clearing Corporations) after five years. The period of five years from the date of notification of SECC Regulations June 2012 will be completed in June 2017.

Firms' board governance to be overhauled

SEBI is in favour of a major overhaul of the way boards of listed firms discharge their duties, including for appointment and removal of directors. It also wants the audit committees to be empowered to identify future risks. The move assumes significance in the wake of the recent boardroom battle at the Tata group and the controversy surrounding the reported differences between some promoters and the top management at Infosys.

Stent margins limited

In a move expected to curb profiteering at the expense of heart patients, the National Pharmaceutical Pricing Authority (NPPA) has restricted the margin on cardiac stents for hospitals and distributors to 8 per cent. Distributors used to charge as much as a 196 per cent margin, when supplying stents used in a majority of stenting procedures, to hospitals, says NPPA. Hospitals then charged over 650 per cent when billing the devices to patients, while distributors supplying directly to patients would enjoy as much as 892 per cent in margins.

Drugs sold at higher prices

As many as 634 drugs are being sold by pharmaceutical companies at a price higher than the ceiling prices notified by NPPA. The regulator has issued the list after analysing the market data of various medicines in December last year. Cipla, Abbott India, Ajanta Pharma, Alkem Labs, Astrazeneca, Dr Reddy's Laboratories and Cadila are among the firms mentioned in the list.

Actuary panels for insurers

The Insurance Regulatory & Development Authority of India (IRDAI) has invited bids from actuaries and firms employing such analysts to form a panel of actuaries. Separate panels will be formed for life and general insurance (including health insurance). "If the insurers are not able to appoint an actuary, they can use services of any actuary from the panel for estimation of reserves, solvency margins and preparation of reports. The panel can be used for vetting of products as well, requests for which can be filed by the insurer," the regulator said.

Separate banking and payments not on

The assertion of the Watal Committee report on digital payments that banking and payments are two separate activities cannot be accepted, according to R. Gandhi, deputy governor, Reserve Bank of India (RBI). "On the committee's view that banking, as an activity, is separate from payments, which is more of a technology business, I beg to differ. Payments can be effected only in either of the two ways – one you use cash to make payments and the other you transfer money in your bank account. There is no third method," Gandhi added. ◆

◆ LANDMARKS ◆

APPOINTED Sanjay Menon, as managing director, Sapient India
Marthesh Nagendra, as country manager, India & SAARC, Netgear
J.S. Deepak, Telecom Secretary, as permanent representative, WTO Sanjiv Singh, as chairman, IOC

PROMOTED Sudhin Mathur, as managing director, Motorola Mobility India, Lenovo Mobile business group. ◆

Muthoot Exim, the precious metals division of the 130-year–old Muthoot Pappachan group, has launched India's first ever range of non-jewellery platinum products. As part of its initial offering, Muthoot Exim will sell a range of precious metal statuettes of Lord Ganesh in 95 per cent pure platinum metal. "Through these images of deities, Muthoot Exim is setting new standards for innovation, excellence, affordability and

accessibility in the Indian platinum market. Expanding into platinum is a natural step for us," says **Keyur Shah**, CEO, Muthoot Precious Metals Division. The statuettes can be purchased through equal monthly instalments as well as one-month schemes. The programme also includes a spot buy-back option with assay, which will be available throughout Muthoot Pappachan group's countrywide network of gold point centres. ◆

Direct selling FMCG company, **Amway India**, has entered the refreshing drinks market with the launch of Nutrilite fruit drink mix. "Nutrilite is the world's No. 1 selling vitamins and dietary supplements brand," says **Ajay Khanna**, category head, wellness. "It has also established itself in India as a leading brand in the vitamins and dietary supplement category. The launch of Nutrilite fruit drink mix will help us connect the Nutrilite brand to an even larger base of consumers in a product format that is tasty, fun and enjoyable," he adds. The Nutrilite fruit drink mix in Lemon Lime flavour has five fruit concentrates – Acerola, Pineapple, Guava, Cashew fruit and Passion – with no added preservatives, artificial colours or artificial flavours and is sweetened with Fructose. Amway India has planned a nationwide engagement drive with its direct sellers across the country to promote the drink mix. ◆

Marks & Spencer (M&S), the iconic British brand, has launched on India's largest online store, Amazon.in, making it even more convenient for customers across India to shop its quality clothing and beauty ranges. "Whether choosing a classic white shirt, that special occasion dress or the ultimate feminine sleepwear, online shopping continues to grow in popularity in India as customers look for more choice and greater convenience. We're delighted to launch today on Amazon.in, India's largest online store, making it even easier for our customers to shop with us. Our range of stylish products combined with Amazon's reach and fast delivery, means our customers can order something truly special

online, wherever and whenever suits them," says **Venu Nair**, managing director, Marks & Spencer Reliance India. There will be circa 1,000 Marks & Spencer products across womenswear, lingerie, menswear, kidswear and beauty via www.amazon.in/marks&spencer. ◆

Indian PVC pipes and fittings manufacturer **Finolex** Industries Limited, and the US-based Lubrizol Corporation, announced the signing of the FlowGuard processor agreement for the manufacturing and sale of Finolex FlowGuard Plus pipes and fittings in India. "We are committed to strengthening the plumbing industry through our association with Lubrizol, which falls in line with the culture of Finolex Industries in providing quality 'Made in India' products for the Indian market," says **Prakash Chhabria**, executive chairman, Finolux. "With FlowGuard's raw material and support, our track record of providing superior products for the Indian market gets strengthened." ◆

Headed by **Biju Ninan**, publisher & editor, and Linda Ninan, director, Gray Matter has been highlighting the achievements of various sections of the Indian diaspora in the region through publications like the Achievers Series and the Super Series. Recently, the Ninans released a book which features 100 Women Achievers from India in the Middle East and Africa, titled *The Super 100 – Volume II,* with H.E Sheikha Hend Al Qassemi as the chief guest. "She was thrilled to know that her name 'Hend' meant India," explains Biju Ninan. The second volume – that profiled leading corporates, professionals and entrepreneurs from India in the Middle East and Africa – was inspired by external affairs minister Sushma Swaraj's address during the launch of *Gray Matter's Super 100 Volume 1* in November 2014. "Gray Matter took up the challenge and has triumphantly put together this book of 100 women achievers from various walks of life transcending financial turnovers and professional qualifications. The profiles include Alisha Moopen of DM Healthcare, Zanubia Shams of Zulekha Healthcare group, ShafeenaYusuff Ali of Tablez Food Company, Nicole Rodrigues of Diva group of companies, Roxana Jaffer of Sovereign Hotels, Dubai, amongst a host of other Indian women achievers based in the Middle East & Africa Region. ◆


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Fashion moves in a periodic cycle. The menswear industry has seen a paradigm shift over the years. Now, the cycle is gradually moving again towards the customisation route. People have started prioritising fit over everything else and brands with their customisation services, in concurrence with absolute fashion-oriented offerings, bridges the gap of old tailoring emporium to new readymade brands. Keeping this in mind, **Raymond** had started its 'made to measure' (MTM) bespoke services in 2008. Today, Raymond MTM has over 100 stores in more than 22 cities across the country. Every year, it has been adding 25-30 stores where master craftsmen, using the latest fashion engineering, produce customised menswear (handpicking each element – from the collar to the cuff) for select customer group. "There is a combination of style advisory, a high degree of personalisation and a readymade finishing process that combine to create the perfect wardrobe solution. We would be adding on to newer product lines and will constantly work on increasing our share in the gentleman's wardrobe," says **Ramesh Sharma**, business head, Raymond MTM. ◆

Essar Steel has forayed into the high growth defence manufacturing sector by developing steel grades which find application in land and Naval defence. The estimated expenditure in the defence sector is over $200 billion over the next five years. "The defence sector is witnessing exponential growth," says **Dillip Oommen**, MD & CEO, Essar Steel. We would like to be a part of this growing segment so we can capitalise on our strengths, which include state-of-the-art manufacturing & product development. We have developed an excellent track record by successfully supplying steel to many defence projects. This has given us the confidence and encouragement to expand our product portfolio for this segment," he adds. Essar Steel has developed several products which are import substitutes as well as innovated to develop indigenous armour plate for ballistic protection. It has set up a 1.5 mtpa state-of-the-art, five-metre-wide steel plate facility, as well as an R&D centre, at Hazira to meet the requirements of the defence sector. ◆

Dena Bank has launched Radio Frequency Identification (RFID) cards for its customers to provide prompt and personalised services. The card will help identify the customer as they enter the bank, translating into 'more banking in less time'. "RFID-enabled banking cards will help the branch/ relationship manager identify a valued client when he enters the branch with complete information of that particular client popping up in their desktop. This will help the branch staff take care of the customer's needs and offer services without any delay. When the customer completes the transaction and leaves the bank, the system captures their exit, and feeds an analytics system that allows the bank to evaluate how long a customer waited before being helped and how much time the customer spent in completing the transactions and other details of his transactions," says **Ashwani Kumar**, chairman and managing director. The RFID card is being introduced in select branches, with the Dena Bank JVPD Mumbai branch being the first. ◆

Telit Communications, a global leader in Internet of Things (IoT) enablement and a provider of wireless machine to machine technology and value-added services including connectivity cloud and PaaS Application Enablement Services is strengthening its presence in the Indian market, which is undergoing a massive transformation. The AIM-listed entity, which entered the Indian market in 2011, has recently launched its advanced portfolio of LTE Cat - 1 IoT communication modules in India. With this flagship, LTE modules by Teli, the telecom providers in India, would find it much easier to embrace the IoT revolution. These modules would help customers solve their wireless needs as they move their IoT solutions from 2G to 4G LTE networks. "Telit solutions are well tailored to suit the India market, offering highest standards of performance at the most competitive cost and that makes it a unique combination in the field of IoT technology globally," says **Ashish Gulati**, country head, Telit India. "As Indian operators deploy LTE networks, our new modules would equip them not only in embracing the IoT revolution faster but also in a cost effective manner". ◆

"What we learn from India, we can scale to the rest of the world," said **Karim Temsamani**, president, Asia-Pacific (APAC), Google, who was on his sixth visit to India in three years. Despite India playing an important role in digital advertising, Google gets only a small percentage of its overall revenues from the country. Temsamani said, "One of the reasons why those numbers are not as big as other countries is that we have very successful businesses in a lot of countries. So, it will take time for India to catch up to them. India is a phenomenal country for us at the global level and certainly in APAC in terms of its relevance to our numbers. APAC is becoming the centre of the world both because of the size and population, and from a funds perspective," According to him, India was the first country in the world that moved to mobile for maps access. "Because the population is that young and they are critically doing things differently on their devices, we know that the products that we create for this region not only have an impact on this region but also on the world." He gave credit to India for the YouTube offline feature, which was a huge success not only in India but also across the globe. The company also launched Google Wi-Fi at 120 railways stations in the country. "We are focused on railway stations right now and are planning to expand to 400 stations in the next couple of years," he added. ◆

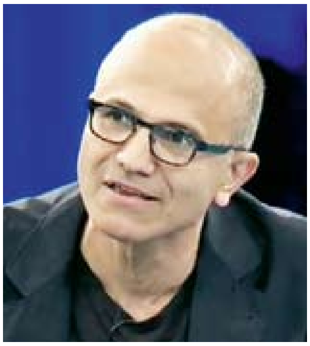
Top officials of HAROPA, the largest French port for container trade, are keen to extend their expertise to major ports authorities in India to boost maritime container trade between the two nations. "We have been visiting India once in two years," **Herve Martel**, CEO, **Le Havre Port,** said. "This is our fourth visit to India. During 2016, the maritime container trade between India and HAROPA grew by over 7 per cent. We would like to achieve double-digit growth soon," he said. HAROPA is a joint venture between the French ports of Le Havre, Rouen and Paris. The HAROPA alliance was created in 2012 with the purpose of building a European-sized port system in the field of industry, logistics and tourism. "India's exports to France stood at €6 billion, whereas imports were €3 billion. It is a big market and the opportunity is huge. We are focussed on India," said Ram Iyer, HAROPA representative for India. India exports leather, textile and garments, chemicals, pharma and manufactured goods to France. It imports paper, carton, rubber, plastic, wooden chips, machinery, motors and parts. "HAROPA is the leading French port and gateway to Europe. We have a single-window clearance system in place for all

the three ports. We have a low cost customs clearance and 100 per cent paperless customs clearance rate," said Herve Cornede, director commercial, HAROPA. ◆

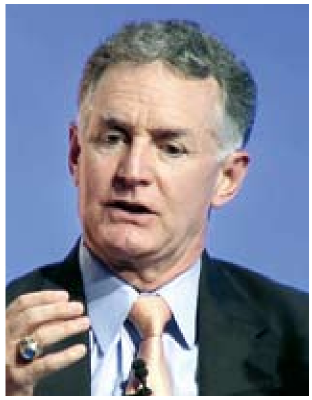
Diageo, global leader in beverage alcohol, opened its latest business service centre, Diageo Enterprise Operations in Bengaluru last fortnight. Formerly known as 'Diageo Business Services – India,' it was inaugurated by Karnataka chief minister Siddaramaiah, in the presence of **Ivan Menezes,** chief executive, Diageo, Brian Franz, chief productivity officer, Diageo, Ulrica Fearn, general manager enterprise operations and Anand Kripalu, managing director & CEO, United Spirits Limited. According to Menezes, "The

Diageo facility that we are inaugurating today is one of the five shared business centres we have globally. Over the next three years, it's likely to become Diageo's biggest business centre, supporting customers, suppliers and employees... providing services to 70 global markets for Diageo". "We will complete hiring over 1,000 in the next couple of years," Menezes added. Soon Diageo Enterprise Operations will be offering new services in the technical IT area, data, analytics and technology as well as establishing a robotics centre of excellence, the company said adding that its in-house centre is offering world-class business services. ◆

Messaging app **WhatsApp** celebrated its eighth birthday recently. **Brian Acton,** co-founder, WhatsApp, was in the capital to celebrate the occasion. Ukraine-born Jan Koum founded WhatsApp with Acton in 2009. The app has 1.2 billion monthly active users worldwide. Of these, 200 million are in India alone, making the country their biggest market globally. The app was acquired by Facebook in February 2014 for $19 billion. "I am excited to be in India specifically as it has passed a big milestone for us – 200 million monthly active users making it the largest population of WhatsApp users and also one of our most important markets. We love working with the people of India and building great features. My trip here is really to play a role as an ambassador to India and say hello," said Acton. The app recently introduced features like video calling and `status', and it is planning to tap the lucrative commercial messaging space. On tackling the surge of fake news in WhatsApp, Acton said, "We're very aware of the challenge of fake news. We are beginning to understand its role and how people deal with it. Our stance is really about building the tools and capabilities for people to manage this and understand it so that they can report it or potentially ban users." ◆



"American values have always been about inclusion and diversity. It's a land of immigrants," said **Satya Nadella**, chief executive officer, **Microsoft**, who was on a three-day visit to India. Even as the Trump dispensation was trying hard to slam the doors on immigrants, he said "an enlightened immigration policy" has enabled him to live the American dream. "American technology reaching me in India is what made it even possible to dream the dream. And then, the enlightened American immigration policy is what led me to live the dream. And I think those are things we will always advocate for... the American dream and the American enlightened immigration policy, especially for high-skilled workers, is something that I'm optimistic about," Nadella said. "The overall labour mobility in the world is going to be defined by every country's immigration policy, every country's trade deal or protectionism. Every country, rightfully so, should think about their own national interest first," Nadella added. Spelling out Microsoft's priority in every country, he said, "It's going to be India first in India, UK first in the UK, America first in America. Our job is to operate in all of these countries with these principles of local opportunity creation." Praising Indian government's digital initiatives he said, "India Stack's vision of having a presenceless, cashless, paperless vision – which is fundamentally about bringing down transactional costs in the economy – so that every citizen, small business and large business can all benefit, is a grand vision," said Nadella. ◆



KPMG in India has a new man at the helm. Arun M. Kumar was recently appointed head of KPMG in India. **John Veihmeyer**, chairman of the $25.4 billion-professional services major KPMG International was in India last fortnight to introduce Kumar to employees and key clients. Talking about his firm's strategy, he said, "We have a strong and consistent global strategy and vision of what the firm wants to achieve. That has to be adapted the to unique circumstances in each market. What each of the senior partners in large member firms needs to do is to take our global strategy and fit it into the local circumstances." Referring to India's talent pool he said, "We are in many countries around the world where the opportunities are greater than the indigenous talent pool available to meet those opportunities. India is a market where there is more talent available than we can hire to meet our needs in India." ◆

Last fortnight, the **World Bank** proposed financial assistance of $1 billion to Maharashtra in critical projects related to urban transport and climate-resilient agriculture practices over the next two-three years. The WB has decided to work with the state government in tackling climate challenges in agriculture, especially in the backward regions of Marathwada and Vidarbha. **Kristalina Georgieva**, chief executive officer, World Bank and Devendra Fadnavis, Chief Minister, Maharashtra, discussed the projects in Mumbai. Georgieva said this was the "highest ever WB engagement with any state. We intend to deepen our relationship and work closely." The five core areas, where the WB and the state government will work, include road connectivity, climate resilient agriculture, smart cities, renewable energy and separate agriculture feeder. Describing the meeting as 'positive', the CM said, "We had a fruitful discussion based on a scientific and integrated approach towards development. Apart from the financial assistance that comes with WB, what is more significant is the knowledge and expertise which is of immense value in taking the projects forward." Georgieva also expressed keenness to provide assistance in railway projects such as MUTP-3. Earlier in the day, she took a local train ride in a second class ladies' compartment. Sharing her experience, she said, "Mumbai is a beautiful place. It's young and vibrant." ◆

Datuk Seri Mirza Mohammad Taiyab, Director General, **Tourism Malaysia**, led a delegation with officials from the Ministry of Tourism and Culture, Tourism Malaysia, state representatives and members of the Malaysian travel trade to India. They were in India to launch the 2017 edition of Outbound Travel Mart "India is a major contributor to tourism in Malaysia. In fact, it is the sixth top tourist generating market for us. In 2015, we had over 7.22 lakh Indian visitors and from January to October 2016 we had over 5.40 lakh OTM Indian tourists. This year we hope to touch the 1 million mark," targets Taiyab unveiling Tourism Malaysia's marketing and promotion strategies for this year which is focussed on sustainable tourism and "the wonderful niche products

that Malaysia offers to the Indian market." UNWTO has designated 2017 as the 'International Year of Sustainable Tourism for Development' and Malaysia is keen to promote its four UNESCO heritage sites, namely, Kinabalu National Park in Sabah, Gunung Mulu National Park in Sarawak, Melaka and George Town cities and the archaeological heritage site of the Lenggong Valley. ◆

Growth strategy

The domestic foundry industry formulates revival plan

The $19-billion domestic foundry industry (metal castings sector) is gearing to regain its momentum. The industry which caters to the casting requirements for a wide range of industries such as infrastructure, automotive, mining, railways, defence, heavy industries and others, has put up a comprehensive roadmap to not only reverse the downtrend the industry has been faced with for the last few years, but also bring back the industry on the growth track. The Institute of Indian Foundrymen (IIF), the apex body of 5,000-odd foundry units in the organised sector, has also formulated an action plan, which is aimed at upgrading the existing technology of the industry as also prepare it to produce quality products at a cost-effective manner. There are also efforts to create a situation, whereby the cost and quality-related issues as regards inputs and sand and other chemicals can also be addressed in a holistic manner. Moreover, skill development will also be a key priority.

"Skill development and technology upgradation will be the top priorities to drive the growth of domestic foundries. The Indian foundry sector is a feeder for several core industries. Keeping in mind the demand originating from core sectors, the sector will have to prepare itself to produce castings in a cost effective manner. It will also have to be vibrant enough to meet the demand of diversified industries," says Anil Vaswani, president, IIF.

"The domestic foundry industry is passing through a transition phase where the industry is trying to adopt itself to the market forces. While consolidating our core base, we have to move up in the value chain to face the challenges effectively. There is need for corrections at various levels of our supply chain," says Nithyanandan Devaraaj, honorary secretary, IIF.

After undergoing a robust growth for more than five years till 2010, the industry has struggled in the few years on account of slowing of demand in domestic as well export market. Currently, the industry produces about 10.5 million tonnes of cast components in ferrous and non-ferrous categories. It is estimated that the capacity of the foundry industry will have to increase to at least 25-30 million tonnes in the next 10 years, if it is to meet the demand for castings for various sectors (including exports). In the last decade or so, the Indian foundry industry has emerged as the third largest producer of castings in the world after China (40 million tonnes) and the US (about 12 million tonnes). The industry also exports casting worth $2.5 billion. It is estimated that the exports can be increased to around $6-8 billion in the next few years.


SANJAY BORADE

"Apart from our own efforts, the government's recent measures, including the 'Make in India' initiative, are expected to provide us with the much needed trigger. Though there are some ongoing hiccups, we are sure to reverse the trend and start our next growth phase. We are already witnessing the improvement in sentiment," says Ravi Sehgal, chairman, organising committee, 65th Indian Foundry Congress, as also IFEX 2017, the 13th edition of international exhibition on foundry technology, equipment, supplies and services. The global event held recently in Kolkata and organised by IIF, generated encouraging response from various stakeholders (from equipment/technology manufacturers to other input and service providers). Over 170 exhibitors from about 11 countries showcased their products are services during the exhibition.

Manpower shortage Like any other manufacturing sectors, the metal casting industry is also facing serious shortage of trained and skilled manpower at all levels. The industry employs around 2 million people (directly and indirectly). An additional 1.5 million people will be required to handle various processes of the industry in the next 5-8 years. However, there is a lack of institutions and training facilities to bridge the skill gap existing at present. Towards this end, the government in association of IIF is planning to strengthen the capacity and capability of institutions indulged in imparting skill and training to manpower employed in the foundry industry.

IIF has recently launched an in-plant programme for training shop-floor workmen at their work place through IIF-trained trainers. Already 10 training modules in various regional languages have been developed. It has also been promoting reclamation of foundry sand and usage of waste foundry sand for construction work like brick building and construction of pavement blocks. IIF has commissioned the Central Road Research Institute under CSIR to study samples of waste foundry sand drawn from various foundries across the country and test their suitability for road construction. For this purpose, discussions with National Rural Roads Development Agency under the ministry of rural development have been initiated. Recently, IIF also commissioned an in-depth study through leading consultant Grant Thoronton on the likely impact of GST on the foundry sector.

ARBIND GUPTA
arbind.gupta@businessindiagroup.com

TOURISM

Amazing Portugal

Godinho: warm and charmful welcomer; Romantic Lisbon

Portugal – who doesn't know this exotic country on the Iberian Peninsula. The Algarve's beaches are world famous. But there is so much more to this country and Anna Mendes Godinho, Portuguese Secretary of State for Tourism, has the enviable task of highlighting the lesser-known facts about this southern European country.

Pleasant, vibrant and affordable – Portugal was *Travel+Leisure*'s destination of the year 2016! "Portugal has everything that allures travelers – all-year-round warm weather, the natural resources – both charming beaches and magnificent mountains, the rich heritage and the affordability and you have a clear winner," says Godinho.

Having welcomed more than 12 million foreign visitors, mainly from other European countries in 2016, Portugal had over 40,000 Indians visiting. Godinho is set to increase this figure by at least 10 per cent in 2017.

Portugal is also aiming to attract more filmmakers from India. Telugu film *Balupu* and Bengali film *Bachchan* have shot some song sequences in the Iberian country. The Hindi film *Airport: Shaira and Me* set to release in 2017 has been shot entirely in Portugal. Imtiaz Ali recently finished filming *The Ring* with Shah Rukh Khan and Anushka Sharma in Lisbon. Having mentioned that, Godinho underlines the various incentives that are on offer: Portugal Tourism will bear hotel and ground arrangement costs of filmmakers who visit Portugal for a recee. Of course, there is a condition, filmmakers need to submit their project and the film must help promote the country. Portugal also offers 25 per cent tax rebate on production costs. The Portuguese hope Indian films will add to the number of tourists.

Here's another carrot: Turismo de Portugal (Portuguese National Tourism Authority) has launched a program called vip.pt to attract new air routes to Portugal. Airlines willing to fly direct from India to Portugal, will be offered incentives to do so, depending on the frequency of flights.

A visibly excited Godinho details the TAP Portugal initiative. It is working with more than 150 partners to create memorable experiences for its stopover, which allows customers to stay in Portugal for 72 hours before flying on to other destinations. Travellers receive amenities such as exclusive pricing, free Portuguese wine in restaurants and included activities that range from tuk-tuk rides to museum visits and culinary experiences. For example, if a TAP client buys a ticket from NY to Rome via Lisbon, they can stop in Lisbon for 3 days with all these benefits. This is between two points of the TAP network, so it doesn't apply to India as tap doesn't yet fly to India. So far, more than 40,000 passengers have taken advantage of TAP's stopover program, which was launched in August last.

The Portuguese Tourism and Hospitality Schools signed an MoU with the International Hospitality Education School in Goa, during the recent visit of António Costa, Portuguese Prime Minister to India. With this agreement, the Portuguese Tourism and Hospitality Schools will receive 10 Indian students from the Salgaocar school to learn and understand European standards of tourism.

Great opportunity Revive is a joint initiative by the Portuguese ministries of economy, culture and finance, to promote the renovation and subsequent use for tourism of a group of public properties with architectural, heritage, historical and cultural value that are not being duly used by the community where they are located. The goal, therefore, is to improve and restore public heritage. The Portuguese government has identified 30 buildings that will be subject to a public tender in order to select the private entities and projects to be developed on those buildings. This program is viewed as a great opportunity for foreign investment to establish in Portugal.

Arco is an international contemporary art show and was founded in 1973 in Spain as an independent art school, dedicated to the experimentation, training and divulging of arts, crafts and visual communication. After 35 editions, Arco decided to showcase their exposition outside Spain and they choose Portugal as the home base for its internationalisation. In 2017, Lisbon will host its second Arco edition, where the public will have the opportunity to see the works of 200 galleries and renowned artists.

Lisbon boasts, MAAT (Museum of Art, Architecture and Technology), an innovative project that brings together a new building, designed by the architect Amanda Levete, and the Tejo Power Station, an example of Portuguese industrial architecture from the first half of the 20th century.

Not to lag in hi-tech, Lisbon also hosts the Portugal web summit, probably the most important technology marketplace event in the world. More than 53,000 attendees in 4 days, 1,500 startup companies, 1,300 investors, 663 speakers, 2,000 journalists and CEOs from 30 technology-based companies. Businesses such as Airbnb, Uber and others were funded during the web summit. Web Summit 2017 will take place in the MEO Arena and FIL, Lisbon, Portugal on 6-9 November, 2017.

And the most amazing thing about Portugal: "Definitely the warm hearted and generous Portugese people," enthuses Godinho.

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TEA AUCTION

New platform

After facing several operational glitches in post-auction settlement since the pan-India launch of e-auction in June 2016, the tea regulator body, Tea Board of India, has finally picked ICICI Bank for financial settlement of e-auction of tea. In the initial period of e-auction, the payment mechanism was not centralised, with individual auction centres completing the transactions manually. The SBI and IndusInd Bank were the settlement bankers during this period.

Once the pan-India e-auction module rolled out in June last year, Tea Board had replaced State Bank of India and IndusInd Bank with Bank of India, as post settlement bank, to manage the online integrated payment module. The software for the module has been developed by NSEIT, the IT arm of the National Stock Exchange. As settlement bank, Bank of India was given the mandate to manage all six auction centres – Coimbatore, Coonoor, Guwahati, Kochi, Kolkata and Siliguri. But several accounting problems and confusion occurred in the payment settlement left the industry in lurch.


SANJAY BORADE

Post tea auction settlement is set to be trouble-free

"It was a terrible time," says Kalyana Sundaram, speaking for Calcutta Tea Traders Association. "Sellers, brokers and warehouses did not receive reports from Bank of India for remittance made to their accounts for sale and onwards; nor did it have critical information required for accounting purpose. There were errors in many tax invoices, delivery orders and accounting sale documents generated from the auction system. All these cause delay/non-receipt of payments and delivery." As complaints flooded from the industry, Tea Board had met all stakeholders in October last and decided that the pan-India post-settlement module will be kept on hold for a period of four weeks with effect from 18 October 2016, or till further orders. Former settlement bankers – SBI and IndusInd Bank – were reassigned their task on interim basis, leaving out Bank of India.

Selection process Later, the Tea Board floated a fresh request for proposal from PSU and private banks for the selection of new settlement bank in December last year. The latest development is that the selection process is now complete. "We have gone through all applications and selected ICICI Bank for post e-auction settlement," announced Santosh Sarangi, chairman, Tea Board (also the joint secretary in commerce ministry), from Delhi. "Now ICICI Bank and NSEIT will decide on the software requirement for the platform. Once they are ready with that, they will make a presentation to the stakeholders," Sarangi adds.

However, the tea industry is apprehensive about the change. It wants the new settlement bank should be introduced after the GST is rolled out and till then the present system to continue, which SBI and IndusInd Bank managing efficiently. "GST will cause a major disruption," says Azam Monem, chairman, Indian Tea Association. "So, we want the new settlement bank should adopt the GST compliance to make the procedure easy for the tea industry. We had bad experience in the past. Now, we want a foolproof system. Industry cannot afford to have one more setback at this point," he adds.

It is also important that the Tea Board should develop better software with NSEIT for the auction system which is able to handle large volume. Bank of India which lost the contract last year blamed it on NSEIT software. At present, nearly 550 million kg of tea, of about ₹8,500 crore in value, are sold through e-auction. Region- and centre-specific electronic tea auction first commenced in 2009 by replacing the century-old manual auction started in 1861. The launch of pan-India auction platform in June 2016 allows buyers to participate from all auction centres in the country.

Tea Board is planning a pilot run of the platform with ICICI Bank in one of the auction houses before the pan India launch. "Our aim is to create a transparent and efficient platform for buyers and sellers. Also, once the GST is implemented, the NSEIT's platform will meet its requirement," Sarangi claims. Commenting on the broker's role in the new payment platform, Sarangi says that the brokers will confine to their services like tea sampling, tasting, pricing, etc. But they are no longer required in other informal areas, which the system does not recognise.

ICICI Bank now will have to demonstrate its ability to handle the critical post e-auction payment settlement and win the confidence of stakeholders of the tea industry.

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Musical chairs

Telecom secretary has been shown the door

The abrupt transfer of J.S. Deepak, secretary, Department of Telecommunications (DoT), has raised eyebrows in bureaucratic circles about the government's designs for the telecom sector, wracked by allegations of favouritism in the not-so-recent past. Over the past one year, Deepak had taken on Reliance Jio, as well as the telecom regulator, TRAI.

His transfer orders as India's new permanent representative to the WTO came when he was at the Mobile World Congress in Barcelona. He was asked to come back immediately and join the commerce ministry as officer on special duty and cool his heels there for almost three months, till Anjali Prasad (India's current representative to the WTO) steps down by May-end. Deepak's replacement is yet to be decided.

Picking up the cudgels on behalf of Deepak, former telecom minister Kapil Sibal said that shifting Deepak from the telecom ministry was 'uncalled for' and sends wrong signals to bureaucrats. "What is the bureaucracy there for?" asked Sibal. "Bureaucracy is meant to independently advise you, the political establishment, as to what is happening in the sector and what should be done. The transfer sends a signal to the rest of the bureaucrats that if you speak out and air your views, which are not in line with the views of the present establishment, then you are not part of us".

It's not that Deepak is not qualified for his new job. During his earlier stint in the commerce ministry, he was India's chief negotiator at the WTO and for the Regional Comprehensive Economic Partnership (RCEP) agreement, the mega Free Trade Agreement being negotiated by 16 countries. But, the 1982 IAS batch officer from Uttar Pradesh was an old hand in the telecom industry. During his first stint at the DoT

Deepak: wrong signal

as joint secretary from April 2008 to July 2010, he was known for helping administer and popularise the e-auction method during the 3G spectrum auctions. He was later brought in by the previous UPA government in 2012 for the 2G auctions, in an attempt to clean up former telecom minister A. Raja's mess. His formal return to DoT was in January 2016, when he replaced Rakesh Garg as secretary.

Strong stand

Recently, Deepak and the Telecom Commission (TC) – the high-ranking, decision-making body within the DoT headed by him – went public with its views over Reliance Jio's promotional data and voice offers and how this could result in a loss of revenue to the government. The free offers have been described by incumbent operators such as Airtel and Vodafone as amounting to predatory pricing. After much back-and-forth between the DoT, the industry and TRAI, the regulator has ruled that Jio's free data offers violated no rules. Upset over the development, DoT wrote a sharp letter to TRAI recently, that the Reliance Jio zero-revenue policy could defer or delay spectrum payments to the government and ultimately further distress India's banking system – heavily indebted as it is to the telecom sector.

The most recent issue of whether Reliance Jio has caused a loss of revenue to the government hasn't been the only time that the DoT and the TC joined issue with Reliance Jio and TRAI over the last year. There are at least two major issues which the TC (headed by Deepak) had brought out over the last year. Firstly, the TC took a strong stand on the question of whether a uniform spectrum charge should have been levied. Owners of broadband spectrum (such as Reliance Jio), specifically those who won spectrum in the 2010 auctions, had to pay a spectrum usage charge of only 1 per cent. After the DoT decided that the same spectrum could be used for mobile telecom services, it became apparent that certain companies were handed a policy abritrage by exploiting the difference in SUC levied on different bands. The DoT had decided that a uniform SUC should come into place, perhaps ranging somewhere between 3-4.5 per cent. However, the decision to keep a simple formula was ruled out by the Attorney General and a compromised formula was finally settled upon.

The second issue on which the DoT and Deepak also took a strong stand against TRAI (and implicitly Reliance Jio) is the manner in which telecom regulators recommended penalties against Airtel, Vodafone and Idea for not properly providing 'points of interconnection (PoI)'. The telecom regulator accused incumbent operators of providing insufficient PoI to Reliance Jio, and recommended massive penalties against them. The TC had questioned TRAI's methodology and even asked whether the regulator had the authority to recommend such penalties.

With Deepak's exit, the TC has become redundant with the posts of its other three full-time members also lying vacant for some time now.

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What's a start-up?

Government mulls new definition

After going to town with its Start-up India initiative, the government has realised it needs a proper definition of the idea first. It is considering proposals to amend the definition of 'startup' in the policy and looking to review applications seeking benefits of startup policy which were rejected. The idea is to make 'startup' a hot word in Indian business again.

"It (the definition) needs to undergo change. We (the government) are flexible," says Ramesh Abhishek, secretary, Department of Industrial Policy & Promotion (DIPP), citing feedback from entrepreneurs, who submitted that the definition of start-up in the policy hampered their ability to claim benefits. The Start-up India policy states that, for the purpose of claiming the benefits of the government schemes, 'start-up' means an entity, incorporated or registered in India: (a) not prior to five years, (b) with annual turnover not exceeding ₹25 crore in any preceding financial year and (c) working towards innovation, development, deployment or commercialisation of new products, processes or services driven by technology or intellectual property. The government now feels this needs to change. "There may not be any need to have a single time period (like five years) and turnover (like ₹25 crore) for all sectors. Maybe, there is a need to have different time period and different turnover for different sectors," says the DIPP secretary.

The government is expected to retain the criterion of 'innovation', as it is deliberately kept in the policy to differentiate between a traditional firm and a start-up. The government appears open in considering suggestions on making the definition of start-up more broad-based. Entrepreneurs from the biotechnology and medical devices sectors have informed the government of the need for relaxation of the five-year time period to eight or ten years as more time was required in such sectors for an entity to take off financially. There are also suggestions that instead of 'turnover', the policy should consider the number of employees in a firm or investment in plant and machinery.

Abhishek: 'we are flexible'

On the reason for the government looking to review the applications that earlier sought benefits of the start-up policy and were rejected, Abhishek says: "Out of all the applications, only 10 start-ups have been approved for availing tax benefit. I am concerned about this low number and have suggested the need for a review. The mechanism (of the Inter-Ministerial Board, or the IMB, considering the applications) is transparent." According to the DIPP, out of the 1,662 applications received so far, only 146 applications can be considered for tax benefits as only these Startups have been incorporated after 1 April 2016. These 146 applications have all been considered by the IMB and 10 start-ups have been approved for availing tax benefit.

The government's initiative also coincides with the release of the 'Bharat Navodaya: Start-up India Reform Report', which suggested that the start-up definition be simplified. "The revenue threshold should be raised; subjectivity should be removed and the additional layer of approval from the IMB should be dispensed with. There should be automatic certification of start-ups upon approval from a few pre-designated bodies," it recommended. It mooted the establishment of a single window clearance for obtaining approvals and licences from all departments, adding that the frequency of filing under labour and tax laws should be reduced.

Image problem

The initiative follows reports that Indian unicorns are developing an image problem: after the funding slowdown and exodus of high-profile executives over the past year, many are increasingly being seen as career graveyards by potential hires, say head-hunters. This is in contrast to the situation not long ago when senior executives from consumer packaged goods companies, telcos, consulting firms, banks, even Silicon Valley blue-bloods, were scrambling to get onto the new economy bandwagon in India.

