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Business India

THE MAGAZINE OF THE CORPORATE WORLD

December 4-17, 2017

- EDIBLE OIL IMPORT DUTY
- TOWER INFRASTRUCTURE
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Business India BEST BANK 2017

HDFC Bank

Aditya Puri
MD& CEO
HDFC Bank

Managing scale and risk

HDFC Bank is set to double in size in four years

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Business India

Our heartiest congratulations to HDFC Bank and its managing director and CEO Aditya Puri for winning the Best Bank of the Year 2017.

This is the third time HDFC Bank has been selected as the Best Bank even though we have a cooling off period stipulating that no bank selected in the previous three years can be our Best Bank of the Year. Aditya Puri was also selected as Business India's Businessman of the Year in 2009. At that time we wrote that the best years are still ahead!

In less than 25 years, under Aditya's leadership, HDFC has emerged as the largest private sector in the country – in terms of deposits, advances, or domestic assets. Public sector State Bank of India is still more than three times its size, but here too HDFC shines, with twice the market cap.

It is unfair to any longer say that HDFC Bank does not lend long term, since almost 30 per cent of its wholesale book is of a more than five-year duration. These volumes will only increase going forward as the bank gets larger.

The last few years have been a wake-up call. Emerging competition from fintech companies has reshaped financial services markets elsewhere. Part of the problem with banking has been bankers failing to see the opportunity in adversity – too busy servicing what has been easier to serve. Rural India was too difficult to lend to until microfinance companies led the way. Point of sale terminals were par for the course until fintech companies brought in QR codes and faster modes of payment.

Large swathes of the population, including small merchants, who should have been enticed into the banking system – a natural extension for banks – were for decades thought to be unbankable, and remained outside until competition surfaced from nimble start-ups.

Having said this, the real action has just begun. The market still remains under-penetrated and there is more room for all to grow. Banks like HDFC are well placed to capture this opportunity, and expand their customer base for at least another five years.

Sadly the government is still committed to public ownership of the nationalised banks. These old banks, some over 100 years old, are being smothered by layer after layer of committees, missing every business opportunity. Sadly, there is no public outcry against such destruction of value. How many more Air Indias does the government need, to wake up?

Aditya is now 68, and has two more years at the helm of the bank. His team has done a stellar job managing risk and yet scaling up efficiently, even while the competition faced headwinds doing the same business.

We have pointed out on several occasions that no major global bank has grown without acquisitions in different parts of the world. We have also pointed out that banking is an old tradition, where on account of people strengths, we have a natural advantage. And there is no reason why India cannot be a global leader in banking and the financial services area.

Ashok H. Advani

SANJAY BORADE

COVER PHOTOGRAPH BY SANJAY BORADE

FOCUS

CORPORATE REPORTS

Contents

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◆ No solution

Apropos 'A permanent solution?' (Cover Feature, 6-19 November), unless the government or the RBI creates a strong resourcefully staffed set-up, with the requisite number of cohesive professionals and backed by the National Industrial Credit (Long-Term Operations) Fund in the RBI for providing funds to it, there wouldn't be a permanent solution to the massive NPA accumulation.

K.U. MADA
Mumbai

◆ Need of the hour

Truly, your article on the banks (Cover Feature, 6-19 November) encapsulates the burning need of the hour to cleanse the banking system of the malaise it has periodically been going through. Also, the demon's birthday bash (Editorials, 6-19 November) gave a good account of demonitisation, the failure of which was due to its shoddy application.

R.J. BHOJWANI
Mumbai

◆ No *en core?*

'How can the government infuse such a huge amount into the PSU banks' is the question that is in the mind of every right thinking Indian (Cover Feature, 6-19 November). Should it not similarly help private banks too? And, if the lending norms remain the same and the clients are also of similar type, will not the same situation recur after some years? Also, charitable institutions should not be allowed to be closed or sold to third parties (Editorials, 6-19 November), even if the government has to bring in new rules to prohibit such things.

P.G. KRISHNAMURTHI IYER
Kochi

◆ Right approach

'A permanent solution?' (Cover Feature, 6-19 November) rightly approached the issues pertaining to public sector banks in the wake of proposed infusion of ₹2.1 lakh crore towards recapitalisation, assessing their functional inadequacies and laying bare their existential crisis. And, 'Easy-peasy logic' (Editorials, 6-19 November) indicated the dangers of an illogical assumption of 'ease of doing business' in India on the world bank ranking, as it does not have a sweeping sway over realities.

B. RAJASEKARAN
Bengaluru

◆ For a change

More than half the lending of Chinese banks, even after the merger, is in favour of public sector undertakings in China (From the Publisher, 6-19 November). And, in the Indian context, we must realise that depositors of banks should have confidence in the management of the bank -- that it would give them satisfactory returns. We have to make sure that the bail-out from recapitalisation is not needed again after some years ahead. This is the change we need to have to achieve a systemic shift in the working methodology of public sector banks.

VIPIN AGARWAL
Mumbai

◆ Assess well

Please refer to 'Reaping talent' (Corporate Report, box, 6-19 November). We Indians invariably have the qualities required for success in any field. And, it is for the entrepreneur to select the most talented employee for the job he has lined up to offer. The company would do well, only if the right person is selected for the job.

MAHESH KUMAR
Delhi

◆ Game-changer

A year has passed since the demonetisation of ₹1,000 and ₹500 notes (Editorials, 6-19 November). And, while it had a positive impact on digital payments and tax compliance, etc, its negative impact on GDP and employment is more significant. Withdrawal of 85 per cent of the currencies in circulation forced the people to curtail their expenditure, which affected the total income, thereby reducing the demand for products and services. This chain reaction continued for a while, inducing a recession in the economy, due to lack of demand.

C.K. RAMANI
Mumbai

◆ Mockery

Re: 'Missing magic' (Government & Politics, 6-19 November), the government, I would say, has made a mockery of GST. The tax structure should have had just one single rate of not more than 12 per cent for all items, even including petroleum products, etc. And, to reduce the overall tax burden, there should have been a statutory provision that once a commodity is taxed under GST, no other tax or cess will be levied on that commodity. This would avoid possible multiple taxation on a single commodity.

M. KUMAR
Delhi

◆ Tread carefully

Releasing morphed videos of Hardik Patel showing him to be in a compromising position is an old tactic of political tricksters. The people of Gujarat, let's hope, will not pay any heed to such disclosures and vote unbiased.

JUBEL D'CRUZ
Mumbai

◆ Once too often

A snide reference to Modi as 'the chaiwala' had hurt the Congress during the build-up to the 2014 General Elections, as people in any civilised society in the 21st century will only admire a common man's climb to a seat of excellence. Now, the party has done it again. Will it never learn?

PRADEEP KUMAR K.K.
Mumbai

◆ At the nadir

Fascism and pseudo-nationalism have been raising their ugly heads in India at regular intervals. The uncouth and crude reaction to Deepa Mehta and her film *Water* in the early 2000s, one thought, was the lowest level fundamentalism could get to. But we were wrong. Today's hoohah against *Padmavati* takes the cake – not only for the callous disregard for the freedom of expression, but also for the opportunist and crass behaviour of the politicians of today.

A.A. VARMA
Kochi

◆ Corrigendum

In 'Up to the challenge' (Water Management, 20 November-3 December), the photograph of **Rajneesh Chopra**, global head (business development), VA Tech Wabag, on page 95 was wrongly captioned Mukund Vasudevan. ◆

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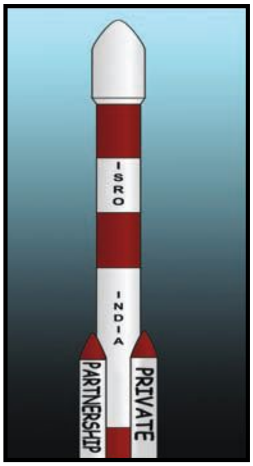
Hand in hand

It's time to expedite ISRO's satellite outsourcing move



This has been a good year for the Indian Space Research Organisation (ISRO). In February, it set the record of the maximum satellites (104) injected into orbit by a single launch. In June, it carried out the first successful launch of India's heaviest, most powerful rocket, Geosynchronous Satellite Launch Vehicle (GSLV) Mark III, developed entirely at home. These launches marked the arrival of Antrix Corp Ltd, ISRO's fledgling commercial arm, as a contender in the $335-billion global space industry. Led by Elon Musk's SpaceX, billions of dollars worth of investment have poured into projects that will provide high-speed satellite internet connections blanketing the globe. Others in the race include OneWeb, a London-based consortium backed by Sunil Bharti Mittal and Richard Branson, among others.

ISRO and Antrix are uniquely positioned to take advantage of this development, because the nature of the project involves placing thousands of small satellites in a Low Earth Orbit. It is in this context that ISRO's loud thinking on outsourcing the manufacture of satellite and launch vehicles needs to be appreciated. Currently, the industry contributes 35 per cent in the building of satellites and 80 per cent in launch vehicles by way of components. Corporate entities like Godrej, Tatas, L&T and Mahindras (apart from the state-run HAL) have been supplying critical systems and spacecraft parts to ISRO's launch vehicles.

So, it is not that entirely new ground is being broken. Private companies are not hamstrung by bureaucratic tangles that often stall government projects, and they are magnets for funding from various sources since high-tech companies automatically attract investment. Work is now in progress to put the news mechanism in place. The basic idea seems to be for the agency to provide training for industry at its centres and allow private players wider access to its design, drawings, and testing facilities.

The latest move will give ISRO room to focus on its primary goal of becoming a leader in the highly competitive global satellite launch market, particularly for nano- and micro-satellites. The international market for these satellites is expected to grow exponentially in the next couple of years, as thousands of satellites line up for launch for conventional applications and for providing broadband connectivity. This is unlike the heavier (2.5 tonne plus) communication satellite market, where GSLV seeks to make a mark. ISRO is keen on private operators taking over its workhorse Polar Satellite Launch Vehicle (PSLV) programme altogether. The PSLV has recorded more successful missions (39) than any other space agency with comparable launchers.

ISRO is now developing a 'compact' booster which can be assembled in just 72 hours as against the 40-day-turnaround time a standard PSLV would take, and launch payloads up to 700 kg into a near-earth orbit of 700 km. The agency is also developing the Reusable Launch Vehicle (RLV) for smaller satellites, in which the booster and upper stage are reusable, bringing down launch costs and increasing launch capability. So, the private sector will be entering an area, where much groundwork has already been done.