During 2014-15, immediately after the arrival of the Modi government, such firms attracted hordes of senior talent by offering business salaries and the opportunity to change the Indian business landscape. There was an air of expectancy and the government too latched on to the phenomenon.

But the Silicon Valley homecoming proved shortlived. Investors who have been bank-rolling start-ups for years, expecting to make big returns some day, have become cautious as companies continue to burn cash to remain relevant in segments such as the intensely competitive consumer Internet business. With pressure to turn profit increasing startups have been forced to squeeze expenses. Now, several executives who moved to e-commerce from companies in other businesses are unhappy and many have moved on.

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Policy jeopardy

Inter-ministerial discord surfaces on e-commerce

The contrasting stands of the department of telecom and the ministry of electronics and IT are coming in the way of India evolving a consensus on a domestic e-commerce policy to effectively respond to a proposal of multilateral discipline in e-commerce as various government departments have contradictory views on the matter. While the DoT wants server locations of global e-commerce firms in India, the MEIT supports no such restriction. Besides, both industry department and finance ministry are also opposed to allowing e-commerce companies to have warehouse models in India.

Though India has for the time being publicly rejected the push from some members of the World Trade Organization to make e-commerce rules one of the deliverable agendas in the upcoming 11th WTO Ministerial in Argentina, it has simultaneously started preparing for a national-level policy on key issues under discussion. The irony is that while India wants to be part of the discussion and set the agenda on global rules on e-commerce, it has been able to domestically resolve the right approach that it should be taking. Without evolving domestic consensus on contentious issues, India will be on a weak footing in being able to engage on the matter on multilateral fora. "We are internally exploring whether it is in our interest to have multilateral disciplines on e-commerce or not. But various departments working at cross-purposes has made the job difficult," an official added.

The Declaration on Global Electronic Commerce was first adopted by the WTO's Second Ministerial Conference in May 1998 and urged the WTO members to establish a comprehensive work programme to examine all trade-related issues arising from global e-commerce. Ministers also agreed to continue their practice of not imposing customs duties on electronic transmissions until their next session.

Azevedo: building consensus

This is known as the temporary moratorium on e-commerce. The moratorium has been extended at subsequent ministerial conferences including at the Nairobi Ministerial in 2015. The US now wants to convert the temporary moratorium into a permanent one which India is likely to oppose at the Argentina Ministerial.

Be cautious

Biswajit Dhar, professor of economics, Jawaharlal Nehru University, said India should be extra-cautious while negotiating on e-commerce or else it may lose the space to foreign players like under the Information Technology Agreement (ITA). Under ITA 1, India had agreed to abolish tariffs on hardware, which went against its domestic electronics manufacturing industry. "If large chunk of future business is going to happen through e-commerce, giving up the right to impose tariffs in future may go against domestic players and eliminate a source of revenue," he added.

During his visit to India, WTO chief Roberto Azevedo met various domestic e-commerce companies such as Flipkart, Snapdeal and Paytm in what was seen in Indian policy circles as a push to build consensus for setting multilateral rules at the WTO. After a meeting with Azevedo in her office, commerce minister Nirmala Sitharaman said that though she is aware that many discussion papers have been floated on e-commerce, it should not be part of the agenda at the 11th WTO ministerial. "I am ready to join the talks, but it is not part of my agenda for the upcoming ministerial. Because every country is having a big churn in e-commerce and technology is fast-moving. A final understanding on the matter is yet to be reached. Therefore, it will not be proper to regulate or define e-commerce at present," she told reporters.

Azevedo on his part said India is within its rights to oppose any proposal on e-commerce at the WTO. "Negotiations on e-commerce at this stage are vague. There are 11 papers submitted on the issue. I myself am not optimistic that we will solve contentious issues such as server localisation, data flows. I have not heard anybody talk about market access yet," he said. When asked about the deliberations at the closed door meeting with e-commerce executives, Azevedo said representatives were generally curious about policy developments in the field of e-commerce.

All these developments are taking place at a time when India is becoming a front on the e-commerce global proxy war between Alibaba and Amazon. Alibaba is investing $200 million into Paytm's market place, creating a new Indian unicorn. It confirms the intentions of the Chinese major to take on Amazon, which is also aggressively ramping up by investing $5 billion into its local operations.

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Ready to leap forward

India can be on its way if Modi manages bold reforms

BRIJ KHINDARIA

Some core trends begun in the past are capable of making India the bright star of this century in Asia and perhaps the world, despite many reasons to raise eyebrows at Indian economic, financial and political governance. Still, the irrational exuberance almost everywhere in the world about India's near-term prospects continues to puzzle. The government's GDP growth estimate of 7 per cent in the final quarter of 2015-16, despite the 8 November demonetisation, is remarkable, if it turns out to be accurate.

There is some room for doubt, since the Central Statistical Organisation (CSO) does not collect data on production in the informal sector, which was the worst hit but constitutes a major chunk of the country's economy and employment. To his credit, chief government statistician T.C.A. Anant did note that the results of demonetisation cannot be assessed by a single-quarter, since it represents a large policy change. The effects will take time to work their way through the economy.

Prime Minister Narendra Modi presents perplexing conundrums for analysts. Many leading foreign observers think India is standing at the edge of a great leap forward and several are bullish on stock market investments, although they remain reserved on foreign direct investment in heavy manufacturing. Yet, his domestic performance on the economic front has been smoke and mirrors. Three years into his mandate, he has little to show for his promises of cutting red tape, expanding infrastructure, creating jobs and bringing in much more foreign investment in bricks and mortar.

The jury is still out on demonetisation but good news could start pouring in, if he seriously dents the massive problem of bad debt hanging over the state-owned banks. They would appropriately turn to the government, their largest shareholder, which would be forced to divert tax payers' money to bail them out. That would deal a severe blow to India's prospects.

Modi could also succeed – though it is hard to see how – in smoothly introducing the long-planned national goods & sales tax to replace state levies unfriendly to healthy longer-term investments. He might also surprise the nation and the world by repeating the bold ruthlessness he showed in tackling undeclared cash through demonetisation. For example, he could confront the systemic problems of inefficient subsidies, and dismal healthcare, education and access to sanitation.

The World Bank, the International Monetary Fund (IMF) and the OECD continue to be favourable, if not bullish, on India. Their growth forecasts for 2017 hover around 7 per cent, despite their warnings about demonetisation.

It is as if the world were so starved for good news that it wants to build Modi's India into an icon. India does stand out as a longed-for balm in dismal geopolitics afflicting the world. It is not likely to be gutted by political crisis; its leaders can be relied on to stay away from wars or rumours of wars even with Pakistan; it suffers no dramatic trade predicament and enjoys a $24 billion surplus with the US that President Donald Trump is unlikely to attack; it has a reliable and clever central bank; and stable governments reign in Delhi and the state capitals.

The IMF lists hardly any countries growing at over 7 per cent and is confident about India getting to an average of over 7.5 per cent in the two years to 2018. Currently, Indian stock markets are beating China, Indonesia, Thailand, Vietnam, South Korea and Japan – making it the best economic story in Asia. It is still a country of young people (many of whom are quite well educated) compared with other Asians, including China, Japan and South Korea, where people are ageing quickly.

With China increasingly turning to shows of military strength and authoritarian nationalism, India remains a haven of democratic values and individual freedoms, despite the many critics who try to bad mouth Modi as a closet Hinduism-promoting autocrat. The next few months will indicate whether the world's hopes for Modi's India can advance towards realisation. Results of important state elections, including Uttar Pradesh, will come in and limits on cash withdrawals will be lifted.

The first signs of the country being in a good place will be an absence of run on banks when that happens. If electronic payment systems and digital banks also scale up, we will know that more of the economy is entering the formal sector. India will be on its way, if Modi also manages to implement some bold reforms to secure the longer-term. ◆

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I AM DECLARING WAR ON ROAMING... WE HAVE A GLOBAL NETWORK, BUT VERY FEW PEOPLE ARE ALLOWED TO ENJOY IT...

SUNIL MITTAL, Chairman, Bharti Airtel

... DEMONETISATION HAS ACTUALLY PUT US BACK BY A QUARTER, SO WE ARE WORKING VERY HARD BUT I DO NOT KNOW IF THEY CAN COME IN THIS QUARTER OR SLIP OVER TO THE NEXT YEAR.

ARUNDHATI BHATTACHARYA, Chairman, SBI

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in SEAMLESS ways
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Recharge Mobile
Ask Money
Shop
Recharge DTH
SIMPLY DIGITAL!
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Easy, Instant, 24x7 banking
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Promise To Pay

SANJAY BORADE

A Battle Royale is underway between fintech companies and Indian banks to gather payments market share as India and its people move from cash to digital payments, pushed to the fore by a temporary government-led withdrawal of cash from the system.

Mobile wallet companies have paved the road for growth with all existing banks trailing behind. It started with an unsustainable cashback system (*see box:* UPI vs mobile wallets) that continues to date and helped these companies grab market share at a loss. Then leading player PayTM began to print a quick response (QR) code in newspapers. Merchants could merely download the app, create an account, and print and paste the QR code on a wall to accept payments or to initiate transactions.

The rewards of a digital payments market share will belong to the nimble-footed

Since then, the changes have been dramatic. In February 2017, PayTM claimed to have over 3.5 million merchants in India accepting digital payments only through its QR code payments model (it doesn't reveal the number outside it). To put this success in perspective, PayTM's merchant base is higher than the number of merchants the total banking industry has gathered since the 1990s through point of sale terminals. Last fortnight, PayTM's total crossed five million merchants. The number of users of its mobile wallet base has crossed 200 million.

PayTM was able to pull this feat off – with a 20-year-old QR technology – through a closed loop structure that bypassed networks of payment service providers like Visa, Rupay and Mastercard, which all existing banks had restricted their model to. For a bank to provide a Visa-, Mastercard- or a Rupay-based point of sale terminal meant on-boarding the merchant and collecting documentation, so that they could participate in a system of trust. All PayTM did, on the other hand, was to print a QR code and put the merchants into business.

The last time Visa and Mastercard teamed up together back door was to prevent the launch of Rupay. On 2 March, all payment service providers – Visa, Mastercard, Rupay and American Express – came together to jointly launch a rival, open architecture BharatQR code. "This is a path-breaking initiative to bring quick, easy and affordable payments to both merchants and consumers," says Manoj Adlakha, CEO, American Express Banking Corporation.

New normals

	Volume (million)	Value (₹ crore)
IMPS*		
Nov-16	36.2	32,480
Dec-16	52.8	43,192
Jan-17	62.4	49,125
Feb-17	59.7	48,221
UPI**		
Nov-16	0.3	90
Dec-16	2.0	700
Jan-17	4.2	1,659
Feb-17	4.2	1,902
Debit and credit cards at PoS		
Nov-16	205.5	35,236
Dec-16	311.0	52,224
Jan-17	265.5	48,124
Feb-17	212.3	39,147
Mobile banking		
Nov-16	72.3	1,24,485
Dec-16	70.2	1,36,588
Jan-17	64.9	1,20,666
Feb-17	56.2	1,08,000
USSD#		
Nov-16	0.07	0.73
Dec-16	0.10	10.37
Jan-17	0.31	38.18
Feb-17	0.22	35.71
Total		
Nov-16	671.5	94,00,419
Dec-16	957.5	1,04,05,532
Jan-17	870.4	97,01,140
Feb-17	763.0	92,59,449

*IMPS: Immediate Payment Service; **UPI: United Payment Interface; #USSD: Unstructured Supplementary Service Data Total includes other forms of payments like RTGS and NEFT. Source: RBI

The only prime minister who has promoted an app

There's been a flurry of activity and payment models are still developing. NPCI has launched the BHIM app for bank customers, which has gathered 15 million merchants, its key service being a link between UPI and USSD. While the BharatQR code has been launched in a hurry to connect merchant bank accounts with the service, it is yet to be made inter-operable between UPI apps.

Huge opportunities

Both banks and mobile wallet companies are in a gold rush to capture market share within a segment that the banks neglected all along. "You cannot expect a shopkeeper to keep 10 different payment methods to fulfil the demands of all their customers," says Sony Joy, CEO and co-founder of one of many start-up mobile wallets Chillr.

"Right now we are the largest independent wallet," says Daman Soni, vice-president (growth) at mobile wallet company, MobiKwik. "We don't do e-commerce. That gives us a very good understanding of what consumers are buying across merchant categories. We have designed our customer relationship management software such that we know what our customer is buying, when she is buying and where she is buying it from." Unlike PayTM, which has consumer data restricted to its own e-commerce platform, MobiKwik has no such limitations.

How large is the opportunity? In parts of Africa and in China – where banking penetration has been weak – mobile wallet companies have grown rapidly in size catering to services like remittances and small value purchases, grabbing market share from existing banks or creating a larger market for themselves.

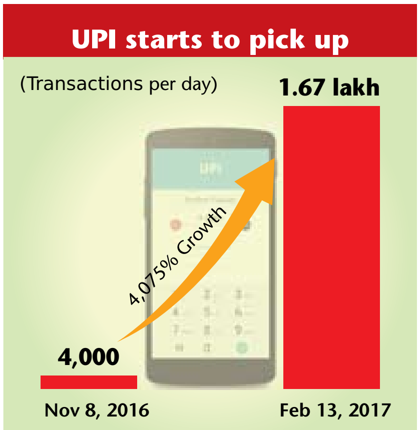
Because low-value transactions are so deeply connected with peoples' daily needs, successful brands within these segments could easily outgrow the ones built so diligently by all existing financial services players. "It's not a question of whether a large bank should be doing small payments," says Akhil Handa, advisor to the CEO, Bank of Baroda. "You have to give the customer what she wants."

Low value transactions stayed outside the banking system because of the higher cost associated with them. A bank that catered to large Indian companies and urban consumers

PoS terminals change

10 lakh Point of Sale (PoS) machines by March 2017

20 lakh Aadhaar based PoS by September 2017



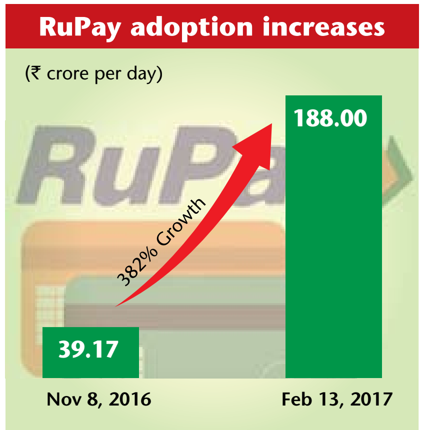
could not see opportunity, value, or the need to spread beyond this. Until Aadhar-enabled payments and Internet penetration started to catch up, and mobile wallet companies entered the fray. While Aadhar has dropped the cost of acquiring a new customer, Internet penetration has cut the cost of service delivery.

And, then came demonetisation, with the government withdrawing 86 per cent of all cash from the system. "It pushed people to adopt digital products for transacting for their daily needs," says Manju Agarwal, deputy managing director, State Bank of India. "There was a 300-400 per cent increase in digital transactions. As cash supply is getting back to normal, digital transactions have seen some decline but still they are at an elevated level compared to the pre-demonetisation period."

Hiccups have been witnessed within digital expansion in rural India. Beyond the cities some public sector banks have found challenges in convincing users to shift to the Bharat Bill Pay system, which is a tiered structure for operating the bill payment system in the country under a single brand image. Nearly 70 per cent of all bills around the country, outside cities, are still paid by standing in a queue.

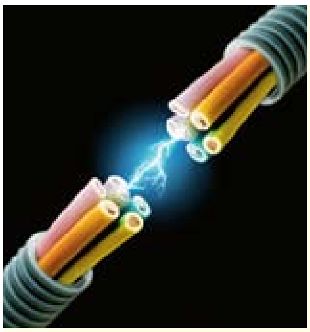
Rapid transformation

If digital adoption by the user is a challenge, then the lack of network coverage accentuates the problem. For a financial transaction to take place digitally, data must be authenticated through the servers of both parties as also that of the RBI. Network coverage of telecom operators must reach all corners and be available at all times, from mountainous areas to beaches.



If fingerprints are involved, data must also pass through UIDAI's (Unique Identification Authority of India) servers. All of these networks need to be working at full speed at all times. "If the transaction doesn't take place in the first 20 seconds the customer loses interest," says MobiKwik's Soni.

Adds Sangram Singh, head of cards and payments, Axis Bank: "The average ticket size across most digital payment modes has been decreasing which indicates that customers are moving even smaller value payments to digital."



Net, net

India has a grand National Optical Fibre Network (NOFN) project, renamed BharatNet, which aims to establish infrastructure connecting all *gram panchayats* (about 250,000) in the country. The project will be implemented in three phases. The first entails 100,000 *gram panchayats* connected by laying underground Optical Fibre Cable (OFC) by March 2017. Connectivity will be provided to the remaining 150,000 by using an optimal mix of underground fibre, fibre over power lines, radio and satellite media by December 2018. A state-of-the-art network, including fibre between districts and blocks for 5G services and Internet of Things with underground optical fibre cables in a ring architecture, is planned to be completed by 2023 under the third phase.

In his budget speech, Finance Minister Arun Jaitley allocated ₹10,000 crore to the project, and said that optical fibre cables have been laid in a 155,000 km area – without disclosing the number of gram panchayats covered. By the end of 2017-18, he says, high speed broadband connectivity will be available in more than 150,000 *gram panchayats*, with wifi hot spots and access to digital services at low tariffs.

Ritesh Pai, senior president & country head (digital banking), Yes Bank, says digital banking and payment solutions can prove to be quite powerful in helping rural India transition towards a 'less-cash' economy. The critical thing to remember is that the infrastructure available in rural India is quite different and the digital solutions need to be purpose-built to address the challenges existing in such regions. The solution cannot be to use an existing urban-centric solution and then transfer it as-is to rural India. The challenges include low availability of smartphones, Internet availability and costs, among other things.

◆ PB

CLICK ECONOMY

The number of Internet users in India is expected to reach 450-465 million by June, up from 432 million in December 2016, says a report from the Internet and Mobile Association of India

The threat to banking from mobile wallets is only one area of transformation. Banking has undergrone a rapid change over the last two years with emerging competition from fintech companies. But many fintechs, for all the phenomenal growth they have registered, have yet to turn a profit. “We did have plans to start making a profit this year. But then, you know, a new opportunity emerged and then you make new investments in that, and then growth within that sector demands more investments…” says a mobile wallet player.

“Payment service providers, SME financing, consumer retail financing, disintermediation, crowdfunding, open-ended mutual funds, money market mutual funds, deposit alternatives, trade financing, invoice financing, bill discounters, bill collectors, credit referrals, account aggregators, interest free products, syndicators, investment bankers, microfinance, housing finance and credit rating agencies are some of the entities which chipped away chunk after chunk of banking. Is there an element of banking that remains the exclusive privilege of banks?” queries R.K. Gandhi, deputy governor, RBI.

Unlike Africa and China, however, Indian banks have proved to be far more resilient to new technologies. And a good part of this credit goes to the NPCI (National Payments Corporation of India), an industry-led, not-for-profit organisation that was nudged into existence by the RBI – and which has kept transaction costs within digital banking low and sustainable. NPCI has emerged as a common platform for banks to collaborate on, and ward off, the competition.

If this were a David versus Goliath battle between banks and fintechs, neither needs to lose. Scaling an initiative needs collaboration, and that reflects in the strategies that Indian banks have adopted. In July 2016, Bank of Baroda announced that it had partnered with seven fintech companies across businesses like small and medium enterprises financing, robo advisory and wealth management, algorithmic lending, bill discounting and retail lending. There are 11 such partnerships already which will expand to 25 by the end of the year.


SANJAY BORADE

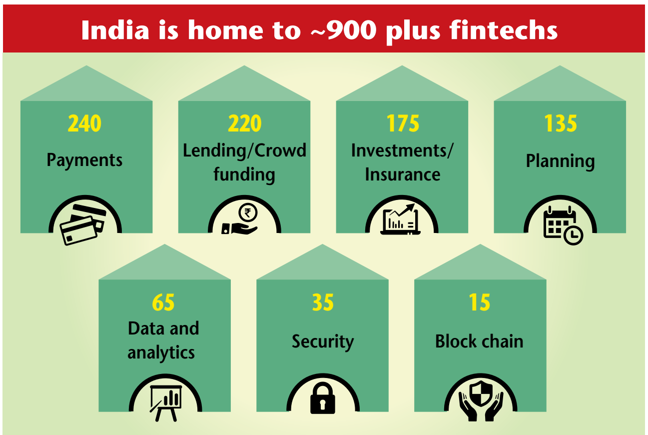
Agarwal: “It is all about the networking effect”

The engagement models between banks and fintech companies can differ. The technology in most cases belongs to the fintechs but in collaboration they get access to the bank’s customer base and balance sheet. In the Bank of Baroda’s case the branding belongs to the bank while the fintech companies are business partners who are also engaged in lead generation, prescreening, customer service and underwriting of loans. There are models emerging at other banks, too, in which fintechs share a small percentage of the lending pie.

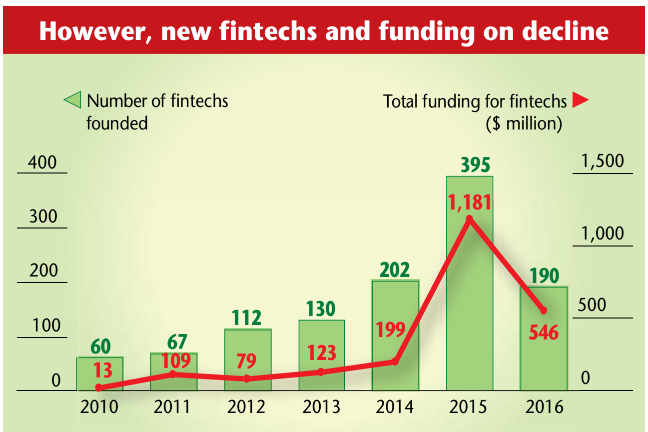
Saurabh Tripathi, senior partner & director, Boston Consulting Group, a consulting firm, says that, till just a year ago, it was difficult to get emerging fintech companies and banks to sit at the same table for discussions, because the former was well-supported by private equity money. “As that investor segment realised the situation and became more confident about profitability and bottomline, companies have become more collaborative.” It works for the banks too. “We have seen banks reduce transaction failures and improve customer experience in partnership with various fintech companies,” says Singh of Axis Bank.

The engagement model between banks themselves is undergoing a change. Because the banks follow an open architecture model with all of them on the same platform offering services like the United Payments Interface (UPI) – the retail, mobile app version of banks – customer service takes centre-stage.

When a customer of Bank A transacts on Bank B, the latter gets access to the customer’s transaction data. Over a period of time, a decent incentive can be



Source: Tracxn data. Data as of Nov 16, BCG Analysis



Source: Tracxn data, BCG

UPI versus mobile wallets

After the demonetisation of old ₹500 and ₹1,000 currency notes on 8 November, the government has urged citizens to embrace cashless mode of payments and promote digital transactions. According to the National Payments Corporation of India (NPCI) – the umbrella entity for all retail payments in India — the number of daily transactions on the UPI platform since demonetisation has doubled. The numbers, though, are still minuscule when compared with PayTM's 200 million.

All mobile wallet companies, like Freecharge and MobiKwik, have joined the party. A recent report by trade body ASSOCHAM and business consulting firm RNCOS pegs the mobile wallet market to hit Rs151,200 crore by 2021-22.

The mobile wallet companies built their model around a cash-back system, in which a small amount is returned to the consumer when she makes a purchase similar to points accumulated on airline deals or bank credit cards. Except, cashbacks have traditionally been offered in smaller amounts, have restrictions on use and must be consumed within a timeframe. The mobile wallet companies offered no such restrictions, clearly at a loss.

But, despite both UPI and mobile wallets providing ease of cashless transactions, the similarities between them end right there. The essential difference being, UPI is run by NPCI, which allows only banks to offer their services through the interface, while mobile wallet companies do not have access to this interface.

Seeing a lion's share of online business through transactions shifting to these mobile wallet companies, many of the banks have launched their own mobile wallets. SBI has come out with Buddy, HDFC with PayZapp, ICICI with Pockets, Axis with LIME, Yes bank with Yes Pay, Kotak Mahindra Bank with Kaypay, to name a few. Almost all the banks have started working to save their customer base from being eroded by the likes of PayTM, MobiKwik, etc.

After demonetisation, SBI launched 'SBI Pay' in November 2016. "With the current demonetisation drive of the government and the push towards digital/cashless payments, SBI Pay is expected to be a game changer in the digital payment ecosystem as the bank has the largest customer base in the country," says Arundhati Bhattacharya, chairperson.

Batting for UPI, Yes Bank Digital Banking, senior president & country head, Ritesh Pai, concurs. "We have seen a rise in transaction volume by 40 times of what it was prior to 8 November. Our customer registrations are over 1.2 million and growing rapidly. We expect UPI transactions to increase exponentially in the next three months when most of our merchant partners will be going live," he says.

Needless to say, other banks have followed suit too. They have strong reason to support such a move. "UPI as a service from NPCI, can be equated to what MasterCard and Visa brought about as an industry standard for all banks to adopt, thereby driving customer and business adoption exponentially. With Bharat Bill Pay around the corner, and digital-only accounts now a reality with RBI approving Aadhaar + OTP-based account opening, UPI will get a boost from both demand and supply," Ritesh Raj Saxena, head of savings and digital, IndusInd Bank reasons.

All said and done, postdemonetisation, all stakeholders have been compelled to rethink strategies on ways to engage with customers. What would tilt the scale in their favour would be last mile linkage and cost-effective delivery of services keeping security intact.

◆ NS

JOINING UP

The BHIM app has 15 million users. It connects UPI with USSD payments, thus bridging the gap between smartphones and feature phones

good enough for the customer to jump over. Similar fears have been expressed around a bank's engagement with mobile wallet companies.

And that has led to points of friction – at least when mobile wallet companies are involved. First, SBI blocked mobile payment companies from access to its digital infrastructure for security reasons (though a few have special privileges). Then, ICICI Bank blocked PhonePe citing the same. On 9 March, PayTM imposed a 2 per cent fee on credit card usage on its platform giving the misuse of its cashback features as the reason. A day later, after new checks were put in place, it reversed that decision.

In India, catering to e-commerce sales through a low cost payments model, PayTM's valuations have soared in the past. In December 2016, founder Vijay Sharma sold a 1 per cent stake in parent company One97 Communications, valuing it at ₹32,500 crore ($5 billion). By 2030, Sharma expects valuations to touch

Handa: "Give the customer what she wants"

₹650,000 crore ($100 billion).

At a ₹65,000 crore ($10 billion) valuation, Sharma would like to buy a Rolex. Yet, last fortnight, Reliance Capital sold a 1 per cent stake in One97 Communications to Alibaba Group Holding at ₹275 crore. The firm made 27 times profit over its initial investment, but valued PayTM at a lower ₹27,500 crore.

Only one payments bank – Airtel Payments Bank – has launched so far. PayTM, which has yet to launch as a payments bank, has seen growth at a loss to the company – totalling ₹1,500 crore within a single year; prompting HDFC Bank managing director Aditya Puri to declare that the payments model is not sustainable.

For a business to be sustainable it must make a commercial profit and someone has to pay for that – be it consumers or merchants. Since the idea is to improve financial inclusion, that burden has fallen on the merchant's shoulders who pays a percentage of every transaction to the service provider, through a Merchant Discount Rate (*see box: Who pays?*).

If the MDR is fixed at 0.5 per cent per transaction, the financial service provider will make ₹500 crore, excluding operating costs, only if the total transaction value is ₹1,00,000 crore. The zeroes drop proportionally if the business size is smaller. The payments bank can also have a fee-based model around wealth management and other services to cover costs, but ₹1 lakh crore is the kind of target a provider would need to cover losses of ₹1,500 crore a year.

Sharma: "User experience is key"

The USSD conundrum

Why has USSD failed to take off, despite being the cheapest method for merchants and consumers to conduct a financial transaction? USSD, or Unstructured Supplementary Structured Data, is a base telecom platform that is more responsive than the popular short messaging system.

Conducting a financial transaction on this platform does not need data services, which is offered for a fee by telecom players. Moreover, unlike UPI and mobile wallets which can only be used on smartphones, USSD services can be used on the most basic feature phones as well as smartphones.

Bankers say the use of USSD is clunky, and requires multiple entries before a transaction can take place. The service must compete with cash which for consumers and merchants is an instant payment.

They also say it is a marketing problem. USSD is too technical a term for a common person than, say, *99# the number that must be dialled to activate the service.

Another problem is that the industry has so far been reluctant to push the service, since the charges on UPI (United Payment Interface) and mobile wallet apps are not capped and can be more lucrative. The Telecom Regulatory Authority of India (TRAI) has fixed the charge at 50ps per transaction.

Lower cost is not the be all and end all solution to everything. If a new service offered is faster and offers more convenience for a consumer, there is indeed room to charge a premium.

"The primary reason for poor USSD uptake would be charges," says Deepak Sharma, chief digital officer, Kotak Mahindra Bank. "Another reason for slow uptake would be the user experience and time taken to complete a transaction. It will also require sustained promotion and education with wider participation from ecosystem players including banks, telcos, banking correspondents and NPCI."

"Convenience and cost are major factors contributing to the amount of success and popularity a channel gets. USSD, because of its inherent limitations relating to telecom (SMS)-cost and imperfect flow, cannot be taken to a certain level," say SBI's Manju Agarwal.

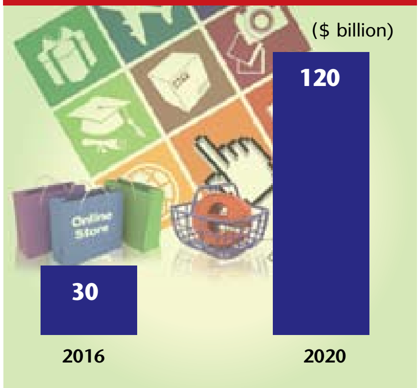
Because the Indian market is dominated by non-smart phones, SBI has tried to cater to this clientele through varied offerings. "However, when we try to upgrade such offerings to include the transactions, we encounter a trade-off between simplicity and security. Another factor which cannot be ignored is that, this clientele (the feature phone users) is not exposed to nuances of tech-risks and thus are more vulnerable to financial frauds," adds Agarwal.

◆ RMR

SMARTER OPTIONS

India will have 810 million smartphone subscriptions by 2021, says an Ericcson Mobility Report, with the mobile subscriber base expanding to 1.37 billion

e-Commerce takes off

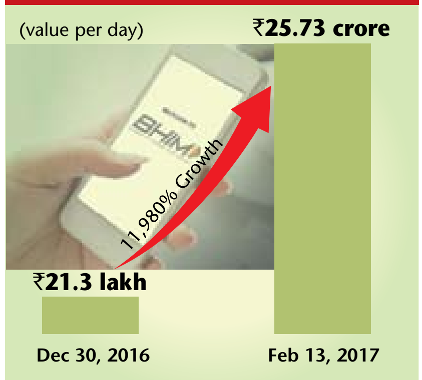


Source: KPMG

There are already noises emerging on how much a merchant or consumer must pay for shifting to digital payments, against cash payments that can take place without a transaction charge. R.S. Sharma, chairman, Telecom Regulatory Authority of India, has said that cost of transactions should come down. He adds that the cost should not be calculated on a random basis, but instead on a 'work done' principle – like it is done while calculating inter-connect charges in the telecom sector. Within USSD (Unstructured Supplementary Service Data) or *99# (which does not require data to make a transaction), TRAI has already lowered the cost to ₹0.50 per transaction from ₹1.5 earlier (*see box:* The USSD conundrum). Curiously, it isn't the Reserve Bank of India but TRAI making a comment on digital payments.

But, if keeping the cost of a transaction minimal is key to replacing cash, then equally important is a stable and robust security framework around it. Aadhar Pay, which launched last fortnight, links a customer's fingerprint

Growth in value of transactions using BHIM App



Who pays?

The business model for low value transactions of both banks and mobile wallet companies essentially rests on two premises. In being able to track the daily spends of millions of Indian consumers, these companies are building the ability to identify retail spending trends and successful products. Data will give service providers the power to influence consumption decisions. Gone are the days when finance was driven by consumption. In a new reality, finance can drive consumption.

Equally important is the Merchant Discount Rate (MDR), or the charge a merchant must pay to the payment service provider per transaction. Consumers for both bank and mobile wallet companies do not pay any services fees or charges; that burden falls on the merchant. While PayTM charges zero fees to merchants who retain the funds with PayTM, those who transfer the funds to banks must pay 1.99 per cent of the transaction value, plus service tax.

Through a notification on 16 December, and post demonetisation, the Reserve Bank of India capped the MDR for banks at 0.25 per cent of the transaction value till 31 March. For transactions above ₹1,000 and up to ₹2,000 the MDR has been capped at 0.5 per cent of the transaction value during the same period. Early April RBI is expected to issue a final circular on the merchant discount rate.

"Based on consultations with various stakeholders, it has been decided to restructure MDR on the basis of merchant turnover rather than the present slab-rate based on transaction value. There is also a case for having a differential MDR for government transactions and for certain special categories in view of the non-discretionary nature of those expenses, etc. Similarly, taking into account the need for encouraging asset-light digital infrastructure such as QR-code, there is a need to differentiate MDR between acquiring infrastructure involving physical terminals, including mPOS and digital acceptance infrastructure models such as QR Code," it said.

The MDR is bound to fall as the number of consumers transacting digitally rises. Bankers say that consumers do not fully appreciate the cost of handling cash for the banks, the Reserve Bank and for the government – which they have never had to bear. The verdict is still out as to whether the cost to consumers and merchants should be capped, and whether it should be made available at zero cost to the weaker segments of society.

◆ RMR

FLAT FEES

For government transactions, the RBI has proposed ₹5 for transactions up to ₹1,000; ₹10 for transaction value between ₹1,001 and ₹2,000 and not exceeding 0.5 per cent for all higher values, with a cap of ₹250

Soni: an eye on the consumer

to their bank accounts. The onus on data security rests with the UIDAI, which gathers powers under the Aadhar Act.

Decisive trend

Lastly, there is the need for a framework around individual data privacy that the financial services players and telecom operators depend on – with a network of data brokers across the country willing to sell personal information at less than a rupee a person. What kind of information is captured, for instance, and the responsibilities of the people that have access to such information.

In the 'hare and tortoise' race underway, the incumbent banks expect to catch up fast, following the open architecture model even as mobile wallet companies have focussed on building relationships between consumers and merchants within a closed loop.

The closed loop model has proliferated but has limitations. "Wallets and PPIs (pre-paid payment instruments) have been closed loop with regards to acquiring customers and merchants. They have shown quick growth with minimum know-your-customer customer acquisition and merchant on-boarding. The downside is that it requires a customer to operate within the wallet's ecosystem of online and offline touch points. Industry players have driven this usage with offers/promotions/discounts but this may not be sustainable in the long term," says Kotak Mahindra Bank's Sharma.

In a country as large as India, the open architecture model is more likely to succeed, says BCG's Tripathi. Adds SBI's Agarwal: "World over regulators are forcing banks to follow an open architecture model. It will take a while before UPI or QR code can gather steam and are able to onboard merchants and customers in a big way. It is all about the networking effect. But once these platforms are popular, there will be no room for any other products or platform."

On 2 March, the RBI issued a notification advising all banks to pump up their financial literacy efforts with regards to digital transactions. "The Financial Literacy Centres are advised to conduct special camps for a period of one year beginning 1 April on 'Going digital' through UPI and *99# (USSD). Two posters have been prepared which can be distributed to the general public during the camps," it said.

Tripathi: "Collaboration is the future"

What is clear, however, is a decisive trend from cash to digital payments. Due to the sheer convenience of being able to transact digitally, consumers who shift to digital are unlikely to return too often to cash again. The service providers who are able to successfully capture this trend as it unfolds will be first at the finishing line.

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SANJAY BORADE

Modi's new priorities

Anchoring tax/labour reforms, tackling opposition at home and Trump abroad

Following his intense campaigning in Uttar Pradesh to shore up the BJP's poll prospects in the last phase of the assembly election, Prime Minister Narendra Modi was in Gujarat for a full two days. The visit covered almost all parts of the state except Kutch. It was Modi's seventh visit in the past one year. This is seen as a precursor to the 2017 assembly elections in the state.

With recent agitations by Patidars, Dalits and OBCs giving a tough time to the BJP-led state government, Modi, as is his wont, does not want to leave anything to chance in Gujarat. His visit was meant to infuse party cadres with the much-needed motivation. After all, the state has almost equal significance for him as UP. This is the state which he successfully ruled for three terms and where he earned his political spurs. Though the PM is known to be abreast with all that is happening in the state, he is believed to have discussed key political developments (and perhaps even election planning) with important functionaries of the state government as well as his own party.