Energising ISRO's partnership with private players in satellite fabrication is one thing, subcontracting private industry to build launchers is a potential game changer that could stimulate R&D and help absorb enterprise and innovation into ISRO's missions. This has been proven by NASA and the European Space Agency, where private players like SpaceX and aerospace majors like Boeing play key roles in launches. So, opening the door wider to private participation would encourage more big players to join in the effort to bolster India's launch capability, which is of three satellites a year for domestic use. This is set to jump to 20 satellites from 2018, given the rising demand. India also boasts 30-35 per cent cheaper launches than other countries. The 2008 Chandrayaan 1 mission (which helped scientists confirm the presence of water on the moon) and the 2014 Mars Orbiter Mission have established ISRO's credentials as a low-cost, high-technology service provider.

As ISRO walks into the fiercely competitive global launch market dominated by the American, Russian, European, and Chinese launchers, it makes sense for the Indian private sector to get its act together also. Space is still a government-controlled entity in India, unlike in the US or in Europe, where it has been increasingly privatised since the 1980s, turning their national space agencies into managing and contracting organisations. ISRO's offer to move in that direction is an exciting development for India, despite the expected strategic limitations and government regulations. The move should now be expedited. ◆

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Not done, Mr Minister

Promising more incentives than laid down does not augur well

Ahead of Ivanka Trump's visit to the Global Entrepreneurship Summit in Hyderabad last fortnight, commerce and industry minister Suresh Prabhu stated that the Centre will support Apple Inc, to set up a manufacturing unit in India. Besides the timing of making the statement, what was intriguing was that as recently as in March, Nirmala Sitharaman, the then commerce and industry minister who now holds the prestigious post of defence minister, had categorically denied the move. Answering a question on the floor of Parliament Seetharaman had said that the government has not accepted most of the demands made by iPhone maker Apple Inc.

With a market cap of $882 billion Apple, which gets its iPhones manufactured through third parties in various countries, has for long been trying to set up a base in India. As of now, it is working with Wistron Corp, a Taiwanese firm operating out of Bengaluru, and assembling CKD kits and selling the same in India. In India Apple iPhones account for less than 2 per cent of the mobile handsets sold by Apple globally.

Apple Inc has for quite some time expressed a desire to set up a production base in the country. However the onerous preconditions it has made for doing so has not really enthused the government to grant it the necessary permission. These include granting a 15-year tax holiday on customs to import iPhone kits, new and used capital equipment, full duty exemption of inputs, components, capital equipments including replacement for service repairs of iPhones. Along with these concessions it has reportedly sought exemption for its non-tariff production base, which it wants to be treated on par with the production bases in the special economic zone. It also wants exemption from the government to escape the 30 per cent mandatory sourcing from local industries.

These conditions were made before GST was enacted though there were indications that it would be sooner rather than later. To avoid the incidence of tax it had sought exemption from paying GST as and when it was made applicable in India. It also wanted to import refurbished phones to sell in the Indian market. It wanted less intrusive inspections, open clearances for its consignments, and combined declaration as against declaration for each consignment, amongst other things.

While the Indian government in a bid to boost electronic production in the country has assured producers of certain exemptions, Apple clearly wanted a lot more exemptions than the government had offered to other mobile manufacturers that have set up manufacturing bases in the country. The exemptions Apple is seeking are clearly untenable.

The Department of Industrial Policies & Promotions (DIPP) has also expressed its concerns over Apple's demands. Ramesh Abhishek, DIPP secretary, has clearly stated that the government cannot make concessions for one company pointing out that if any decisions are taken it would be applicable for the entire industry.

Equity demands that if a business has to be done, it has to be done in a fair and transparent manner and not by pulling the aprons of the government to seek more concessions than what is offered. Most MNCs that have worked in emerging markets are afraid of taking normal business risks and will make a bid only when it is served with a three aces hand.

Prime Minister Narendra Modi, who is clearly trying to set right the image of working for a booted and suited sarkar, would do well to stay away from this deal. Giving more than warranted concessions to one company to the exclusion of others is clearly not the right initiative to clear his image. Prabhu would also do well to take a relook at the earlier papers with the government and what had motivated a well respected minister like Sitharaman to reject the demands made by Apple in the first place.

It is true that Apple Inc has not as yet made a formal reworked proposal seeking the government's help in setting up the manufacturing unit. But going all out to woo a company to set up a unit in a bid to score some brownie points with the US government is just not done Mr Minister. By goading states to offer concessions and pay duty drawback could only see more cases like Nissan on the rise. The Japanese company has sent a legal notice to the PM in a bid to recover the dues not paid by the Tamil Nadu government with respect to the promised incentives.

Favouring companies or getting states to promise more incentives than laid down does not augur well, Mr Minister. ◆

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Careful thought needed

Government must keep all facts in mind before making the final IBC guidelines

The Insolvency and Bankruptcy Code has generated much debate politically as well as among businessmen and the banking fraternity. The latest twist, barring existing promoters from bidding for their own companies in bankruptcy courts, has divided opinions. One view is that existing promoters should be allowed to bid as they know the company well and hence are likely to bid higher than others. If promoters are barred then the haircuts by banks would be higher – resulting in more pain. This can further delay loan growth impeding GDP expansion. Those who support it say this is the right move as it will set a precedent that promoters can't think that the company would be theirs irrespective of how they manage the same. Many have said that in India companies do go sick but not promoters. We have seen how banks kept evergreening NPAs. We have also seen the gold plating of project costs. And the many times banks have been forced to settle at 20 paisa to the rupee. Will much of this stop if promoters are not allowed to bid?

Recently the finance minister clarified that there is no blanket ban on promoters bidding for their companies provided they service their loan accounts – even by paying interest. That gives some comfort to promoters as they do have a window to bid for the same.

While one understands that these sick companies have created huge pressure on the banking systems and some promoters have siphoned off money, to tar all promoters with the same brush is not right. In the last 10 years or so we have seen how the regulatory regime has been challenged in various courts. The policy paralysis of the UPA government and the courts intervening (rightly or wrongly) created huge uncertainties in the business environment. The projects that would normally have been viable, became sick, as either someone could not get gas – contracted and committed by the government – to operate their steel plant, or others had environment clearances cancelled, preventing start up of mega power plants, or had their mining license cancelled by the courts. In some cases there were genuine business decisions going wrong. Not all promoters can be labelled willful defaulters. Not allowing them to bid is unfair.

In addition, the reality is that seasoned bankers, bank committees and boards all sanctioned the loans, after proper appraisal, to large institutions, power and infra projects with the active support of the government. Is it anybody's case that all of them were incompetent or corrupt?

But since this exercise has taken on a political colour, the government has to tread cautiously. Rahul Gandhi's jibe at the Modi government about 'suit-boot *ki Sarkar*' ensures that the Modi government does not take a lenient stand on corporates. Any leniency in these cases will give the Congress and Rahul Gandhi ammunition to attack the NDA government in Parliament as well as outside. In the recent past Gandhi has been raising the issue of a corporate nexus with the Modi government while campaigning for the Gujarat assembly election. Even groups like Tatas have not been spared where it was alleged that Modi, as chief minister of Gujarat, gave huge loans to Tata Motors' Nano project at Sanand. The Tata group has denied the allegations.

Right now, there is hope that the ordinance that has been passed barring promoters from participating in the bidding process will be approved by Parliament within six months to become part of the Act. And it is here that the possibility exists that the government may dilute the ban. If that's done it would bring a huge relief not only to the promoters of the sick companies but also to the banking system. There is also little clarity now as to whether the bidding would be in sealed covers or an open bidding process. Ideally, it should be an open auction as that will allow the maximum value of the assets to be realised. Open bidding will allow for competition amongst the bidders, yielding the highest possible value.

The first 12 cases are going to decide the fate of other companies that will go through a similar bidding process. While there is good demand for larger companies from various investors, this is not true of SMEs. What is little discussed is that there are over 300 SMEs already before the NCLT. That's where there is a fair possibility that the only bidder would be the promoters. Debarring them is likely to result in the liquidation of the bulk of these enterprises. Not only will there be huge job losses, but the productive assets would be sold for a fraction of their value. Also it is not clear that promoters would be debarred from buying assets of companies in liquidation. The government must keep this fact in mind also. Any miscalculations will increase the pressure on the banking system. Hasty political decisions are double-edged swords. ◆

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Spreading wings

New York-based investment firm Berggruen Holdings Inc, which owns the Keys Hotel chain in India, is all geared up to further expand its presence in the country. Enthused by the response it received in the last 10 years of its existence in India, Berggruen Hotels Pvt Ltd, which runs 22 hotels (2,200 keys) currently, is looking to add 6-8 hotels to its portfolio in the next 12-18 months. As part of the expansion strategy, the company, with a presence across the mid-segment, is also looking to strengthen its presence in vacation or leisure destinations. At present, 60 per cent of its existing hotels cater to the business segment. The hospitality company, grown at a CAGR of about 24 per cent in the last few years, far exceeding the industry growth of about 14 per cent, will follow an asset-light model, where it will enter into a management contract with the developers.

Currently, out of its entire portfolio, 15 Keys Hotel properties are run on management contract, while seven are owned by the company in locations like Ludhiana, Vizag, Bengaluru and Kochi. The company has launched two new hotels in Port Blair and Ramgarh near Nainital. Founded by American investor and philanthropist Nicolas Berggruen, the company has business interests in real estate and renewable energy, among others. In India, apart from Keys hotels, it has invested in several real estate and mixed used development projects.

On expansion mode

The Danfoss group of Denmark, a global producer of products and services used in areas such as cooling food, air-conditioning, heating buildings, controlling electric motors, compressors, bowling, drives and powering mobile machinery, is betting big on the Indian market. Exploring a series of opportunities across various sectors, Danfoss India, growing at a CAGR of over 19 per cent in the last five years, has already clocked a turnover of ₹1,000 crore. Backed by over 950 employees and three manufacturing facilities in Chennai, Pune and Baroda, the company is looking to double its turnover in the next three-four years. Danfoss meets the growing need for infrastructure, food supply, energy efficiency and climate-friendly solutions with its technologies finding applications in areas such as refrigeration, air-conditioning, heating, motor control and mobile machinery. It has set up a global R&D centre in Chennai, which is backed by a strong team of 300 people.

The company, which invested $100 million in setting up a greenfield manufacturing facility in Chennai a couple of years ago, is now ramping up this capacity and now makes over 20

products, as against two products in 2015. Last year, the company acquired privately-held Sondex Holding AS, a global leader in heat transfer technologies with a facility in Baroda. In manufacturing, the company is looking to increase localisation from 20 per cent today to around 50-60 per cent in the next three years.

Niche business

Mumbai-headquartered Drytech Processes Pvt Ltd, a leading player in specialised spray-dried ingredient maker for the food and beverage industry, has made big strides with its pioneering products and solutions. Spray dried ingredients – being increasingly used – help increase shelf-life while maintaining the naturalness of the product. Moreover, they also offer handling benefits due to their powder form. Having grown at a CAGR of 20 per cent for the last five years, the ₹200-crore company, with a clientele including names like Pepsico, ITC, Unilever, Nestle and Mondelez, and 80 per cent production being exported, is looking to expand its capacity (current: 20,000 tonnes per annum) further, having commissioned additional capacity at its Nagpur facility recently. Having started its journey in the spray drying industry in 1992 with spray dried gum arabic (a natural gum, also known as acacia gum, used primarily in the food industry as a stabiliser), the company has emerged as the largest manufacturer of gum arabic in Asia. Danfoss currently has a well diversified portfolio of spray dried fruit powders, fat base powders, caseinates, natural colourants and many other exclusive ingredients. Its specialised spray dried ingredients such as tomato powder with 100 per cent pure solids and fat powders loaded with up to 80 per cent fat, command a big market.

P/Es look for exits

Private equity firms are keenly watching the capital markets to time their exits from the investments made over the last 3-5 years in Indian companies. One sector which is all set to see IPOs is the NBFC sector. Several well run companies are witnessing sky high valuations, upto 3 and 4x, in terms of price to book value. Some of the companies that investment bankers are wooing in the private sector include the big 5: Avendus, IndoStar Capital, Ask, Hinduja Leyland, and IIFL Wealth Management. The valuation of each company could well be within ₹4,000-5,000 crore and while it is anyone's guess as to which one will be the first off the block, some investors feel that it could be IIFL Wealth Management, in which General Atlantic had bought a 21 per cent stake for $173 million or roughly ₹1,122 crore in October 2015. Others feel it could be IndoStar Capital, an Everstone-Goldman Sachs-backed NBFC. There could be at least two companies which could go in for an IPO before the end of this fiscal. ◆

GOVT. & POLICY

Panel to review insolvency law

The government has appointed a committee headed by corporate affairs secretary I. Srinivas to review the Insolvency & Bankruptcy Code (IBC) to address concerns and remove glitches. The 14-member committee – which includes M.S. Sahoo, chairman, Insolvency & Bankruptcy Board of India (IBBI); representatives from the RBI and department of financial services; as also external experts – has been tasked with assessing the functioning of the new law in addition to examining issues that could impact the framework prescribed under the law, which was enacted to speed up the revival and exit of firms. One of the biggest worries for policymakers is the treatment of home buyers under the IBC – an issue that has come to the fore after the admission of IDBI Bank's plea against Jaypee Infratech. The other major concern is related to allowing promoters to bid for a company or an asset that is being sought to be resolved. Although the view in the government is split, many believe that keeping the promoters out may not be feasible.

Cut prices of consumer goods

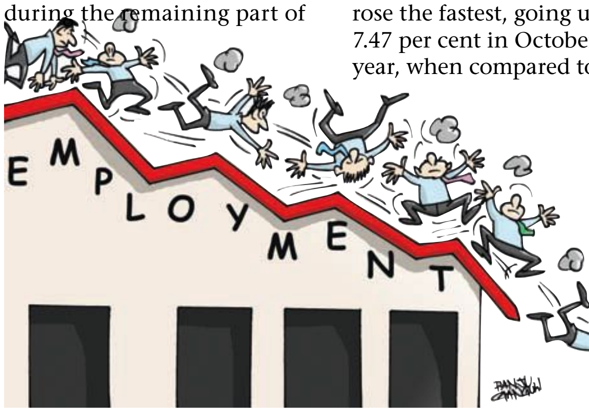
The Central Board of Excise & Customs (CBEC) has asked all consumer goods companies to immediately lower prices of shampoos, detergents, deodorants and other products on which GST was slashed from 28 per cent to 18 per cent. While several companies have already lowered prices, there are others who are yet to pass on the gains.

Logistics gets infrastructure status

The government has granted infrastructure status to the logistics sector, which includes industrial parks, warehouses, cold storages and transportation. Coming under the infrastructure category will help the logistics sector get credit on long-term basis with enhanced limits. It will also give access to larger amounts of funds as external commercial borrowings (ECB), longer tenure funds from insurance companies and pension funds. Besides, the sector will be eligible to borrow from India Infrastructure Financing Co, a government release said.

Private sector to hire less

With companies increasingly looking at reducing employee costs, the prospects of fresh hiring by the private sector during the remaining part of the current look bleak, says ASSOCHAM. This assessment is based on the feedback received from members, the chamber said. At the moment, most of the churning is taking place in telecom, financial sector, IT, realty and infrastructure, it noted.



Surplus funds with RBI sought

The government has not asked the Reserve Bank of India (RBI) to pay any special dividend and is only seeking ₹13,000 crore of surplus lying with the central bank, says Subhash Chandra Garg, secretary, Economic Affairs. In August, the RBI had paid a dividend of ₹30,659 crore on a profit of ₹44,000 crore for the fiscal ended June 2017. The government had budgeted for a ₹58,000 crore dividend from the RBI in its budget for this fiscal year.

IIP slows its pace

The Index of Industrial Production (IIP) for September 2017 has grown by 3.8 per cent, as against 5 per cent in September 2016 and 4.5 per cent in August this year, says a data released by the Central Statistics Office. Cumulatively, IIP grew by 2.5 per cent in April-September 2017, as against 5.8 per cent during the corresponding period last year.

CPI moves up

The Consumer Price Index (CPI) has risen by 3.58 per cent in October 2017 over the October 2016 level. In September, it had risen by 3.28 per cent. Prices of vegetable rose the fastest, going up by 7.47 per cent in October this year, when compared to the corresponding period of the previous year.

Trade gap widens as exports contract

Exports have contracted by 1.12 per cent in October, dipping to $23.09 billion in October, as against $23.36 billion during the corresponding month last year, while imports in October 2017 stood at $37.1 billion – which widened the trade deficit to $14.01 billion, as against $11.13 billion in October 2016. Cumulative exports during April-October 2017-18 increased by 9.62 per cent to $170.28 billion, while imports grew by 22.21 per cent to $256.43 billion, leaving a trade deficit of $86.14 billion.

ISMA seeks to ease stock limit

India's sugar output during the first 45 days of the current crushing season has risen 79 per cent, prompting the Indian Sugar Mills Association (ISMA) to demand an easing of stock-holding limits on traders to improve sales of the sweetener. ISMA said 1.37 million tonnes of sugar has been produced in the first 45 days of the current season, compared with 767,000 tonnes during the corresponding period a year ago. An early start to the crushing season is the main reason for the higher production, it said.

CCI to stabilise cotton prices

With cotton arrivals picking up in all major cultivation centres, the Cotton Corporation of India (CCI) has started purchases in places where the market price has equalled the minimum support price (MSP). According to M.M. Chokkalingam, director, marketing, CCI, the corporation plans to purchase about 15,000 bales a day now. "The plan is to buy 10 million bales this year, at both MSP and commercial purchase," he added. Chokkalingam also informed that in, 2014-15, CCI had purchased 8.6 million bales. Last year, its intervention in the market was not much, as prices were high.

REGULATORS

Spectrum auction modalities on

The Telecom Regulatory Authority of India (TRAI) is firm on going ahead with the consultation process on spectrum auction, turning down the industry's demand for putting off the discussion for the time being. According to R.S. Sharma, chairman, TRAI, the regulator is duty-bound to respond to matters referred to it by the government for recommendations – in this case, on spectrum auction for various bands, pricing and other modalities. Operators like Bharti Airtel and Idea Cellular argue that there can be no case for holding spectrum auctions or even a consultation process in the prevailing scenario where the industry – locked in a tariff war – has been bruised by falling revenues and high levies.

Spectrum holding cap to be raised

TRAI has recommended an increase in the limit on spectrum holding from the current 25 per cent to 35 per cent. In its recommendations to the Department of Telecommunications, TRAI also said that the current intra-band cap should be removed. Instead, there should be a cap of 50 per cent on the combined spectrum holding in the sub-l GHz bands (700 MHz, 800 MHz and 900 MHz bands). TRAI had sought comments from telecom service providers (TSPs) and took note that the overall spectrum cap of 25 per cent was imposed at a time when there were 6-10 TSPs in a licensed service area. After the ongoing consolidation in the sector, the number of providers in a licensed service area may be far lower.

Default disclosure circular withdrawn

Ajay Tyagi, chairman, Securities & Exchange Board, has said that the regulator had withdrawn a circular (issued in end September, mandating corporates to disclose to the stock exchanges any loan default within a day), just a day after it was issued, because banks sought more time to implement it. SEBI's press release at that time had only stated that the circular mandating disclosure on loan defaults was being deferred until further notice, but did not offer reason for the decision.

Inflation expected to rise

Retail inflation, which has gone up by more than 200 basis points since June, is expected to rise further in the remaining part of the financial year, says M.D. Patra, executive director, Reserve Bank of India. "In the MPC's (monetary policy committee) assessment, inflation will likely rise from current levels in the rest of the year, with farm loan waivers and the implementation of pay and allowance revisions by states *a la* the Centre, posing upside risks," Patra has announced in his speech on the first anniversary of formation of the monetary policy committee. Consumer price-based inflation accelerated to 3.58 per cent in October, its fastest pace in seven months.

CORPORATES

ATC to buy Voda, Idea's towers

Idea Cellular and Vodafone India have sold their independent tower business to ATC Telecom Infrastructure, a unit of American Tower Corp (ATC), in a deal valued at ₹7,850 crore. The companies jointly own about 20,000 towers, as on 30 June 2017, said a company statement, adding that Vodafone will get ₹3,850 crore from the transaction, while Idea Cellular's share will be ₹4,000 crore.