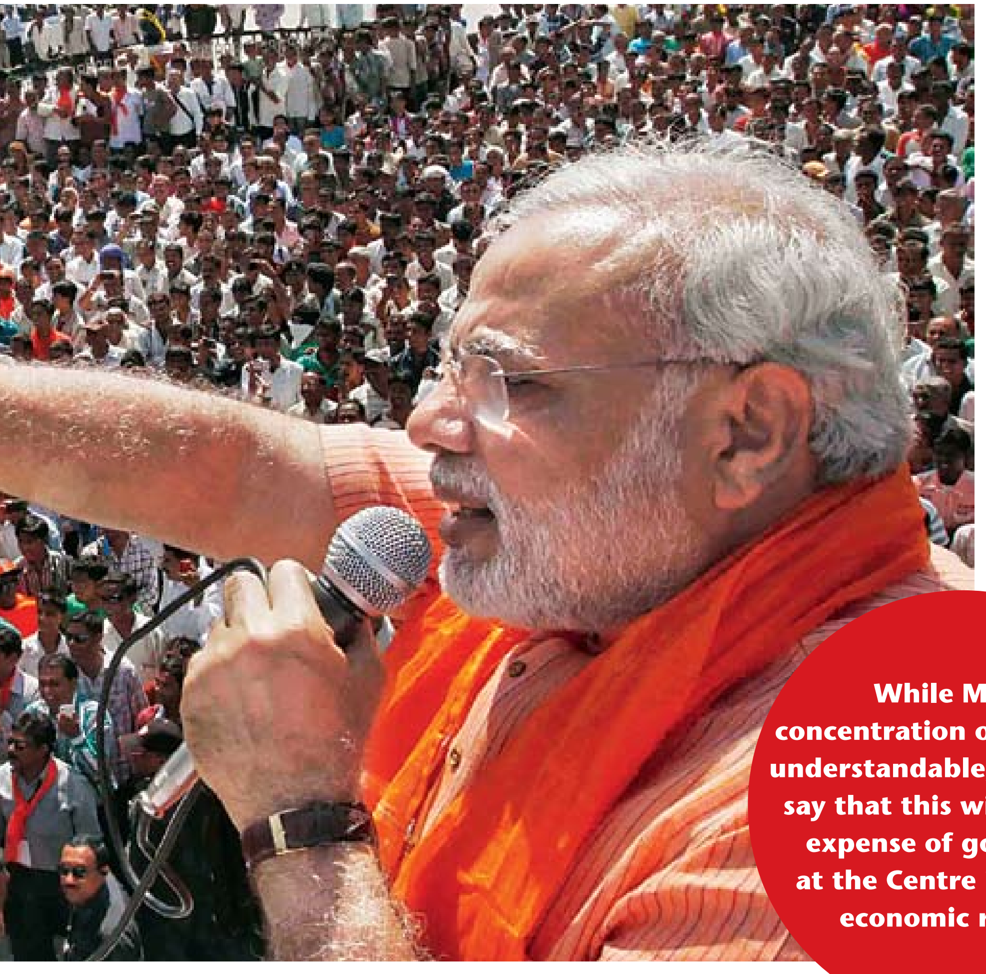
Will Gujarat be a priority for Modi in 2017? "Currently, the political situation in Gujarat is not conducive for the BJP, especially in rural areas," says political analyst Hemant Shah. "Three youths – Hardik Patel, Alpesh Thakor and Jignesh Mevani – have mounted a strong challenge. Modi, on the other hand, would like to assert that his hold over Gujarat remains as strong as ever."

Given his intensely political persona as PM, there is no doubt that Gujarat will be Modi's focus. So far, Modi has been projecting that even after his elevation to the Centre, development remains the prime agenda of the saffron party. And so, during his recent visit to Gujarat, Modi inaugurated a new four-lane bridge over Narmada in Bharuch and an industrial plant at Dahej. The bridge was a long-pending issue in the state: a tender first awarded to Hindustan Construction Co in 2012 had to be scrapped and finally L&T completed it in a record time of three years. But to politically milk the event, the BJP had assembled more than 250,000 people at the inauguration.

Modi also flew to Somnath temple, where he offered special prayers and attended the meeting of the Temple Trust. The temple trust meeting saw him reaching out to an old adversary, former CM Keshubhai Patel, and appointing him its chairman. There is speculation now about early elections in the state, if the BJP does well in UP. Modi will clearly be combining the political assets with the administrative reach to further the BJP's prospects in Gujarat.

While Modi's concentration on Gujarat is understandable, one cannot say that this will be at the expense of governance at the Centre in pushing economic reforms. There has been speculation about the outcome of the recent round of assembly elections impacting the pace of reforms. The common assumption is that a victory in Uttar Pradesh, apart from changing the matrix of the electoral college in the upcoming Presidential election, will lend Modi the winning momentum for the elections that will follow in Gujarat, Madhya Pradesh, Rajasthan and Karnataka. Retaining the first three states held by the BJP and wresting the fourth from the Congress would be a big deal and could pave the way for the final round in the 2019 Lok Sabha election. In policy terms, it is being said, a win will encourage the government to stay on the reformist path, while a less than satisfactory performance may force it to take a more populist approach.

This is because the BJP has been



looking to project a UP victory as a vote in support of demonetisation. This was the party's refrain in the aftermath of a particularly successful performance in various state civic elections. The UP vote is "important because it will be seen as a litmus test of Prime Minister Modi's reforms and popularity ahead of the national elections in 2019," says Dushyant Padmanabhan, a foreign-exchange strategist at Nomura Holdings Inc.

However, not everyone is convinced that the UP outcome alone will guide the developments. Ashwini Agarwal, a fund manager at Ashmore India Investment Management LLP feels that "if we go by the demonetisation decision, the fiscal restraint shown in the budget proposals and progress on the Goods & Services Tax (GST), it appears the government doesn't wish to play to the gallery for short-term electoral gain at the state level."

In its recent research report, Moody's also said that the government's reform agenda appears on track despite some loud opposition on certain policies. It felt that much of the public appears to be generally supportive or tolerant of the government's policy decision on demonetisation, despite the initial inconvenience and economic uncertainty. "In addition to economic uncertainty, demonetisation raised questions about prospects for future reforms, due to the potential for popular discontent and resistance from opposition parties in parliament," the report said. Also, despite calls from some economists and politicians to significantly increase government spending to offset the temporary drag on growth from demonetisation, the budget emphasised prudence and continued gradual fiscal consolidation it added.

According to the report, GST could be one of the biggest game changers for the Indian government and the government seems to have managed it quite well. "Recent progress on the pending GST reform and finance minister Arun Jaitley's 1 February 2017 budget speech in the Parliament both underscore the government's commitment to reform in the wake of demonetisation. Despite initial opposition from some states that cited demonetisation as a basis for indefinitely postponing implementation of the GST, in January 2017 the Central government and states reached agreement on a revised target implementation date of 1 July 2017," the report added.

While Modi's concentration on Gujarat is understandable, one cannot say that this will be at the expense of governance at the Centre in pushing economic reforms

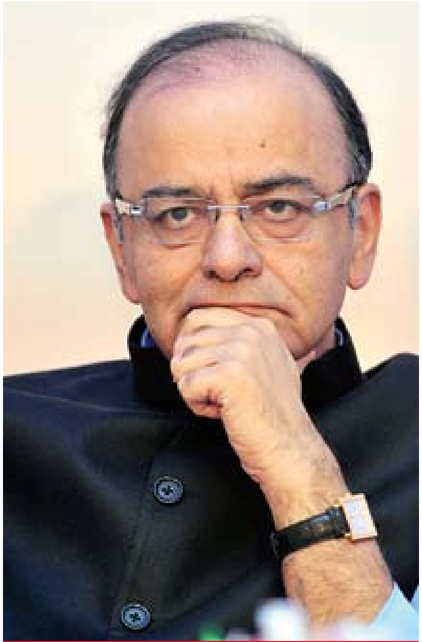
With just about two months to go before Modi completes three years in office, his plate is still half full. So, the promised GST will have to be delivered. After the last meeting of the empowered council of state finance ministers, there were positive vibes all round. Despite some initial hiccups in transitioning registrations to the GST regime, it is believed that the administrative aspects of the law should not pose much of a challenge to both the taxpayer and the tax collector. Yet many concerns and unknowns have still to be resolved, which will now happen by itself. It will require a major political initiative (as well as a gamble) by Modi and Jaitley.

Steep rate

A convenient rate of tax is one of the primary pillars on which a Model GST law should stand on. In the first version of the law, the charging section read, "There shall be levied a tax called the Central/state Goods & Services Tax... on all intra-state supplies of goods and/or services at the rate specified in the Schedule to this Act and collected in such manner as may be prescribed. In Version 2, released on 25 November 2016, the clause read, "There shall be levied a tax called the Central/state Goods &

Services Tax... on all intra-state supplies of goods and/or services on the value determined under section 15 and at such rates as may be notified by the Central/state government in this behalf, but not exceeding 14 per cent, on the recommendation of the Council and collected in such manner as may be prescribed."

But, even before Version 3 could be unleashed, the section was amended, replacing 14 per cent with 20 per cent. Now, the maximum rate of Central GST and state GST would be 20 per cent each, which would arithmetically peg the IGST rate at 40 per cent. Parliamentary approval is not needed for slapping a levy of 40 per cent on certain goods and services. While one hears that luxury cars, tobacco and such non-essential products would only be taxed at 40 per cent, an insertion in the main charging section itself even before the fitment of rates with all goods and services would mean that virtually anything can be taxed at 40 per cent. But 40 per cent is a steep rate of tax even for luxury and sin products.



From all accounts, Jaitley's task now is to get the GST Council to focus on the economic and commercial aspects of the law

Recipe for inflation

From all accounts, Jaitley's task now is to get the GST Council to focus on the economic and commercial aspects of the law. They could make a start by notifying a negative list that is not too long but contains essential goods and services that the government does not want to tax. It is also imperative that the GST Council should immediately notify which goods and services would fall in the 40 per cent bracket and also provide an assurance that there would be no messy cesses levied over and above the 40 per cent rate. Every government has shown a penchant to levy a cess whenever they have to raise revenues.

The Modi government, for instance, is guilty of levying a higher excise duty on petrol and diesel periodically to augment its revenues but in the bargain the common man has been deprived of the advantage of falling oil prices. This policy, if applied to GST now, could well take the rate to 40 per cent across a range of products if tax and other revenue (disinvestment, etc) collections fall and the government is forced to respond to the steep commitment it has made in keeping fiscal deficit tied down to 3.2 per cent of the GDP. This may be a recipe for inflation – something Modi would be keen to avoid in a year when crucial assembly elections are due.

Recently, the government announced its decision to abolish FIPB, sending a signal to overseas investors to come and join the party. But foreign investments will only come if the ease of doing business is improved across the board and infrastructure gets ramped up. For this, the government will have to ensure the passage of the twin codes on wages and industrial relations that form the crux of its agenda for reducing labour market rigidities. Both the codes, which have already undergone legal vetting, need to be taken to the Cabinet soon for approval and placed in Parliament, most likely in the second half of the budget session.

Among the major proposals are introducing fixed-term employment – which was made applicable in the textile and garment industries last year – in all the sectors, allowing units employing up to 300 people to retrench/lay off workers and/or close down without government approval, making trade unions with negotiating powers more representative, barring outsiders from being office-bearers of unions in the organised sector and reducing such persons' role in union activities in the unorganised sector. Also, an industrial strike would be defined afresh by including concerted casual leave by 50 per cent of more workers while the provision for prior notice of strike would be extended to "all activities similar to existing public utility services".

The extension of fixed-term employment to all sectors would help generate fresh jobs and thus, could be a win-win for both the workers and employers. However, trade unions are opposed to this, calling it a backdoor entry for the hire-and-fire policy. Modi will require political courage to push these moves. But government sources point out that last year, the government made it mandatory for units in the textile and garment industry to treat a fixed-term worker on par with a permanent worker in terms of working hours, wages, allowances and other statutory dues. This was a start and the emulation of the policy by all the other manufacturing and service industries could go a long way in addressing the current stagnation in job growth and generate "decent employment".

The government also proposes to increase the severance compensation in case of retrenchment or closure from 15 days' wages now to 45 days' wages for every completed year of service. However, such compensation won't be available to those recruited for fixed-term employment.

As these steps are regarded as industry-friendly, the proposed codes also seek to enhance the workers' privileges. The code on wages, for instance, proposes making minimum wage a statutory right and extending it to all employees – currently the relevant act applies to 51 'scheduled employments' only. In what is expected to reduce the disparity in minimum wages across states, the Central government will notify a "national minimum wage" (below which no state can fix their minimum wages) and this will be revised every two years (five years, if the dearness allowance becomes part of the minimum wages). Also, the changes proposed in the Payment of Wages Act will ensure payment of wages to all in time and mostly to the bank accounts. Besides, the maximum wage for computing bonus will be '₹7,000 per month or the minimum wage, whichever higher,' against the ₹7,000 per month now.

By allowing larger units to lay off workers sans the government nod, the government is looking at unlocking of investments and easier exists for industries, which is also buttressed by the new bankruptcy code. While the government proposes to bar outsiders from being office bearers of trade unions in the organised sector to preclude undesirable interference, in case of trade unions in the unorganised sector, the number of outside office bearers would be restricted to two, or 25 per cent, of the total office-bearers, whichever is less, from 50 per cent of the office-bearers at present. The proposed codes also provide for a greater facility for skilling of workers and resolving trade union disputes.

Doing business with Trump

In the coming months, Modi will be embarking on a new set of foreign destinations, beginning with Israel. But, what has intrigued observers is his refusal so far to speak up on the situation developing in the US after the change of political guard there. For a PM who wears his love for every expatriate Indian on his sleeve, there are some who believe that Modi may have been slow in reacting to the targeting of Indians in the US. Perhaps, his foreign policy advisers do not think the three recent attacks on Indian-origin people in different parts of the US add up to a broader trend that needs New Delhi's intervention.

Reports now suggest that the new Trump administration has already asked India to announce the subsidies it offers to some of its agricultural produce in advance and not after a bumper harvest

But, in Trump's America, H-1B visa holders who service the IT and tech industry are getting jittery. The Indian-American immigrant community finds itself in the cross-hairs of white supremacists.

Indeed, doing business with Trump was never going to be easy for Delhi. New challenges lie ahead on the trade and investment fronts, too. The first indication of the trouble comes from the 2017 Trade Policy Agenda unveiled by the Trump administration recently. This document says ominously that the US will come down on India's export subsidy programmes, and push for a stricter regime for intellectual property rights and patents. The report – 2017 Trade Policy Agenda and 2016 Annual Report of the President of the US on the Trade Agreements Programme – released by the Office of the US Trade Representative categorically says that India's 'import-restricting measures' result in 'serious market access issues' for the US industry. It sees a general trend of tariff increases in India, which reflects an active pursuit of import substitution policies.

The 2 March document states that the US will engage India bilaterally to commit to a phase-out of its export subsidy programmes to the extent that they benefit the textile and apparel sector. Reports now suggest that the new Trump administration has already asked India to announce the subsidies it offers to some of its agricultural produce in advance and not after a bumper harvest.

The report also states that India's trade and regulatory policies have 'inhibited' the real growth potential of the bilateral trade that rose to $109 billion in 2015 from $4.8 billion in 1980. The GST regime, it says, could provide an impetus to the creation of a 'common internal market, which significantly lowers transaction costs'. While agreeing that India's reforms on IPR are encouraging, the document says India's new National Intellectual Property Rights Policy should protect US innovations. On the WTO dispute between India and US poultry imports, the USTR said it will continue to press for suspending trade concessions given to India to the WTO Disputes Settlement Body, unless India allows import of American poultry products.

The Tump team has made it clear that it will 'come down heavily' on countries with which it has trade surplus. The US has registered its biggest monthly trade deficit in nearly five years of $48.5 billion. "The US has been already asking questions of India on some of its subsidy mechanism," points out Biswajit Dhar, a trade expert and a professor at Jawaharlal Nehru University. "Trump is going to be a mercantilist and will not tolerate trade deficit."

It will be interesting to see how Modi authors new responses to such situations, as well as anchors key economic reforms in the face of political opposition at home, as he prepares his party for the Big 2019 Vote.

◆ RAKESH JOSHI
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Ushering in a true 'blue revolution'

India's ambitious ₹7 lakh crore Sagarmala Programme envisages port-led development that promises to be transformative for the nation

Its 12 major and 187 notified minor and intermediate ports are the veritable lifeline for India, where as much as 95 per cent of trade by volume and 68 per cent by value is freighted across the seas. Bounded by a 7,517-km coastline on its eastern and western seaboards, India is the 16th largest maritime nation in the world and the rise of its ports has been its major success story. Path-breaking reforms crafted since 1993 spawned private – or 'non-major' – ports by attracting largescale investments via public-private partnerships (PPPs) and 'build operate transfer' (BOT) initiatives. These initiatives were facilitated by the Indian Ports Model Concession Agreement, which the trusts governing the major ports had entered into with private operators, for creating and operating terminals that were characterised by vastly improved port services and by high efficiency and expertise.

Indian ports, however, trail far behind the largest ports in the world, six of the 10 biggest being in China alone. The top 10 are the Port of Shanghai (China), Port of Singapore Authority, Shenzhen (China), Hong Kong, Busan (South Korea), Ningbo-Zhoushan (China), Qingdao (China), Guangzhou Harbour (China), Jebel Ali (Dubai) and Tianjin (China). Shanghai has remained the largest container port ever since it dethroned Singapore in 2010. It handled 37.13 million TEUs (20-ft equivalent units) – up 1.6 per cent from 36.54 million TEUs registered in 2015, while Singapore's volumes have stagnated at 30 million TEUs over the two years.

In contrast, India's foremost container port, the Jawaharlal Nehru Port Trust (JNPT), off Mumbai, recorded 4.49 million TEUs in 2015-16,

notching a hefty 38 per cent share in India's overall container throughput of 11.9 million TEUs for the year. India's largest port, by cumulative cargo traffic, the privately-owned Mundra port of Gautam Adani, handled 2.7 million TEUs. Its overall throughput totalled 152 million tonnes (mt) across all its 14 terminals at 10 ports in six states. The combined container capacities created at these ports total 11 million TEUs. In comparison, Tianjin, the world's 10th largest port, recorded 14.5 million TEUs in 2016.

Also, containers in India are hauled over distances of 700 to 1,000 km between production sites and ports as against 150-300 km in China. In China, container exports take six days from hinterland to vessel, while in India it takes 7-17 days. Acknowledging the bottlenecks, a government release says, "The growth of India's maritime sector is constrained due to many developmental, procedural and policy related challenges, namely, involvement of multiple agencies in infrastructure development, industrialisation, trade, tourism and transportation."

It additionally lists the dual institutional structure that has led to the development of major and non-major ports as separate, unconnected entities, limited hinterland linkages that constrain cargo movement to and from ports, and increase transportation costs. These challenges have restricted the share of ports in India's GDP to only 1 per cent, and the increased costs of shipping goods have rendered India's exports uncompetitive in international trade.

Efforts are, however, on-going in India to turn the situation around. Hundred per cent Foreign Direct Investment (FDI) is now allowed under the automatic route for port and harbour construction and maintenance projects, and a 10-year tax holiday is available for the development, maintenance and operation of seaports, and inland ports and waterways.

The opening up of this vital sector to spur capacities ahead of exploding demand has revolutionised cargo handling in the country. Cargo traffic, handled by both major and non-major ports, is expected to reach 1,758 mt in 2016-17 – up from 1,605 mt the year before.

Competition between these non-major ports and their 12 major Centrally-owned counterparts has benefited most stakeholders, bringing about great changes and flexibility that have resulted in tempered and reasonable tariffs for the shipping lines and cargo owners for the services they receive. The major ports are located at Kolkata/Haldia, Chennai, Kochi, Ennore, Jawaharlal Nehru Port at Nhava Sheva, Kandla, Mormugao, Mumbai, New Mangalore, Paradip, Tuticorin and Visakhapatnam. In addition, independent third party service providers now offer a variety of services to the ports, ranging from hiring of cranes and other equipment to providing software for speedy handling of information. Turnaround times have improved, pre-berthing delays reduced and crane moves augmented. Operators are benchmarking working standards all the time for the entire ports sector.

Throughput in Indian ports has been clocking a compounded annual growth rate (CAGR) of more than 10 per cent over the past five years, this growth expected to be maintained or even exceeded over the next five years, as the GDP continues on its high trajectory and India becomes a bigger part of the global economy. The government is, however, mindful that this growth in traffic can be attained only if there is commensurate growth in port capacity and in the development of port infrastructure.

A major pitfall has been the absence of a hub port in India that has led to most of the incoming container cargo to be transshipped through other ports such as Colombo, Singapore, Dubai

and Salalah (Oman). An IIM study estimates that handling these cargoes through an Indian transshipment terminal would result in savings of between ₹6,000 and ₹16,000 per TEU for the Indian exporter. Foreign 'mother' container carriers of deep drafts do not serve Indian ports, calling on these neighbourhood hubs instead, from where 'feeder' vessels route the cargo to Indian ports, entailing extra time and costs for exporters and importers.

India's huge growth potential is, however, enthusing many operators, one of them being Dubai's DP World Pvt Ltd, the world's fourth biggest container port operator that recently announced plans to invest over $1 billion in augmenting its port-related operations in India. DP World operates five container terminals at the major ports of JNPT, Visakhapatnam, Kandla (Mundra), Chennai and Kochi. The Maritime India Summit 2016, held in Mumbai from 14 to 16 April, attracted promised investments worth ₹82,905 crore ($12.18 billion) with 141 memoranda of understanding (MoUs) and business agreements being signed.

Jindal ITF (infrastructure, transportation, fabrication) has planned on investing nearly ₹500 crore ($73.5 million) to expand operations of transloading cargo at Kanika Sands, a deep-drafted location within the jurisdiction of the Paradip Port Trust, and transport it to the Haldia Dock Complex (HDC) of Kolkata Port Trust. Visakhapatnam Port Trust (VPT) has a ₹3,000 crore ($440.9 million) expansion-cum-modernisation plan to enhance port capacity by nearly 50 per cent. Its share will be ₹800 crore ($117.6 million), with private partners investing the balance by PPPs. The integrated logistics and transportation group of J.M. Baxi is negotiating to raise about $150 million to $200 million of private equity (PE) to fund its high asset businesses like terminals and container handling facilities.

Kamarajar Port Ltd (KPL), formerly Ennore Port Ltd, has signed an agreement with Toyota Kirloskar Motor Pvt Ltd for exporting its automobiles through the port. The agreement obliges 'original equipment manufacturers' (OEMs) to use KPL as their primary port, in return for which KPL will offer volume-based tariff discounts.

JNPT signed an agreement to raise $400 million from State Bank of India and Development Bank of Singapore for improving its port infrastructure so as to more than double its existing yearly capacity to 9.85 million TEUs. It also has plans to build a satellite port at Wadhwan near Dahanu, on the Maharashtra-Gujarat border, at a cost of ₹30,000 crore ($4.4 billion) to ease vessel congestion at JNPT. A proposal for this port had been withdrawn in 1997-98 in the face of strong protests by the local community that feared that the massive project would destroy their environment. The Centre's renewed sanction has evoked protests once again. In 1998, the Supreme Court-appointed Dahanu Taluka Environmental Protection Authority had opposed the proposal after surveying the site.

While increasing the capacity of major ports, the Shipping ministry has been striving to improve their operational efficiencies through mechanisation and other means. The ministry has prepared an action plan for increasing the draft at these major ports to enable them to handle larger vessels.

The ministry claims that key efficiency parameters have improved considerably, the Average Ship Turn-Around (ASTA), for instance, recording 3.63 days in 2015-16 as against four days in the preceding year. By last October, it had further improved to 3.49 days. Average Ship Berth Output (ASBO) too increased from 12,458 tonnes

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Operation / Adminstration :
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Beach Road, Kakinada - 533 007
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SANJAY BORADE

in 2014-15 to 13,151 tonnes in 2015-16, and further to 13,949 tonnes up to October 2016. Of the 116 initiatives to benchmark the performance of major ports with a view to improve their operational efficiency, productivity and profitability, 60 have already been implemented and the rest will be executed by 2019.

Shipping, Road Transport and Highways minister Nitin Gadkari points to the revision in tariff guidelines that has helped provide flexibility to port operators to align tariffs closer to market tariffs, subject to achievement of certain performance standards. The Model Concession Agreement too is being amended so as to take care of the contingencies affecting the execution of PPP projects. New berthing and stevedoring policies have also been formulated.

To unleash India's full maritime potential, his ministry has launched the ambitious Sagarmala (String of Ports) Programme to draw a further ₹7 lakh crore ($103 billion) worth of investments into 400 projects across the areas of port modernisation and new port development, enhancement of port connectivity, port-linked industrialisation, and coastal community development. The programme is, in fact, a resurrected version of the one originally conceptualised by the Vajpayee government in 2003 as the waterways' equivalent of the Golden Quadrilateral.

Sagarmala seeks to usher in a 'blue revolution' in the country, premised as it is on the modernisation of India's ports as well as the creation of connectivity between them and the hinterland for efficient and cost-effective movement of goods. Port hinterlands will be industrialised to steward the economic transformation of the coastal regions, which already account for more than 60 per cent of GDP. The programme is also part of Prime Minister Narendra Modi's plans for a manufacturing-led, trade-export growth economy fuelled largely by private domestic and foreign investment.

The government hopes to reach this goal over the next decade by slashing logistics costs by ₹35,000-40,000 crore per annum, boosting merchandise exports by $110 billion and creating one crore new jobs, including 40 lakh direct jobs. This diversified plan also seeks to harness the 14,500 km of potentially navigable waterways, both inland and coastal, in the modal mix.

The multifarious programme is to be implemented by the concerned Union ministries, state governments, ports and other agencies, primarily through the private or PPP mode. To provide equity support to residual projects under the broad scheme, the Sagarmala Development Company (SDC) was incorporated last August, after receiving Cabinet approval a month earlier. Initial authorised share capital of ₹1,000 crore and subscribed share capital of ₹90 crore have been released to the company that held its first Board meeting in September.

Also planned is the development of 27 industrial clusters, rail and road connectivity with ports, and 14 Coastal Economic Zones (CEZs) that will promote port-led industrialisation. The government also hopes to attract private investment in the development of inland waterways, as an alternative to road and rail routes, for transporting goods to ports.

Gadkari says the Sagarmala Programme is now moving from conceptualisation and planning to the implementation stage. A National Perspective Plan (NPP) was released by Prime Minister Narendra Modi at the maiden Maritime India Summit 2016, as part of Sagarmala, for the comprehensive development of India's coastline

DIGHI PORT LIMITED

A MULTIPURPOSE, ALL WEATHER, MULTI – CARGO DEEP DRAUGHT, DIRECT BERTHING PORT

Cargo Potential

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- Automobiles
- Liquid Natural Gas (LNG)
- Agri Products
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- Coal
- Liquids
- Fertilizers
- Cements
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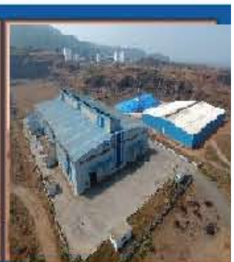

SPECIAL ECONOMIC ZONE (SEZ) & FREE TRADE WAREHOUSING ZONE (FTWZ) – DIGHI PORT

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and maritime sector.

Under the Sagarmala initiative, the government has proposed an investment of ₹70,000 crore ($10.3 billion) in modernising and upgrading the 12 major ports over the next five years. An additional ₹91,434 crore ($14 billion) has been allotted for capacity expansions of 142 ports over the next 20 years. Work on 30 of them has started with a disbursement of ₹1,612 crore ($244 million). TEFRs have been finalised for six new low cost non-major ports at Wadhavan (near Dahanu), Enayam (in Kanyakumari district), Sirkazhi (in Nagapattinam district), Sagar Island (in the Ganges delta), Paradip Outer Harbour (in Odisha) and Belekeri (in Karnataka).

Of the 27 rail connectivity projects to be taken up under Sagarmala across nine major ports, 21 projects – of a combined length of 3,300 km at a cost of ₹28,000 crore – will be implemented by the Indian Port Rail Corporation Ltd (IPRCL), while four – of 151 km and costing ₹3,590 crore - will be taken up either in the Non-Government Railway (NGR) model or as a Joint Venture (JV) through IPRCL.

Of the 79 road connectivity projects identified under Sagarmala, 45 will be undertaken by the Ministry of Road Transport and Highways (MORTH) and the National Highway Authority of India (NHAI). The remaining 34 projects will be taken up by SDC, State PWDs and port authorities, in co-ordination with MORTH or NHAI.

The 14 CEZs will cover all the maritime states and union territories, these Zones conceptualised as 'spatial-economic regions' that can extend along 300-500 km of coastline and 200-300 km inland from the coastline. Each CEZ will be aligned with the relevant major and non-major ports in that state and is envisaged to tap synergies with the planned industrial corridors. CEZ perspective plans have been prepared, with Detailed Master Plans being drafted for five pilot CEZs in Gujarat, Maharashtra, Tamil Nadu, Andhra Pradesh and Odisha in the first phase of development.

The scope of the Coastal Berth Scheme has been expanded and the scheme integrated in the Sagarmala Programme. A sum of ₹70 crore has been released for 11 projects, with a further 24 proposals under consideration. An Inter-Ministerial Committee (IMC) has been constituted to frame a strategy and implementation roadmap for the coastal shipping of coal and other commodities. Based on its recommendations, a DPR is being prepared for the heavy-haul rail corridor between Talcher, the "coal city of Odisha", and Paradip.

According to Gadkari, the vision of the Sagarmala Programme is to reduce logistics cost and time for the movement of international and domestic cargo, and to develop port-proximate industrial capacities. In this regard, 29 port-linked industrial clusters across the Energy, Materials and Discrete Manufacturing sectors have been identified. They include 13 bulk clusters, for basic input industries like power, refineries and petrochemicals, steel and cement, and two maritime clusters and 14 discrete manufacturing clusters in such labour-intensive sectors as electronics, apparel, leather, furniture and food-processing. Master Plans for the maritime clusters in Gujarat and Tamil Nadu

Dighi Port is being developed by Balaji Infra Projects Ltd. It is the first Greenfield port in Maharashtra which is being developed as a multipurpose, multi cargo, all weather port with deep draught direct berthing facilities and state-of-the-art cargo handling equipment with adequate stockyards, tankers and warehousing facilities, back up area with ample land bank of approximately 1600 acres.

Strategic Location

- Location in the Raipur Creek on the West Coast Of India
- Advantageously positioned along International Shipping Routes
- 42 Nautical miles South of Mumbai
- 160 KMS form Mumbai by Road
- 45 KMS off NH 17

Immediate Hinter

Roha, Khopoli, Mahad, Patalganga, Nagothane, Navi Mumbai, Thane- Belapur,Nasik, Pune

Secondary Hinterland

Goa, Madhya Pradesh, Gujarat and the land locked State of North India

By Rail

- Approvals In Place for developing the 35 kms BG Rail connectivity Approved.
- DPR Approved.
- Contract for Facilitation of Land Acquisition is awarded to M/s. Rane Management Pvt. Airoli.
- Land records for all 17 kms have been collected.
- Alignment superimposed on village maps and computing of L.A area in ongoing.
- Collector Raigad has nominated a Special Land Acquisition Officer(SLAO) for the same.
- Link to have the same specification as Dedicated Freight Corridor (DFC).
- Rail Budget 2014:Dighi Rail Connectivity has been identified as critical Port connectivity project by the Hon Minister of Railways.
- Maharashtra Maritime Board (MMB) to take 11% Equity stake. Indian Port Rail Company Limited (IPRCL) to take 11% Equity stake

Connectivity By Road

We have pleasure in informing you that the Ministry of Road Transport & Highways (MoRTH) through Maharashtra State Road Development Corporation (MSRDC), Mumbai and National Highway Authority of India Ltd. (NHAI) have decided to undertake the rehabilitation and upgradation of the following State Highways connecting Dighi Port from National Highway – 66 (formerly NH 17) on EPC basis and have in-principally declared these State Highways (SH) as National Highways(NH) :

- State Highway 97 from Mangaon to Dighi Port, from National Highway -NH-166C (formerly NH 17) – length 54.75 km
- State Highway 96 and State Highway 92 from Indapur to Agardanda, from NH-848A (formerly NH 17) – length 42.345 km

The tender for the said works has been floated and the completion period of the said works is 24 months.

The tender for the same shall be finalized by January 2017 and we are hopeful the works shall commence before the end of the Financial Year.

This is a critical milestone in the overall development of the Dighi Port and signifies the continued government support to port led economic growth. It also identifies the government recognition of Dighi Port to play a crucial role in the same with this announcement.

Development Potential & Planned Facility Phase 1-5 Berths:

- 5 Multipurpose Berths
- Capacity to handle 30 million tones
- Mobile Harbour Gottwald cranes
- Dedicated Approach Channel with a depth of 12.5m chart datum
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Economic Cluster Framework

- Port based multi-product SEZ inclusive of FTWZ
- Part of the Prestigious DMIC & DFC Projects
- One of the 7 Mega National Investment and Manufacturing Zones
- Sagar Mala Project
- Dighi Port Declared as part of SMART CITIES under DMIC Region

Liquid Terminal

- 32 Nos MS Tanks Constructed with capacity of 2000 to 6000 cubic meter each
- 2 Nos MS Tanks | Constructed with a capacity of 5000 cubic meter
- Enhancing Pumping and Piping Capabilities

have been prepared.

Based on the availability of land with major ports, the Shipping ministry is developing a Special Economic Zone (SEZ) at JNPT and a Free Trade Warehousing Zone (FTWZ) at Ennore, and has also identified Kandla and Paradip for development of Smart Port Industrial Cities (SPICs).

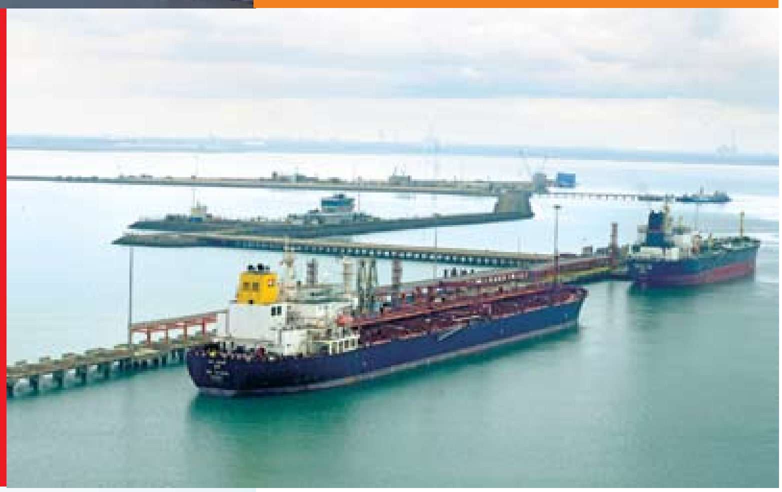
Of the ₹243 crore released for 14 projects under Sagarmala, ₹58.5 crore will be for capital dredging for the Gogha-Dahej RoPax ferry services project and ₹43.76 crore for RORO (roll-on, roll-off) services project at Mandwa. A Techno-economic feasibility report (TEFR) is under preparation for the development of an underwater viewing gallery and restaurant at the Bet Dwarka island at the Gulf of Kutch.

As part of the coastal community development objective of the Sagarmala Programme, the Shipping ministry has taken up several initiatives, notable among which are the coastal community skilling projects and projects for developing the marine fisheries sector. It has released ₹16.9 crore for skilling projects covering more than 20,000 people across 20 coastal districts and these include safety training for workers in the Alang-Sosiya ship-breaking yard in Gujarat's Bhavnagar district. Skill gap analysis is also being undertaken in 23 coastal districts to identify skilling requirements, and an action plan has already been prepared for six of the districts in the first phase. Cutting-edge skill training in ports and the maritime sector has been planned for the port and port-user communities, the ministry also evaluating a proposal for setting up multi-skill development centres linked to the major ports, in collaboration with the Ministry of Skill Development & Entrepreneurship.

To support the fisher-folk community, the ministry is part-funding select fishing harbour projects in convergence with the Department of Animal Husbandry, Dairying & Fisheries (DADF). Towards this, ₹52.17 crore has been sanctioned for modernising and upgrading Mumbai's Sassoon Dock, with 10 other projects across five maritime states pending approval. The ministry also plans to tie up with DADE for supporting the development of deep-sea trawlers and fish processing centres.

The outdated Major Port Trusts Act of 1963 is also being replaced by the Major Port Authorities Bill, 2016, which is pending in the Lok Sabha since 16 December 2016. The 1963 legislation had for long been derided by private terminal operators as it mandates government-established tariff ceilings and a guarantee of minimum levels of performance, as well as compliance with all existing labour laws. The 2016 bill aims at decentralising decision-making and professionalising the governance of ports to enable them to perform with greater efficiency.

It aims at bringing in transparency in operations and facilitating the expansion of port infrastructure and attendant trade and commerce through a reoriented governance model in central ports to the landlord port model, in line with the successful global practice. The organisational model of ports the world over is being converted form the service port model to the landlord port model, where the port authority – as the landlord port – retains the port infrastructure and fulfils its regulatory functions, while port services are



provided by private operators that own the assets conforming to port superstructure and equipment required for service provision.

With 65 sections, the 2016 bill is more compact than the 1963 enactment that has 134 sections and it also proposes a restructuring of the board of each Port Authority to 11 members from the present 17-19 who represent diverse interests. A compact board with four independent professional members is deemed capable of strengthening decision-making and strategic planning. The other members will need to be representatives of the state governments where the major ports are located, as also of the Ministries of Railways and of Defence, and of the departments of Customs and Revenue, apart from a government nominee member and one representing employees of the Major Ports Authority.

The bill delegates full powers to the 'port authority boards' to enter into contracts, fix tariffs, frame their own 'master plans' in respect of the areas within the port limits and to lay telephone and pipe lines, and instal communication towers, and electrical and transmission equipment. They will besides be empowered to lease land for port-related use or for any specified purpose for up to 40 years.

The boards will also supersede the Tariff Authority for Major Ports (TAMP) in fixing tariffs that will serve as reference marks in tenders issued for PPP projects. PPP operators will then be free to fix tariff, based on market conditions, while the boards will be at liberty to fix the scale of rates for other port services and assets, including land. An independent Review Board will replace the TAMP and will carry out its residual functions, like looking into disputes between ports and PPP concessionaires, suggesting measures to review and revive stressed PPP projects, and considering complaints regarding services rendered by the ports and private operators.

In a submission to shipping secretary Rajive Kumar and deputy secretary (Ports) A.K. Saran, Mumbai-headquartered Indian Private Ports & Terminals Association (IPPTA) has urged that each of these port authority boards includes an IPPTA representative as one of the four independent members provided for by the 2016 bill. The submission, signed by IPPTA president Ragam Kishore, who is also the CEO & whole-time director, Vizag Seaport Pvt Ltd, explains that private terminal operators have very large financial and operation stakes through their sizeable investments in their PPPs with the Major Port Trusts. He reasons against any conflict of interest, because Section 17 of the bill requires the member to disclose any interest he might have in any contract or arrangement being considered by the board and restricts his participation in any meeting where such a contract or arrangement is being discussed.

IPPTA also notes that while the tariff fixed by a Port Authority for the purpose of bidding will benchmark the revenue share payable over the concession period, such revenue share should instead be linked to the market determined tariff charged and realised by the concessionaires.

Kakinada Port deep dives to unlock business opportunities

Leverages its geographic advantage to develop bulk cargo, liquid cargo, Offshore Supply Vessels base, and ship repair facilities

Kakinada Seaports Limited (KSPL), which operates the Kakinada Deep Water Port (KDWP), is the first privatized port in India's east coast. Kick-starting in 1999 in Andhra Pradesh, the port has a unique geographic advantage. It is located in the heart of the rice bowl Districts of east and west Godavari. It has abundant opportunity to harness oil and gas exploration activities in Krishna-Godavari Basin, and rides on unmatched hinterland connectivity by road, rail, and sea.

Established with 3 Berths of total 610 Meters wharf and with -9.0 meters of draft KDWP served Handymax vessels. It achieved a throughput of 1.5 Million in 1999.

Leveraging its advantage of natural breakwater in 'Hope Island' and an artificial breakwater creating tranquil bay conditions (which offer an opportunity to develop round-the-clock operational port), KDWP grew from strength to strength.

By 2017, the port had metamorphosed to achieve 2550 meters of Quay length consisting of 11 berths for Cargo and 6 berths for offshore supply vessels with 27.5 Million Mts port capacity to handle Panamax size vessels berthing with -14.0 mtrs draft at port.

Making the most of its geographic advantage, KDWP has developed four verticals -- bulk cargo, liquid cargo, Offshore Supply Vessels base, and ship repair facility.

Bulk Cargo: The port caters to sugar, granite, fertilizers, coal and minerals. It's mechanized conveyor systems help achieve faster turnaround of vessels at port.

Liquid cargo – KDWP moves fertilizer raw materials (phosphoric acid, sulfuric acid and ammonia), vegetable oils, and POL products by pipelines.

Offshore Supply Vessels base – The standalone berth facilities complimented with cranes, pipe supply of bunkers and freshwater help OSVs calling at port to service rig operations in offshore.

Ship repair facility –The one-stop ship repair facility with international standards at KDWP helps reduce down time for rigs, OSVs, ships, and dredgers operating in the Bay of Bengal.

KDWP is also credited with establishing the first of its kind 'Floating Dry Dock' on east coast of India.

The Road Ahead The energy needs of gas-based industries in the hinterland is ever increasing, outstripping the supply from existing sources. To augment the supply of gas by importing LNG, KSPL is ramping up the port's infrastructure by investing about USD 180 million in the first phase.

The first phase of the project will consist of a Floating Storage and Regasification Unit (FSRU), while the second phase of the project shall consist of an onshore LNG Terminal.

The capacity of the LNG Receiving terminal would be 2.5 MTPA in the first phase, which would be increased to 5.0 MTPA in the second phase.

The port is augmenting the second railway line connecting Kakinada Port station to KDWP. It has also undertaken the reclamation and development of backup area in KDWP, and periodic maintenance of navigational channel. Both these activities have an ETC of mid 2018.

To take its operations to the next level, KDWP initiated its 'containerization activity' in December, 2015. It has since then augmented the doorstep delivery services of food grains, machinery etc. KDWP is aggressively looking to seamlessly connect the Far East, Middle East and African markets to achieve a global footprint. ■

MILESTONES - ACHIEVEMENT

1999 Commenced privatized Kakinada Deep Water Port with a capacity of 2.0 MMT
2005 Commenced railway line connectivity to port
2007 Commissioned 4th berth
2008 Commissioned offshore supply vessels berths
2011 Commissioned mechanized alumina facility
2012 NRW multipurpose berths for cargo and ship-repair facilities
2013 Commissioned 5th berth with coal mechanized facility
2015 Commissioned 6th berth with fertilizer mechanized facility
2016 Commissioned 7th berth with containers and multipurpose cargoes
Total port capacity increased to 27.5 MMT

Growth over the years

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"This will ensure an equitable risk sharing contract in a competitive market and also boost investments in PPP projects," IPPTA points out.

Kishore's note also indicates that continuing tariff regulation and fixation by the review board simply results in shifting these responsibilities to the same authority under a new name. "Given that there is sufficient competition in the port sector, the tariff should be market-determined," he remarks. "In an extremely competitive and overcapacity market, we should look forward and embrace change to a market-determined tariff rather than continue the regressive regime under the guidelines that the PPP operators have been unfairly subjected to."

IPPTA also suggests that the review board be restricted in playing only the role of a mediator in disputes between a major port and its PPP operator and that its suggestions should not be binding on the parties. It believes that the board should monitor the fulfillment of the obligations by the port trusts, as most disputes arise owing to their failure to fulfill their commitments to the PPP concessionaires.

The shipping ministry has, however, rejected calls for reviewing its easing of the Cabotage law in March 2016 to allow foreign container carriers to operate on local routes so as to promote transhipment hubs. India's Cabotage law hitherto restricted coastal shipping only to Indian-registered ships, but was relaxed in the face of lobbying by foreign container carriers that contended that such an allowance would facilitate the setting up of transhipment hubs in India.

IPPTA maintains, however, that the conditions imposed for availing Cabotage relaxation are so stringent and unrealistic that none of the existing or new ports will be in a position to meet them. "Cabotage relaxation, to be meaningful, should be applied unconditionally at all the container handling ports at least for five years," it suggests in its memorandum to the ministry.

With a total of 1,299 ships aggregating 11.24 million gross tonnes (mgt), India has one of the largest merchant shipping fleets, the average age of which is 18.03 years. Of the total tonnage, 900 vessels of about 1.52 mgt are engaged in coastal trade, the remaining 399 plying on overseas routes. Despite the growth in tonnage, percentage of cargo carried by Indian flag ships has reduced from 40.7 per cent in 1987-88 to 7.45 per cent of total trade in 2014-15. The government has excluded freight charged by the shipping companies for import of goods from the 'negative list' and permitted the availing of CENVAT credit on inputs used for providing such service. The purpose is to bridge the competitive gap between Indian and foreign shipping lines in the taxation sphere, putting India on par with those progressive maritime jurisdictions that grant full credit of taxes paid on inputs used for import cargo.

Previously, the transport service for export of cargo was not being treated as export and was also denied CENVAT credit, which made the service costlier for Indian flag ships. The March 2016 rule now zero rates the transportation of goods to outside India by Indian shipping lines and makes CENVAT credit available for inputs used in providing the service. The ministry claims that this measure has reduced transportation costs. Moreover, to encourage transportation of goods through coastal shipping rather than by road or rail, the Union Budget 2015-16 had brought the abatement of service tax on a par with road and rail, that is, 70 per cent. However, the denial of CENVAT credit on inputs used in the service in case the benefit of abatement was availed, the shipping companies were unable to provide services to the customers at lower costs. Budget 2016-17 rectified this anomaly and allowed shipping companies to charge service tax at abated rate on freight income and avail CENVAT credit on input services.

The government is confident that the increasing investments and expanding cargo traffic are also benefiting the providers of services such as operation and maintenance (O&M), pilotage and harbouring and marine assets such as barges and dredgers. In addition, through the Maritime Agenda 2010-2020, the Ministry of Shipping has set a target capacity of over 3,130 mt by 2020 that would be driven by participation from the private sector. Non-major ports are expected to generate over 50 per cent of this capacity.

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Ports of India

JNPT

Planning big

Through various initiatives, the port has managed to reduce Average Import Dwell Time to 1.5 days, in tune with the international benchmark of 1-2 days

Together with its three privately operated terminals, the Jawaharlal Nehru Port (JNP) near Mumbai remains India's largest container port, with a throughput of 4.49 million TEUs (20-foot equivalent units), or 56.79 million tonnes, in 2015-16.

जवाहरलाल नेहरु पत्तन न्यास
JAWAHARLAL NEHRU PORT TRUST

Plans for growth that are being pursued are worth an estimated ₹20,000 crore and include JNP's Concession Agreement with Port of Singapore Authority (PSA) for developing a fourth container terminal at a cost of ₹7,915 crore that will double its container handling capacity by 2022.

Through various initiatives, the port has managed to reduce Average Import Dwell Time to 1.5 days, in tune with the international benchmark of 1-2 days. Average Export Dwell Time too has reduced, to 78 hours from the earlier 88. JNP also became the first major port, in 2015-16, to register profit (before tax) exceeding ₹1,000 crore, with PBT of ₹1,092 crore and PAT of ₹718.7 crore, up from ₹842 crore and ₹556 crore the previous year. Till October in fiscal 2016-17, PBT recorded has been ₹770 crore.

To allow 10,000 to 12,000 TEU sized vessels to berth at the port, its 34 km navigation channel is being dredged to widen and deepen it from the present 14 m to 15 m at a cost of ₹2,029 crore. The current draft has restricted the entry of vessels sized 6,000 to 8,000 TEUs. The berthing of larger vessels will lead to economies of scale with the completion of the capital dredging work in the next year and a half.

The fourth terminal will almost double the port's cumulative quay length from the present 2.3 km to 4.3 km, but with further expansion unlikely owing to space constraints, JNP is building a 'branch' port at Wadhavan, near Dahanu, 90 km north of Mumbai on the Maharashtra-Gujarat border. It will be one of the six new ports proposed under the Sagarmala Programme.

The cost is being tabulated as the port will


A World of Potential
Propelled by
CAPACITY, CAPABILITY & CONNECTIVITY
जनेप न्यास
JNPT
SAGARMALA
PORT-LED PROSPERITY
Currently ranked 31st amongst the world's top 100 container ports.
Connects to over 300 ports in the world.
The most efficient port in India with a turnaround time of 1.27 days per ship.
Handles 55% of containerised cargo of the major ports in India.
Poised to handle 10 million TEUs by the year 2022.
Discover the Ease of Doing Business with JNPT
By constantly empowering trade through the innovation and up-scaling of operations JN Port aims to meet and exceed global benchmarks with faster and economical operations coupled with digitization and automation. JNPT today is India's no. 1 Container Port.
4.49 million TEUs containers handled in FY2015-16.
Connected with 33 CFSs and 50 ICDs destinations.

In just 27 years of establishment since 1989, JNPT has evolved from a bulk-cargo terminal to the premier container port of the country. To cater to India's expanding trade activities, JNPT is rapidly building its infrastructure capabilities to provide adequate capacity for the EXIM trade. JNPT is a major hub port of India which is connected to over 300 ports in the world and is currently handling 55% of containerized cargo of the Major Ports. JN Port handled 4.49 million TEUs in the year ended March 2016, the highest since inception in 1989 and Port is on the way to double its annual handling capacity to 10 Million TEUs by 2022.

With JNPT's strong commitment to provide seamless services to its customers as India's No. 1 Container port, JNPT has taken a number of 'Ease of Doing Business' initiatives for faster and economical operations. This has helped in streamlining the processes along with reduction of cost, time & documents and has created a client friendly business environment at JNPT.

JNPT has implemented congestion-alleviating and productivity - boosting measures that include gate automation, an inter terminal trucking system linking all terminals, establishment of new parking lots for trucks, Direct Port Delivery (DPD) services - helping in faster delivery of import consignments at reduced costs, creation of a logistics data bank to track the movement of containers and introduction of new tariff incentives for rail cargo to drive up intermodal volumes. This has helped in optimum utilization of Tractor Trailers and faster turnaround time of trucks. As a result, Average Import Dwell time at JN Port has reduced to 1.5 days and Average Export Dwell time has reduced to 85 hours. These efforts have paid off well by not only creating economical value for the trade but making the Port absolutely congestion free.

JN Port has consolidated expansion plans through major investments like the mega Fourth Container Terminal with a project investment of ₹ 7915 crore, being built by the SPV of Port of Singapore authority. JNPT is implementing the deepening and widening of the Port's navigational channel from an existing 14 meters to 15 meters, to cater to ships with more than 12000 TEUs capacity.

Jawaharlal Nehru Port Trust's (JNPT's) forward vision includes the setting up of a new port at Vadhavan. This all-weather, all-cargo Satellite port is a joint venture of Maharashtra Maritime Board and Jawaharlal Nehru Port, which would be developed in a phased manner. Once the project is completed, it would be handling more than 100 million tons of annual cargo through 14 to 15 terminals. The total project cost would be about Rs.10, 000 crores. This port is being developed as an International Port which would cater to all new-generation future vessels. This new port would have 20 meters of natural draft which could firmly place India on the global maritime map. To boost industrialisation, trade and commercial activity in the hinterland of Maharashtra, JNPT is setting up 2 dry ports, one at Wardha and other at Jalna.

To further strengthen India's International footprint, JNPT through India Ports Global Private Limited (IPGPL), SPV of JNPT& Kandla Port, has joined hands with the Islamic Republic of Iran to operate Chabahar Port, that will open trade opportunities for both nations. Recently IPGPL has signed an MoU with the Inland Waterways Authority of India to implement Kaladan Multimodal Transit Transport Project in Myanmar.

In line with Prime Minister Shri Narendra Modi's port-led development programme, JNPT has paved the way for competitive financing to improve the port's infrastructure by raising External Commercial Borrowing to the tune of USD 400 Million through State Bank of India and Development Bank of Singapore.

Along with building port capacities to boost the EXIM trade in the country, JNPT is committed to build a strong sustainable business that endeavors to conserve the environment. As environmental protection has been an integral part of JN Port's working principles, more than one third of the Port area, over 900 hectares is under green cover. In order to utilize renewable energy, JNPT is committed to produce 25 MW of solar power energy for meeting its power demand. To give a boost to coastal cargo movement, JNPT is developing a dedicated coastal berth by 2017.

As India's leading container port, JNPT is constantly innovating and up-scaling operations to not only meet but exceed global benchmarks with an underlying commitment to provide seamless customer service and ease of doing business.

be entirely on reclamation from the sea – as much as 630 hectares initially - in an effort to avoid capturing land from the local community and to work over protests from these settlers who believe the massive facility will destroy their environment. Land is to be acquired only for rail and road connectivity. As many as 28 berths have been planned on a quayside of over 9 km, the multi-cargo port projected to handle 38 MTPA by 2025 and as much as 405 MTPA by 2050.

JNP has also ventured overseas through its 60:40 tie-up with Kandla Port Trust for developing Iran's Chabahar Port, due to open within a year. An MoU on the port was signed in May 2015 and the contract executed a year later at Tehran in the presence of Prime Minister Narendra Modi and Iranian President Hassan Rouhani. Diggikar says the joint venture company, India Ports Global Pvt. Ltd (IPGPL), was incorporated in January 2015 with an authorised capital of ₹10 crore and paid-up capital of ₹5 crore.

Mumbai Port Trust

Originally a general cargo port, Mumbai Port is today a multi-purpose port, handling all types of cargo -- break bulk, dry bulk, liquid bulk cargo and containers. Traditionally, the port provides all services and undertakes all activities in house. Thus, the port provides services/ facilities from pilotage to berthing, storage to delivery of cargo and ancillary services of running container freight stations, port railways as also maintenance of crafts, equipment and buildings.

To handle different types of cargoes as on today, the port has 33 berths. It has various craft, cranes and other equipment and covered storage accommodation of about 271,000 sq m and open storage space of around 501,000 sq m. The general cargo traffic is mainly handled in Indira Dock, constructed in 1914 and having a draft of 9.1 m. It also has a lock entrance system which makes berthing of the vessels possible round-the-clock, irrespective of the tides, but at the same time poses restrictions on the size of vessels that can be handled in the dock.

Mumbai Port has two container freight stations -- STP & WINC -- for stuffing and destuffing of containers and they are connected with a dedicated road.

There is a marine oil terminal with four berths for handling petroleum oil lubricants (POL) at Jawahar Dweep, an island off Mumbai Port. The berths are connected to the refineries on shore at Mahul through submarine pipelines, thereby enabling direct transfer of crude oil and finished products to and fro the refineries. Restorative repairs to the fourth oil berth are in progress.

The Port has a dedicated 10 km-long railway system with a further 54 km of track length between the docks and Wadala, the inter change point with the trunk Railways. The

railway system has been upgraded by re-laying the tracks. The Port has a rail container depot for movement of containers to and from various ICDs.

The Ballard Pier Extension with terminal building is the berth for passenger cruise liners. This traffic being seasonal and limited, the berth is at other times used for cargo vessels.

There are also some open wharves called bunders. The port has two fish jetties at Sassoon Dock and Ferry Wharf for handling of fish traffic.

Dighi

Dighi Port in Maharashtra is being developed by Balaji Infra Projects Limited under a 50 year concession agreement granted by Maritime Board of Maharashtra. It is an all weather port with two of the five terminals envisaged in phase I being functional.

Given its strategic location (it is just 48 nautical miles away from Mumbai) it is expected to be a focal port for industries in Maharashtra, MP and Karanata. The Port currently has a capacity of handling 20 mtpa which is likely to be enhanced to 20 mtpa. It is currently underutilised for want of inter-connectivity. However given the importance of the port, which is a part of the Sagarmala project, several of the issues will be addressed. An agreement has been inked with Rail Vikas Nigam Ltd to get rail connectivity. A smart city is also being developed near Dighi where roads in the north south region have been declared as state highway. Being on the Delhi Mumbai Corridor, also near the manufacturing hub, "Dighi will accelerate the port led regional development," says Vijay Kalantri. The port currently has capacity to handle steel, coal, bauxite, fertilisers and chemicals and provides direct employment to 600 people and indirect employment to a few 1,000 more.

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PALASHRANJAN BHAUMICK

Essar

The development and operation of Essar ports were done largely to service their own group companies. These ports have the capacity to handle dry cargo, including iron ore, steel, as well as crude oil and refined products. Shipment of third party cargo is also undertaken here, which accounts for about 15 per cent of the total cargo of 58 million tpa handled in 2016.

Two of its larger ports are at Hazira and Vadinar, both in Gujrarat. Hazira is a deep water all cargo port and largely handles the cargo of Essar Steel located in the same complex. The port is mechanised and is a all-weather deep draft, with a dry bulk and break bulk terminal.

The 58 million tonnes per annum bulk liquid terminal at Vadinar handling Essar Oil's requirements has one SPM, two product berths, six road gantries, 1 rail gantries and more than three million kilolitre storage tanks. These two ports account for more than 55 per cent of the group total capacity of 140 million tpa.

The other ports are relatively smaller and include the 16 million tpa mechanised all-weather deep draft dry bulk export terminal at Paradip Port, 16 million tpa iron ore handling complex at Visakhapatnam Port and 20 million tpa mechanised all-weather deep draft dry bulk terminal at Salaya, Gujarat with both import and export facility.

The expansion at Hazira involves enhancing the capacity of Hazira terminal by 20 million tpa by development of additional 1,100 metre waterfront. On completion, the port will have a draft to 14 metres, enabling clients to bring fully loaded 100,000 dwt vessels and partially loaded capes, facilitating economies of scale. The port already provides lighterage facilities, enabling the customer to bring super cape and cape vessels and achieve savings of freight. Dedicated and inter-connected yard facility for Essar Steel helps in effectively managing raw material inventory. While the terminal will be developed in two months, the mechanisation of it may take another six months.

The other expansion includes the development of a 20 million tpa multi-cargo bulk terminal at Salaya in Jamnagar, which will cater to the coal requirements of Reliance Industries, Essar Oil and other port based companies. Another port that is being developed is the mechanised all-weather deep draft iron ore export terminal at Visakhapatnam -- with two berths at the outer harbour and one berth in the inner harbour. These three ports will together add nearly 64 million tpa capacity.

Essar is developing two overseas ports too -- one each in the UK and Canada. The port terminal in the UK is integrated with the Essar Oil UK refinery in Stanlow, Manchester, while the Canadian Port is integrated with Algoma Steel Plant in Ontario. The company is also in the process of developing a port terminal in Mozambique, Africa.

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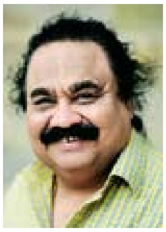
Honest to God!

***Nayi Soch*: new thinking or new awakening?**

Honest to God, I was impressed by Star TV's campaign a few months ago, when the Indian cricket team turned out in jerseys that carried the names of players' mothers instead of their own. I did not know that Virat's mother was Saroj, MSD's, Devki and Ajinkya's, Sujata. Frankly, it had never mattered to me or to anyone else till Star TV pointed out that, while Virat was a Kohli, MSD a Dhoni and Ajinkya Rahane – all known by their fathers' family names – yet, no one seemed to know or acknowledge the role played by their respective mothers in their success and fortune. I made it a point to call Sanjay Gupta at Star TV to congratulate him on a Big Idea. I also called up Rahul Johri at BCCI to congratulate him too for offering support through the Indian cricket team.



SANDEEP GOYAL

When questioned on why he was wearing his mother's name on the jersey, it is reported that Dhoni said: *Itne dino se main apne pita ka naam pehen raha, tab to aap ne kabhi nahi poocha ki koi khaas wajah*? Virat echoed similar sentiments: *Main jitna Kohli hu, utna Saroj bhi*. Rahane added: *Log kahate hain baap ka naam raushan karo, lekin mere liye, Maa ka naam bhi raushan karna utna hi important hai*.

The portrayal of women, the acidic relationship between mother-in-law and daughter-in-law, the sub conscious layer of crime and injustice against women is the staple that keeps all soaps on all television channels sharp and sinister.

The campaign made waves. Capturing prime time cricket on India's No.1 television channel for a full day was worth perhaps a hundred crore rupees. Perhaps more, for all the associated PR. Unfortunately, as soon as the match was over, the novelty (and the intended message) of the idea was forgotten.

I was, therefore, pleasantly surprised to see a new commercial on television featuring Aamir Khan as the owner of a sweets-shop, in a *Dangal* inspired role, where he credits the success of his growing business to Shoo and Shaa, his two daughters who have added new clientele to the local shop by getting on to the internet to attract new customers. So much so, Aamir Khan now boasts 'Gurdeep Singh and Daughters' on the shop's signage outside, making a dramatic departure from the age-old tradition of naming businesses as owned by so-and-so ' … & Sons'!

Once again, I called Star TV to congratulate Gayatri Yadav, marketing head, for giving *Nayi Soch* a new lease of life, and a new dimension. The campaign is still running, and getting noticed. I would not be surprised if it picks up quite a few Abbys at Goafest for social advertising.

Honest to God, I am a bit disappointed, though. Sure, Star TV is showing us all a new way of thinking, even a new way of disruptive thinking. But Star TV seems to be ploughing a lonely furrow. They are investing crores of rupees on valuable airtime but except being appreciated as a great creative thought (and a Big Idea, as I said before), *Nayi Soch* is really not waking up society at large. Star TV is surely doing its bit but, if *Nayi Soch* has to permeate hearts and homes, and change old beliefs and habits, then lot more than a television commercial is required.

Content on television by and large remains regressive. It may have been many years ago (hence, need for *Nayi Soch*?!) but Star TV itself built its reputation and franchise with viewers through retrograde programmes like *Saas bhi kabhi bahu thi* and *Kahaani ghar ghar ki*. My grandmother would have said, *"Sau sau chuhe khaa billi haj ko chalee!"* The portrayal of women, the acidic relationship between mother-in-law and daughter-in-law, the sub conscious layer of crime and injustice against women is the staple that keeps all soaps on all television channels sharp and sinister.

Can channels not adopt a voluntary, self-regulatory code of conduct that reflects *Nayi Soch*? And I say that not just for Star TV. The *Nagins*, the *Balika Vadhus*, the *Bhabhijis* on television are just plain repulsive. If you have to wean away viewers from negative *purani soch*, and usher in an era where the New Indian Woman is celebrated and saluted, then storylines, plots, subplots and even dialogues, all have to move 180 degrees.

I too want to wear a jersey with my mother's name emblazoned on it. But not because I am as much Kailash, as I am Goyal. Not just because she gave birth to me. That is belittling her. My mother was independent India's first lady magistrate. Her story is inspirational, because it is real. It is progressive. It is worth narrating, worth emulating. There are, I am sure, many real Sarojs, Devkis, Sujatas and Kailashs who need to come *alive* on Star TV. *Nayi Soch* needs to get from reel to real. And real on reel! ◆

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Consolidating gains

Thomas Cook now looks at innovative ways of engaging with people through their personal devices

PHOTOS: SANJAY BORADE

Menon: tapping opportunities

In mid February 2017, Thomas Cook (India) Limited (TCIL) announced its consolidated results for the quarter ended December 2016. The highlights: income from operation was up 41.7 per cent to ₹1,947 crore (corresponding quarter in the previous year: ₹1,374 crore), the profit before tax jumped by 116.1 per cent to ₹15.85 crore (₹7.33 crore). Adding the previous two quarters, the nine month period ended December 2016 also registered growth with an increase of 54.4 per cent and 105.8 per cent respectively. The company is now controlled by Prem Watsa (who does not sit on the board of the company) of the Toronto, Canada, based Fairfax Financial Holdings, through its step-down subsidiary Fairbridge Capital, Mauritius (which holds 67.7 per cent). The public holds the balance.

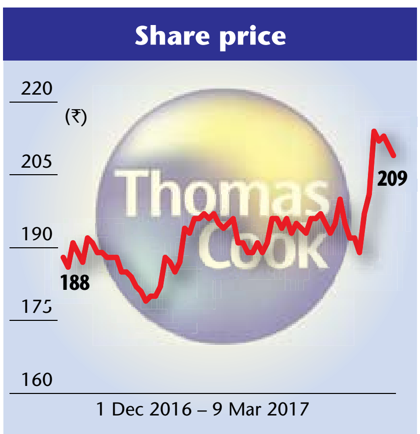
At the net level, the consolidated profit for the third quarter worked out to ₹1.91 crore as against a net loss of ₹3.96 crore during the corresponding period last year. This was good enough reason for the stock to start its north-bound journey. Till end December 2016, the share price has been languishing at about ₹179; now, it is changing hands at ₹214 (52 week-high and low: ₹228 and ₹165).

"The demonetisation announcement in the last quarter has had a limited impact and, as a result of our technology and e-commerce focus over the past few years, actually placed us in an advantageous position to tap into opportunities that the digital economy offers us; including creating a level playing field versus the unorganised sector. We see mid- to long-term benefit and will continue to invest and focus on these areas, going forward. Having planned well in anticipation of the GST changes, our systems and processes across the group are in readiness for the impending rollout", explains Madhavan Menon, CMD, Thomas Cook (India) Ltd, an integrated travel and travel related financial services company in the country, offering a broad spectrum of services, which include foreign exchange, corporate travel, MICE, leisure travel, insurance, visa & passport services and e-business.

The company in India was set up as far back as 1881. In this journey, it has seen its ups and downs and has changed hands. In 2005, the UK parent sold the Indian company and Eastern operations, with the UAE-based Dubai Financials LLC, a part of Dubai Investment Group, acquiring TCIL. Then, in 2008, Thomas Cook plc bought back TCIL. Subsequently, the India-born Prem Watsa-promoted Fairfax took control in 2012. The brand and the management of the company were kept unchanged during these transactions. Menon, considered an old timer at Thomas Cook, was witness to these transactions. He joined the company in 2000 as executive director, then responsible for the foreign exchange business, and since 2016 has become the MD.

Emerging stronger

Like some CEOs, he adds, "the positive implications of demonetisation – like reduction of fiscal deficit, lower inflation - will only be observed in the long term. There may be some pain. People are likely to delay discretionary expenses and businesses like ours will be impacted by it, but this will only be a temporary phase. It is too early to assess the impact on the industry. Talking about it from a short term view, I would be lying, if I said there is no impact on our businesses. However, our online bookings have



Iyer: a faster and more customer-friendly approach to travel

actually grown since this announcement – 15 per cent of all the packages that we sold before 8 November were online and we expect this share to rise in the coming days. India is moving towards a cashless ecosystem and this will make a lot of processes transparent," adds Menon.

"From a macro perspective, the nine month period ended December 2016, saw the industry having to tackle multiple headwinds with an increasingly challenging global travel environment due to global terrorism, Schengen biometrics, Brexit, the European migrant crisis and increased border controls across many of our key destinations. Despite these challenges, we have delivered strong results across our core businesses," points out Menon who, over the years, has been expanding TCIL across verticals and its footprint to over 234 locations (including 17 airport counters) in 92 cities across India, Mauritius & Sri Lanka.

Fairbridge Capital is an investment vehicle that Prem Watsa floated in 2011 for his India plans and the group's execution of acquisition and investment opportunities in the Indian sub-continent on behalf of Fairfax, his Toronto listed vehicle and its associate companies. TCIL was his first investment opportunity in India; when Thomas Cook plc was facing; financial trouble, it sold out the 77 per cent stake in TCIL to Fairbridge for $185 million.

Then, Harsha Raghavan, MD & CEO, Fairbridge Capital, led the deal and, ever since then, Raghavan sits on the board of TCIL. Today, it is estimated that, out of Prem Watsa's $40 plus billion of asset under management, $5 billion (in the last six years alone) is in India in companies across various sectors. In insurance, it has a 26 per cent stake in ICICI Lombard, in the financial sector it hold shares in Indiainfoline Finance, and in manufacturing it has invested in Sanmar Pharma, NCML, Fairchem Speciality and recently in the GVK-run Bengaluru airport.

"In TCIL, we look at the long term and back the management team, headed by Menon. As a practice, we provide the financial support for mergers and acquisition (M&A) activity, look at capital allocation and board level supervision," says Raghavan. He has been closely involved as TCIL embarks on an inorganic growth path.

The last few years have seen the company's appetite for M&A grow. TCIL has acquired control of six companies – Kuoni India & Hong Kong; LuxeAsia, a recently listed entity; Quess Corp (formerly IKYA Human Capital Solutions); Sterling Holidays; LKP Forex; and Travel Corporation (India). With all this M&A activity, the combined revenue from operations of the travel and financial services businesses at TCIL is up 106 per cent from ₹4,200 crore (2015) to ₹8,700 crore. While the balance sheet size is growing, the market cap of TCIL in less than five years (since the acquisition of Fairfax) has gone up from ₹1,700 crore (share price: about ₹50) to ₹7,800 crore (about ₹200).

"During the last four years, we punted on the Asia travel opportunity and went on an acquisition binge," says Abraham Alapatt, president & group head (marketing, service quality, financial services & innovations), TCIL. He leads the group's brand building efforts as well as supporting and growing individual lines of business in line with existing and emerging opportunities. "The travel and tourism industry in India is undergoing an evolution. While there are brick-and-mortar agencies, the Indian traveller today chooses to make most of his bookings online, which has given rise to the 'click and brick' concept, with tour operators offering both online and offline. Over the last four years, we have moved aggressively with the hybrid model, developing the flexibility to take an online customer offline and vice versa," adds Alapatt.

Digital and mobile

In fact, till recently (about a decade back), TCIL had a footprint only in the 'brick and mortar' space with a presence in 200 locations, mainly through its channel partners. "With the rapid growth of internet and digital revolution in the country, we have also acknowledged and identified the huge potential offered by this channel", says Amit Madhan, president & group head, technology & shared services, TCIL, who joined the company in 2012 and is responsible for a diverse portfolio, spanning IT services, e-commerce and shared services for the group. Madhan has been part of the Fairfax group since 2002, being one of the founder members of ICICI Lombard,

Deva: India should be marketed

where he has worked in the financial services domain and then moved to the e-commerce space in 2007.

Madhan is credited with setting up TCIL's e-commerce business, which has risen from ₹2 crore in 2012 to ₹300 crore (2016) and is poised to hit the ₹450 crore mark with a 50:50 contribution from travel (tour packages, tickets, hotels, etc) and financial services (mainly forex), competing with players like MakeMyTrip, Yatra, etc. His passion for customer experience has been the catalyst behind his strategic initiatives including processes re-engineering enabling smooth operations, digitisation and online customer acquisition-retention.

The three building blocks for the digital journey undertaken by TCIL are: customer experience (understanding your customer, business growth and customer touch points), operational process (digitisation, worker enablement, performance management and cost reduction), business model (transitioning from physical to digital, new business & reshaping the boundaries and globalisation). "Based on this, we are now in the process of delving deeper into each of these building blocks and present an experience to the customer, which is tailored for his requirements. This is capturing all the necessary touch points, and also ensuring the growth of the company's top line," explains Mahesh Iyer, recently promoted CEO, TCIL, while talking about the business process re-engineering going on in the company that involves a lot of automation.

Iyer was earlier the COO. In his 21-year journey from the bottom starting as a management trainee, climbing the ladder to the CEO position, Iyer has worked in the foreign exchange business (across functions of operations, products, projects, airports and commercial) and the visa & passport vertical and was also responsible for the overall strategy of the company. Besides, his corporate leadership role, Iyer also directly manages the forex business across India, Mauritius and Sri Lanka.

Social media, blogs, mobile apps have come a long way in connecting a customer of today's world to any service provider. Their reach to a massive population around the globe has thinned the physical boundaries and clubbed them under a single category – 'Digital Customer'. "Our mobile apps of holidays and forex are great examples, wherein customers now have the opportunity to book their holidays and their foreign currency requirements any time of the day and per their convenience", explains Madhan.

While the customer always remains the focal point of the digital journey, the supporting processes and a right business model are required to ensure that

Financials

(₹ crore)	Mar'16 15 mths	Mar'15 15 mths	Dec'13 12 mths	Dec'12 12 mths	Dec'11 12 mths
Net Sales	4,284	3,286	1,305	441	411
PAT	-38	90	62	50	56
EPS (₹)	-1	4	3	2	3
Total Assets	4,710	3,126	1,523	955	923

Consolidated figures

efforts and investments are made in the right direction to reap the benefits. One key example of process digitisation is e-KYC, which TCIL conceptualised in late 2016. Under this initiative, customers visiting Thomas Cook outlets can do e-KYC through Aadhar and biometrics based authentication methods. "This project is being evaluated for RBI permissions to proceed and, based on the guidelines received from RBI, a final implementation plan will be carved out," adds Madhan.

"The internet and technology at large have created an expectation of a faster and more efficient, customer-friendly approach to processing of visas, etc, to facilitate and encourage travel," adds Iyer. "Visa policies are among the most important governmental formalities influencing international tourism. The development of policies and procedures for visas, as well as for other important travel documents such as passports, is closely linked to the development of tourism".

"Though, today, the world over, 1.2 billion people travel, India's share of global tourist arrival is a mere 1 per cent. That does not reflect well on India and the government is doing everything to change this. The number one game changer is the issue of electronic visa for almost 162 countries, an important move to develop inbound tourism. The second issue addressed in this budget, which was lacking in yesteryears, was the marketing of the destination. India as a destination should easily increase from the current 8 million to 10-15 million in the next five years," estimates Dipak Deva, MD, Destination Management, Sita, TCI & Distant Frontiers – all subsidiaries of TCIL. Prior to becoming MD, Deva was CEO, India & South Asia, Sita, from 2008 to 2015, and before that he was MD, Distant Frontiers Tours, Delhi, from 1999 to 2006, when the company was acquired by Kuoni.