Stockbrokers, officials raided

Days after the National Stock Exchange of India (NSE) submitted two forensic audit reports to the Securities & Exchange Board of India, the income tax (I-T) department has stepped in to verify the extent of illegal gains made by some brokers, who gained preferential access to the NSE's high-speed algorithmic trading (algo-trading) platform. The income tax department in Delhi and its Mumbai arm conducted searches of the premise of stockbrokers and former and current officials of NSE, in connection with the controversy. Algorithmic trading refers to the use of electronic systems, to execute thousands of orders on the stock exchange in less than a second. ◆

◆ LANDMARKS ◆

APPOINTED Sethurathnam Ravi, as chairman, Bombay Stock Exchange
Mrithyunjay Chandilya, as CEO, logistics, Adani Ports & Special Economic Zone
Samir Menon, as managing director, KFC India (taking charge in January 2018)
Navneet Saluja, as GM, India operations, GSK Consumer Healthcare (assuming charge in January 2018)

RESIGNED Ranjit Shahani, as MD, Novartis India (by end February 2018)
Malvinder Mohan Singh, as chairman, Religare Enterprises
Andrew W.K. Langstieh as chairman, Damodar Valley Corporation

CELEBRATING Golden jubilee of Hindustan Copper, which was incorporated on 9 November 1967 G. ◆

Andreas Karaiskos, CEO, Fitch Learning, was in Mumbai to announce his company's India expansion plans. "India is a key growth market for us," explained Karaiskos. "This is relevant to expanding our local presence in India's rapidly evolving financial education sector with Times Professional Learning". Fitch Learning, the training and professional development arm of the Fitch group, has launched two training modules for BFSI professionals. "This launch comes as a response to the RBI's policy to make training and certification mandatory across all banking and financial sectors". The BFSI sector is today in a state of flux because of the changes in products & services and delivery mechanisms, coupled with a deficiency of skill at an operational level. Currently, under the new RBI policy of higher standards and capacity building for financial professionals, the Indian Bank's Association (IBA) has selected Fitch Learning to provide training programmes and enhance the skill level across the financial services sector. ◆

The distribution of licensed products for children bearing India's favourite comic characters needs to match up to the growing electronic media penetration, according to **Gautam Dalal**, founder & CEO, **Yellow Sparks International**. "Since inception, we have focussed on bridging this gap," says Dalal, whose four-year-old company has just won India's Best Licensee award for the *Back to School* category at the recently held India License Awards 2017. "We use a four-pronged marketing approach: quality products led by deep consumer connect, India's leading characters, Make in India and relentless distribution." *Back to School* comprises lunch boxes, water bottles, pencil boxes and mugs, one of the largest categories for children's licensing. Yellow Sparks won the award led by its innovation of packaging-free figurines of Chhota Bheem and Doraemon. This innovation has gained the company a market share of over 75 per cent by value in leading stores, he says. The awards are given every year by License India – the brand

licensing vertical of the Franchise India Group – with *Marie Claire* magazine and Ernst & Young as process partners. ◆

Smart Cities, the Make-in-India programme and various digitisation projects have opened an arena of investment opportunities to boost local infrastructure and manufacturing, according to **John Stroup**, CEO, president & chairman of the board, **Belden Inc**. "We are delighted to participate in this growth initiative by investing ahead of the

curve through locally-manufactured, high-end enterprise and industrial networking and connectivity solutions," says Stroup, who announced that the leader in end-to-end signal transmission solutions for mission-critical applications is setting up a manufacturing plant in Pune. The $20 million Pune set-up is expected to be ready in mid-2018 ◆

Thyssenkrupp Access has launched the latest solutions – including the new H300 – to advance home mobility in India in association with its official Indian business partner Elite Elevators. "H300 comes with an exclusive elevator that uses gearless cog-belt drive technology and gives a silent and safe ride," says **Farid Oilad Adj Amar**, head, business development, MENA, Turkey and India, ThyssenKrupp Access. "This being a SIL 3 certified lift, it sets a new benchmark for home elevator safety. The vision behind developing this elevator with ground-breaking functionality and safety parameters is purely to fight the increased percentage of elevator accidents in India. With no pit and headroom space requirements, the lift complies with all standard dimensions and configurations and also meets the most stringent requirements for safe accessibility. ◆

Chinese home appliances and consumer electronics giant **Haier** set up its first industrial park in India last fortnight, at Ranjangaon, Pune. "India is one of the key markets for Haier and we have been able to grow at a phenomenal pace in the country in the past 13 years," says **Song Yujun**, MD, Haier India. "Our year-on-year growth here signifies the potential that lies in the Indian market." According to **Eric Braganza**, president: "The expansion of our existing manufacturing facility in Pune into our first industrial park began in 2015, when an MoU was signed between the Haier group and the Maharashtra government. That vision, in line with the Central

government's 'Make in India' initiative, has come to fruition today." The new factory, set up at an investment of ₹600 crore, will not just scale up the company's capacity to locally manufacture products across all categories, but also reduce dependence on imports and increase exports from India. Haier has more than doubled the production capacity of refrigerators to 1.8 million and initiated the production of 3.8 million LED televisions, washing machines, water heaters and air conditioners – all new categories. It will also generate 2,000 new direct jobs and 10,000 indirect employment opportunities. ◆

THE REASON WHY THE BEST AND THE BIGGEST ARE HERE.

"We have created an investment ecosystem that offers the perfect growth platform for every type of investor."

Sri K Chandrashekhar Rao
Hon'ble Chief Minister of Telangana

GOLDEN TELANGANA IN THE MAKING

TELANGANA is home to corporate giants like Facebook, Apple, Microsoft, Google, IKEA, Boeing and Uber amongst others, for good reasons. Under the visionary leadership of the Chief Minister, the State has earned a coveted distinction – No. 1 Ranking in Ease of Doing Business. Backing this are visionary policies and a host of initiatives in focus sectors.

TELANGANA

No1 in Ease of Doing Business

DEVELOPING A FAVOURABLE ECOSYSTEM FOR INVESTORS

INDUSTRIAL POLICY HIGHLIGHTS AND KEY INITIATIVES

Telangana State Industrial Project Approval and Self-Certification System (TS-iPASS): Quick and easy start for businesses
Enacted by the Government, TS-iPASS facilitates swift investment with its unique features.

- *Self-certification*
- *Clearances in 2 weeks for mega projects*
- *Single window clearance*
- *0% Graft, 100% transparency*
- *Minimum inspection and maximum facilitation*
- *One point designated Nodal Officer*
- *Single common online application form*

Robust Infrastructure

- *1,50,000 acres land bank for industries*
- *148 ready-to-occupy industrial estates*
- *Assured 24x7 quality power supply*
- *27 SEZs*
- *Non-cyclonic & non-seismic zone*
- *Good quality roads and highways*

ICT POLICY 2016 OBJECTIVES AND INITIATIVES

- To emerge as a role model for smart governance in the delivery of citizen services
- To position Telangana as a leading global hub for entrepreneurship and innovation
- To transform Telangana into the most preferred destination for IT companies
- To empower citizens in utilising emerging opportunities in the digital world

T-HUB – NURTURING INDIA'S START-UP REVOLUTION

T-Hub is India's largest technology incubator to promote entrepreneurship in the State. Spread over 70,000 square feet, the start-ups within T-hub include seven specialisations - Fintech, Healthcare, Agritech, Smart Cities, Transportation and Logistics, Sustainability and Social Tech.

TASK – Telangana Academy for Skill and Knowledge, a first-of-its-kind initiative in the country, imparts fresh graduates with industry-grade skill sets, both technical and non-technical.

Two Electronic Manufacturing Clusters (EMCs) – Located close to the International Airport at eCity and Maheshwaram, the EMCs will attract investments, generate maximum employment, and account for 6% of the electronics production in the country.

GAME City (Gaming, Animation, Media & Entertainment Park) – Telangana is home to an industrial park dedicated to gaming and animation industry.

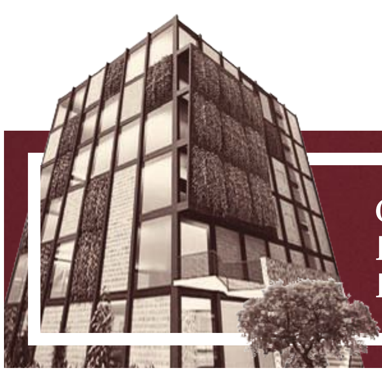
No wonder, Telangana is the most sought-after investment destination and has rightfully earned the distinction of being **No. 1 in Ease of Doing Business.**

AMAZING GROWTH STORY

- More than INR 75,000 crores in IT & ITES exports in 2015-16
- 13.26% growth in IT/ ITES exports compared to national average of 12.3%
- Over 1300 IT companies
- Over 4 lakh IT professionals

PHARMA CITY
The proposed plug-and-play facility will provide the entire ecosystem required for pharma companies. Investments of about INR 75,000 crores is expected and 1,00,000 direct and 2,00,000 indirect jobs are likely to be generated.

GENOME VALLEY
Genome Valley, spread over 600 sq. kms. in the vicinity of Hyderabad is India's first world-class hub for biotech research, training, collaboration and manufacturing activities.



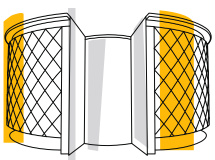
COME, INVEST
IN TELANGANA.
LETS GROW TOGETHER.

HAPPENING HYDERABAD.

Great place to live and work.

At Hyderabad, the concept of 'Work-Life Balance' doesn't merely exist, it comes to life. In an environment that's conducive to business or work and also boasts of a great after-work culture. The culture of Hyderabad also known as Deccani Tehzeeb, is the traditional cultural lifestyle characterised by distinct linguistic and cultural traditions of both North and South India, which meet and mingle in the city.

Sri K T Rama Rao
Minister for Industries, Information Technology, Municipal Administration & Urban Development and NRI Affairs



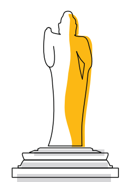
The Most Livable Indian City for 3 consecutive years

Mercer - Quality of Living Ranking 2017

For the 3rd year in a row, Hyderabad has emerged as the best Indian city to live in. The global ranking of Hyderabad being the most livable Indian city is only a reiteration of what its citizens feel. The city has earned this enviable distinction multiple times by taking into account its political and social environment, medical care and health considerations, public services, recreation facilities and natural environment, amongst others.