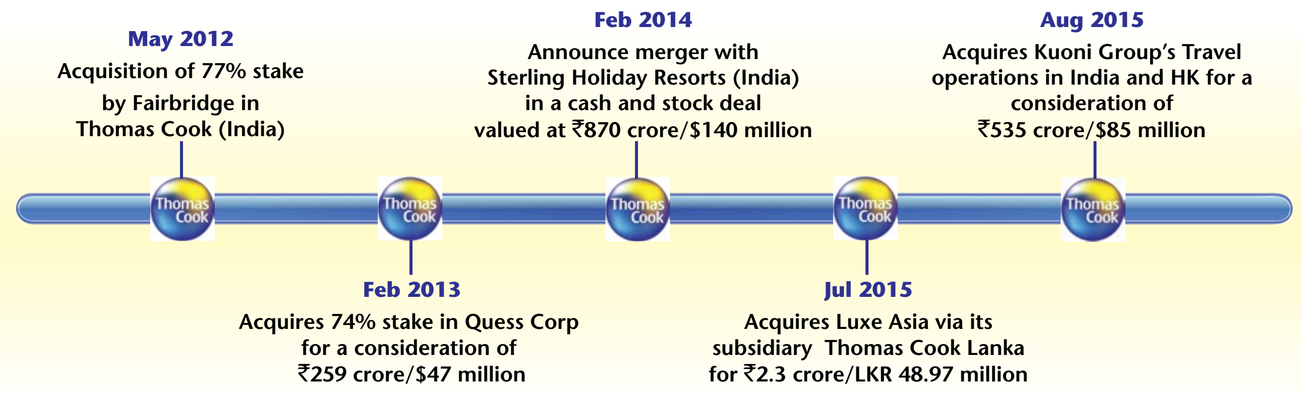
Integration

When TCIL acquired Kuoni (only the Indian and Hong Kong arms of the Swiss parent) in December 2015 for its in-bound business, TCIL already had a brand in Travel Corporation India (TCI), which was acquired in 2006. TCI is a brand that existed from the early 1960s. With Kuoni, TCIL again got Sita, a brand as old as TCI. A third brand which was focussed on MICE – Distant Frontiers – was also lapped up. All these – Sita, TCI and Distant Frontiers – have become the largest in-bound travel business, which comprises four segments – group travel, tailor-made holidays, corporate incentive business and charters. And the source markets for these segments are primarily the UK, the US, Euro, Russia and Japan, with some other markets, such as China, Latin America and Eastern Europe, emerging fast. "From our side, we do 200,000 passengers (7 per cent of the total volume to India) a year, a growth of 12 per cent, as against the all India growth of 10 per cent. So, we are ahead of the average. In the last two years, we have initiated experiential travel and created quality content for the traveller by innovating. We act as a knowledge partner to the traveller, rather than just a service delivery arm. This is a value proposition we curate for the traveller," explains Deva.

Talking about the integration of the companies into TCIL, Deva shares his interesting experience, observing that, "Distant Frontiers had its own unique proposition – MICE, incentives, etc. TCI and Sita's product offering was largely similar and the value proposition was also not different; however, there was one interesting difference – TCI was known and strong in certain markets, where Sita was not, like Japan and China, plus a piece of business in Russia and France that Sita did not have. So, we were able to go to the customer and make them comfortable that they will get service from two different brands owned under one umbrella. In the bargain, we were able to bring down the overheads," says Deva.

On the outbound front, TCIL has phased out Kuoni but continues with SOTC. And TCIL and SOTC compete with plans to define their own destinies in the market place. "The change in control at the top has a positive impact. It has aided us in getting an omni-channel presence. While we got the market consolidation opportunity, together we exploit the synergies at the backend – HR, IT and accounts, we also enjoy economies of scale with bulk buying," says Vishal Suri, MD, SOTC Travel Services. Prior to his elevation, Suri was the CEO, tour operating, Kuoni India. He joined Kuoni

Thomas Cook acquisition history post Fairfax

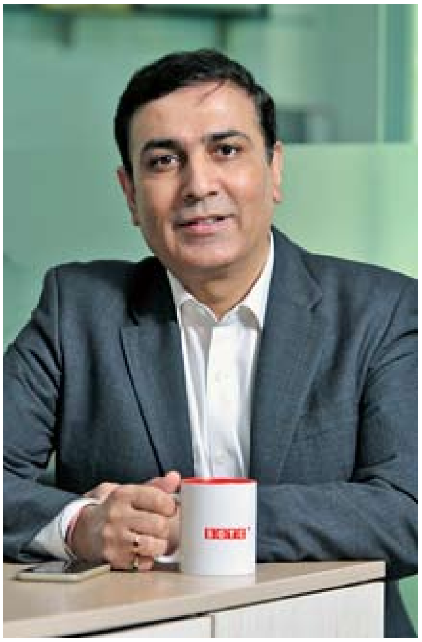


in August 2012 from Thomas Cook, where he was COO, leisure travel. So, for him, it is like coming home.

"Consolidation has seen a pooling of resources and infrastructure with a wider network spread across the country; we offer better value on the table and are able to flog inventory, unlike the smaller players," says Rajeev D. Kale, president & country head, leisure travel, MICE, TCIL, who joined the company in 2007 as head of MICE, playing an impactful role in starting MICE operations for the organization – building a business and growing from strength to strength – from a four-member team to 200-plus people.

"The takeover of stake in TCIL by Prem Watsa of the Fairfax group in 2012 was a turning point for the Indian company. Since then, TCIL has strengthened its travel business through the acquisition route and now has a listed subsidiary called Quess Corp, which is in the business of integrated business services provider with a market cap of $1,198 million. The businesses are really different. However there is a change in revenue mix (revenue contribution – human resource service: 82 per cent; travel: 15 per cent; financial service: 4 per cent – during 2013-16 which validates the shift in the business model. With acquisition of Kuoni & SOTC in the travel verticals, TCIL has significantly consolidated its position in corporate customer verticals in travel business," says Deven R. Choksey, MD, K.R. Choksey Investment Managers, who has been tracking TCIL on the bourse for the last two decades.

"There are not many direct synergies between travel (TCIL) and business services (Quess). However, there are definite synergies between TCIL and Kuoni, in terms of cost efficiencies (via buying benefits from hotels and restaurants) and also to a lesser extent between TCIL and Sterling Holiday Resorts (via driving visitor traffic to Sterling's resorts)," observes Abhijit Akella of IIFL Capital, who has been tracking the company since 2012. He feels the company's key focus near term is to extract cost efficiencies in its travel and forex businesses as part of a company-wide cost rationalisation exercise. It is also trying



Suri: positive impact

to extract synergies from the Kuoni acquisition in order to drive further expansion in margins. The ramp-up of new businesses, such as domestic travel and online travel, is another priority. Meanwhile, Sterling Holiday Resorts aims to complete its turnaround within the next year or two, returning to profitability. Quess continues to target rapid growth. "All these factors combined should lead to strong earnings growth over the next 2-3 years. Improvement in free cash flow generation is another key focus area for Fairfax. All in all, the company is trying to emerge as a leaner, more competitive and cash-rich company over the next few years," says Akella.

Rich dividends

offering competition in the listed space is Cox & Kings, which operates with a business model (only tours and travel) and which is predominantly focussed on the institutional travel vertical and consequently has a niche customer segment of students. Size-wise, both companies differ substantially. Cox & King's revenue for 2016 was ₹2,346.65 crore, only from tours & travels, while TCIL's revenue 2016 was ₹4,197.15 crore, with a diversified revenue stream. Also, as against Cox & King's market cap of ₹3,300 crore, TCIL measures up to ₹8,000 crore). The market cap of Cox & Kings has grown at a CAGR of 8.3 per cent, while TCIL has moved ahead by 44 per cent, from 2011-12 till date.

"Summer being the biggest season in terms of international travel, TCIL has come up with a new target customer mindset, wherein it is targeting children as their customer concentration. Its management believes that, over 55 per cent of the business comes from family tour and, hence, ideas from even children play an important role for travel nowadays. We expect this could provide a potential opportunity for the company in coming days," adds Choksey.

An interesting aspect of TCIL turning profitable is that, while it has acquired companies in the same business, it has looked to synergise the backend and not the front. For instance, in the retail travel space, TCIL, TCI and SOTC compete against each other for business. "We are leveraging the backend synergies for the group, via consolidation across our travel businesses of TCIL, SOTC, TCI-Sita and Kuoni Hong Kong, like the call centres, IT infrastructure, etc. Under the shared services, there is a complete integration of the system that has started to talk to each other to meet customers' requirements like airline bookings, visas, hotels and all components of the travel package. There have also emerged cross-selling opportunities. With this, we see increased benefits of lower costs and increased productivity accruing as a result," explains Menon, who has allowed each of the acquired companies to function independently, with separate managing directors to take care of the day-to-day working.

Looked at differently, in 2025, as per the agreement with Thomas Cook plc, TCIL will no longer be allowed to use the Thomas Cook brand. "So, in the long term, we do not have to build a fresh brand, we already have SOTC with us for the outbound space and with the brand Kuoni, we have multiple options, that were not there in the past," concludes Menon, who is ready to reap rich dividends from the consolidation game.

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Showing the way

Jindal Aluminium pioneers the aluminium extrusions industry in India

Siraram and Pragun: betting big on aluminium

Is brand-building helping aluminium to be a utility commodity as well as a fashionably constructive metal, replacing steel, copper and brass and wood – because of its functionality and inherent properties? Will it also become a big business proposition in India in the coming years? "Yes," says Pragun Jindal Khaitan, with a great deal of confidence. The newly anointed MD of Jindal Aluminium Limited (JAL), Pragun at 24 years, is one of the youngest CEOs in the country. He heads the privately held, Bangalore-based, ₹2,500 crore aluminium extrusion company, as an understudy of his 85-year-old grandfather, Sita Ram Jindal, who continues as the chairman of the group.

"Our company has elevated the status of aluminium," Pragun re-emphasises. "We have done so, by designing and manufacturing innovative high value-added aluminium products and solutions for a broad range of applications for the building and infrastructure industry, railway and road transport, automotive, packaging and aerospace markets over the past 47 years".

According to N. Srinivasan of the erstwhile public sector Madras Aluminium Co (Malco: which is now part of Vedanta Resources), JAL is among the 10 best aluminium extrusion entities in the country. "Aluminium is a revolutionary product and not a mere commodity, which is why it is rapidly replacing conventional materials like steel and wood in almost every sphere of application today due to its versatility, high strength-to-weight ratio, aesthetic appeal, easy maintenance, corrosion resistance, recyclable nature and design flexibility," says Sita Ram Jindal, who took a different path in the aluminium business and foresaw its growth as an option to steel and other metals almost 50 years ago. "It has automatically become an ideal and the most preferred choice for architects and builders the world over. So, there is a big bet on the metal in all sectors of the manufacturing industry."

Several reputed real estate and infrastructure developers have already begun to use aluminium extrusion products in a big way. Vijay Wadhwa, a prime real estate developer in Mumbai, concurs, saying the wide variety and dynamic character of aluminium extrusions is fast helping to change the urban skyline. "Jindal Aluminium has pioneered the aluminium extrusions industry in India."

The company started its operations in 1968 with one American built press machine of 1,500 tonnes production capacity. Between 1978 and 1982, two more presses with capacities of 750 tonnes and 2,200 tonnes, respectively, were added to boost production. "Later, with the addition of a futuristic Spanish press of 1,650 tonnes and a German press of 2,000 tonnes capacities, JAL became the only aluminium extrusion company

Caption:

to have seven presses under one roof, to become the largest production facility in India," says K.R. Raghunath, a Bengaluru-based expert on the aluminium extrusion business.

Over the years, to further consolidate its position and meet the ever growing demands of aluminium extrusions, Jindal installed its sixth fully automatic SMS German extrusion press of 4,000 tonnes in January 2006. A few years later, the company added a 1,650 tonnes capacity extrusion press from UBE Japan boosting the annual production capacity to a whopping 75,000 tonnes per annum.

JAL has been consistently recording a high growth rate of production, which has moved from 12,973 tonnes in 1984-85 to 26,985 tonnes in 2000-01 to finally 1,10,000 tonnes per annum capacity at present. "The company's two extrusion plants – on Bengaluru's Tumkur Road and Dabaspet – have been making records of sorts," says Pragun. "This makes us the largest aluminium extrusion factory in India," he claims. There are more than 140 aluminium extrusion manufacturing companies across the country – mostly in the unorganised sector. Many of these are not doing well due to low or inconsistent quality products, small or limited production capacities and rising material costs.

Maintaining lead

In one year, raw material prices have gone up from $1,600 to $1,900 per tonne. And, despite the tough competition, from both the organised and unorganised sectors, JAL has over the past few years been retaining a 30 per cent market share in the extrusion manufacturing business. One of the company's extrusion presses takes a billet size of 12" diameter and can extrude profiles up to 16"/425 mm width. According to the company's engineers, this is the largest and latest press in India imported from SMS Eumoco Germany, the world leaders in manufacture of extrusion presses.

"The company's in-house die-making section, using precision CNC machines and tools, has enabled JAL to achieve the capability to meet the needs of consumers from various segments of the aluminium segment market in the shortest possible time," says Raghunath. Pradeep Jain, CMD, Indo-Alusys, a well known aluminium extrusion company, New Delhi, also feels aluminium is the product of the future. "We cannot compete with the Chinese extrusion makers, which supply 45-50 per cent of the world demand and are cheaper, as the Chinese government provides 13 per cent of subsidies to extrusion exporters. However, the Indian market is bound to grow exponentially with more and more automobile companies opting for a lighter material like aluminium following the guidelines of euro norms," he says. "The demand is increasing and good companies are bound to benefit from the automobile, defence and aerospace sectors. There will be more usages for the metal over a period of time."

The company also has an advanced rolling plant at Dabaspet with an average installed capacity of 40,000 tonnes per annum for the manufacture of aluminium sheets, foils, slugs, circles, roofing and chequered sheets and has invested

Financials

(₹ crore)	2014-15	2015-16	2016-17	CAGR %
Turnover	1786	2150	2500	15.34
PBDT	105	166	258	28.83
PAT	41.27	76	155	39.81

₹500 crore in it recently. The plant manufactures aluminium foils up to 7 micron thickness and has installed machineries imported from China, Japan and Germany.

JAL achieved the highest production of 80,305 tonnes of aluminium extrusions during 2015-16, "which was the highest amongst the aluminium extrusion manufacturers," says Sudhakar Sinha of AlumWatch, an observer of the aluminium industry. JAL produced rolled products to the tune of 31,000 tonnes in 2015-16, which is again the second highest among the producers of aluminium rolled products, after the Aditya Birla group-owned Hindalco. The others offer no competition to JAL, according to market sources.

Its marketing policy and strategy is now being followed by over 100 extruder makers, including other leading players such as Hindalco, Indo Alloys, Sudal Industries, Century Aluminium, etc. It has also created a large portfolio of clientele, which includes big public and private sector players such as HAL, BHEL, BARC, VSSC, Dynamatic Technologies, LMW, ABB, L&T, Kirloskar, Godrej, Videocon, Siemens, Tat-BP, Cummins, GE and Mico-Bosch, as also ordnance factories.

The company has a strong capital and asset structure. It has fine-tuned its working capital cycle. The company's just-in-time purchase and production strategy has helped to maintain a very low working capital cycle. As on 31 March 2016, the networking capital was ₹64.5 crore, which is just a working cycle for 11 days on a turnover of ₹2,149.5 crore and is considered efficient. The company's short-term debt is rated A1+ by ICRA, which is the highest rating, and the long-term loan is rated AA- (stable).

The company has made investments to the tune of ₹90 crore, predominantly in debt instruments, such as AAA rated PSU/government bonds/treasury funds. "This gives us leverage to diversify through internal accrual," says Pragun. "It also helps meet any cash crunch that may arise due to sudden changes in business cycles and the global economy."

JAL has been consciously harnessing non-conventional renewable energy sources to deal with the current power crisis in Karnataka. It has installed five wind power projects of 50.84 MW each in Karnataka and Andhra Pradesh. Power generation from these sources is used for captive consumption, as well as supply to KSEB grid. Extrusion doesn't consume much energy as compared to mining and smelting, etc. JAL's energy consumption is 55-60 per cent, while the rest is sold to outside consumers. The company has also set up a 10 MW solar power project in Kalmarhalli village, Chitradurga district, Karnataka, at an investment of ₹80 crore. JAL is also setting up another 20 MW solar power plant in Davangere district, at an initial investment of ₹125 crore.

New revenue sources

JAL has been consistently shoring up its marketing efforts with innovative campaigns, focussing on quality products, a reasonable price tag and timely delivery. It has a strong network of over 125 dealers across the country and owns seven sales offices and branches in major cities to facilitate smooth sales co-ordination.

Since 1994, the company has been growing its aluminium extrusion export portfolio and is now considered one of the largest exporters of aluminium products. JAL exports its products to the US, the UK, Australia, Asia-Pacific, South Africa, the

In the years of yore

Sometime in the late 1940s, five brothers – the sons of a farmer, from the remote Nalwa village in Hisar in the then Punjab state, which is now in Haryana – made up their minds to get into business rather than farming. Farming was good and took care of the basic necessities of life and also left surplus money with Netram Jindal, the father, but getting into business was more attractive, more challenging, and more lucrative, if done in a systematic manner.

So, the five Jindal brothers – Devi Sahay, Bhavi Chand and Om Prakash (in their 20s) and teenagers Sita Ram and Madan Lal – with father Netram's blessings, got into the small business of bucket manufacturing. What was remarkable about the brothers was that they didn't neglect academics. They all wanted to study, while pursuing trade – and grow big, too.

While the bucket manufacturing business saw a steady growth, it was still a small business and Hisar was just a qasba, compared to Ambala, Rohtak, Karnal, Ludhiana, Jalandhar, Patiala or Amritsar – all then part of a united Punjab and were to become parts of Haryana in 1966. Lahore, the biggest city of the region, had already gone to Pakistan, along with the cotton-rich Lyallpur, culture-heavy Rawalpindi and the money-and-glamour-full port city of Karachi. Devi Sahay, Bhavi Chand (who passed away last year), and Om Prakash (OP), wanted to give wings to their dreams and aspirations, which meant looking eastwards – to Calcutta.

In Calcutta, one could get into the clothing or textile business or better still, the steel business, which at the time begged attention from Indian entrepreneurs. Most important, Jindals had connections and family ties both in Calcutta and Tinsukia in Assam. Om Prakash was married into a family from Tinsukia, but Calcutta was the best bet for establishing a commercial enterprise with plenty of land parcels available in neighbouring Howrah, which had been a favourite place of British entrepreneurs.

It was during this time that Sita Ram Jindal thought of taking a path less travelled. But he had to wait for almost two decades to take that path. "I took it and the rest is history." It's more than 50 years now. And he has not looked back.

And neither have his brothers. All of them have carved niches for themselves in different businesses. Fourth in the line of brothers, Sita Ram is two years younger than the late O.P. Jindal, whose sons Sajjan, Ratan and Naveen Jindal are also well-established in steel manufacturing.◆

Middle East, Sri Lanka and the South East Asian countries. Apart from aluminium extrusions, it also sells aluminium sheets and foils to various countries. Last year, JAL's exports amounted to ₹160 crore, which is about 20 per cent of the turnover. In all, the company offers more than 10,000 different shapes and sizes of aluminium extruded sections and profiles meeting the requirements of a variety of segments, and also customised items.

During the next few years, one of the major revenue earners for the company will be its large land parcels in and outside Bengaluru city. JAL has entered into a JV with Prestige, a well-known Bengaluru-based realty group, to develop some 34 acres situated at Chikkabidarakallu village, Tumkur Road, Jindal Nagar. "We hope to earn revenue of ₹400 crore from this project over the next four years," says Pragun. This is a separate parcel of land, away from the factory, which has still a lot of surplus land that can be used for future expansions, if need be.

When JAL started in Bangalore, there were hardly any private enterprises worth their name in and around the city. "The most excruciating thing was to travel to Bangalore," recalls Sita Ram Jindal, 85, who now devotes most of his time to the group's CSR activities, educational institutions and Jindal Naturecure Institute (JNI). "I came here when it used to take two days to reach Bangalore from Delhi," says Jindal Senior. "You had to first fly to Madras, and then wait till the next day to take another flight to Bangalore."

Pragun Jindal Khaitan joined the family business in 2013 after completing his schooling in the UK and graduating from the Wharton School of Business, University of Pennsylvania, USA. "Pragun has played a vital role in creating a niche for the company and making it an entity to reckon with," says Sita Ram Jindal. "He knows everything about aluminium and is a strategist of some consequence. It has been his idea to diversify the group's activities into different sectors including renewable energy and real estate. He keeps abreast with the latest technology in the field and wants the company to invest in technology upgradation and capacity expansion."

The beginning

Focussing on aluminium was a conscious decision – and a tough one at that! But it had to be taken. "I'll have nothing to do with the steel business from now on," Sita Ram Jindal had said to himself. "What's more to be learned about the steel business? I know everything about it. So, steel is not for me!" His decision came as a big surprise to his family, especially his four brothers with whom he had laid the foundations of the thriving steel manufacturing and trading business in 1952 in Calcutta

Almost two decades after establishing the steel business, a young Sita Ram Jindal, who was looking for a new business other than steel, decided to take a circuitous route – far away from the native north and adopted home Calcutta to Bangalore, which at the time was a Pensioners' Paradise and army cantonment.

Jindal had decided Bangalore was going to be his ultimate destination – in life and whatever he did. He had a different business idea and Bangalore was the right place to realise it. He had already zeroed in on aluminium. The then Madras-based public sector Malco readily provided a free flow of the raw material, procured from Orissa, which had an abundant supply of aluminium. Also, in Bangalore, land was cheap and aplenty, and there was an ample supply of electricity (unlike today). To crown it all, the government was stable and took no time to issue licences and permits to upcoming start-ups.

All this steeled up Jindal's ambitions further to stay on and start a non-commodity business in Bangalore. Aluminium extrusion was one such business, which had no peers in the state. In 1968, he established an aluminium extrusion plant on the outskirts of Bangalore city on the Bangalore-Pune Highway No 4, with a capital of around ₹50 lakh – a first of its kind in India. "Call it his farsightedness," says Pragun, "but my grandfather started acquiring land parcels in and around the city (which now amounts to 300 plus acres) with a view to expand the company's business and manufacturing operations, and sometime in the future to get into real estate development."

Pragun is very ambitious. He wants to touch the magical figure of 100,000 tonnes of extrusion by the end of 2017 – up from 80,000 tonnes last year. "With so many new sectors coming up, I am sure we will be the top-notch company in the next five years -- in every sense of the word," he smiles and signs off.

◆ DEVENDRA MOHAN

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PHOTOS: SANJAY BORADE

Vasudevan: customer-centric approach

Scaling heights

Ozone is set to join the big league with its well-carved-out strategy

Ozone group is a big real estate player in the making. In a short span of time, the Bengaluru-based developer has been able to generate quite an encouraging response for itself in the market. The company has made big strides despite the market lately facing a challenging situation. Having started its journey in a humble manner in the early 1990s in Bangalore, executing small residential projects, Ozone now boasts a development pipeline of over 27 million sq ft (across nine projects, to be delivered in the next one year to six years) across Bengaluru, Chennai and Goa, as also Mumbai, which it entered recently, with three residential projects. Though primarily into residential, the portfolio of the company is mixed, also comprising IT & business parks, retail, hospitality and commercial.

S. Vasudeven, 49, chairman, Ozone group, is a qualified architect and, hence, puts a lot of effort in the planning and design aspects of its projects. A first generation entrepreneur (whose family shifted to Bengaluru from Chennai many years ago), he worked as an architect for two years (1991-93). In 1993, he decided to venture into real estate development in Bangalore with his firm called Tuscan Consultants and Developers Ltd. This design-and-build firm would undertake small residential projects in the IT city.

Ozone is undertaking a 200-acre large integrated township project – Ozone Urbana – in north Bengaluru, near the international airport. The project, involving the largest integrated township development in the IT capital, is estimated to cost about ₹4,000 crore. In total, the company is estimated to invest ₹8000-10,000 crore to construct its existing portfolio – to be executed over a period of one-six years.

While buyers have reposed their full faith in its projects, which have been able to generate an excellent response, despite the ongoing sluggishness, the investor community (PE/realty funds) too is not behind in lending their support. They have been quite bullish on the company and its business model. From Anand Jain-led Urban Infrastructure Venture Capital (which has invested both at entity as well as project levels) to Piramal Fund Management to HDFC Property Venture, Aditya Birla Real Estate Fund and Blackstone – all have shown their interest.

In fact, Ozone has received (since 2006) close to ₹2,500 crore from various funds/institutions. A large portion of this investment has also come in the last five years, when the market has struggled for liquidity. Importantly, a sizeable portion of this investment has already been returned to the investors, as the company has been quite aggressive in selling its products, which are rightly designed and priced for the actual customers (primarily for the mid segment). For the last couple of years, the company has been selling properties worth over ₹1,000 crore annually and the momentum is likely to be continued, going ahead, with focus on execution and delivery. Out of this, over 30 per cent of sales have also come from overseas (NRIs) buyers.

"We have been associated with Ozone for almost a decade now," says Parag Parekh, CEO, Urban Infrastructure Venture Capital Ltd. "And, this long partnership itself is the validation of our well-maintained relationship. We like the way the promoters and the organisation have positioned them in the real estate market. Being among the initial investors, we have also made a part exit with a reasonable return against our investment". Urban Infrastructure Venture Capital has made a total investment of over ₹1,300 crore across its various projects, including its Bengaluru township project Ozone Urbana, starting 2006-07. In 2008, the fund had also taken 50 per cent stake in the Ozone group at an entity level. In the last three-four years, Urban Infrastructure has been paid over 60 per cent of its investment, while the rest is expected to be returned in the next couple of months.

"Ozone has emerged quite nicely in the market," says K.G. Krishnamurthy, managing director & CEO, HDFC Property Ventures. "Over the last few years, the company has ramped up its capabilities across its various functions. The promoters have shown a professional approach and put up an organisation in which property buyers and investors both are showing their trust. In fact, it has been able to build a brand for itself in the market through its impeccable track record of execution and delivery". Krishnamurthy was the one who reposed his faith in the company at the initial stage of its journey way back in 2006, when the company was vying for a land parcel for its ongoing 43-acre residential project, Ozone Metrozone at Chennai's Anna Nagar area.

Considered one of the prestigious projects in the Chennai market currently, the Metrozone project with a saleable area of 5.1 million sq ft has already sold 2,200 residential units out of 3,000 units (current price: ₹12,500 per sq ft). In fact, the project has already delivered 1,000 residential units, while the remaining will be done in the next 12-16 months. HDFC Property Ventures had invested about ₹95 crore in this project and has already got back about ₹180 crore; it is expecting to get back another ₹55 crore soon.

Gopalan: well balanced offering

A good partner

"In Ozone, we have found a partner who was strongly focussed on both execution as well as sales and has an established track record of delivering projects as well as investor returns," acknowledges Khushru Jijina, managing director, Piramal Fund Management (formerly, Indiareit). "Our transactions with Ozone relied on customised structures focussed on enabling quicker execution of ongoing projects as well as facilitating the acquisition of new projects. The group has performed consistently well in terms of sales, construction as well as collections across each of the projects underwritten by us and we look forward to a long and mutually beneficial association with them well into the future".

The wholesale fund and funding arm of the Piramal group has invested in excess of ₹1,000 crore in six tranches across four projects and of these, it has also exited from four tranches of investments. "We have also approved a further ₹400 crore of transactions that are in the final stages of pre-disbursement diligence. We intend to continue our long standing relationship with the Ozone Group," adds Jijina, whose fund boasts over ₹20,000 crore.

Moreover, private equity investor Blackstone which has been selective during the recent slowdown, invested ₹175 crore in Ozone Metrozone, Chennai in 2014 and already exited the project last year. The money which came in through the NCD (non-convertible debenture) route was used to repay the debt. In fact, in 2014, Ozone became the first company to get funding from Blackstone for the residential project in Chennai. In 2015, Aditya Birla Real Estate Fund put in ₹150 crore in the Chennai project, only to get an exit last year. The money (an NCD structure) was also used to repay a loan.

"In a market, where developers have struggled for liquidity, Ozone has been able to raise a large sum of fund from a diverse pool of investors/lenders. This itself shows that the company has capabilities and a business model that can be relied upon," says Ashok Kumar, managing director, Gene Partners, who is of the view that in a subdued market refinancing of loans has also become critical when project cash flows are slow. Often, developers are replacing earlier loans with new lenders to bring down the cost of money as the project matures.

"We have tried to build an organisation which is customer-centric and always looked to add value to its customers. Besides, transparency and quality are the other two core values that have helped us stay ahead in terms of property offerings. As a company, we have established a proven track record of innovation and customer satisfaction and with this vision, we have continued our journey in the market," says Vasudeven. Ozone is a professionally-managed organisation, with more than 300 people across design, architecture, finance, engineering, legal, commercial, strategy, sales & marketing functions. The company also has a separate team for facility management, which manages under-construction as well as already delivered developments. The company is executing its projects hiring reputed contractors such as Shapoorji Pallonji, Capacite Engineering, NCCCL Construction, Valecha Engineering and JMC Projects. Apart from offices in Bengaluru (head office), the company has sales and marketing offices in Chennai and Mumbai. Since a sizeable chunk of its business is also coming from overseas buyers, it has opened sales offices in the US, London, Dubai, Singapore, Hong Kong and Australia.

Many projects

Between 1993 and 2004, Tuscan constructed around 12 projects (total saleable area: some 200,000 sq ft). It was during this initial period that HDFC got itself involved with the company, which received a first loan of about ₹25 lakh from the housing finance major. In 2004, Vasudevan decided to scale up his business and hence formed Ozone group, which started its journey with an IT Park (area: 550,000 sq ft) and two residential projects in Sarjapur, Bengaluru. Ozone Residenza (250,000 sq ft) was a villa-ment project (combination of villas and apartments), while Ozone Evergreens (1.25 million sq ft), a residential project facing a 500-acre green patch. All three projects generated encouraging results in a market, which was showing a good deal of traction.

Buoyed by the response of these projects, Ozone ventured into its two flagship developments – Ozone Metrozone, Chennai, and the mega township project Ozone Urbana in Bengaluru, in 2006-07. It was at that time that Anand Jain's Urban Infrastructure decided to come on board and take exposure in both the projects as also in the company (the PE fund is on the verge of exiting). In fact, the entry of HDFC Venture in Metrozone in 2006 was the trigger point. The progress of these two projects and other projects around them has provided the company with a much sought-after portfolio, which is diversified, both product-wise, as also geographically, to create an offering that will take the company to its next phase of growth.

"As a company, we have been able to position ourselves quite well in the real estate market," says Srinivasan Gopalan, 44, CEO, Ozone group. "Our offering is well balanced in favour of residential. Our focus has been on sales which have been governed by our strategy of designing the right kind of products at the right pricing and of course selection of the right locations. Buyers have shown their trust in us as we have tried to live up to their expectations". A cost accountant (ICWA) and a chartered accountant, Srinivasan came over to the company in September 2014 from Mumbai-based Wadhwa group, where he had served the dual role of COO and CFO. During his tenure, the Wadhwa group had witnessed a phenomenal growth and was involved in execution of quite a few iconic projects, including One BKC and The Capital in Mumbai.

Prior to that, Srinivasan had worked with US-based ROW2Technologies as CEO. He also worked with companies like Chembourse International and Gharda Chemicals. He has two decades of experience in sales, marketing, finance, corporate planning, project evaluation and implementation and is well regarded in the real-estate community for innovation in the finance mechanism and performance management. He believes that people, processes and technology are the driving force for a company's success and with this vision he is driving the show at Ozone, which has made big steps in the last few years despite a slowdown in the market.

Ozone's flagship Urbana township project (Master Plan: B+H Architects, Canada) near the Bengaluru International Airport, where construction began in 2009, has made seamless

progression. The fully-integrated development will have all the necessary elements such as social amenities, club houses, healthcare, education, hospitality and retail facilities for its residents. There are about 8,000 residential units, of which 3,000 units (current average rate: ₹5,300 per sq ft) have already been sold. The entire project will be completed in the next five-six years.

Ozone Urbana has also ventured into the emerging field of senior living where they provide modern facilities to senior citizens. The company has tied up with various agencies which provide senior citizens all sorts of facilities ranging from food to nursing. About 50 such families are already staying there, while another 450 families are expected to move in by this December. There will be in total about 1,000 dwellings for senior citizens. The Urbana project has tied up with BR Life, a leading healthcare brand (Dr B.R. Shetty, chairman, BR Life group of hospitals), which will operate and manage a 250-bed hospital in the township. Other amenities coming up include among others Hyatt Place business hotel, theme gardens,

a business park and a retail village. The project already has a functional National Public School with both international and CBSE curricula.

The 43-acre Metrozone project, situated in the heart of Chennai city is at an advanced stage of development. The project (CPG Consultants, Singapore; Site Concepts, Singapore and Hafeez Contractor, Mumbai) has amenities such as a clubhouse spread across 62,000 sq ft, five swimming pools, 1.2-million sq ft of green space, a mall spanning one million sq ft and a multiplex, and around 3,000 residential units (apartments, duplexes and penthouses).

In Chennai, the company is also in the process of delivering a high-end residential project. Ozone Gardenia also located in Anna Nagar, has got 32 units (average price: ₹6-7 crore). The company has already sold 20 units. This apart, the company is undertaking Ozone Promenade (7-acre project), one of the popular residential projects in Whitefield, Bengaluru, while Ozone KNS Oasis (45 acres) near Sarjapur Road, Bengaluru is a joint development with KNS Infrastructure, Bengaluru. The company also has a 140-acre land parcel in Goa, where it is planning to build villas and a hotel. It has already received in-principle approval for this project.

"Markets in the southern part of the country, particularly Bengaluru have always been steady as actual buyers rule the market. We will continue to explore the opportunities these markets offer. Our customer-centric approach will help us grow faster in these markets," says Vasudevan.

"Currently, all the major markets are sluggish. However, fundamentally, Bengaluru has been a steady market and moved in a much better manner than the other major markets in the country. A similar trend will be maintained going forward as well. The best part of Chennai is that unlike other markets (primarily NCR), the inventory here is limited and, hence, there is nothing like oversupply," says Ritesh Sachdev, managing director, South India, Cushman & Wakefield.

Good outlook

Last year, the company made its foray into the Mumbai market with a project called Ozone Mirabilis at Santacruz (East) near BKC. The project comprises 112 bespoke 1,2 and 3-BHK apartments (current rate: ₹20,000-22,000 per sq ft). With an innovative first-of-its-kind, plug and play concept, the artistically-designed apartments in this project, are fully furnished with all modern amenities. The project (already 30 per cent sold), coming up in a joint development with K. Mordani Realty of Mumbai, will be built in the next three years. Ozone is also in the process of launching two more residential projects (Dadar East and Andheri West) in joint developments in the next few months. One of these two projects will be in JV with Vijay Raheja.

"Mumbai being the financial capital will always be one of the prominent markets in the country and attract attention. Due to its geography, the demand-supply gap will always be favourable. The market offers a whole lot of opportunities for developers and other stakeholders due to its buyers' profile," says Gaurav Gupta, director, Omkar Realtors & Developers, Mumbai.

"Over the last few years, we have built up our capabilities and track record and now as a developer, we are looking out for leveraging them by exploring multiple opportunities across the value chain. Our customer-centric approach and other skills should help us in expanding our offering and delivering them in a time bound manner," says Srinivasan, who believes that the domestic real estate market, following policy-related changes recently, is heading for a much matured and transparent set-up.

With these changes taking place, developers like the Ozone group are much better placed in the market which is undergoing a transition where buyers are calling the shots in a competitive market place. The company has built up its capabilities quite well in a short space of time. Backed by professionals, the company has put in place a robust business model in which investors as well as buyers both have shown their trust. The company has been focussing on sales by creating an offering comprising the right kind of products at the right pricing and locations.

The company's well-diversified portfolio (both in terms of segment and geography) will not only provide the company faster growth opportunity but also provide it with an inherent risk hedging mechanism against market-related vagaries in the long run. While, on the one hand, the company has banked on its own land bank in markets like Bengaluru and Chennai, it has followed an asset-light model and pursued joint development in a market like Mumbai where land forms a major cost of any project. With all these measures in place, the company appears to be all geared up to start its next growth phase. On the macro front, the overall real estate market is heading for a much transparent and matured scenario, which augurs well for a reputed developer like Ozone.

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Cleaning it up

Can India reach its renewable energy target?

There are lessons for India from the US Energy Transition. While the US began its transition earlier, abandoning the construction of new coal plants by 2008, India's newer transition is happening much faster.

The Biggest Lesson: Clean energy – wind, solar, small hydro, bio-mass – almost always turns out cheaper than experts expect or the media assumes. Its price drops faster than anyone anticipates. Capacity scales up very quickly.

Yet, a question that seems simple – is clean energy more expensive than, equivalent to, or cheaper than coal? – is actually not so easy.

By 2014, for example, new contracts for US wind, at $0.035 per unit were already below the $0.06 per unit level of coal; solar contracts were essentially equal at $0.058. A year later wind and solar prices had fallen another 10 per cent. But US energy agencies, and the media, kept insisting that "grid parity", renewables as cheap as coal, were still years off – after it had actually happened. As strong a clean energy advocate as President Obama was, he was unwilling to state that renewables were now cheaper, lowering electricity rates, rather than raising them, until his 2016 State of the Union Message.

A similar confusion has plagued energy conversations in India. In early 2014 Montek Singh Ahluwalia, then deputy chairman, Planning Commission, suggested to a group of US and Indian climate experts that "if we look at the real prices wind and solar have now reached grid parity in India" with solar at ₹7. But the Indian media continued to argue that coal power cost about ₹4 – ignoring the prices of imported coal for new plants.

Energy minister Piyush Goyal declared that Indian renewables had reached grid parity in April 2016. But Bloomberg New Energy Finance didn't agree, claiming renewable cost figures considerably higher than actual auction bids for both wind and solar.

Now, with the latest solar auction from Rewa coming in at ₹3.3, and the first wind auction fetching bids below ₹4, there is broad agreement that wind and solar cost less than new coal.

The confusion and failure of US experts to anticipate the radical shift in prices between renewables and coal stemmed from three factors, which seem likely to apply in India as well.

CARL POPE

The author is former executive director of the Sierra Club, an American environmental organisation

First, new wind and solar projects are often compared to existing coal plants, including old coal plants without public health pollution controls. (In India, even new coal plants are being built without the kinds of scrubbers and pollution controls the public will eventually demand.) The ultimate out-of-pocket cost of coal power is thus dramatically underestimated. In the US, cleaning up a coal plant's sulphur, nitrogen oxides, particulates and mercury doubles its costs. Second, energy experts are used to mature, slowly changing technologies. Wind and solar innovate rapidly. Their costs drop much faster than analysts are comfortable conceding. In the US over eight years wind costs have dropped by 41 per cents; solar by an even more staggering 64 per cent. In India, the auction price of solar has fallen from ₹7 in 2014 to ₹3.3 in early 2017.

Third, wind and solar projects are, relative to coal or nuclear, quick and easy to deploy. This led US energy regulators astray. Clean energy grew in one year what they projected in five. From 2009 to 2015 US solar energy grew by 900 per cent. But the Department of Energy kept projecting substantially lower growth.

India, since it sets actual national targets, escaped this trap when the government quadrupled its renewable goals in the 2015 Budget. But analysts are still drawn by it.

Now that wind and solar are demonstrably cheaper even than old coal plants (once these are retrofitted with pollution controls), the cost barriers to low carbon electricity have been breached. But the US experience suggests that it will not be smooth sailing for India's current clean energy goals, much less the dramatic scale-up required for full prosperity and employment.

The US energy transition demonstrates that the barriers to shifting from fossil to clean energy are layered and complex. But three things stand out: cost of capital, much higher in India than elsewhere; adequate planning of transmission in conjunction with renewable projects, so that low cost wind and solar electrons are not wasted as happens in California and China; and resistance by the operators of existing thermal power plants to competition from cheaper renewables.

These factors will determine whether India meets its ambitious goals for renewables.◆

Armed with a team of dedicated professionals Renuka Ramnath is in an enviable position

PHOTOS: SANJAY BORADE

Multiple way of growth

If a management case study about successful professionals who transitioned to entrepreneurs was to be done by any B-School in India, Renuka Ramnath's name would surely figure high up in the list. Founder, MD & CEO, Multiple Alternate Asset Management Pvt Ltd, Ramnath has now come to manage a private equity company, with assets well over $1 billion, in less than a decade since she decided to take the plunge. Along with building an enviable portfolio of investments, Ramnath's success would also be judged on how she grew the company of dedicated professionals, equally passionate about the business, building on a foundation of values and ethics.

Along with Ramnath, the other names in the private equity segment that would be considered in the B-School study, would be Ashish Dhawan and Raj Kondur, founders of Chrysalis Capital in 1999 and Vani Kola of Kalaari Capital, a venture capital company managing $650 million. While there have been several professionals including Ajay Relan (earlier with CVC Capital) and Rajesh Khanna (earlier with Warburg), who left their lucrative careers and started their own private equity firms, only a few have started their own companies and even fewer who have been successful.

Ramnath spent close to 23 years in ICICI, one third of it as MD & CEO, ICICI Ventures, a pioneering private equity company, which she virtually built and nurtured. Having done her graduation in textile engineering from VJTI – being one of the only two girls in the class of budding engineers – Ramnath did her management studies from Mumbai, before taking a plunge on the shop-floors of Crompton as a campus recruit. It was the engineering background and her management degree which helped Ramnath weave the threads of success of her career path. Her first job in ICICI, still a development institute in 1986, was in the merchant banking division.

"It was a small group in those days," recalls P. Chandrasekhar, a former ICICI professional, who quit ICICI to pursue his independent consulting practice. "Even in those days, I found Renuka to be energetic, highly observant, joyful, and a good team worker," he points out. "Building a good team of professionals and selecting the right people was the priority for her from day one," says Sudhir Variyar, MD, Multiple. Variyar, who came along with Ramnath, points out that even while operating from their one room office in those days, their priority was clear that it was the team which will make all the difference and one of our early tasks was to lay out the processes and ensure that the professionals shared the vision of the leader." Variyar was with I-Sec in the structured finance division and had served in Fitch Rating Agency too before moving along with Ramnath. The processes for selection were all laid down and the aim was to build an ethical organisation, Variyar explains.

"Renuka was quite hardworking in those days," reminisces Sunit Maheshwari, another former ICICI professional, who had worked in the merchant banking division. It was a small team and we were all seated in the same room.

"Renuka could take a call on investment fast and had a way of dealing with clients, grasping the nuances equally quickly," he says. Maheshwari, who had been with Larsen & Toubro, is now founder, Udvik Infrastructure Advisors, an infrastructure financing company. According to him, Ramnath, with her experience in various divisions of ICICI, such as securities, structured finance and private equity, had built a good track record.

Leadership qualities

Her affable nature allows Ramnath to engage well with team members and clients. Under the ICICI banner, it was easy to build a team in a nascent industry. Will the charisma remain in Multiple too? "It was her visionary leadership qualities and team work which attracted me to join the firm," admits Nithya Easwaran, who joined Multiple in 2010 as a managing director. A VJTI graduate with an MBA from IIM-Lucknow, Easwaran was heading the Debt Capital Market at Citibank, when she made a shift to a private equity fund. Easwaran was also a director on one of the investee companies Arvind Fashion, where Multiple has invested ₹530 crore in November 2016. While Multiple has also invested ₹160 crore in the parent company Arvind (*see chart for portfolio of investments*), Easwaran says that the team at Arvind Fashion has a lot of freedom to run the organisation. Arvind Fashion, which has its own brands, has also created a platform for other MNC brands. Ramnath is a director on both Arvind and Arvind Fashion.

"The key differential here is the entrepreneurial spirit, which encompasses the organisation," says Sumit Sinha, who joined Multiple a few months back. An IITian from Delhi having done his MBA from Wharton School, Sinha had earlier worked in several marquee organisations including McKinsey, a Temasek group company and Warburg Pincus. "We are allowed to lead," says Sinha, who leads technology practice in Multiple. With over 13 years of experience, he was responsible for execution of a ₹150 crore investment in a fantasy sports start-up company, Dream11. Formed by two young Indians, Harsh Jain and Bhavit Sheth, in 2012, the company already has got funding from venture capital firm Kalaari Capital and Think Investment, a hedge fund. Sinha represents Multiple as a director on Dream11.

"The ability to grow is much faster in Multiple," says Sridhar Sankararaman, who identifies opportunities in the pharma, media and consumer sectors. Sankararaman, a principal, has been with Multiple since inception in 2009 and worked with Sun Capital in London before joining Multiple. A CA, with an MBA from ISB, Sankararaman points out that, while processes for selection for investments are fairly well laid-out, a small team allows more scope for

Nithya Easwaran, Variyar, Nene and Bhatia: the winning team

Diverse portfolio of investments

	Investment date	Amount deployed (₹ crore)	Comment	Exit amount (₹ crore)	Exit type	x times
Fund I						
Cholamandalam	2012 Mar	120	Exited	326	Public markets	2.7
South Indian Bank	2012 Sep	165	Exited	245	Public markets	1.5
Sara Sae	2011 Aug	100	Exited	79	Strategic sale	0.8
PVR	2012 Dec	150	Part exit	633	Public markets	4.2
Delhivery	2014 Sep	188	Part exit	583	PE To PE exit	3.1
Indian Energy Exchange	2012 Mar	190				
Arvind	2014 Jan	160				
Milltec Machinery	2013 Jun	170				
Vikram Hospital	2013 Jul	138				
Livpure	2014 Dec	75				
Mogae Media	2013 Jan	25				
Total		1481		1866		
Fund II						
PVR	2015 Jul	430	Part Exit	300	Sale to Warburg	
Vastu	2015 Aug	100				
Encube Ethicals	2016 Jul	300				
Arvind Fashions	2016 Nov	530				
Dream11	2017 Jan	150				

'Private equity has evolved'

Renuka Ramnath speaks about the changing environment in the private equity sector and the philosophy and policies of entry and exits at Multiple, in an interview with **Daksesh Parikh**

You have seen the growth of PE closely. How has the scenario changed?
Private equity has matured a lot over the years. Currently, the value chain has been established across the chain. Firms specialise in turnarounds, provide structured debts, acquisition funding, pre-IPO finance, etc. Promoters are also coming to grips with private equity and realising that they are not mere providers of capital but genuine partners with desire to build the companies. They are not intimidated by rights sought in contracts for exits but know how to work with PE. Entrepreneurs are also exercising diligence in selecting private equity. Overall, I would say climate is changing for the better.

What about exits, is it still a concern area?
Exits provide growth. We like to go when we feel nothing is happening. We never damage the company when we exit. The biggest deterrent to exits is entry through overpriced deals. Some investments in infrastructure deals have not been able to exit. However, private equity is naturally avoiding non-scalable models. While IPOs are in a popular mode, 'trade to trade' exits allow companies to remain unlisted for longer periods and enable the companies to build size before coming to the markets.

How do you zero down on investing in companies?
We have a fairly robust system laid out for selection. While there are a lot of variables we look at, we do not look for data. We look at the business and the possibility it offers for growth. The entrepreneur has to be unconventional – an out-of-box thinker, who focusses on not just incremental business. Passion, aspirations to grow and the quality of the managing team and ability to manage costs are some issues we look at. Sometimes, even the conduct with the team would be a factor for consideration. We have a well-documented procedure for selection, subjectivity is minimised through multiple levels of screening to ensure chances of success. If there are 20-30 shortlisted companies, we screen it down to 2-3 before taking a decision on investments. We do pure equity investments; no structured deals. We bear the risks with the promoters.

How does having committed co-investors help?
Co-investors help in taking on larger deals and give us more flexibility. If, for instance, the mandate is to invest in 10 companies of $50 million each, with co-investors investing side by side with us we can look at doing deals of twice the size in some cases. It ensures that good deals are not missed.

Are you planning a stressed asset fund?
Currently, we are looking at acquiring stressed assets from our existing funds. We are exploring opportunities to right size balance sheet and gauge the viability. While we have appointed a specialist, Sharad Bhatia, as of now, there are no immediate plans of setting up new specialised funds. ♦

learning, identifying and originating, transactions, building relations with investee companies.

A deal maker par excellence, Ramnath's deep relations with the promoters of PVR Ltd, which she built up when she was at ICICI, allowed Multiple to make good investments in the company. With over 562 screens in 48 cities, PVR was nurtured by Multiple since December 2012. The first tranche of investments in the company, promoted by Ajay Bijli and Sanjeev Kumar Bijli, has allowed the company to take over its competitor, Cinemax India, for an estimated value of ₹395 crore, for which an open offer was made subsequently. The total investments of ₹150 crore in PVR saw Multiple fetching ₹632 crore (more than 4x) through sale on the bourses. The fund had invested another ₹430 crore from its second fund to enable PVR to acquire another chain of cinema halls in 2015. These investments were partially liquidated in 2017 to Warburg Pincus, which acquired 14 per cent from Multiple and its co-investors for ₹820 crore.

Multiple does not follow a fixed formula for exits. The investments of ₹187.50 crore made in stages in Delhivery, a courier company of SSN Logistics was partially sold to another PE firm, Tiger Management, and others for ₹582.50 crore.

Having a home-grown team of finance professionals has also helped, as most of them would have some idea about the industry and specific companies operating in India. In the first fund, while Multiple opted to follow a bottoms-up approach, in the second fund, it is a mix of top-down and bottoms-up approach, which is being followed. Though there are specialists in the firms who have sufficient knowledge of a few sectors, outside advisors' help is also sought on several occasions.

The company does not follow a vertical approach in selection. "We are fairly agnostic," says Harmanpreet Singh who, like Sankararaman, has 13 years experience and led in some of the exits made by Multiple.

Singh leads the financial services, consumer-facing and industrial businesses. Singh worked with Crisil and SBI Capital Markets, before joining Multiple. There is no bar on investing in public companies or doing PIPE deals. During a lull period, many private equity companies do deals in listed companies.

The aim is to demonstrate entry and exits at periodic levels. Multiple invested ₹119.5 crore in Cholamandalam Investment & Finance in March 2012, when the shares were traded at ₹160-185 levels and exited at a level which got them ₹352.5 crore (about

Sinha, Sridhar and Singh: identifying winners

3x). Likewise, in South Indian Bank, the investments of ₹165 crore in September 2012, when the shares were quoted in a range of ₹21-22.70 levels, saw the firm exit at ₹245 crore.

It is value which drives acquisition at Multiple and mode of acquiring stakes varies. In March 2012, Multiple acquired 14 per cent stake in IEX (India Energy Exchange) from PTC Financial for ₹70 crore, valuing the first energy exchange at a little over ₹500 crore. Multiple gradually increased its investment to ₹190 crore. The exchange is currently valued at about ₹2,500 crore.

Risk management

While the style of investing and mode of investments differs from companies to companies in the private equity sector, at Multiple, "We do pure equity deals, no structured deals," says Ramnath. "We choose the entrepreneurs carefully and ride the risk with them. Private equity is like a marriage. Partners are selected carefully. While legal rights are ensconced in agreements, they are seldom exercised."

"Risk management is an important part of the deal," says Prakash Nene, MD & CFO, adding that transaction management, post-investment monitoring and governance are key focus areas to be looked at after a deal has been identified. Sometimes, they also have to do forensic audits and drop deals, if reputation risks are involved. Nene, who was earlier in project planning at ISRO, has a fairly good stint in companies including Jumbo group, SRF, Bharti Airtel and Oberoi group of hotels.

However, despite the best care and processes in place, mistakes do happen. Investing in Subhiksha Retail, where ICICI Venture Funds under Ramnath invested, had to be written off, when the model of low pricing to attract buyers could not be sustained. ICICI Ventures had a 23 per cent stake, when the retail chain closed in 2009. Ramnath also quit in the same year, following a shuffle in the top management, after the retirement of K.V. Kamath, as chairman.

Instead of being bogged down, Ramnath chose to start her own venture banking on relations this time around, rather than the big banner of ICICI, to raise funds. While the timing in India was good, the Congress party had just been voted to power without having to take the support of the Left parties and lot of hope was floating on the horizon. International markets were still reeling at the throes of subprime crisis erupting in the US and slowly moving offshore to other countries. The first fund, which saw a few Indian banks, along with Canadian Pension Plan Investment Board, committing $100 million (with Dutch Pension Funds and a couple of sovereign funds as anchor investors), took nearly two years to close. Multiple made 11 investments through this fund. Of these, it has exited fully from three and partially exited from PVR and Delhivery.

In the second fund, along with $600 million raised by Multiple, there is a commitment of co-investors to invest $140 million alongside Multiple in certain deals. Several of the investors in the first fund have also invested in the second.

Roughly ₹1,500 crore or so, less than 50 per cent, has only been deployed from the second fund. These include one in an affordable housing company, Vastu (to the tune of ₹300 crore) and another in Encube Ethical, a Pune-based pharma company in dermatology, besides Dream 11. The other two investments – Arvind Fashions and PVR – are the offshoots of relations built earlier with the promoters.

While the focus is on exits from the earlier fund and also to seek fresh companies for fund deployment, Multiple is clearly focussing on stressed assets. It recently got in Sharad Bhatia another former ICICI professional, who was recently managing the stressed asset fund of Kotak Mahindra Bank. "We are looking more in mid-cap businesses, where there is a scope for revival. They are also open to controlled transactions and working alongside promoters by taking a significant minority stake of at least 26 per cent," says Bhatia. Ramnath, however, clearly seems to be testing the waters before taking the plunge.

At ICICI, Ramnath was managing a little over $2.5 billion of funds – a feat she may well repeat many times over in the next few years. After all, success breeds success and, with international markets awash with liquidity, getting funds for her new ventures may not be difficult. If a $400 million fund could be raised with two or three employees, a strong team with successful exits will pave the growth for even larger funds.

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Motivation for positive action

The time has come to 'import' a two-tier support for corporate governance in India

On the face of it, Indian corporates of the listed space have duly constituted the SEBI-specified structures of corporate governance. They have also appointed independent directors in specified fashion to ensure independent functioning boards in their respective organisations. So, if compliance was the litmus test, everything about corporate governance in India should have been hunky dory. But, going by the spate of umpteen management mishaps, including the recent tremours in Infosys, it appears that there's a lot left to be desired.

Why's it so? There's no rocket science needed to spot the root cause lurking in the very basic structure of the board of directors. It's high time SEBI introduced a two-tier board system for Indian companies – such as a supervisory board and a management board.

But, before moving over to highlight the acute need for a two-tier board, it's pertinent to recall SEBI's incredible efforts in the given area. Falling standards of corporate governance have always been a cause of concern in the specific context of largely promoter-driven Indian companies. Ironically, SEBI had constituted the Narayana Murthy Committee in 2003 for recommending a way out.

Subsequently, SEBI introduced a comprehensive chapter on 'corporate governance' under Clause 49 of the Listing Agreement, which dealt with the appointment of independent directors, as also their participation in the remuneration and audit committee. The new Companies Act 2013 defined the term 'independent director' u/s 2 (47) and outlined a rather comprehensive role via Schedule IV of the Companies Act 2013.

Although SEBI's initiative was indeed laudable, the mandatory provisions knowingly or unknowingly overlooked some of the bitter realities. For example, Indian companies are virtually ruled by promoters. In fact, history is replete with instances where neither the management nor the independent directors have been able to perform their respective roles in letter and spirit, thanks to the intervention by adamant promoters.

Also, Schedule IV has needlessly jumbled up the role of independent directors with that of management functions and supervisory role. Consequently, independent directors are often dragged into frivolous litigation over wrongdoings that emanate from poor management decisions.

NITIN POTDAR

The author is M&A partner, J. Sagar Associates. Views are personal

The problem with a single-tier board system is that independent directors and executive directors invariably find themselves at loggerheads, with their mandated roles pushing them into the red zone of conflict. Worse, as mentioned above, independent directors are often penalised for no fault of theirs. And, if we have independent directors and executive directors on the same page in some cases, overriding promoters at times spoil the show with their adamant attitude and bulldozing tactics.

The concept of independent directors has already been well-articulated but, if their role is to be distinguished from that of the management, it is imperative to follow the two tier system. Founders (holding not more than 2 per cent) may suitably find place in the 'supervisory board', along with independent directors, thereby guiding the company more effectively and neutrally given their limited economic interest. In an Infosys-like situation, the founders, if placed in the supervisory board, could certainly provide the much-required guidance and mentorship to the respective managements.

So, how exactly does a two-tier board differ from a one-tier one? For one, as far as composition or structure is concerned, in one-tier boards, both executive directors and non-executive directors are part of the same board, whereas in a two-tier board, executive directors and non-executive directors are formally and physically separated in two board layers. Regarding leadership structure, one-tier board allows one person to hold the function of both CEO and chairman, while the roles of CEO and chairman are always separated in two-tier boards. A CEO cannot be assigned the function of chairing a supervisory board.

Further, in one-tier boards, one board fulfils all three roles – control, strategy and service. There is no clear legal distinction between the roles and functions of executive and non-executive directors, as they share the same legal responsibilities and legal liabilities. In the case of the two-tier boards, the management board fulfils the strategy and service roles, while the supervisory board fulfils the control role. There is generally a clear separation of legal responsibilities and legal liabilities of executive and non-executive directors here.

One-tier boards are most common in countries influenced by the Anglo-Saxon style of corporate governance. Examples include the UK, Ireland, the US, Canada, Belgium, Sweden, Spain, Portugal, Greece, Singapore and India. Two-tier boards are more common in continental Europe. Examples include Austria, Bulgaria, the Czech Republic, Denmark, Finland, Germany, Latvia, Poland, Slovakia and Switzerland. Some countries, such as France, permit companies to adopt either structure.

Two-tier boards: a closer look

It's easily discernible that two-tier boards allow for a greater opportunity for stakeholder inclusion than one-tier boards. Given the stakeholder-focussed model, the interests of stakeholders other than shareholders, such as employees, are automatically taken into consideration. Some models, such as the 'work council' in the Netherlands, permit workers to participate in strategic decision-making by recommending supervisory board members who, they feel, would safeguard their interests.

A supervisory board is independent of day-to-day management and, hence, impartial control can be ensured, which is not possible in case of single-tier system. Can a director ever efficiently monitor his own decisions? In order to reduce potential management influence on the selection of a supervisor, which may limit the control role of the supervisory board, the supervisory board can also include an adequate number of independent members. Likewise, appointment of a limited number of former management members on the supervisory board can ensure contextual insider knowledge of the business.

The two-tier board, of course, has certain inadequacies. Information asymmetry is one grey area, where supervisory board may lack in insider business knowledge. But clearly, there are ways out to deal with the inherent weaknesses of the model. The supervisory board's right to inspect all documentation of the company in person and well-defined board practices for data collection and delivery could considerably reduce the information asymmetry. It goes without saying that the supervisory board should be composed of competent members who receive regular and updated training. Moreover, they should have the zest and zeal to get to know the company inside and outside the boardroom.

The German example

The German Stock Corporations Act, 1965 (Aktiengesetz) mandates a two-tier structure for all public limited companies and corporations wherein there is a separation between the management board (Vorstand) and the supervisory board (Aufsichtsrat). The members of the management board are appointed and dismissed for cause by the supervisory board. Members of the management board (all executive directors) cannot be present on the supervisory board (all non-executive directors) and vice versa. The supervisory board may however consist of representatives of the company's employees and external managers.

The management board operates as the head of the business and fulfils the company's objectives by implementing required measures and controlling the strategic focus of the company. Meanwhile, the non-executive directors on the supervisory board (Aufsichtsrat) review these decisions on behalf of other stakeholders.

Corporate governance in Germany is further controlled by the co-determination system. Co-determination requires that a certain proportion of the supervisory board's members must be elected by employees.

Vis-a-vis India's single-tier system

Indian laws do not make a clear legal distinction between the roles and functions of executive and non-executive directors as is done in Germany. In India, companies are compulsorily required to appoint a managing director, whereas the presence of a supervisory board in Germany makes such a requirement redundant.

In addition, the appointment, remuneration and removal of management board are governed by supervisory board; however, single tier boards have no such power. Key management decisions are subject to approval by supervisory board in Germany while, in India, no such supervisory body oversees the functioning of the board of directors save for the fact that large management decisions are subject to approval of shareholders. Employees have participation in appointment of supervisory board members in Germany in order to ensure that their interests are not neglected, whereas there is no such provision in the Indian model. The German model is thus apt for a roll out in India. This 'import' could go a long way towards cleansing the Indian corporate environment.

The presence of non-executive and independent directors on single-tier boards is often erroneously held synonymous with a shift in favour of the two-tier system. But, given the high probability of bias among board members, eventually manifested in promotion of private interests and instances of corporate scams, such assumptions can prove fatal.

In India, given instances of insider trading and lack of transparency in large listed companies, it is crucial to have a supervisory body overseeing the management to protect the interests of all stakeholders including public interest at large. ◆

Gearing up for growth

Daimler India plans for its commercial vehicles' future

Nesselhauf: focus on customers

Daimler India Commercial Vehicles (DICV) – the world's leading CV manufacturer, which is also the Indian subsidiary of Daimler AG – has set up its plant in 2012 at Oragadam, near Chennai, with an investment of ₹5,000 crore. In August 2016, less than four years after the start of production, DICV had achieved the milestone of producing 50,000 vehicles.

DICV sold only 13,081 trucks in the domestic market in 2016, as against 13,997 units in 2015, due to a challenging market in the second half of 2016, say company officials. The company's dealers' network has been significantly expanded to include more than 130 sales and service touch points to take care of customers. It is also planning to introduce sensors to track the movements of its trucks. Today, there are 40,000 customers and BharatBenz trucks on Indian roads.

On the export front, DICV has shipped 7,500 units to more than 30 countries since 2013. One highlight in this area was the presentation of the first heavy-duty truck built by DICV for the Mercedes-Benz brand, which was showcased in November 2016 before its market launch in Indonesia. Exports of parts from DICV's extensive Indian supplier base to other Daimler entities around the globe (Japan, Europe, North America and Brazil) also rose steadily and crossed 35 million parts.

"Our Indian operations at DICV are a cornerstone of our success at Daimler Trucks Asia," says Marc Llistosella, president & CEO, Mitsubishi Fuso Truck & Bus Corporation (MFTBC), as also head, Daimler Trucks Asia. "With the launch of a third product line for exports in 2017 at DICV, we will enter the next stage in the strategic collaboration of DICV and MFTBC – this successful journey we began in 2013 pays off day by day".

To further increase sales and market share, BharatBenz is planning to upgrade its entire truck portfolio in 2017, with the launch of its new-generation heavy-duty trucks in the segment between 16 and 49 tonnes (which accounts for the most sales). "The most prominent example of how we create win-win situations for both entities is the production of trucks for MFTBC's Fuso brand by DICV, which enables us to serve diverse customer needs in growth markets," added Llistosella.

DICV will start production of their third truck product family in 2017. The new sub-9 tonne vehicles will be initially targeted at export markets only as Fuso brand variants; the first customer vehicles will be rolled out in the first half of the year. For the current year, the company expects that its new sub-9 tonne truck and the new-generation of BharatBenz heavy-duty trucks for India will further help boost its sales numbers. Currently, DICV produces and sells above 9-49 tonne trucks for the Indian market under the BharatBenz brand.

"We had kept our focus on profitable growth in 2016, which had-been a mixed year for the Indian CV industry at large. Thanks to our successful exports, we have been able to more than compensate for the current challenges in the domestic market. With new products in the pipeline, we are geared up for further growth in 2017," says Erich Nesselhauf, MD & CEO, DICV. BharatBenz trucks have been tested in the Himalayan region to showcase their ability to perform in rough and tough road conditions.

Market outlook

"While the market environment will continue to hold challenges for the industry, we are planning to advance with our BharatBenz brand, based on strong products, leading technologies and an even stronger focus on the customer," says Nesselhalf, talking about company's outlook for 2017. DICV is also working on the future of transportation in Asia and beyond, by introducing eCanter, with a payload of 2-3 tonnes and the company promises to bring new electric vehicles every year, competitive to diesel vehicles.

DICV also expects to benefit from the upcoming industry transition to the BS IV standard. BharatBenz trucks are ready with the new technology and solutions. They have been selling BS IV vehicles in India for more than a year. "While Daimler Benz and Fuso brands are leaders in many countries, it took a couple of years for us to achieve this leadership position. As far as India is concerned, the future is bright, and we are here to stay and to play a long innings," says a confident Llistosella.

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Sputtering to life

The Indian Grand Prix of the Seas is almost scuttled by authorities

It was to be a spectacular three-day public event, the Nexa P1 Powerboat – Indian Grand Prix of the Seas, held at the picturesque Marine Drive bay of Mumbai, but almost scuttled by recalcitrant civic and collectorate authorities.

Eventually, six teams with two boats each did take part with their full-throttled powerboats to launch Mumbai on a new sporting paradigm, but before sparse crowds because of the element of uncertainty and threat of surprise municipal raids. The teams were Baleno Rs Booster Jets, Lloyd Dolphins, MoneyOnMobile Marlins, Ultra Sharks, HVR Racing and The Mirchi Mavericks. The two Indians participating in the inaugural race were C.S. Santosh, representing Baleno Rs Booster Jets, and Gaurav Gill, from Ultra Sharks.

The organisers, Mumbai-based Procam International Pvt. Ltd which also conduct the annual Mumbai Marathon in January, were contracted by Monaco-based Union Internationale Motonautique (UIM), the international governing body of powerboating, to stage the event. In turn, Procam drew support for the event from the Royal Yachting Association, Yachting Association India, Indian Navy, Mumbai Port Trust, Maharashtra Maritime board, Union Ministry of Shipping and Maharashtra Ministry of Tourism.

Yet, workers and bulldozers dispatched by the BMC (Brihanmumbai Municipal Corporation) tore down a temporary stage set up by Procam at the Gateway of India despite the presence of State sports minister Vinod Tawde and the imminent arrival of Chief Minister Devendra Fadnavis, who had to turn back. The BMC said its action was spurred by Procam's non-payment of ₹2.74 crore dues for advertising and hoardings during the marathon, but the organisers contended that the BMC was charging them additionally and arbitrarily.

The BMC had, in fact, hindered this year's marathon as well. For some reason or the other, city authorities have terminated almost all events that were being held for the public in Mumbai and have been making entertainment increasingly inaccessible for the larger public.

Mumbai was a happy city in the past when the man in the street had access to fairs, trade fairs, open-air concerts, folk arts and culture, circuses, street parades, programmes at band-stands, and annual Indian classical music festivals at the historic Banganga enclave and Asiatic Society (the erstwhile Town Hall), most of which were free or nominally priced and most of which have now been banned. These were especially vital diversions for those caught up in a humdrum existence and who found other entertainment programmes unaffordable. Cultural diversions also have a profound societal impact, as they can take much crime off the streets.

Beyond parallel

Terming this marine "grand prix" the world's most exciting motorsport on water and the first truly green racing event with a focus on protecting and preserving marine ecology, Procam Managing Director Anil Singh and Powerboat P1 chairman Asif Rangoonwala said that the fastest men and women on water were racing for the $1,25,000 prize and the prestigious trophy.

"From a sport perspective, the P1 Panther boat is beyond parallel," observes Anil Singh. "This monohull powerboat that can be powered with any modern outboard engine can race 10 feet from the shoreline, and a depth of six feet of water is all it needs." This innovation, he adds, lends itself to close-to-shore racing and spectators feel the spray when it passes in front of them. There are only 40 P1 Panther Powerboats in the world, 12 of which were transported to Mumbai for the event.

Ultimately, the inaugural world championship title went to Baleno RS Boosterjets, with Sam and Daisy Coleman completing a hat-trick of wins, with Lloyd Dolphins just two points behind, with Craig Wilson and William Enriquez pushing the overall winners all the way. Third place went to Money on Mobile Marlins team James Norvill and Charlie Parsons-Young.

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Gasping for AIP

The DRDO bungles yet another defence programme, severely handicapping India's submarine fleet

The lack of an Air Independent Propulsion (AIP) system for India's ongoing and imminent submarine programmes threatens a strategic gap in the Indian Navy's undersea defences. In 2005, when French defence contractor DCNS had signed a Transfer of Technology (ToT) agreement for the construction of six 1,565 tonne 61.7 metre *Scorpene* submarines by state-owned defence shipyard Mazagon Dock Ltd (MDL) at its yard in Mumbai, it was expected to be equipped with the AIP system that was under indigenous development since 2002.

Project-75 (P-75), the construction programme for the six diesel-electric *Scorpene 2000*s, is, however, running over four years behind schedule. *Kalvari*, the first *Scorpene*, is due for commissioning early this year instead of in 2012, and its follow-on, *Khanderi*, will join service not before December. The balance four submarines are to be delivered thereafter at intervals of nine months, the delays having inflated P-75's contract cost from \$2.63 billion to \$3.8 billion.

The slippages would have been propitious for in-time delivery and incorporation into the submarines of the AIP system being jointly developed by NMRL (Naval Materials Research Laboratory) at Ambernath, near Mumbai, and NPOL (Naval Physical & Oceanographic Laboratory), based in Kochi. They are two of the 52 establishments of the DRDO (Defence Research and Development Organization) that comes under the ministry of defence (MoD).

However, as with most major military projects handled by the DRDO that are bogged by huge time and cost overruns, the AIP system too has been delayed long enough for questions to be raised about its eventual production. An Integrated Defence Staff (IDS) committee had deemed the DRDO's cost estimates and timelines for its projects "unrealistic, to the extent of being unprofessional in a few cases".

While conventional submarines the world over now come equipped with AIP, the lack of this vital capability will pose a critical operational constraint to India's submarines. This technology enables a non-nuclear submarine to remain submerged and operate without accessing atmospheric oxygen (by surfacing or using a snorkel) three to five times longer than one without an AIP that can remain underwater for only two to three weeks at a time. Typically, an AIP module's main components are designed to last 35-40 years, the operational life of a submarine, requiring replacement of some major subsystems only every 8-10 years as part of the boat's major refits.

AIP not only enhances underwater endurance of submarines by drawing only limited volumes of stored liquid gas that is ultimately used for charging their batteries, it also augments their stealth by lowering their detectability that is key to military operations. In contrast, Pakistan has a smaller submarine fleet, but three of the five that it has are equipped with AIP, incidentally from DCNS.

The French vendor's Mesma AIPs, developed in the 1990s, were retrofitted to three DCNS-designed *Agosta 90B* boats during overhauls between 2008 and 2011. The *Agosta*s were purchased for the Pakistan Navy in the 1990s and, according to DCNS, their AIP systems continue to perform to specification. Two older *Agosta 70*s date from the late 1970s and have no AIP. The *Agosta 90B*s were the first conventional submarines in the Indian Ocean to feature AIP.

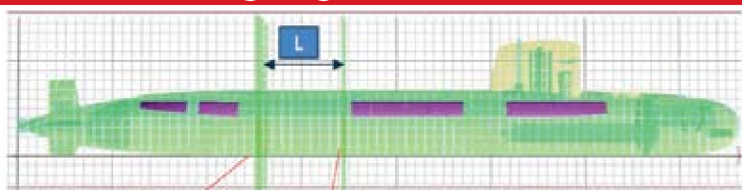
Modular design

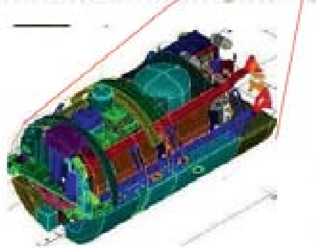
Considering the delay, the Indian Navy had urged the DRDO to fully engineer its fuel cell AIP within a timeframe to enable its induction at least into the last two *Scorpene*s that are slated for delivery in March and December 2020. However, it is now clear that the AIP will completely bypass the *Scorpene* programme and may, if at all, be subsequently retrofitted through sectional implants at the time of the major overhauls of the six submarines.

Its modular design enables an AIP system to be packaged as a hull section known as a module or 'plug', either while the submarine is fabricated or at its major, usually mid-life, overhaul. It also normally includes its own battery compartment that further increases the platform's submerged endurance.

DRDO has been working over the last 15 years on a land-based prototype that entails packaging the AIP

NMRL developed fuel cell AIP for integration to ongoing P-75 submarine





- Fuel Cell based AIP is integrated in an additional section (AIP plug) and inserted to the Submarine
- Open architecture plant proven
- Prototype conforming to Submarine standards. Under advanced phase of development

'AIP is a strong requirement'

Bernard Buisson, managing director, DCNS India, talks to **Sarosh Bana** about his company's future role in India

Did DCNS offer its AIP system to India as part of its technology package for the Scorpene?

There was no requirement for such a system at the time of the contract. However, DCNS has since presented to Indian Navy the comparative advantages of both our Mesma and latest fuel cell based FC2G AIP systems.

To what extent has DCNS assisted in the DRDO's AIP project?

AIP is a strong requirement of the Indian Navy and its development in India is in line with DCNS's objective to continuously increase the indigenous content of the P-75 submarines. DCNS has always been supportive of the AIP being developed at NMRL and is keen on having it integrated in the P-75 submarines sooner or later. DCNS is advising NMRL on the safety requirement so that they can adapt their technology and general arrangement of the various sub-systems accordingly.

What is DCNS contemplating after India's rejection of its AIP proposal?

Firstly, we have not been informed that our submission for a majority-owned AIP subsidiary has been rejected. We understand the decision has been deferred and we are submitting additional information to explain the advantages of such a subsidiary to speed up, increase the indigenous content and cost effectively integrate the DRDO AIP system in the P-75 submarines. Indeed, the purpose of this DRDO AIP subsidiary is not to substitute the DRDO AIP technology with an imported one, but to locate in India all the proprietary know-how and expertise required to integrate the DRDO AIP system inside the P-75 submarines.

DCNS is the only shipyard in the world with vast experience in submarine design, both conventional and nuclear, having developed two different AIP technologies with the latest fuel cell based for which we own 40 patents. You require extensive submarine design and integration expertise to be able to safely integrate such a sensitive system in any submarine. This DCNS AIP subsidiary would be in the spirit of 'Make in India'. It will enable local availability of all the know-how required to safely integrate the DRDO AIP system in P-75 submarines, support MDL for integration, STW (setting to work) and testing, as well as providing the Indian Navy with indigenous maintenance support. ◆

plant sub-systems, reactant tanks and waste tanks into a simulated hull section of the *Scorpene*. The organisation's intention is that as it progresses on the land-based demonstrator, it will concurrently start an engineered version for the submarine platform.