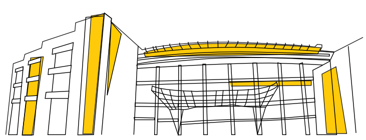
Hyderabad is home to well-established international schools and colleges. It is also considered a safe city for women. The city has an energetic and a cosmopolitan nightlife, on par with the best in the world. The many pubs, bars, nightclubs, theatres, and live music sessions attract people from all over the country.

When it comes to shopping, you have both - the world's best brands and also the charming Laad Bazaar off Charminar.



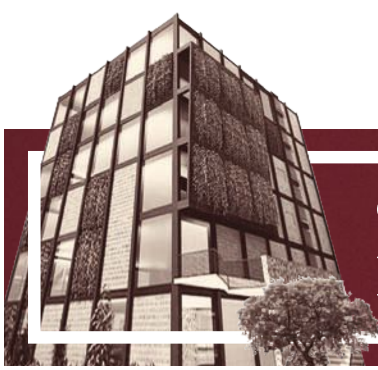
World's 2nd best must-see destination

by National Geographic Traveller in 2015



The 'Best City for MICE' in Asia

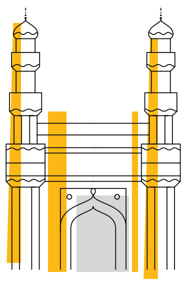
Annual Meetings, Incentives, Conferencing & Exhibitions Report Awards 2012



COME, INVEST IN TELANGANA. LETS GROW TOGETHER.

HAPPENING HYDERABAD.

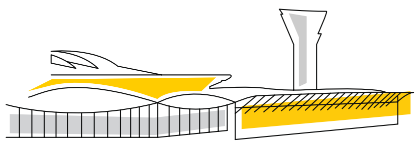
Great place to live and work.



Hyderabad No 5 in 'Agile High-values Emerging Cities' in the world

as per JLL's fourth annual City Momentum Index

AN INDUSTRIAL POLICY IS EFFECTIVE ONLY WHEN SUPPORTED BY SOLID INFRASTRUCTURE AND FACILITIES



No. 1 Airport in the World

in the 5-15 Million Passengers Per Annum (MPPA) Category, 2016 by ACI ASQ Awards

Hyderabad is easily accessible from domestic and international locations thanks to its globally ranked airport.

Hyderabad International Convention Centre (HICC) is the only world-class convention facility between Singapore and Dubai. It is India's first purpose-built and state-of-the-art convention centre and can house up to 5000 delegates. The world's leading hospitality chains have luxury hotels that dot the city and offer the finest hospitality to business travellers.

Where hospitality is at its best, can events be far behind?

GRAND CUISINE THAT IS UNFORGETTABLE

Hyderabad is famous for its delicious cuisine, which is a grand fusion of Mughlai, Turkish and Arabic fare, alongwith the influence of the native Telugu and Marathwada cuisines. Redolent with exotic spices, meat & rice, Hyderabadi food is known to be cooked slowly, to give that succulent, rich taste.

FROM PARKS TO PALACES AND MALLS TO MUSEUMS

With its richly mixed historical and cultural tradition, Hyderabad offers an array of tourist attractions – heritage monuments, museums, lakes, parks, gardens, resorts, delectable cuisine and a delightful shopping experience.

EVENT CAPITAL OF INDIA

Hyderabad is turning itself into a prime destination for Electronic Dance Music. Recent events like Sunburn, Sensation White, featuring EDM stars like David Guetta, Hardwell, Axwell, Afrojack, saw Hyderabadis turn up in thousands to party in style.

The International Children's Film Festival is held in Hyderabad every alternate year.

COME, EXPERIENCE LIFE IN HAPPENING HYDERABAD.

Bank of Baroda recently launched its new digital supply chain finance solution to accelerate working capital opportunities for MSMEs and large corporate clients. "With this latest state-of-the-art digitised SCF product, we are now live with a few large corporates and many more in the pipeline. This product will help us enter new large corporate

relationships and MSME clients. In line with the Digital India and Make in India initiatives, this solution will strengthen the companies that are driving the country's growth – opening up new financing opportunities for companies of all sizes via a cutting-edge digital product. It is an example of the transformation agenda that we are driving at the bank – digitisation, centralisation, seamless and faster transaction processing," said **P.S. Jayakumar**, managing director and CEO. Supply chain finance provides banks with an opportunity to become a valuable partner in their clients' supply chains and ensures sustained growth and profitability of clients and their business partners. ◆

Avvashya CCI Logistics (ACCI), a subsidiary company of Allcargo Logistics Ltd, announced that it has started operations at its new warehouse in Bhiwandi. "We are leaders in the chemical warehousing segment in India. The Bhiwandi warehouse is part of our business expansion strategy, thereby strengthening this leadership position. A new launch not only adds to business revenues but helps in generating employment and

facilitating trade. With our proven expertise, safety and compliance measures that meet global standards, Avvashya CCI is confident of meeting our clients' logistics requirements," said **Naresh Sharma**, managing director. The facility functions on a multi-client mode and has a geographical advantage as it is located on the proposed junction of the Delhi Mumbai industrial freight corridor and Nagpur-Mumbai industrial corridor. ◆

Global leading holistic health guru, wellness wizard and corporate life coach, **Dr Mickey Mehta**, announced a strategic alliance with **Talwalkars Better Value Fitness Limited** (Talwalkars), one of Asia's largest fitness companies. "I want to make wellness the No.1 religion, and this partnership takes me one step closer to fulfilling that dream. This alliance represents the coming together of a fitness and wellness brand which share the same ideologies, values and vision to bring a holistic offering to consumers in the health and wellness category. My partnership with Talwalkars gives me a national platform and is just the first step in building a global brand footprint," said Mehta. "We believe in Mickey's vision and want to create more value through wellness foods, nutraceuticals, merchandise, digital Mickey and Mickey's IPs and services via the Talwalkars network. We believe the synergies will benefit not only our audiences in the markets we directly impact, but thousands of people pan-India," added **Prashant Talwalkar**, MD and CEO, Talwalkars. ◆

Magma HDI General Insurance Co Ltd (Magma HDI), a joint venture between Magma Fincorp Ltd and HDI Global SE, Germany, recently launched its health insurance policy – OneHealth. "According to studies, with the increasing prevalence of lifestyle diseases in India, one out of four Indians is at risk of dying from non-communicable diseases. Keeping the need of the customer and the modern lifestyle in

focus this policy is designed to meet the requirements of the customer and his entire family. This policy along with covering all major lifestyle diseases will also offer additional benefits like restoration benefit, cumulative bonus, free annual health check up, etc," said **Rajive Kumaraswami**, MD and CEO, Magma HDI. OneHealth is a generation-next health insurance which covers various significant medical conditions as well as lifestyle diseases which are rarely covered in the industry. ◆

The **Everstone group**, via its platform Everlife, has acquired Malaysia-based Chemopharm Sdn Bhd, a leading provider of products and services' solutions to laboratory, research and medical facilities in Southeast Asia. "With the increasing priority given to compliances and best sales practices in the healthcare distribution value chain, there is a critical need for scaled distributors with strong capabilities, which can provide regional access to the fragmented markets of Southeast Asia. This is what Everlife will address," said **Amit Manocha**, Everstone group MD and Everlife board member. Chemopharm Sdn Bhd is headquartered in Malaysia with operations in Singapore, Thailand, Indonesia, Vietnam, and the Philippines. The company is a leading player in the Southeast Asia medical device/equipment market that is growing at around 10-15 per cent annually. ◆

Jeff Wilke, CEO, worldwide consumer business, **Amazon**, is considered the second most powerful 'Jeff' at the tech giant. Wilke oversees the e-tailer's entire retail operations including the Prime business, and has now been given charge of the newly acquired retail chain Whole Foods in the US. "I have come to celebrate the success of the festive season," Wilke said, commenting on his maiden India visit. "And I want to say thanks to the team here." Overwhelmed by the huge success of Amazon's festive sales in India, he said, "India is the fastest growing business for us. We have 160 million products available for customers through sellers in India. I was delighted to see the launch of Prime. After that, we launched Prime Video including some original content and Indian content. We've announced recently the launch of Prime Music. We have already introduced Fire TV and, in October, we launched Alexa and Echo too." Talking about rivals, he said, "I worry about customers and don't obsess over our competitors. ◆

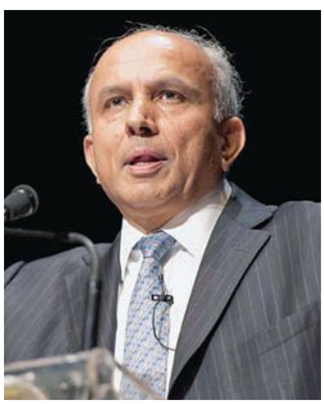
India and Canada had agreed to work towards an early conclusion of a proposed bilateral free trade agreement, with New Delhi highlighting the importance of services under such a deal. The proposed Comprehensive Economic Partnership Agreement (CEPA) figured in the discussions between Suresh Prabhu, Commerce Minister, government of India, and **François-Philippe Champagne**, **Minister for International Trade, Canada**, at the fourth India-Canada Ministerial Dialogue on trade and investment. Both sides noted the exchange of wish lists on the services front. India reiterated that the architecture for services under the CEPA is a vital focus area and a response from Canada on positive elements has to be mutually beneficial. "The Canadian side assured that they will look into the issues concerned, including movement of natural persons and what kind of provisions could be built into the CEPA," a press release said. India is keen to ensure easier movement of Indian skilled workers to Canada for short-term work. ◆

"The countries that have moved up to the whole middle income level really invested in human capital. And that has got two aspects. One is the health aspect including nutrition and other health interventions to make sure that this young group of people develop their full physical and mental capacities. And then, of course, there is education. You cannot do it without either of those things," said **Bill Gates**, co-founder, **Microsoft**, who was in India to attend various events including the one in Bengaluru where tech billionaires Nandan Nilekanni and wife Rohini joined the Giving Pledge, an initiative Gates floated some seven years ago. Gates said that part of the Gates Foundation rule in India is "where the government has ambitious goals about nutrition and health, we want to help accelerate that." He

argued human capital is basic to everything. "It is healthy people getting a stronger education and then a market system that is trusted and works well. And, if you look at the nutrition figures you can say right now, the quality of the work, the investment level, is not achieving what needs to be done. Now, improved science is showing us how to make better vaccines, better nutrition at lower and lower costs." ◆