However, it was only a little over a year ago, in January 2016, that a workshop for testing all the AIP subsystems was set up at the NMRL. The DRDO claims to have tested the Pre-Production Floor Model (PPFM) and integrated and put under trial the hull simulated model. Hydrogen as fuel will be generated *in-situ* at times and in volumes required, through the exothermic reaction of hydrolysis of sodium borohydride, and oxygen through liquid oxygen.

AIP technology is complex and the system has been developed by only a few, like DCNS, Sweden's Kockums and Germany's Thyssenkrupp Marine Systems. The lag in the DRDO AIP is raising the fear of its going the way of the failed *Kaveri* aero engine project that too DRDO was developing and on which it has spent ₹2,101 crore. This compelled imports from General Electric of its *GE-404* and *GE-414* engines and a subsequent agreement with French engine maker Snecma for reviving and certifying the *Kaveri* programme. *Kaveri* was to power the DRDO-designed Light Combat Aircraft (LCA), which itself has suffered a hold-up of over 16 years and the naval version of which was recently rejected by the Indian Navy.

Sensing an opportunity, DCNS made the first 100 per cent defence FDI proposal to the Indian government for an India subsidiary for "undertaking design and industrialisation studies, R&D activities, and manufacturing and maintenance in relation to AIP systems for submarines". Its reasoning was that instead of performing these studies at its R&D design centre in France, its know-how located in India could provide long-term benefits to the end users, MDL and the Indian Navy. It felt its subsidiary would gain better responsiveness, cost effectiveness and a long-term footprint in India, in the spirit of the 'Make in India' initiative of the government.

India's finance and defence ministries deferred DCNS's proposal twice, in May and July 2016. Contrary to reports, DCNS's bid was not specifically for domestic fabrication of its Mesma or FC2G AIP modules. But curiously, it had not included its offer for assistance on DRDO AIP integration in its original $1 billion Technical Data Package under ToT to help MDL gain competence in submarine construction, including system integration. DCNS is anxious that its proposal is accepted, keen as it is also on bidding for the lucrative $11.1 Project-75 (India) – P-75(I) – contract for the indigenous construction of six new generation stealth diesel-electric submarines.

If the government does not abandon the DRDO AIP project altogether, its choice of an overseas submarine vendor to partner in the P-75 (I) programme will likely be guided by that vendor's ability to bail out the star-crossed AIP project.

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Going wild

Sony's BBC Earth channel is likely to provide a feast for viewers

The birthing of a television channel is an exciting event, especially when the parents are celebrities in their own right. And watching the offspring evolve offers immense delight to viewers. Last fortnight, at 8 pm on 6 March to be precise, Sony BBC Earth went live with the tag line which said it all – 'Feel Alive'. MSM Factual Media, forged through the partnership of Sony Pictures Network India and BBC Worldwide, has launched this premium channel, which will be shown in English, Hindi, Tamil and Telugu on a daily basis with special programmes on weekends. The channel has the potential of reaching out to over 500 million SPN viewers across India.

Available in both standard definition and high definition, the programmes will be beamed between 8-11 pm every day, with exclusive weekend shows. Starting with a Science infotainment programme at 8, titled, *Why, How and What on earth*, viewers will get insights into the world of science. *Wild, Wild, Earth* will be an hour-long programme beamed at prime time, 9 pm, followed by Earth Explorers at 10 pm. Content sourced from India (Hidden India) will also be shown in Earth Specials, starting from April. The programmes will feature some well-known documentary makers, film makers and storytellers, such as Sir David Attenborough, Gordon Buchanan and Steve Bachall, amongst a host of other naturalists and television presenters.

Preceding the actual launch, a brand film with its 'Feel Alive' ambassador Kareena Kapoor Khan was shown at a glittering function held in Mumbai. Speaking at the event, N.P. Singh, CEO, SPNI, said "Sony BBC Earth enjoys a distinct positioning and watchability," adding that this channel would be a major player in this category. Other channels in this infotainment genre are Discovery and History. Paul Dempsey, president, global markets, BBC Worldwide, present at the event said he was looking forward to bringing BBC Earth's world class content to a new audience. Kareena Kapoor Khan, who had a sneak preview of some of the episodes, expressed confidence that "the viewers will also feel alive just the way I did."

More to come

For SPNI launch of this channel will enable it to enhance its entry into one more segment which as of now has limited competition from Reliance Industries History Channel, National Geographic and Discovery. It has already strengthened its presence in the sports genre by taking over Ten Sports and also beefed up its entertainment programmes in English and Hindi. What was missing from its portfolio was a presence in the fast-growing kids channels. This, according to sources is likely to be addressed, as N.P. Singh is taking all the necessary steps to offer a full bouquet of channels across genres. "We believe in creating brands based on deep consumer understanding and work with viewers to give them compelling content and storytelling," points out Saurabh Yagnik, EVP & business head, English cluster, SPNI.

The launching of the kids channel is definitely one thing viewers will look forward to.

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Selling travel

The 24th edition of SATTE comes a time when the tourism sector faces multiple challenges


Mudras: new insights

Infrastructure, hygiene, safety & security, offering quality services and taxation are some of the challenges the industry is facing since last many years," says Yogesh Mudras, managing director, UBM India, a live media and events company, enumerating the challenges and issues facing the tourism sector. UBM acquired SATTE in 2011. "Travel remains one of the heavily taxed sectors in India. The recently incorporated service tax came as a surprise and further increased the burden."

With such weighty issues facing the sector, some longstanding, others emerging, stakeholders in the sector are eager to meet and engage in the issues. Over the years, SATTE, India's largest and oldest travel & tourism trade show, has been a perfect setting, coming as it does at the beginning of the year, and especially relevant this year as it comes after the budget, which more or less ignored the sector, aside from hiking service tax, which impacts the entire sector.

As head of SATTE, Mudras' platform will have its hands full. The 24th edition of SATTE, last fortnight, had more than 850 exhibitors with over 21,000 travel & tourism professionals in attendance. Participants from over 40 countries, including 35 national tourism organisations (NTOs) and state tourism boards (STBs) are expected, as are buyers from around 40 countries. "In the last couple of years, we have witnessed double-digit growth both in exhibitors and visitors," says Mudras.

Among the new participants this year are Peru, Sharjah and Vietnam, amongst others. China and Reunion Island are back this year. Dubai, Sri Lanka and Thailand are partner countries for SATTE 2017.

Knowledge seminar

While the government is promoting the 'Start-up India, Stand Up India' initiatives, SATTE has come up with an exclusive 'Start Up' pavilion this year, informs Mudras. "We work closely with UNWTO. With 2017 designated as the 'Year of Sustainable Tourism' by the UNWTO, we have a knowledge seminar on Sustainable Tourism to offer stakeholders a unique opportunity to raise awareness on the contribution of sustainable tourism towards development. The conference at SATTE discusses all tourism-related issues and come out with possible solutions."

Visitors at the signature expo can expect to witness a number of features, including a special pavilion for start-ups and venture capital firms that will be on board to provide seed investments for innovative ideas. "We are also excited to share that UBM India will be hosting the SATTE Awards for the first time," says Mudras.

Also, among the key features of SATTE 2017 will be the conference programme scheduled for 15-17 February 2017, which promises new insights pertaining to the sector and industry best practices. Also expected are several partnerships and announcements.

"SATTE has emerged as one of the premium platforms in the country, where one can find all the segments that make up the travel industry," says Pronab Sarkar, president, Indian Association of Tour Operators (IATO). "This is the place where the entire tourism fraternity comes under one umbrella and a lot of actual business happens."

There are challengers to SATTE though. While locally grown competitors have already been on the scene, the initial foray of an ITB Berlin backed fair, the world'd largest and most influential trade show by far, may shake up things further.

Mudras is confident that SATTE is up to the challenge. "SATTE is well established as the most comprehensive travel and tourism exhibition in this part of the world," he says. "The industry is huge and offers a great opportunity for engagement platforms of different sizes to cater to the needs of different visitors. However, the most crucial aspect here is the trust and established name/platform that pull relevant visitors and participants from across the globe to drive inbound and outbound tourism."

Mudras says an exhibition the size and reputation of SATTE will naturally be able to keep pace with the innovations and developments in this sector, it will be also able to provide solution-driven answers to trending topics given how well it is connected to and regarded by the government, travel associations and other stakeholders. Well, the proof of the pudding may lie in just how SATTE as a platform is able to address the challenges facing the sector.

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Changing the game

SportzConsult sees business opportunity in the grassroots development of sports in India

According to a recent survey, one out of three school-going children in the country does not have a healthy body mass index (BMI) and about half of them lack enough lower body strength. Mumbai students too fare similarly on the fitness parameters. Covering 170,000 students from across 86 cities and 26 states, the survey tested students on sprint capacity, flexibility, upper & lower body strength, abdominal strength and BMI. In its seventh edition, the survey found that the percentage of children with an unhealthy BMI has increased from 20 per cent last year to 33 per cent this year.

"Playing some sport is the answer to these problems," explains Jitendra Joshi, co-founder & director, SportzConsult, Mumbai, who identified this as a business opportunity in 2003 when he launched SportzVillage in Bengaluru to get more kids to play. SportzVillage, a provider of integrated sports management services to schools and corporates in India, operates through two business divisions, EduSports for the schools business and SportzConsult for the corporate business.

A sports enthusiast turned entrepreneur, Joshi had moved to Mumbai in 2004. With an initial capital of ₹60 lakh, chipped in by family and friends, he looked at corporate sports before getting into schools and college campuses. In 2008, he founded SportzConsult, a grassroots sports management and consulting company. Meanwhile, in his professional career spanning 20 years, he has worked across functions in technology, consultancy, sales and marketing. Prior to turning entrepreneur, Joshi had a five-year stint with KPMG Consulting in the US, "which helped me in shaping the company, where we have to liaison with federations, leagues and stakeholders to augment the reach of their sports development programmes," says Joshi, a sports aficionado, who shares a great passion for football, swimming and athletics.

Joshi: pioneering effort

Creating opportunities

Over the last eight years, SportzConsult has executed more than 500 events, creating opportunities for more than 1 million children per year. Working across different sports, they operate along many sporting disciplines like corporate sports, grassroots programmes, sports development, and consulting. They have worked on a number of grassroots development programmes like the Reliance Foundation Junior NBA, Padkar, Coca-Cola Cup, Indian School and Basketball League, Reliance Young Champs, Khel Mahakumbh, Saksham, Brain Games, Hero Honda Inter School Athletic Meet, Hero Honda Inter School Hockey Tournament, and, most recently, Reliance Foundation Youth Sports, to name a few.

"Our engagement with the agency has been satisfactory and their value addition with respect to school outreach programme was helpful. Their on-time MIS also helped in our PR to external stakeholders," says Kapil Chanana, GM, marketing (assets & activations), Coca-Cola.

"SportzConsult has been working with us in executing our grassroots initiatives and in particular the Reliance Foundation Jr NBA programme," observes Yannick Colaco, MD, India, NBA. "We have had a great experience working with the SportzConsult team and have found them to be good partners".

"As a business model, we charge a management fee on all the programmes we conduct and earn fee of 10-20 per cent," says Joshi, who has started creating IPs. SportzConsult already has three – Mumbai Games, Brain Games and Corporate Indoor Games. "In future, we will create more such IPs for other cities in India".

As SportzVillage is spreading its wings across the country, it has attracted investors' attention too. The Mumbai-based Gaja Capital has invested ₹65 crore in the company. "We have a long-term thesis around the increasing adoption of sports and fitness programmes in India. India's growing affluence is being paid for by an increasing incidence of obesity and unhealthy lifestyles. Our children are the worst-affected, especially as schools get busier chasing grades and leisure time is hijacked by screen time. With growing awareness, parents and educators are actively seeking structured interventions to get their children lead active and healthy lives. India is already one of the largest markets in the world for watching sports. We believe, India will also emerge as one of the largest markets for 'pay to play' as well," says Imran Jafar, general partner, Gaja Capital.

"In SportzVillage, we have invested in a team and their vision to create a valuable platform that will help millions play in schools, neighborhoods and corporate," Jafar adds. "Joshi and his team are leading a pioneering effort to create a large and valuable category for sports management in India."

For all this, there is a need for more playgrounds in the country. And corporatisation of sports can contribute to building future sports stars in India.

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Taming offenders

Mamata government to regulate private healthcare institutions

Amid several complaints of medical negligence and corrupt practises against the private hospitals and nursing homes in the state, the West Bengal Assembly passed The West Bengal Clinical Establishments (registration, regulation and transparency) Bill 2017 by voice vote on 3 March. The bill is envisaged to regulate private hospitals and bring more transparency in healthcare.

The bill is to ensure that all medical expenses are 'reasonable and legitimate'. The watchdog West Bengal Clinical Establishment Regulatory Commission is supposed to make regulations with regard to fixing of rates or charges, including diagnostics, and also to ensure compliance with fixed rates and charges by clinical establishments. The bill also recommends criminal proceedings to even scrap licences in case of death due to medical negligence and ensures compensation varying from ₹10 lakh to ₹50 lakh. Hospitals are not permitted to turn away victims of accidents, sexual assaults and acid attacks. Curbs have been imposed on the detention of a deceased patient's body even if the family cannot pay the bill immediately.

It has also been made mandatory to have an in-house fair price medicine shop and a diagnostic centre, if the facility has more than 100 beds. If the land was provided by the government, the hospital would be obliged to provide free treatment to 20 per cent of patients, who are economically weak.

Over 2,000 healthcare facilities in the state will come under this watchdog. The new bill replaces The West Bengal Clinical Establishment (Regulation) Act, 2010, which was passed by the Left Front government.

"It is a historic move and a model for the country," says Mamata Banerjee, chief minister, West Bengal, who initiated the bill. "Our commitment is to ensure treatment for all with a smile. To achieve this, I seek co-operation from everyone." In her speech in the assembly, she also sounded a clear message to private hospitals to mend their ways. Though the Opposition did not object to the spirit of the bill, they demanded during the debate that it should be referred to the assembly's select committee.

Private hospitals: in the eye of the storm

High-handed?

The process of introducing a new law for the healthcare sector was kicked off by the chief minister after the recent vandalism at CMRI hospital, run by the C.K. Birla group, over the death of a 16-year-old girl admitted with stomach pain. The family alleged gross medical negligence. Mamata called the authorities of private healthcare centres on 22 February to discuss various allegations being levelled against a section of them, including the charge of inflated bills. She chose some hospitals individually, questioned the hospital officials and gave a patient hearing to their responses. She told the hospital authorities to show a humane side. "We had been getting complaints for a long time. I will not allow unethical money-making practices," the chief minister warned those who were in the gathering.

But, two days after the chief minister's warning, the state witnessed another incident, which revealed the inhuman nature of private hospitals, when the Apollo Gleneagles Hospital in Kolkata held on to some fixed deposit certificates, as guarantee for payment when a patient was shifted to a state-run hospital due to his inability to pay the full amount of the bill, which amounted to over ₹7 lakh. The process had delayed the shifting of the patient and the 30-year-old Sanjoy Roy, a victim of a road accident, died at the SSKM Hospital. The incident created a huge uproar in the state. The hospital management had to remove its CEO Rupali Basu from her post, as a part of the clean-up drive. An enquiry committee, set up by the government, following the complaint by the family, has found major lapses on the part of the hospital, says R.S. Sukhla, health secretary. Now, experts are expected to look into the reports and submit the findings to the government. Apollo has refused to comment on the issue.

Mamata's personal interest and the passing of the new bill have apparently injected fear in the minds of doctors and private hospitals, who feel that the relationship between hospitals and patients are becoming worse, with some people taking advantages of the situation. Doctors too are getting apprehensive about the situation. Some are undertaking only emergency surgeries, while referring the rest to the government hospitals. "A clean-up drive was needed in healthcare but creating a fear psychosis was not right," says the CEO of a reputed hospital in the city. But no hospital has the nerve to criticise it openly. While the common man has welcomed the chief minister's move, the IMA Hospital Board of India has demanded an immediate repeal of the act, alleging that it is a misuse of state power.

"We welcome the bill," says R. Venkatesh, zonal director, east, Narayana Health Clinics. "We also hope that the views of the key stakeholders will be taken into account, while passing regulations with regard to fixing of rates or charges for treatment."

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For a noble cause

HDFC AMC comes up with an out-of-the-box idea to finance cancer cure

SANJAY BORADE

Barve and Thorat with cancer patients

Every year more than one million new cases of cancer patients are registered in the country - and about 700,000 die every year. Cancer is the second most deadly disease in the country – after heart attacks. But there is more pain and suffering in the case of cancer. It not only impacts patients physically but also psychologically, with the cost attached to its treatment having a devastating effect too. Another problem with the disease is that the chances of a full recovery post-treatment are not high. Realising that almost 25 per cent of deaths in the case of cancer patients happen due to abandoning treatment midway because of financial constraints, in 2010 HDFC AMC came out with Cancer Cure, a scheme intended to ease the mental agony of patients.

"We wanted to celebrate 10 years of our existence in 2010," says Milind Barve, CEO, HDFC AMC. "Instead of a celebratory event, we thought of doing something good for society. We were in dialogue with the Indian Cancer Society (ICS) and realised that the real challenge with philanthropic activity was a sustainable flow of money." To ensure this, HDFC AMC structured a programme by launching a three-year, close-ended, capital-protection-oriented income scheme in association with ICS, called HDFC Debt Fund for cancer cure. The income generated, which unit-holders earned as dividends, is pre-signed as a donation to ICS; ensuring a sustainable flow of money for needy patients. At closure the unit-holders get their principal back. The donations are eligible for tax deduction under u/s 80G.

Commendable effort

What is even more commendable is that HDFC AMC donates a matching amount, thereby doubling the funds available. Its contribution since inception has been ₹25 crore. Moreover, the AMC does not charge a fee to manage the scheme.

Round one, which ended in 2014, had a corpus of ₹77 crore. Round two, which is getting over this month, has a corpus of ₹175 crore, as many more investors saw merit in the scheme. Though the benefits accruing to the poor are substantial, the need for funds is still not being fully met. Thus round three will open on 10 March and close on 24 March.

ICS is an NGO established in 1951 by Dr. D.J. Jussawalla, then a leading cancer surgeon, and Naval Tata. The governing and advisory council headed by Usha Thorat, former deputy governor, RBI, sanctions aid of up to ₹4 lakh for deserving cases. "There were many organisations that gave us money; still, there was no predictable flow of finance," says Thorat. "The HDFC AMC scheme gives us a sustainable flow of funds, helping us to plan our activity in a better manner. Today, this programme has become the flagship for ICS."

According to Thorat, at the beginning of the project, it was helpful for about 200 patients a year, but has now gone up to 1,000. Thorat wants to scale it up to 3,000 in the next three years. Till now, 3,168 patients have been treated under the scheme, informs Barve. Patients with an annual family income of less than ₹2 lakh are considered eligible. ICS is affiliated to 16 hospitals which specialise in treating cancer and get the money from ICS to treat eligible patients.

Barve is closely involved in the scheme and makes personal visits to large corporates urging them to invest in this noble cause. In the last 10 years ₹80 crore has been sanctioned by ICS for treatment. But there is more to be done. If corporates and HNIs come forward in larger numbers, more patients can benefit. This in turn will alleviate the pain caused by financial constraints to cancer patients in the country. HDFC AMC is planning to launch more such schemes in the near future, to increase its philanthropic activities.

There is a substantial need for resources in society, which is still unmet, with many people suffering from such ailments. It would be a good idea if other AMCs could take a leaf out of HDFC AMC's book and launch similar schemes (not necessarily for cancer). HDFC AMC deserves appreciation for its out-of-the-box thinking for the cause of philanthropy.

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Details of first two launches

Fund	Year of inception	Corpus (₹ crore)	Contrubution to ICS (₹ crore)
HDFC Debt Fund for Cancer Cure	2011	77	12.77
HDFC Debt Fund for Cancer Cure	2014	175	22.22
HDFC AMC Direct contribution committed			25.25

Amount in 2014 will be higher as last dividend of the scheme is not declared yet.
Source: HDFC AMC

Colourful fortnight ahead

Post Holi week will rouse the market from its slumber

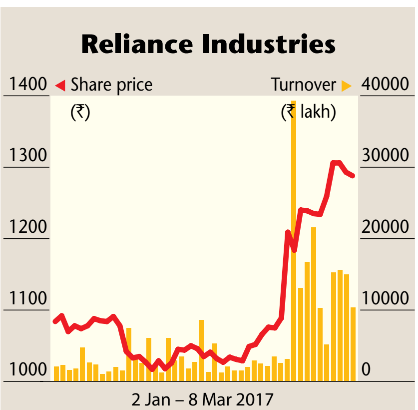
There is a general feeling amongst Indians that no auspicious work should be done ahead of Holi, the festival of colours. The market seems to be literally taking it to heart. In the fortnight ended 10 March, the Sensex vacillated between a narrow band of less than 100 points. From a level of 28893 on 23 February, it closed at 28946 on 9 March. One reason for the markets becoming cautious was the results of the state polls in Uttar Pradesh, Uttarakhand, Punjab, Goa and Manipur. While the results of Punjab and Uttarakhand were not expected to throw any surprises, it was the results of UP which were being eagerly awaited. With wide divergence in results predicted by the exit polls, investors and HNIs did not deem it wise to invest before the announcement of the results. This was despite knowing fully well that the state results cannot really be taken as a precursor of future outcome at the Centre. Or even a vote of no confidence!

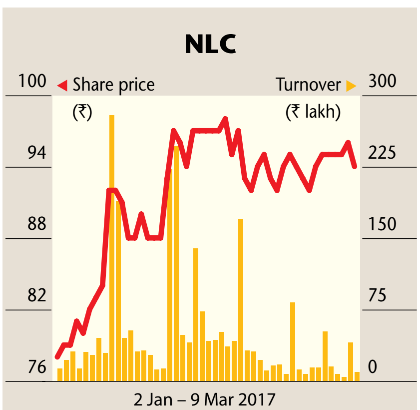
Analysts on TV shows tried to hedge their bets by repeatedly reminding that these are state results and should be taken as just that. Rationalists argued that whatever the outcome in UP, whether the ruling party at the Centre BJP, gets a majority or not, the impact will not last for more than a fortnight at best. And markets will again get back to their mean and start moving up steadily. A market which has steadily remained steadfast and recovered from global shocks including Brexit and Trump's triumph will not be swayed, for long, by the state elections. Even the much expected increase in the interest rates by the US Fed towards the end of March has failed to spook markets as it had done on earlier occasions.

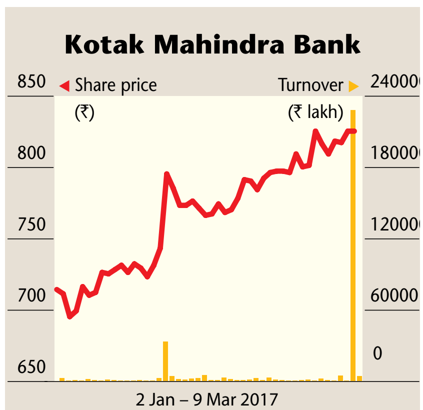
The fact is that the market will in no way to go down and investors are awash with funds. This is evident from the multiple times oversubscription witnessed in two IPOs – Music Broadcast, a Jagran group company better known by its brand, Radio City, and Avenue Supermart housing D-Mart, which was oversubscribed by more than 100 times. The buoyancy in the markets has also led the government to raise a fresh tranche of funds for its PSU Fund, managed by Reliance Mutual Fund. With less than a fortnight to close the current fiscal year, one could well see the government try to divest some more PSU stocks through the OFS route.

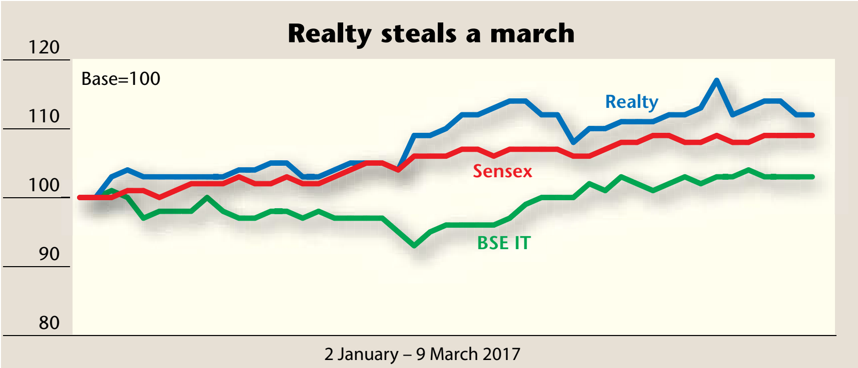
PSUs on radar

The expectations about the government trying to sell off the Axis Bank stake held by SUUTI to Kotak Mahindra Bank and allowing it a back door entry may not materialise in the current financial year. However, the government has been in an extra-overdrive to collect money from the PSUs, through generous interim dividends and buybacks. Last fortnight, it sold off a small stake in Bharat Electronics which fetched the government ₹1,700 crore. The issue, with a









minimum cut off price of ₹1,495, was oversubscribed more than 200 times.

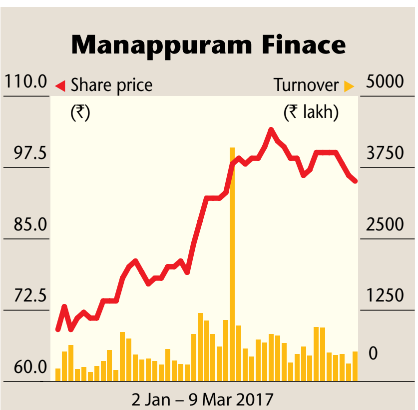
NHPC – another profit making PSU – has come out with a buy-back offer to buy shares on a proportionate basis through the tender route at ₹32.25 each. The buy-back size of the offer is ₹2,700 crore. The government which holds a little under 75 per cent of the equity is expected to tender its shares. The company had paid ₹1.70 per share in January. The total equity is ₹1,107 crore. NLC (formerly Neyveli Lignite) has also come out with a buyback to mop up 8.89 per cent of its equity, at ₹99 per share to garner ₹1,476 crore. NLC shares were quoted at ₹94 on 10 March up from ₹78 at the beginning of the year.

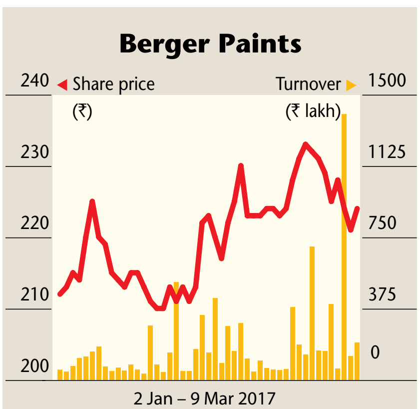
Coal India has proposed an interim dividend of ₹18.75 per share. The government holds 80 per cent of the share capital of ₹6,207 crore and the dividend would fetch close to ₹9,000 crore.

The focus on PSU divestment in the new year had seen Arun Jaitley announcing that a new ETF with diversified CPSE stocks and other government holdings will be launched in 2017-18. This will be in addition to the existing ETF which covers 10 PSUs. This has been one of the reasons for the BSE PSU index to rise sharply by 32 per cent over the last 10 months. The PSU target for FY17-18 has been pegged at ₹56,000 crore which would be achieved by minority follow on issues as also strategic sales. For investors it makes sense to keep tabs on the happenings in this segment.

Last fortnight there was increased attention on the telecom companies' shares. Reliance Industries' announcement of new plans for Jio with effect from 1 April pushed other telecom companies to try and match match Jio's aggressive plans. While naysayers abound, the market has given a thumbs up to Reliance Industries' shares. From a level of ₹1,050 on 15 February, the shares have risen to ₹1,287, almost 22 per cent rise in a span of less than a month.

In a bid to popularise the digitization move of the government, the PSU has put a ceiling on cash loans against pledge of gold. It has notified a maximum of ₹25,000 can be given against gold loans by NBFCs. This is expected to impact some of the leading NBFCs like Manappuram, Muthoot and others. Manappuram lost a little over 4 per cent to end the fortnight at ₹90 as against a high of ₹104 reached on 17 February. Muthoot Finance shed ₹14 to close at a little under ₹337.





Kotak Mahindra's shares got a boost after the management announced the sale of 1.5 per cent shares to a couple of Canadian firms from promoter Uday Kotak. RBI has asked the promoter to reduce the holdings of the promoters in phases – the first to bring down the shares to 30 per cent by June 2017. The promoter had 33.61 per cent holding in the bank as on 31 December. The shares which recorded a 52-weeks high of ₹837 on 8 March closed a shade lower at ₹828 on 10 March.

Auto bounces back

Meanwhile the effect of demonetisation, perceived or otherwise which was witnessed in the auto sector seems to be waning and it has bounced back in February. Steel is also seeing a revival of sorts with higher capacity leading to expectations of better profits in the current quarter. With crude oil prices slipping below $50 per barrel on reports of a glut in supplies, recovery could be faster. The concerns about the slow pickup in investment demand, thanks to the slow investments from the private sector are also getting eclipsed by hopes of more investment picking up gradually in the coming quarters.

For now the immediate trigger for the markets will be the election results. The euphoria or the disappointment which will play out in the last fortnight of March may not, however, last beyond a month. Investors should be guarded on any settlement taking place amongst large traders in the last fortnight. This could cause a bigger upheaval than the election results. Disappointment in either case provides a good opportunity for investors to look at expanding exposure to better quality shares. The IPO markets will also provide a much needed diversion to investors.

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WARREN BUFFETT

Art of defying gravity

It is always a treat to listen to Warren Buffett

When Warren Buffett writes a letter to Berkshire Hathaway shareholders, it becomes an area of interest not only to the company shareholders, but also to observers across the world. His letters are sprinkled with pearls of wisdom on various aspects and a delight to read – year after year. If one follows the principles that Buffett outlines in his letters, there is a good chance that one could run his or her business with a better success ratio.

The same logic applies to investors too. Buffett had graduated from investments for capital gains to running companies successfully with management control. This transition happened in the early 1990s. He knows how to run businesses and, hence, he is regarded as more of a businessman today than a mere investment guru.

In India, personal insurance (life and non-life) businesses are relatively new, despite government-owned entities abounding in it for quite some time. Privately set up insurance companies need to learn a lot about how one can run a business efficiently and keep growing year after year. Buffett is managing one of the big insurance firms, Geico, and his mantra for running a business is simple – keep costs low and use the available float (more so in life insurance) to grow businesses.

How many times do Indian promoters ask their shareholders to use the company's products? One would say, rarely. But Buffett has been constantly doing this without any guilt. Why can't Indian companies learn from this? At best, a few companies have been offering shareholders discount coupons – but even this culture is not widespread. For example, why can't Tata Power shareholders avail of discounts on their power bills? Or, Bharti Airtel offer discounts on mobile or DTH tariffs? Similarly, Reliance Industries can offer discounts to its shareholders at retail stores, petrol pumps or Jio tariffs. This way, not only will you expand your customer base, but your shareholders become your brand ambassadors.

Buffett also offers wisdom that is quite contrary to general perception. He believes in 'making hay, while the sun *sets*, knowing that it will surely rise again'. Buffett believes in grabbing opportunities at the right time and, when the situation demands, taking big meaningful risks. "Every decade or so, dark clouds will fill economic skies, and they will *briefly* rain gold," he writes. "When downpours of that sort occur, it's imperative that we rush outdoors carrying *washtubs*, not teaspoons." How often have investors taken big bets on stocks when they have crashed? If at all one would have indulged in buying – it may not have been in large quantities. During scary periods, one should not forget two things, says Buffet. First, as an investor widespread fear is a friend to you; it helps you to get bargain purchases. Secondly, one should not become fearful otherwise too, as it becomes your enemy then.

What makes him special

Often, investors make the second mistake when they become fearful and in turn do not take big bets. Remember 2009 when stock indices crashed in India? Stocks were available at bargain buys, but how many people bought them? And those who did buy did so to fill teaspoons and not washtubs.

Buffett who, along with Munger (his partner), has created tonnes of wealth to investors, attaches premium to quality. In his annual letter, the first page is devoted to show how Berkshire's book value and market value moved against the S&P 500 (S&P returns include dividends). No need to mention that over the years, Berkshire has outperformed the benchmark by miles. Since 1965, the market value

of Berkshire's CAGR has grown at an astounding 20.8 per cent, as against the benchmark of 9.7 per cent. This is a dream return any investor would have loved to have over a longer period. Not only that, these returns are generated in a mature economy, where beating broader indices over a longer period is tough. Just to get a perspective of the wealth creation by Berkshire, every $100 invested in 1965 fetches $1.97 million today! It's these kinds of returns that have made Buffett special.

But, here is some learning for the domestic AMCs too. When they compare their performances with the benchmark, it's high time they include the dividend too, to get an accurate perspective.

Everyone makes mistakes – be he a promoter or an investor. So is the case with Buffett too. But, instead of brushing these mistakes under the carpet, Buffett announces them in his letter in great detail. One example he mentioned in this year's letter was about acquiring Dexter Shoe for $343 million in 1993. The value of the same went down to 'zero'. What was worse: the transaction was done through the issue of Berkshire shares. The value of those stocks today is $6 billion. The difference between others and Buffett is that he makes far less mistakes. In India most CEOs, in their address to shareholders, fail to mention the wrong steps they have taken, which resulted in losses – it could be the fear of backlash from investors.

But any mature investor will look at mistakes in perspective – as part of the larger picture rather than as single items. As Buffett puts it, it's the growth of a forest that counts and not of any single tree. If the company is growing, small mistakes do not bother anyone. Infosys' promoters would not have raised issues, had Infosys been doing well, overall!

We keep hearing many analysts and fund managers saying that we love companies that do not dilute equity too often. This lesson has come from Buffett, who hates diluting equity capital. During the last 18 years, the outstanding shares of Berkshire have increased by a mere 8.3 per cent, but this did not halt the growth of the company – this is a role model of how a company can grow its business. There are several Indian companies which can take a cue from this.

An investor looks for companies in which the capital issued has remained stable. And, it's highly probable that most companies would have made great returns for investors – such as MRF or Asian Paints. But these companies have not seen any increase in their equity capital; they have only improved their finances in a significant manner. MRF and Asian Paints have grown 33 per cent CAGR in the last 10 years, beating the popular index – the Sensex – by miles. How many times have you as an investor looked at an increase in equity capital over a period of 10 years before investing? If you haven't, then, it's about time, to make successful investments.

With many Indian IT companies in 'buy-back' mode currently, Buffett has advice for them too. He suggests that every company must look at the price at which the 'buy-back' has taken place, to find out whether the buy-back action has been value-enhancing or value-destroying for the *continuing* shareholders. He sets out two golden principles for companies *not* to undertake buy-backs, even if the share of the company is underpriced. The first: when the company needs funds for expansion and is not comfortable adding debt to the balance sheet. Second: no buy-back when an acquisition makes for far greater value. We hope TCS, when it announced its buy-back plans, applied these two principles! We also hope that the Infosys board would run this test, as and when it announces any buy-back plans.

Advice for all

Buffett has some IPO advice too. In his letter he emphasises that it is no fun to have owners who are disappointed with their purchases. Many companies opt for aggressive prices in their IPOs but, in the long run, we see the promoters losing the respect of investors in the process.

Many analysts read Buffett's letter in great detail. He has advice for them too. He believes that the interest coverage ratio should be 'earnings before interest and tax to interest' and not EBDIT. His argument is that a company would need capital to replace worn-out plants and machinery.

Berkshire last 10 years price movement

Many a time, expenses for the same would be higher than the existing set-up. Hence, the interest coverage ratio should be after deducting depreciation. In India, many companies are struggling to meet their debt obligations. Had the promoters kept this ratio in mind, they would have borrowed less and thereby escaped the challenges they are facing now. Steel is one sector that is struggling with high debt – because it calls for higher opex and capex at regular intervals. Let's hope analysts now look at this industry from the 'debt to EBIT' angle, rather than 'debt to EBDIT'.

Issuing quarterly forecasts has become the new norm. Buffett feels the quarterly forecast is a trap for the CEO. "Business is too unpredictable for the numbers to be met always," he writes. "A CEO whose focus is centred on Wall Street will be tempted to *make up* the numbers." Many corporates have now realised that giving a quarterly forecast is a double-edged sword. More often than not, it does more harm than good.

Quite a few investors have shifted their investment strategy on quarterly numbers. A recent example is Tata Motors, whose financial numbers for the quarter ended December was below market expectations. Many research houses gave the SELL advice, with the price target revised downwards. A company like Tata Motors can't be viewed in the light of quarterly numbers and, hence, more often than not, investors lose money by making hasty exits.