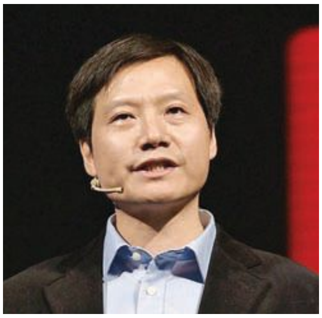
Triumph, the premium motorcycle-maker from the UK, expects its partnership with Bajaj Auto to yield rich dividends in its global business and make India its largest market. The finer elements of the formal agreement with Bajaj Auto are being discussed and it is likely to be signed soon, said **Paul Stroud**, chief commercial officer, **Triumph Motorcycles**, who was in India recently. "The partnership with Bajaj will enable us to become a bigger brand within the country more quickly. You could be talking about a scenario, where Triumph goes from selling 1,200 motorcycles today to volumes that are north of 1,00,000 units, which is a significant scale." ◆

The 67-year-old **Prem Watsa**, chairman, **Fairfax Financial Holdings**, is gung-ho about Moody's upgrade. "The ratings upgrade is terrific news," said Watsa. "I have been investing in India for 20-plus years, but in a more significant way in the past three years by launching a separate publicly listed company, Fairfax India Holdings. We are hugely optimistic". He has already expressed his intention to commit



'tonnes more of money' to India. Despite minor hiccups the country has witnessed in the aftermath of demonetisation and GST, the long-term prospect of the country is bright. "The businesses that we have invested in are growing by leaps and bounds," said Watsa. Fairfax India's investments include Bengaluru International Airport, Thomas Cook and IIFL Holdings, to name a few. Impressed by the changing business environment in the country he said, "Prime Minister Modi has taken great steps to improve the economy. Change is now happening, and the world is beginning to take notice." Seeing the opportunities being unfolded in the country, Watsa said, "There's huge opportunity. We would have preferred to invest more strictly inside of Fairfax, but we started a separate company, Fairfax India. We raised a billion-and-a-half dollars." ◆

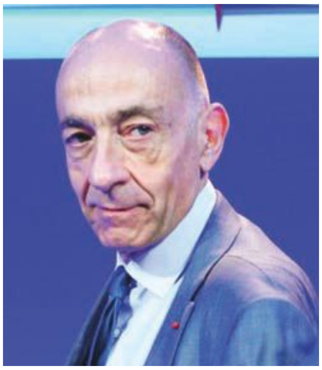
Mobile users in India may enjoy download speeds in excess of 1,000 mbps with 5G deployment expected to begin from 2020-21, Swedish telecom company **Ericsson** has announced. **Magnus Ewerbring**, the company's chief technology officer for Asia-Pacific region, who was in the country recently said that fast-paced growth in usage of data by consumers and advent of new technologies in manufacturing and connected devices will prompt telecom companies to adopt 5G technology. "Globally, deployments around 5G are expected to begin about 2019, and start firming up 2020 onwards. I expect that India will also follow a similar path," Ewerbring said. The company has signed up with Bharti Airtel for 5G technology and expansion of services around it. However, he said that there could be challenges to the growth of 5G in India due to issues related to network investments, paucity in mobile tower sites and spectrum shortage. "There can also be problems related to capacity constraints due to the phenomenal uptake in mobile subscribers." ◆

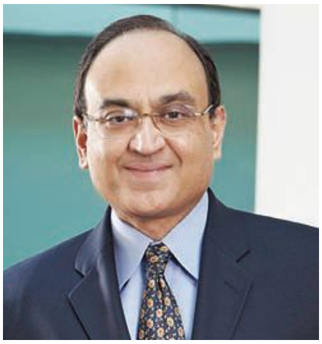


Lei Jun, chief executive, **Xiaomi Corp**, has said that his company would invest up to $1 billion in 100 start-ups in India over the next five years, to create an ecosystem of apps around its smartphone brand. Xiaomi and its sister company Shunwei Capital, which have stakes in six Indian internet companies including Hungama and KrazyBee, plan to invest in businesses such as content, financial technology, hyperlocal services, including mobile phone repairs, and manufacturing in order to increase the adoption of mobile internet in the country, Jun added. "In China, in the past four years, we've invested $4 billion in over 300 companies. In the next five years, we will invest in 100 companies in India. We will basically replicate the most successful ecosystem business model of China in India. We will have all types of services and products and integrate them. That is the Xiaomi business model. We focus on a few key things and everything else, we let our partners provide. We've reached a huge scale in seven years because of this partnership/affiliation model," Lei explained. ◆

Taxi aggregator **Uber** is working on technologies that will allow people in India – the second largest market – to book without smartphones. **Daniel Graf**, vice-president & global head of product, Uber, who was on his first visit to India said, "We are making a big investment in India which could also help other markets with similar conditions... Many areas get 3G or 2G connectivity or even less than that. How do you make it work there, this is an android dominant market and many of the phones are 2012 or older, some folks don't have a smartphone but they should be able to get an Uber too." Uber is investing heavily towards making the trips through the ride-sharing app more reliable and affordable. ◆

"For us, India is a very important, growing market and one of the key growth markets for the future. So it was very important to create this cooperation with Jet Airways and link 44 cities within India through Amsterdam and Paris to 106 cities in Europe and more than 200 in the US. So it's a part of our overall scheme: with Delta for North America, China Eastern for China and Jet Airways for India, said **Jean-Marc Janaillac**, chairman, **Air France-KLM**, who was in the country last fortnight to strike a deal with Jet Airways. When asked about whether his company trying to buy a stake in Jet, he said, "We never rule anything out... There are new competitors... Never say never. But it's not something that is discussed right now." Janaillac was all praise for Goyal as a partner. "He is someone who has a vision. He is very dynamic. He loves to negotiate and he is very relentless. He knows the business, his company and knows exactly what he wants. We have the deepest respect for Naresh Goyal and his team, how he has built this airline with his own entrepreneurial vision and his money," he added. ◆





Thanks to demonetisation, the India business of Visa, a leading card payment firm, has grown at its fastest pace in five years in 2016-17, informs **Vasant Prabhu**, global chief financial officer, **Visa**. "India has been a cash-based society for a long time. And, for a time, people were forced to use things other than cash," Prabhu said, at a UBS Global Technology Conference last fortnight. "We really are 100 per cent behind the government's desire to move to more of a cashless society. In addition, we are doing the basic blocking and tackling that you need to do in this business to digitise cash. So, we are working with our issuers to build acceptance. The number of acceptance points in India, I think, in the last year has grown by more than it did in the five years or so before that," he said. In 2016-17, the revenue of Visa's Indian arm increased by 29 per cent from a year ago to ₹449 crore, while the company's net profit reached ₹69 crore. "We are working, for example, with the state government in one of the states to create a cashless city concept. They seem to be willing to give it a go. The government has kept its foot on the pedal in terms of working with the industry to promote the use of cards," Prabhu said. ◆

Forcing transition

Ban on pet coke in northern states to adversely impact cement companies

The recent Supreme Court ruling to ban the industrial use of pet coke and furnace oil in Uttar Pradesh, Haryana and Rajasthan in view of the adverse levels of pollution in Delhi and the National Capital Region, is expected to hit the cement sector hard. The apex court's environment bench order is likely to push up production cost of cement companies, even as these northern states account for the bulk of cement production in the country. The adverse impact of this ban will be felt not only by the north-based cement companies but also northern operations of pan-India companies like Ultratech, ACC, Ambuja Cements.

Pet coke or petroleum coke is a final carbon-rich solid material that derives from oil refining, and is one type of the group of fuels referred to as cokes. Pet coke has high levels of sulphur (up to 7 per cent, when produced from high sulphur crudes) and metals such as vanadium, chromium and others. Furnace oil also has high levels of sulphur (up to 4.5 per cent). Burning of these fuels releases oxides of sulphur and nitrogen, which form particulate matter and accordingly are a cause for serious environmental and public health concern. However, these fuels are the cheapest available to the industry and are widely used for heating and generating electricity. With coal costs rising, cement plants have been looking for alternative less expensive fuels and pet coke has presented a viable alternative, because of its lower cost since it is a by-product of the refining process.

According to a Kotak Securities report, the ban on pet coke may result in power and fuel costs rising by 10-15 per cent, as power and fuel cost account for 25 per cent of the total production cost of these cement companies. IDFC Securities says that the pet coke ban would result in companies shifting to imported coal, and would increase power and fuel costs for the plants in these states by 25-30 per cent.

"Pet coke being the preferred fuel (comprising 60-100 per cent of fuel mix for companies), we envisage cost hike of 6-9 per cent to be passed on to consumers in the immediate future. While the 2017-18 estimates may see limited impact, sharp rise in cost poses challenge in meeting 2018-19 estimates for companies like Shree Cement and JK Cement," says an Edelweiss Research, adding that the apex court has also urged all other states in India to review pet coke usage, given the concern of high pollution emanating from this fuel. In the event of a pan-India ban, the entire industry may see a further cost hike, as pet coke usage is high across companies.

Meanwhile, north-based cement companies, including Shree Cement, have said that it might appeal against the Supreme Court's ban on the use of pet coke by industries in Haryana, Rajasthan and Uttar Pradesh. "The ban will affect the profitability in the short term," says H.M. Bangur, managing director, Shree Cement. "The industry plans to represent its case in the Supreme Court. We, at Shree Cement, have the required technology to use pet coke without causing any air pollution".

Not easy According to a recent India Ratings report, pet coke usage is the highest among the northern players, such as Shree Cement, JK Lakshmi Cement and Mangalam Cement. The exposure of these companies – as also Ultratech Cement and JK Cement – to pet coke is in the range of 75-85 per cent (Shree Cement uses 100 per cent pet coke for all its cement and power plants), while ACC and Ambuja Cement have kept their dependence on pet coke low at 65-67 per cent. Given its favourable cost, most cement companies had switched from coal to pet coke over the past few years. On an average, more than 70 per cent of the fuel requirement of cement makers is met through pet coke. Pet coke usage in India posted a growth of 24 per cent CAGR over 2013-17.

The analysts' views indicate that, in case of a ban, shifting to domestic and imported coal will not be that easy. While imported coal will be a costlier option, getting coal linkage from Coal India will be a difficult proposition. As per the Edelweiss Research data, among the northern states, Rajasthan will be the most impacted state, even as it is an important cement cluster, housing 16-17 per cent of the country's cement capacity. The nearest domestic coal mine (of Coal India) for cement players based in Rajasthan is at a minimum distance of over 1,000 km. Besides the huge freight cost and low calorific value, domestic coal also has its own set of challenges.

"New linkages are not available for the cement industry. While theoretically, the cost per kcal of linkage coal works out to be cheaper, the coal available is of a grade, which can be used only for captive power plants and is not suitable for kilns. Prices under e-auction are 30-40 per cent higher compared to linkage coal. Also, availability of sufficient quantity is a challenge," adds the report.

Analysts are also of the opinion that in the short-term, the impact will be felt but ultimately, in the long-run, cement makers will have to shift over to coal and the Supreme Court's order will add speed to the switchover. However, facilitating the supply of alternative energy source will be crucial.

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PORTS

Old versus new

An uneven playing field in the ports business is hurting players, who signed PPP agreements long back and are playing by the book, whereas newer players in minor ports who are not bound by the Tariff Authority for Major Ports (TAMP) regulations are eating into their business and driving them almost out of it, industry watchers point out.

Vizag Port's PPP projects awarded under TAMP 2008 are under stress, as four of the five operating projects in bulk cargo segment are closed and one is in stressed condition. The companies that have closed down their operations after being awarded these projects under PPP model include ABG group, SEW Infrastructure, etc.

Vizag General Berth Cargo Pvt Ltd (VGBCPL) was awarded a 30 year concession by the Visakhapatnam Port Trust (VPT) in June 2010 for developing and operating a fully mechanised cargo handling berth at the outer harbour of the port. It was done with VPT's vision of privately-owned PPP projects aimed at ensuring that VPT continues to serve its customers in a competitive and environment-friendly manner, while retaining VPT's market share along the east coast of India.

Today, this project is staring at closure. Reason: a private port like Gangavaram, which has come up just 13 km away, has the flexibility to offer free storage for 90-120 days, as against only 10 days at VPT in accordance with TAMP guidelines. This creates a huge disadvantage for VPT and has led to a steady decline in the business for VGBCPL, which is capable of handling the cape vessels, and has started its commercial operations from 2012-13. It handled 6.9 million tonnes in 2015-16; 4.26 million tonnes in 2016-17; and 1.4 million tonnes till the end of July in the current financial year. The corresponding figures for Gangavaram port are 10 million tonnes, 7.6 million tonnes and 3.56 million tonnes.

Hassles galore "It is such an unequal battle, we are not even operating at 40 per cent capacity, though we have an excellent terminal and are second to none in operational efficiency," explains Manish Gupta, head, ports, Vedanta, urging TAMP and the ministry to intervene and rescue the project, which may otherwise "become a non-performing asset," adds Gupta. The guidelines prescribed upfront tariff for charges, but the tariff orders exceed the guideline boundaries, leading to unnecessary hassles for the port users.

"The storage charges paid by a customer are currently calculated by the number of days that the cargo is stored beyond the prescribed free days," explains Ashok Kumar of Advaya Advisors. "Gangavaram Port, on the other hand, offers clients free storage for longer duration, thus making uncompetitive operations for the players at the main port. So, while the revenue share, which was the bid parameter, should remain sacrosanct, all other levies/charges should be left to be determined by the respective port trusts/boards prevailing market conditions," suggests Kumar. Advaya Advisors has been tracking the port sector actively.

The distressed port industry is asking for the TAMP authorities to take care of their plight. "It is high time TAMP is removed and a new mechanism be brought in its place," says an industry spokesperson. The Union Shipping Ministry had promised sometime ago that the Major Port Authorities Bill, 2016, repealing the Major Port Trusts Act of 1963 will end the TAMP regime, but not much work has progressed on the ground as yet. The new body is expected to look into the distressed projects and help them leap back to success stories. All such long-term capital heavy projects should be evaluated on a periodic basis, and hurdles be removed.

M.T. Krishna Babu, chairman, VPT, had acknowledged that PPP concessionaires are suffering acutely because of the non-flexible TAMP guidelines, especially when they are not aligned with the ground realities of business. "High storage charges under the tariff regime recommended by the TAMP is proving to be a huge challenge," said Babu, in a media interact in Vizag recently. "Moreover, the private ports in the vicinity offer 90-120 days free storage time but in Visakhapatnam port it is only 10 days. It makes a huge difference and the scales are heavily tilted in favour of private ports which enjoy freedom in fixing tariff," adds Babu.

Meanwhile, according to an estimate, the loss of revenue at Visakhapatnam is pegged at about ₹3,000 crore over the next 15 years in terms of handling royalty, berth charges and other ancillary services. PPP assets of over ₹1,200 crore are at the risk of being converted to non-performing assets over next few years only in Vishakhapatnam, if the issues are not addressed immediately.

It is high time relevant changes are made to the TAMP guidelines and port operations are made commercially viable for long-term sustainability for the participants concerned, industry watchers warn. Otherwise, it will be a steep slide for a critical segment of India's infrastructure. While the upfront tariff guidelines of 2008, prescribed for capping of storage charges at 1 per cent of the annual revenue, the tariff structures published under these guidelines are not in conformity with it, leading to high storage charges.

The major ports – including Kandla, Mumbai, JNPT, Kochi, Chennai, Visakhapatnam, Paradip and Kolkata (including Haldia) – are pushing for the implementation of the Standing Committee's recommendations too. They also want the Parliamentary panel to recommend that no new port should be allowed in a 100 km vicinity of major ports, without a permit from the board, as this will adversely impacting their efficiency, profitability and business viability of PPP operators in major ports.

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BUSINESS OPPORTUNITIES

Calling India

Tucked away in one corner of the Emirates, with no oil resource to augment its economy, Ras al Khaimah, which in Arabic means 'Top of the tent', is going for economic diversification. Overshadowed as it was by its aggressive neighbours – Dubai and Abu Dhabi – it was left to Sheikh Saud bin Saqr al Qasimi, the country's ruler, to realise many years ago that the only way to bring prosperity and progress to his nation was to go all out.

The Beirut- and the US-educated Sheikh didn't want his once impoverished country within the newly formed United Arab Emirates to be left behind in the race for development. It had already suffered a lot at the hands of the British in the 19th and early 20th century. The emirate's ruling family, the al Qawasim, had at one time total control of maritime trade in the area. And, because of this, they were at odds with the British, whose trading arm, East India Co, was seeking to expand its presence in the Gulf region. As part of its nefarious ways used to bring down the sheikhdom, the British alleged that the state encouraged piracy and, therefore, razed the town of Ras al Khaimah and other settlements in 1809 and again in 1819, thus leaving the sheikhdom in dire straits.

Over the years, all this had to change, but the changes were rather slow until it became a part of the UAE on 2 December 1971. In 2000, the Sheikh, along with his team members, established Ras al Khaimah Free Trade Zone (RAKFTZ) and RAK Investment Authority (RAKIA) in 2005 to spur overseas investment in the country. Subsequently, the Ras al Khaimah Economic Zone (RAKEZ) was created to regulate, oversee and manage facilities, services and specialised zones and to nurture investors in a cost-effective environment, offering customisable business solutions, premier facilities and first-class services in a one-stop shop.

"This was done with a vision to become a leading global investment destination," says Ramy Jallad, group CEO, RAKEZ, RAKFTZ and RAKIA, which resulted in RAKEZ evolving as a free zone landscape in Ras al Khaimah.

It now houses over 14,000 MNCs from more than 100 countries covering over 50 industries, making it one of the largest economic zones in the Gulf region.

Two way business "Over the past 15 years, we in Ras al Khaima have looked at India as one of our dominant business allies and set up a permanent office in Mumbai," says Sheikh al Qasimi, chairman, RAKEZ. "As a result, some 3,000 out of the 14,000 companies are of Indian origin." And the tally is growing, with more and more Indian companies seeking to establish their businesses in Ras al Khaimah.

The Indian companies that already doing business include Mahindra (armoured vehicles) Ashok Leyland (automotive assembling), Dabur (health care products) GK Technologies, Perfect Polymers, Concept Flexible Packaging, etc. Besides, there are already 1,679 Indian companies engaged in commerce for several years, while 841 are in service-related activities, 263 in general trading, 117 in industrial units, 21 in media and one as an educational institution. "We are

in talks with many more large Indian entities to set up businesses in RAKEZ and are in the process of signing up with some of them," adds the Sheikh.

One major reason for doing business with India is the fact that Indian businesses help support the UAE's innovation strategy and grow its IT sector, besides offering manufacturing units that export to the Middle East and globally. It also helps the UAE strengthen its goal of eliminating dependence on the trade of petroleum products, while enhancing the Gulf states' tech business. In the process, being in RAKEZ, India too will gain hugely by delivering goods faster and more cost-effectively to the Emirates and other countries in the region.

India and the UAE have had a longstanding trade relationship of over four decades and did business of $52 billion in 2016. The two sides expect the business to grow to at least $100 billion by 2020. Indians are also the largest expatriate community in the UAE, numbering about 2.6 million – making up to 28 per cent of the UAE's population. India is the largest trading partner of the UAE, while the latter is the third largest trading partner of India. Last year, India's export volume to the UAE stood at $33 billion and included gems, jewellery, fuels & oil, iron & steel, textiles & apparel, etc, while India's imports from the UAE stood at $26 billion, with trade in crude & petroleum products, gold & silver, pearls, metal ores & scrap, as also electronics goods, transport equipment, etc.

Logistics too favour the Indian businesses. Ras al Khaimah boasts of a strategic location – within four-hour flight time to 31 per cent of the world population and situated at the crossroads of fast-growing markets. It also offers lower costs of living and operating a business than other major cities. Even more importantly, the sheikhdom has four sea ports, including Saqr Port – th largest bulk commodity port in the Middle East – and Ras al Khaimah international airport. It provides proximity to Dubai International airport too. Further, the Emirate has multi-lane super highways connecting all the UAE countries.

RAKEZ has lined up various incentives to Indian businessmen, offering them wide-ranging facilities such as offices, warehouses and land; best-in-class services and processes; a re-engineered company registration process; quick and easy visa processing, to assist clients in obtaining residence permissions and visas for investors, employees and their families; as also assistance in obtaining federal and emirate-level approvals for establishing industrial companies. "One of the biggest offers we make is the cost effectiveness," says Jallad. "The cost of operation, services and living is 60 per cent less than other business hubs in the region." That also perhaps could be one of the USPs of the Ras al Khaimah endeavour to attract Indian business persons.