There has been a debate going around about 'active versus passive investing'. Many bracket passive investment with the socialistic way of putting money in investments. But Buffett is completely in favour of it. Here, he gives an example of how some of the smartest hedge fund managers could not outperform the S&P 500 over a longer period. He has bet with Ted Seides about investments terminating in the 10th year. At the end of nine years, the active fund management is trailing by great margins, against passive investment returns. He argues that 'fees never sleep', quoting Gordon Gekko and suggesting that irrespective of the performance of fund managers, investors will have to dole out fees, impacting the returns of investors. That makes a huge difference on returns in the long run.

While passive investments may hold true in mature markets, India continues to be the market to generate Alpha. In our last edition (*Business India*, February 27-March 12, page 84) we have explained how active fund management did extremely well for investors. India will continue to be a story of active fund management at least for the next five years. Many Indians go to attend the Berkshire AGM every year. This year it's on 6 May. It will be a treat to listen to the Oracle of Omaha.

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IPO

Retailer with a difference

Shankara Building Products is a play on the housing sector

Building one's own house is an aspiration for several people, at least in the Tier II and III cities and towns on the periphery of the large cities. Sensing the need for supplying all materials required by contractors in these small towns, Sukumar Srinivas, MD, Shankara Building Products, has ventured into building depots where cement, steel, sand, aggregates, door frames, tiles, etc, could be sourced. A graduate from Loyola College, Chennai Srinivas did his PGDM from IIM-Ahmedabad, before setting up his own company after a short stint in a steel tube company and running his own family business.

One of the few organised retailers supplying home improvement and building products, SBPL operates over 100 Shankara BuildPro stores across 10 cities in India. The products offered include structural steel, cement, TMT bars, hollow blocks, pipes, tubes, water tank, sanitary ware, welding accessories, solar heaters, plywood and kitchen sinks. Third party brands of companies are sold with their own branded goods.

Over a span of more than three decades, SBPL has gone in for backward integration in a few building products, including steel pipes, colour-coated roofing, bright rods, galvanised strips and cold-rolled strips, sold under the Century Roof, Ganga, Loha, Tauras and Prince Galva brands. The items are supplied from the company's warehouses through a fleet of 47 trucks. About 80 per cent of the stores are built on leasehold premises.

Location advantage

The enterprise sales cater primarily to large end-users, contractors, and OEMs, while the channel sales cater to dealers and other retailers through the firm's extensive branch network. Located generally on the periphery of cities or towns, where the development is taking place, these depots cater to home owners, professionals including architects, contractors, electricians, plumbers and other third party service providers, engaged by home owners for either retrofit requirements for home improvement or new installations.

The third group of customers includes small enterprises. Besides sales from the retail depot, products are also sold directly to enterprises like auto ancillaries, pharma, construction equipment, plantation equipment, renewable energy and telecom infrastructure, amongst others.

There are no listed companies following a similar model in India. Set up on the lines of The Home Depot Inc, a $177 billion company listed on the New York Stock Exchange, SBPL is also betting heavily on demand for housing and home improvement to go up exponentially in the coming years.

Fairwinds Private Limited (which manages Reliance Private Equity Fund) had taken a stake of a little under 35 per cent in SBPL for ₹120 crore in 2011. The funds were used for constructing a processing facility in Hyderabad. Fairwinds will be making a partial exit at the time of the proposed IPO expected to hit the markets before 31 March.

The company has shown a good year-on-year growth over the last five years. Its total income has gone up by 45 per cent from ₹1,414 crore in 2012 to ₹2,037 crore in 2015-16, with the PAT going up from ₹30 crore to ₹41.6 crore during the same period (*see table*). The company has proposed to utilise a part of the funds to partially repay/prepay loans of ₹38 crore. The total amount outstanding from the various loan agreements as on 15 September 2016 was ₹312 crore.

Given the focus on affordable housing, Shankara is expected to be a good play on this sector. A lot will depend on the price at which the offer will ultimately be made, which will also have to be taken into account.

♦ DAKSESH PARIKH

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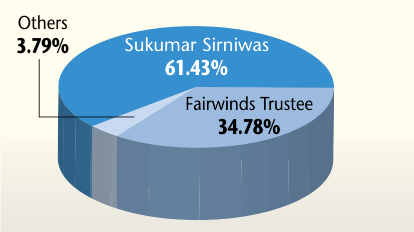
Promoter driven



IPO Details

Name	Shankara Building Products
Offer	Fresh Issue of shares worth ₹50 crore. Offer of sale of 9.13 lakh shares by promoters and 57.06 lakh by Fairwinds Trustee Services aggregating to at least 25% of post-paid up capital
Price	To be determined by book-building mode
Merchant bankers	IDFC Bank Equirus Capital HDFC Bank
Opening date	Likely in a couple of months

Financials

(₹ crore)	2012	2013	2014	2015	2016
Total revenue	1,414	1,767	1,928	1,980	2,037
Finance cost	23	35	42	47	45
PAT	30	32	29	23	42
Scap	21	21	22	22	22
Reserves	141	179	211	231	269

Restated consolidated figures. Source: Prospectus

RELIANCE INDUSTRIES

On fire

But can RIL sustain its gain?

Reliance Industries is on fire. The scrip is moving up at a healthy clip almost daily. It has not only regained the number two position as India's most valuable company but the difference in the market cap between TCS and Reliance Industries is at a multi-year low. The basic question that comes to mind is whether this upward trend of Reliance Industries will sustain. We believe that this journey will continue and we don't see major speed breakers. There is a fair possibility that it could dethrone TCS as the most valuable company of the country in the next 12 months as TCS will struggle to report growth in its market cap. We have three strong reasons why Reliance Industries will prevail.

Under-owned by MFs

In the last eight years RIL's share price has moved in a narrow range, often underperforming the broader indices. Thus, in the past not many fund managers had reason to put Reliance Industries in their portfolio. In addition there was not much clarity on how Jio would monetise its huge investments. Due to this RIL was under-owned. But on 21 February when Mukesh Ambani announced that Jio would start charging for its services at competitive rates, the stock market got a sense of what Jio could do in the telecom business. This announcement took many fund managers by surprise – they had thought of buying Reliance at the "right time". Data available on the BSE Website shows that the mutual fund industry owns only 2.70 per cent as on December 2016 of India's second most valuable company. Now there is a dilemma for many fund managers – should they buy now or wait for the scrip to correct? Those who do not own Reliance Industries have a fair possibility of underperforming their benchmark index. At some point of time fund managers will capitulate and buy Reliance Industries. The faster the rise in share price of Reliance the quicker it will get added to a portfolio. If for any reason Reliance Industries has to correct, then those who are waiting on the sidelines will jump to buy Reliance Industries – pushing the share price up. In that sense it is likely that Reliance will sustain its upward rally. In the year to date Reliance Industries is up by 21 per cent as against the Nifty's 9 per cent.

Built in losses

Most reports on Reliance Industries have been based on the fact that Jio will incur losses in FY18. This is despite Jio soon charging fees for its services. So when Jio does announce its numbers there will be no negative surprises that could spoil market sentiment. Further, the capex of Reliance Industries' traditional businesses would have either gone on stream or are about to go on stream like the first phase of Paraxylene which went on stream at Jamnagar, and the pet coke gasification project which is on schedule. The capex from these will start adding profits to RIL's bottom line – giving enough comfort to investors.

PALASHRANJAN BHAUMICK

Mukesh: more surprises in store

Partner for Jio

It is likely that Jio will rope in a partner in the same way Reliance got BP for its KG-D6 basin exploration business. As and when this happens there is reason for Reliance Industries to get re-rated. Currently, Reliance Industries owns a 99.44 per cent stake in Reliance Jio Infocomm. This leaves enough scope for RIL to dilute the stake. Another possibility in the next 12 months or so is Jio going in for an IPO.

In the same speech Ambani had stated that there would be many more surprises in store. More announcements would keep investors interested in the Reliance Industries counter. Hence it would be foolish to go short on Reliance. Historically when any major company starts its upward journey on the bourses there are very few instances of it reversing in a hurry. RIL should not be an exception. It is time again for Reliance to lead the market.

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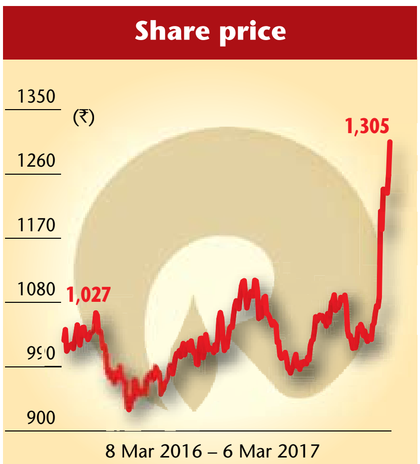

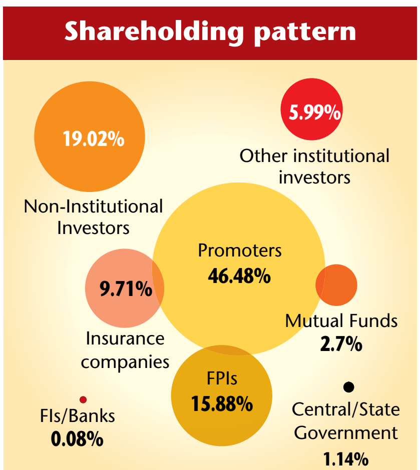

QUANT MODEL

Algorithm multiplier

A whizkid's new idea assists him manage his portfolio well

The only thing constant is change. Chintan Bhagat, 29, a Gen-Next at Mangal Keshav Securities, is amplifying this long-standing wisdom through his quant (application of mathematical and statistical methods to financial and risk management problems) models for financial markets. An alumnus of the American School in Mumbai, he studied entrepreneurship, economics and quantitative finance in Boston, US, before getting back to India.

Stock markets till date remain the most dominant pathways to the riches of capitalism. However, the stock broking business per se seems to have lost its charm, with innovative ideas like discount broking having triggered a massive price war slitting the throats of smaller players and literally throwing them out of business. The larger counterparts too don't seem to be happy about the situation they are in today. Overall, business has been impacted largely because of declining volumes on the one hand and pricing pressure on the other. According to reports, at the industry level, Equity Average Daily Volumes (ADV) shrunk by over 10 per cent year on year (y-o-y) during 2015-16 to ₹3.01 trillion.

Whilst the age-old firms have found themselves struggling to cope with the changing dynamics of a rapidly modernising market, some of these firms, such as Mangal Keshav, have navigated through the changing business environment. (Mangal Keshav, a firm that began trading in 1939 under a banyan tree at Horniman Circle, Mumbai, had sold 43 per cent of its stake to Bank of Muscat for ₹150 crore in 2007 and then bought it back in 2014.)

The 'click to trade model' as it can be aptly called, has gradually taken over from the 'call to trade' system of the past. But the way things were to be, the investing landscape changed far too much for the evolution to happen at a desired pace. Following this, many shut shop, while some tried to reinvent. New-age entrepreneurs, who had been quick to recognise this, adapted by embracing the new methods and are catering to the changing needs of investors today.

Bhagat: innovative ideas

New challenges

Discount broking firm Zerodha is the best example of the disruption that has happened in the broking business. Recognising the threat, companies like Indiainfoline have already braced themselves by starting parallel arms such as 5paisa.com in the discount broking business to counter the likes of Zerodha.

But more interesting is, the way some of the old school broking houses have seen their newer generations face up to the challenges posed by the new age. While most of these had a sizeable retail customer base, the proprietary desk was driving revenues and bottomlines for many. Evolving this to the next level required hard thinking and there are only a few have managed to do it right.

For instance, Bhagat has seen markets up close right from when he was young. As a fourth generation member of Mangal Keshav Securities, he has been quick enough to recognise the fading influence of age-old methods of trading in the markets.

Two years ago, inclined towards technology, coupled with a strong lineage of investing and trading the markets, the prodigy had developed a quant-based trading methodology. Working on the Japanese philosophy of Kaizen, which preaches continuous improvement by increasing efficiency there is something different about the whole approach that Chintan has when it comes to trading the volatile markets. "The day you stop to innovate you stand at risk of stagnation. However, true genius is knowing when to stop," explains Bhagat.

There is a lot of difference in the maturity levels and dynamics of markets globally and the system needs to adapt to these differences. The algorithm is customised for all different markets and after being experienced in trading several global markets, Bhagat believes that markets inherently have the same innate behaviour where fear and greed dominate.

This is probably one best example of the Gen Next taking over the mantle of preserving the legacy and taking it to the next orbit of sustainable growth by marrying technology to the age-old wisdom.

From a modest beginning of managing close to ₹100 crore, the company today manages a portfolio of ₹330 crore in just three years. Now, the young multi-millionaire has set out to expand his enterprise by using his proprietary quant models in his New York-based hedge fund Skyfire Capital, LLC, which is all set to roll out its operations in March 2017. SkyFire Capital LLC, a Delaware-based Global Macro Hedge Fund will trade on the Chicago Board of Trade, Comex and CME trading futures of gold, crude oil, S&P500, currency futures and the US 10-year Treasury Note.

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‘Equity: the most attractive asset class’

Anand Rathi, a market veteran, has worn many hats in the last three decades – from being CFO of a leading business house and president, Bombay Stock Exchange, to managing a leading broking firm. He tells Sunil Damania that the GDP in the fourth quarter could be more than 7.5 per cent


SANJAY BORADE

You recently acquired Religare’s wealth business. The broking business is under stress on two counts: investors prefer the mf route; and the discount broking business model is gaining traction. How do you see the broking business going forward?

We have acquired only the wealth business of Religare. We do have our own equity broking business – institutional, as well as retail. Yes, the equity broking business is facing challenges, but we are handling them effectively. Allocation in equities – both directly and through mutual funds – by the Indian households remains minuscule, judged by the global average or even our own past standards. In recent years, equity allocations have been increasing and we expect the trend to strengthen further, especially with the ongoing drive towards digitalisation and weeding out of black money. These measures bode well for the brokerage business. We prefer our smaller clients invest through mutual funds.

Whether the clients invest directly in stocks or through mutual funds through us, our revenue does not get affected. As a group we aim to facilitate our clients’ asset allocation and management through knowledge sharing and trust building. This is different from the discount brokerage model, which is purely transactional and execution-based. Clients ultimately pay brokerages based on the contributions made to their portfolio, rather than just the transaction costs borne for order execution. You will be happy to know that with the knowledge and trust-based approach, we are seeing growth in our equity brokerage business.

The recent GDP data surprised everyone. How do you see GDP growth in Q4FY18?

The third quarter’s GDP figures have in fact been pleasantly surprising. It is now clear that the dampening effect of demonetisation on economic activities has been far lower than what was earlier anticipated. We expect Q4 growth to be more than 7.5 per cent. Incorporation of income declared under the voluntary disclosure of unaccounted income schemes – one prior and other after the introduction of demonetisation – would add to the size of India’s accounted-for (white) economy in the fourth quarter.

The RBI seems to have indicated that no rate cuts may happen in the near future, but the US Fed is threatening to hike the same. What is your assessment?

I do not expect retail inflation in India to flare up a lot in the next 12 months, which may open the window for the RBI to effect a rate cut during the year. Despite this, and also because of the likely rate hike by the US Fed, the real policy rate in India would remain higher than as compared to the US. More importantly, the transmission of the past policy rate cuts in India in bank lending and now even in debt market rates remain incomplete. Consequently, I would expect these rates to fall during the current year.

Export-related sectors are under pressure due to Trump’s policies. In this context, what are your views on it and pharma?

We do have slightly negative views on both the sectors at present, and the Trump policies are important ingredients. There are also other serious issues facing companies in these two sectors. That said, on a bottom-up basis, there are several scrips here that could offer interesting buying opportunities.

Your firm closely tracks mid-caps and small caps, which have run up significantly. Do you think they will sustain this outperformance?

Large cap companies are generally well-researched and, therefore, the prospects of these companies are generally reflected in their scrip prices. In contrast, in the absence of quality research there are often significant information gaps about mid-cap and small cap companies among investors. We try to bridge this gap and create value for both corporates and investors. Despite recent investor interest in many mid-cap and small cap companies, we remain confident about the outperformance of mid-cap and small cap quality stocks over their larger cap peers in the 12-24 month horizon.

Recently, a leading broking firm raised its Sensex target to 33000 by December 2017. Where do you see the Sensex at the end of the year?

I believe investments in equity should be only for long term, and investors should not make their decisions on short-term Sensex targets. Hence the Sensex, in my view, will give a return of 12-15 per cent over the next three years. Equity is the most attractive asset class in the present scenario and shall remain so over the next three years or even longer. ◆

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Getting currency

Citigroup Inc, one of the world's biggest traders in currencies and emerging-market securities, promoted two executives to run those businesses as the US lender reorganises them. Itay Tuchman will become head of global foreign exchange, a unit that combines products tied to the 10 most heavily traded currencies as well as emerging-market currencies. Pankaj Vaish will head global local rates, which will include trading of products tied to interest rates across developing economies. Citigroup is reorganising the units in the wake of the retirement of James Bindler, the head of G-10 currency trading, who is leaving after 21 years to pursue a career in academia. Tuchman is currently head of the markets and securities services business for Australia and New Zealand. Vaish is head of that business for Mexico. Both will report to Nadir Mahmud, head of foreign exchange and local markets.

Major shuffle

Credit Suisse has announced senior appointments in its private banking business in India. Balakrishnan Kunnambath, private banking market group head for Non-Resident Indian

Kunnambath: more responsibility

(NRI) Asia Pacific and Indian subcontinent, based in Singapore, will oversee the private banking India business in addition to his existing portfolio. He will report to Alex Wade, head of developed and emerging Asia for private banking Asia Pacific. Iñigo Mendoza has been appointed head of private banking India. Based in Mumbai, he will report to Kunnambath and locally to Mickey Doshi, CEO India. Before taking on this role, Mendoza was the head of business management for developed and emerging Asia market area of the bank's private banking Asia business, with the additional responsibility of overseeing the private banking India business in the past year.

Rich experience

Standard Chartered Bank, India, announced the appointment of Subhradeep Mohanty as its chief financial officer (CFO). Mohanty joined Standard Chartered Bank in May 2014 as CFO of retail and products and went on to be the CFO of retail banking segments, a position that he held before his current appointment. Mohanty has held various senior roles in JP Morgan and American Express prior to joining Standard Chartered Bank. He has rich international market experience across US, Hong Kong, Singapore and Australia.

Growing business

Vacation exchange firm RCI, part of the Wyndham Worldwide family of brands, recently announced the appointment of Sabina Chopra to the position of managing director for RCI India. Here, Chopra will lead the execution of strategic priorities for the Indian market. She will be responsible for driving business growth and delivering ongoing value to RCI members and affiliates in the country. Chopra will be based in Bangalore. She joins from online travel agency Yatra.com.

Banking on skills

The government has appointed Damodharan Neelam and Atanu Kumar Das as executive directors of the Bank of India. Neelam has 33 years of experience in banking covering areas like corporate credit, loan syndication, international operations, bank subsidiaries, retail banking, operations and NPA management. Das has 23 years of experience in banking and was involved in both policy and operational roles.

Moving up

SRL Diagnostics, arguably the largest organised chain of pathology laboratories in the country has a new CEO in Arindam Haldar, who was chief operating officer of the company till his promotion. He joined the company in October 2016 when the previous CEO

Haldar: experience counts

Sanjeev Vasisht resigned to join Pathkind, a forthcoming venture from Mankind Pharma. Haldar has about two decades of experience in sales and marketing, M&A and operations, mostly with the FMCG sector, having worked with Pilsbury, Colgate, Haagen-Dazs and Sterlite. One of his first major challenges will be to shepherd the company through a complex merger-demerger process in which SRL will first break away from Fortis Healthcare and then merge with Fortis Malar Hospital. Since Fortis Malar is a publicly listed company, the move will enable SRL to become a listed entity without actually going through an IPO.

Tech leader

Cloud communications company Knowlarity has recently appointed Ajay Shrivastava, as its chief technology officer. Prior to this Shrivastava was the head of technology at OYO Rooms. He has been a technical leader in start-ups as well as established global leaders such as Intel, Adobe, Microsoft, Expedia, SlideShare, LinkedIn and OYO. Considered a veritable tech wizard, he specialises in high-performance execution of technology and will be bringing this prowess on board at Knowlarity to further bolster its tech infrastructure.◆

LUCARIS GLASSWARE CREATES A NEW SENSUAL DIMENSION FOR THE PALATE

Ah, wine and song!

Ocean Glass produces and distributes premium glassware in Asia. It produced Lucaris glassware to enhance wine after collaborating with Toyo Sasaki Glass, with the celebrated designer Martin Balandat and with renowned sommeliers. This new crystal glassware aims at capturing a 5 per cent share in the world wineglass market within a decade and expects to dominate the growing Asian market. Ocean Glass assembled experts ranging from producers of fine crystal to sommeliers: the resulting magic creates 'a new sensual dimension' for the palate. Wines and champagnes were tested with this collection and it was felt that Lucaris glasses do generate superior results.

Silparat Watthanakasetr, General Manager of Ocean Glass, says the 'Desire' Collection is a result of collaboration between Lucaris of Ocean Glass and the Hong Kong Sommeliers Association and is aimed at accentuating the body and bouquet of a wine. Today, Lucaris is among the top three premium crystal glasses and is targeted at wine-lovers, Asian and foreign, who seek superior experiences. After Thailand, Lucaris will be promoted to fine hotels in Hong Kong, Singapore, China, India and Malaysia.

Enhancing pleasure 'Aerlumer' is composed of curved lines beautifully carved at the bottom of the wineglass. The curling patterns under the bowl support micro-oxidation, which exposes wine molecules to a greater level of oxygen and accentuates flavour, body and bouquet. Such accentuation effectively spreads the wine's properties to create pleasure, declares Nelson Chow, chairman, Hong Kong Sommelier Association. Recognised as a 'wine sage', he has introduced wine lovers, in many blind tests, to the unique experience provided by Lucaris glasses.

Chow holds titles from the Commanderie du Bon Temps de Medoc et des Graves, etc, and is a Chevalier du Sopexa en Gastronomie Française. (The Commanderie, revived in 1949 after centuries of little activity, dates back to the Middle Ages and celebrated its 60th anniversary in 2009. It is 'the custodian of ancient traditions'.) He is the first Hong Kong sommelier to lecture at L'Ecole du Vin de Bordeaux and says this project's purpose is to 'transform wine into a delicacy that embodies expanded fullness'. Wines are so diversified: Old World wines and New World wines have unique properties and selecting the appropriate glass enhances each category. "The clarity imprinted upon the senses is in every way superior to other wine glasses. The average marks assigned to each Lucaris Desire glass amount to over 90 out of a 100, while other glasses received an average of 70 marks," in blind tests. Lucaris is lead and barium-free and can enhance and complement wine and hence, culinary experience.

◆ SWAPNA VORA

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A WARHORSE SAILS INTO THE SUNSET

Farewell to a warrior

It was a ceremony befitting the jewel in the crown of the Indian Navy, as the ageing aircraft carrier, INS *Viraat*, which had been the flagship of our navy for almost three decades, was withdrawn from service in an elaborate but solemn ritual at the naval dockyard in Mumbai on 6 March.

The decommissioning of any warship is a sombre occasion, more so if it has been the longest serving naval vessel in the world, if one discounts USS *Constitution* that was commissioned in 1797 and is retained entirely for historical reasons on the US Navy ship roster, making only occasional trips to sea.

The Indian Navy has besides for long pursued a policy of two carrier task forces deployed at India's western and eastern seaboards, which had been reduced to one for 16 years between the time the country's first carrier, INS *Vikrant*, was decommissioned in 1997 and the Russian-made INS *Vikramaditya* was inducted in 2013. Now, after over three years, the navy is back to a single carrier group, until India's first indigenous aircraft carrier (IAC) – christened *Vikrant* to commemorate its forebear – joins service in late 2018, following its launch in August 2013.

Both the decommissioned *Vikrant* and *Viraat* were made in Britain and went on to serve both the United Kingdom's Royal Navy and the Indian Navy. Both also became the world's oldest operational carriers, the hull of the 19,500-tonne *Vikrant* (former HMS *Hercules*) having been laid down in 1943 and launched in 1945 and of the 28,700-tonne *Viraat* (former HMS *Hermes*), in 1944, but not launched until 1953.

Incidentally, each of the flat decks served the Indian Navy as its flagship for 26 years, INS *Vikrant* since its commissioning with the service in 1961 until INS *Viraat*'s induction in 1987, and INS *Viraat*, from 1987 until the commissioning in 2013 of the 44,750-tonne INS *Vikramaditya* (former *Admiral Gorshkov*, bought from Russia). With its superior fire-power INS *Vikramaditya* will continue as the Indian Navy's flagship even after the commissioning of the 37,500-tonne INS *Vikrant*.

INS *Viraat* was previously due to have been retired in 2008 upon the originally scheduled delivery of *Gorshkov*. But as the Russian carrier slipped its schedule, it was then planned to pay off INS *Viraat* in 2018 upon the induction of INS *Vikrant*, which itself has been delayed by three years. INS *Viraat* had its final operational deployment in its participation in the International Fleet Review at Visakhapatnam, in Andhra Pradesh, in February 2016.

INS *Viraat*'s decommissioning was also commemorated by the release of a Special Cover by the Army Postal Service. Its motto, in Sanskrit, "*Jalamev yasya, balmev tasya*", means "One who controls the sea is all powerful" and is truly reflective of the role that this hallowed ship discharged in furthering the nation's maritime goals. The crest of INS *Viraat* portrayed an eagle that symbolised air power, and the five arrows it held in its talons depicted the ship's versatile weapons capability.

INS *Viraat* held the Guinness Book record for having been the longest serving aircraft carrier of the world. Under the Indian flag, the ship has clocked more than 22,622 flying hours by its various aircraft, and has spent 2,252 days at sea, sailing an overall 5,88,287 nautical miles, 10,94,215 km. By this reckoning, it was at sea for over six years and had sailed round the globe 27 times.

INS *Viraat* was originally commissioned in the Royal Navy in 1959 as HMS *Hermes*, and had the distinction of serving during the conflict with Argentina over the Falkland Islands in 1982. With the Indian Navy too did it play a stellar role, in Operation Jupiter in 1989, a mission of the Indian Peace Keeping Force operations in Sri Lanka, and in Operation Vijay in 1999, during the Kargil War.

When INS *Vikrant* was decommissioned, the Indian Navy had desired that it be converted into an afloat museum to keep the nation's maritime memories alive and as a tribute to our naval history. But as the government expressed its inability to fund such a venture, it was sold as scrap to a scrap dealer in Mumbai.

Viraat might meet a similar end, with only one state, Andhra Pradesh, of the country's nine coastal states and four union territories, responding to the Indian Navy's request for preserving it. Many have questioned this, referring to state finance made readily available for exorbitant memorials.

◆ SAROSH BANA
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Belief in partnerships

After an eventful 2016, which saw Everstone undertake several new deals (including acquisitions) across multiple sectors including ITeS, pharma, healthcare and wellness, as well as acquiring Modern Foods, and also successful exits from several positions in its Funds 1 and 2, the **Everstone group** has been named the Mid-Market Firm of the Year in Asia for 2016 by *Private Equity International*, the global PE sector publication. It is the first India-focussed fund to receive such an Asia-wide honour. "We are proud to be selected as the best mid-market firm in Asia. The PEI awards recognise our belief in partnerships and their power. This recognition would not have been possible without the amazing work of our employees, as well as the strong and collaborative relationships we have with our investors and portfolio companies," said **Sameer Sain,** co-founder and managing partner. The PEI awards are the largest, most respected awards in the global private equity industry. With multiple categories for selection, voters have the chance to vote for the categories across the Americas, EMEA and Asia-Pacific. Everstone was also named 'Firm of the Year in India' for the sixth year running. ◆

Celebrating life

Established in early 2016 in the UK, **Verve Rally**, which is reshaping the traditional definitions of a car rally, has now come to India. Introduced at a sublime launch party in Mumbai, and crafted by London-based founders **Darshana Ubl** and **Marcus Ubl** along with Mumbai-based **Nandini Singh**, quintessential explorer and car enthusiast, and **Ghazalah Moloobhoy** of AS Moloobhoy Pvt Ltd India and Moloobhoy Marine Services, LLC, Verve Rally combines luxury travel and lifestyle experiences that include driving performance and supercars across Europe. "Verve Rally is about celebrating life with the spirit of adventure and gratitude. It's as much about the enjoyment of driving beautiful cars on roads that beckon to be driven, as it is about embracing the summer and the opportunity to enjoy the beauty of our planet. A truly multi-sensory experience, one city at a time," says Darshana, who grew up in India, and has always had a piece of her heart in India even as she ventured abroad for business. On a Verve Rally trip, one spends an average of four to five hours a day driving. And each includes at least one two-night stay at the same location. "I was so overwhelmed by my experience, that I really felt compelled to share this with my friends in Mumbai," says Singh. Adds Moloobhoy: "During the rally, the next day was better than the first!" ◆

Nurturing NextGen

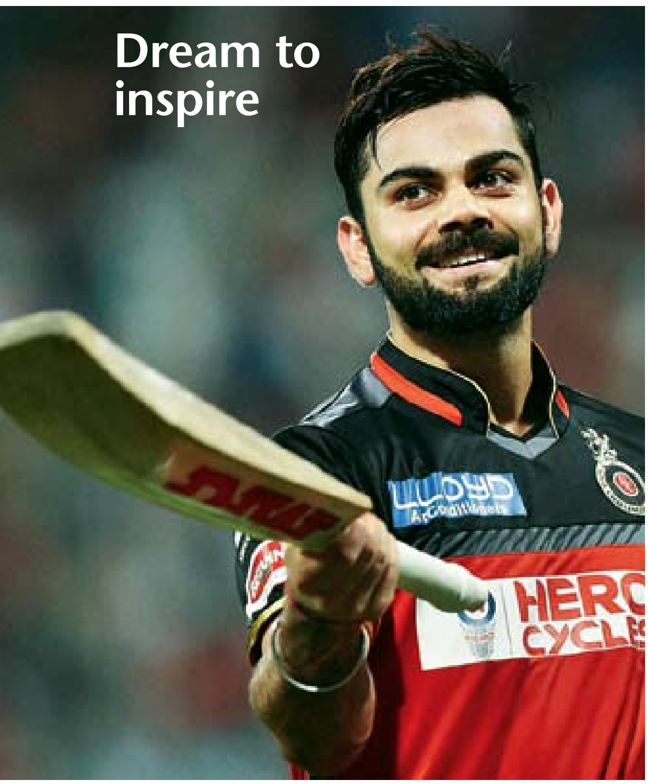
Bandhan – Konnagar (CSR arm of Bandhan) in association with Bandhan Bank has begun a one-year residential course titled Bandhan NextGen Bankers' Programme. The initiative aims to nurture young talent to understand banking from basic to modern age requirements by expert faculties and take Bandhan's journey forward. RBI's Kolkata regional director Rekha Warrier, recently inaugurated the programme at the newly built Bandhan School of Development Management at Rajpur in Kolkata. "The course will be a mix of intensive classroom and field sessions through simulation, gaming, activities, collaborative projects and branch internships. We have brought together expert faculty for the same. The candidates will be given training and hands-on exposure to develop their skills which are deemed necessary to make them prudent bankers," says **Chandra Shekhar Ghosh**, founder, Bandhan. This programme is a maiden initiative of its kind in the Eastern part of the country. The one-year residential course comprises nine months classroom sessions and three months of internship at Bandhan Bank. Upon successful completion of the course, the candidates will be absorbed in Bandhan Bank in assistant manager grade. The first batch with 60 students has commenced. Bandhan plans to have a total of 240 students this year. ◆

With gaiety and fervour

Union Bank of India celebrated the International Women's Day at a function held in Mumbai last fortnight. On the occasion, Arun Tiwari, CMD, Union Bank of India, extended a welcome to Chanda Kochhar, MD & CEO, ICICI Bank, who was the chief guest.

On this occasion, the bank also felicitated women achievers Chetna Gala Sinha (founder, first rural bank for women in India), Harshini Kanhekar (India's first female firefighter) and Usha Thorat (former deputy governor, Reserve Bank of India and an active trustee on non-profit organisations). ◆

Dream to inspire



Virat Kohli has established himself as an icon of the cricket world, a hero to a nation of 1 billion people. As captain of the Indian side in all three formats, he follows in the footsteps of Sachin Tendulkar and M.S. Dhoni as the face of Indian cricket. He is now leading his country to the UK for the Champions Trophy in 2017, and is taking this opportunity to host the **Virat Kohli Charity Ball**, to be held in early June. The manifestation of a dream to inspire and bring about a transformative change to the future of India, Kohli's chosen causes will be the key theme of the night and connected to leading charitable causes in India. Kohli will be joined by some of the greatest names in the game – both past and present – who will divulge some of the thrills and spills of their international careers in a live interview on stage and, with Kohli will be some friends from the Indian cricket team. ◆

Ethos of innovation

Madu Ratnayake, executive vice-president, CIO and head of business process excellence, VirtusaPolaris, has been recognised as one of India's Top 50 CIOs in the latest edition of **India's Best CIOs** Awards, a joint property of Dell EMC and CIO Association of India. Ratnayake received this award for his brainchild V+ – VirtusaPolaris' human performance engineering system. "I am truly honoured to have been chosen for this award. This award goes to all my colleagues and senior leadership without whose support and contributions building the V+ platform would not have been possible. This award also reinforces the ethos of innovation that drives all of us to excel at VirtusaPolaris and deliver truly differentiating value to our clients and to our team members," said Ratnayake. VirtusaPolaris is the market-facing brand of Virtusa Corporation and Polaris Consulting & Services Ltd, and a worldwide provider of IT consulting and outsourcing services. ◆

'We're focussing on health, education'

Manish Sisodia, deputy chief minister & finance minister, Delhi, recently presented the third budget of the Aam Aadmi Party government. The budget attracted attention for reducing VAT on aviation turbine fuel from 25 per cent (one of the highest in the country) to 1 per cent, thus complying with the Central government's regional connectivity scheme Udan. Under Udan, airlines are offering flights at a fare of ₹2,500 per hour of flight. The announcement was welcomed by major airlines. But Sisodia maintains there is more to the budget than this

On Budget 2017

This budget will continue the legacy of the government's transparency and accountability. This is not just a tax-free budget; we have also reversed taxes for the third consecutive time. For instance, we have reduced tax rates on sanitary napkins, laminates, plywood, black boards and stones, such as granite, swadeshi kota, dholpur and others to bring the rate at par with marble.

We are focussing on the education and health sectors, which have been given 24 per cent and 12 per cent of the budget. The allocation for education has been increased from ₹10,690 crore to ₹11,300 crore. We will provide 10,000 new classrooms, 400 libraries and distribute tablets to teachers to enable them to track their students' progress.

With focus on primary health care, the government will increase the number of *mohalla* clinics. Currently, 110 such clinics are functional across Delhi. Apart from that, 23 polyclinics, as well as various specialist clinics are also functional. By the end of this year, there will be 150 *mohalla* clinics and 150 polyclinics by the end of 2018.

Among other things, we will construct a new vegetable and fruit bazaar, a flower market, as well as 'chhath ghats' in 2017-18. (Chhath is the festival native to the Purvanchal region, as a part of which people take a dip in the Yamuna. As many as 4 million Purvanchali voters live in Delhi.) There is a proposal to buy 582 new coaches for the Delhi Metro. Also, our government plans to open Childhood Learning Centres across Delhi.

On low tax collection

Low-tax collection is an area of concern for the government as we could not achieve the targeted VAT collection of ₹24,000 crore for the current financial year. It has been revised down to ₹20,245 crore. But, with the implementation of GST from 1 July 2017, we expect a positive impact on the tax revenue collection of the government. The projected tax revenue collection is based on the belief that there will be tax buoyancy after the implementation of the GST. That is why the budget has projected the tax revenue collection for 2017-18 at ₹38,700 crore, which is 19.33 per cent higher than the 2016-17 revised estimates at ₹32,430 crore.

On improving Delhi's environment

We have set aside ₹57 crore for the Environment department that will spearhead the anti-pollution initiative in the Capital. Delhi government is working towards making Delhi a slum-free city. We are also trying to provide affordable housing to slum dwellers. We have so far provided homes to 5,000 people. We will continue to give subsidies to battery-operated vehicles to ease pollution. Delhi's forest cover has increased by 1 per cent – about 600 acres. As many as 19,000 new toilets will be constructed to rid Delhi of the habit of open defecation. We are working on storing water using the Rain Water Harvesting technique. One such project has started in Burari.

On demonetisation impact

Demonetisation caused a terrible economic downturn during the previous four months. The note ban forced the city government to cut spending on various developmental projects by about ₹4,100 crore. The cash crunch has led to an economic scarcity and flight of labourers from the city; they were the worst-hit section.

Despite this, Delhi's GSDP has increased from ₹5,51,963 crore in 2016 to ₹6,22,385 crore this year. Delhi's per capita income has increased to ₹3,03,073 from ₹2,73,618. The city's economy is likely to grow at the rate of 12.76 per cent in fiscal 2016-17. However, at constant prices (inflation adjusted), the rate would be 8.26 per cent – down from 8.82 per cent registered in 2015-16.

GSDP (constant prices) has gone down but it is still higher than the country's projected growth rate. If demonetisation had not occured we would not have had to reduce the planned outlay. ◆