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DPA

'Real is diamond'

The Diamond Producers Association (DPA), an alliance of leading miners – De Beers, Rio Tinto, Alrosa, Dominion Diamond, Gem Diamonds, Lucara Diamond and Petra Diamonds – has launched its operations in India, with a view to strengthen the domestic diamond industry. "India is the natural home of diamonds, being the country where they were first found and where 92 per cent of the world's diamonds are cut and polished," says Jean-Marc Lieberherr, CEO, DPA, based in Antwerp, whose members together represent over 75 per cent of the world's diamond production. "Yet, Indians account for a mere 7 per cent of the global diamond consumption, in comparison to 47 per cent by the US, the largest diamond jewellery market, and 16 per cent by China."

To promote the integrity and reputation of diamonds and ensure sustainability of the diamond industry, DPA will collaborate with the Gem & Jewellery Export Promotion Council (GJEPC), the trade's apex representative body, set up by the Union Commerce ministry in 1966. The Mumbai-headquartered council was granted autonomous status in 1998 and today represents almost 6,000 exporters in

Singh and Lieberherr: targetting millennials

the sector, with regional offices in New Delhi, Kolkata, Chennai, Surat and Jaipur.

Of its global marketing budget of $70 million, DPA has earmarked $7 million for launching its promotional campaign in India with the tagline, *Real is Rare - Real is Diamond*. To steer the agenda, DPA newly set up an office in Mumbai and has appointed Richa Singh as managing director, DPA India. "DPA sees vast growth potential in the Indian market," says Singh, who joins the association from L'Oreal and has spent 19 years in consumer goods marketing, including four years in advertising. "We aim to build trade partnerships, best practices and a strong consumer connect through various market development initiatives for cultivating the Indian market for diamonds."

Affirming his council's partnership in the initiative, Praveenshankar Pandya, chairman, GJEPC, foresees DPA's initiatives going a long way in growing the diamond sector in India by heightening the significance of diamonds in consumers' lives. Russell Mehta, outgoing vice-chairman, GJEPC, adds that the council is keen on supporting DPA in reviving marketing programmes to build diamond equity, which is vital to the future of India's diamond industry. GJEPC will contribute $2 million to this effort.

GJEPC's own figures indicate that India's exports of gems and jewellery declined by 3.5 per cent in 2015-16 to $38.6 billion from $39.98 billion in 2014-15, and dropped further by 4.8 per cent, to $21.06 billion, in H1 2017-18 (April-September 2017) from the corresponding period the year before. Cut and polished (C&P) diamonds, which constitute the bulk of these exports, slumped 13.7 per cent to $19.9 billion in 2015-16 from $23.2 billion in 2014-15. "It was the first time ever that polished diamonds exports showed such a huge decline," notes Pandya. "Weak international demand and high rough diamond prices have dulled profitability."

Signs of revival While imports of roughs in April-September 2017 rose 8.3 per cent to $9.2 billion from $8.9 billion in the same period last year, C&P diamond exports rose a marginal 1.7 per cent to $11.9 billion over H1 2017-18. According to Pandya, low demand led to a 58.3 per cent plunge in the net imports of C&P diamonds in 2015-16 to $2.8 billion from $6.6 billion in 2014-15 and to a 16 per cent drop in rough diamond imports. C&P diamond imports were worth $20.8 billion in 2010-11. Imports of rough diamonds have shown a revival, to the highest level of $17 billion in 2016-17, from $14 billion the previous year.

The Antwerp World Diamond Centre and Bain & Co's sixth annual report on Global Diamond Jewellery points out that while challenging circumstances led major rough-diamond producers to reduce output in 2015, depressing the sales of roughs by 24 per cent that year, the industry rebounded in 2016. While the report projected the supply of roughs to decline annually by one to two per cent in value terms through 2030, it expected demand for them to return to a long-term growth trajectory of 2-5 per cent per year, relying on strong fundamentals in the US and the continued growth of the middle class in China and India.

India's jewellery trade was devastated last year by the 42-day strike called by over three lakh jewellers from more than 300 associations to protest against the 1 per cent excise duty levy on non-silver jewellery, as also the mandatory quoting of PAN by customers for transactions above ₹2 lakh. The agitation led to losses of over ₹1 lakh crore for the industry, which was again convulsed later by the demonetisation exercise. Consumption was muted in China as well, on account of the government's drive against corruption and DPA was planning a similar marketing campaign in China next year.

Lieberherr, who was previously managing director of the Diamond division of Rio Tinto, says the DPA will target a new generation of consumers – the millennials – who represent a compelling opportunity for the diamond industry in both India and China. Millennials in both these countries and the US totalled 900 million in 2015 and their combined gross income amounted to $8 trillion, he observes. "Millennials appear to resemble other age groups in their preference for diamond jewellery, but not in their shopping behaviour," he says. "Our *Real is Rare - Real is Diamond* campaign will underpin a powerful, emotionally and culturally resonant promise for diamonds in the Indian market where these precious stones will celebrate the journey and achievement of the couple in creating something that's real, that's theirs and that's rare."

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Cyber-preparedness

India may push for global law

In its push to advance digitisation, India is suddenly coming alive to the threat of cyber attacks. Multiple cyber attacks affecting key infrastructure assets like ports and major payment companies have made headlines recently.

The government's efforts so far include the Cyber Surakshit Bharat initiative, in which Microsoft is a partner. The exercise seeks to build the cyber security capacity of the Chief Information Security Officers (CISOs) across the government, by training 1,200 government CISOs. The government is at present working on a draft policy for tackling ransomware, a malicious software. Ravi Shankar Prasad, Union minister for electronics & IT, recently said that the government will fund and encourage students doing research and Ph Ds in the area of cyber security – not just from India but also from the Asia-Pacific region. It will give a grant of ₹5 crore to start-ups doing innovation in the field of cyber security too. The government is expected to give preference to cyber security products in government procurement, which have been made in India, as part of the preferential market access policy.

India recently hosted two successive back-to- back cyber security events – the Global Conference on Cyber Space (GCCS) 2017 and a conference by the Asia-Pacific Emergency Computer Response Team. At GCCS 2017, Prime Minister Narendra Modi said that, while digital technology had emerged as a great enabler in India, paving the way for efficient service delivery and governance and improved access, in domains from education to health, the global community needs to approach the issue of cyber-security with confidence and resolve. "We have to ensure that the cyberspace does not become a playground for dark horses of radicalism," Modi said. Creating a safe and secure cyberspace is on the primary agenda of the government as cyber attacks were a threat to democracy, he added.

Common law

India, according to concerned officials, is now expected to push for a global framework of co-operation and law to tackle the growing threats in cyberspace. As India's Cyber Security Chief Gulshan Rai says, lack of an international law has become a hindrance and countries must vouch for a common law to effectively deal with hackers. The heterogeneity of the systems dealing with various aspects of the threats has made it difficult for the stakeholders to formulate such a law.

"To accelerate the process of evolving such a mechanism and establishing a comprehensive measure to deal with cyber threats, we need more collaboration at the global level," says Rai, who is also the National Cyber Security Co-ordinator, Prime Minister's Office. "We need to take adequate measures to identify the threats and should have the mechanism in place that makes attribution of such incidents possible."

At GCCS 2017, Iddo Moed, Cyber Security Co-ordinator, Israeli Foreign Ministry, agreed that fighting rising cyber threats required global co-operation, based on shared values. Many participants stressed that fighting cyber crime also needed public-private collaboration. In the context of allegations of rising state-sponsored cyber crimes, they felt that the world needs to see how to apply the principles of sovereignty and non-interference to the cyber space.

National Security Adviser Ajit Doval also feels that all stakeholders, including states and the private sector, need to co-operate to mitigate the negative effects of cyberspace, especially amid emergence of technologies such as artificial intelligence and Internet of Things. "The security agencies of geographies also need to have better co-operation," said Doval at GCCS 2017. "And, they should have specific cyber security structure, which are able to do faster exchange of information, identify the defaulters, to see against them give support to law enforcement agencies so that the cyber norms and laws are adhered to".

The situation could get more complex, Doval warned, as "We are entering into the domain of artificial intelligence, machine learning, IoTs, robotics, etc, which are going to create and compound these problems manifold. So, we have got to think of the structures, systems, methodologies, inter-operability, governmental support, multilateral and bilateral co-operation, which will be able to cope," he added.

However, there are sceptics who feel that the talk of a global security law is utopian. "It is going to be difficult, as countries are protective about their cyber security laws. I do not see countries like India, China, Korea, Russia and others coming together and compromising to deal with cyber security. It is good thought (a global cyber security law), but difficult to handle," says Lt Gen (retd) Sudhir Sharma, chairman, MitKat Advisory Services, a risk management consultancy.

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New brief

OMCs have been tasked with anti-pollution duty

India's state-run oil marketing companies (OMCs), which are seeing their market cap fall as crude inches to a two-year high, have been saddled with a new task: clean up the national capital region's air. Last fortnight, the ministry for petroleum & natural gas announced an early rollout of fuel, compliant with Bharat Stage VI (BS VI) emission norms, and marketed by these companies, in New Delhi by 1 April next year, two years ahead of the earlier target. Now, the OMCs are reported to be working out a solution for the crop stubble burning, which is a major reason for the air pollution in the NCR. The three OMCs – Hindustan Petroleum Corporation, Indian Oil Corporation and Bharat Petroleum Corporation – will soon set up stubble collection centres across the country. The collected stubble would then feed a dozen upcoming second-generation bio-ethanol plants.

Successive governments have tried to push the use of bio-ethanols to cut down the country's dependence on oil imports. Oil minister Dharmendra Pradhan recently launched the draft of a new policy that will promote production of bio-ethanol for an ethanol-blending programme, which aims at 20 per cent ethanol blending in petrol by 2030. The UPA too had announced a National Policy on Bio-fuels in 2009 aimed at accelerating promotion of bio-fuels such as bio-ethanol and bio-diesel with the target of 20 per cent blending by 2017. Under the policy, OMCs had been directed to sell ethanol-blended petrol, with a ethanol content of up to 10 per cent.

However, due to insufficient supplies, the OMCs could manage only a national average of less than 3 per cent ethanol blending. Currently, the official plan is to increase ethanol blending on fuel from 4.3 per cent now to 8-10 per cent in 2020-21. But even for 10 per cent ethanol blending, India will require about 4.5 billion litres of it a year – costing about ₹23,000 crore.

Stubble trouble

Farmers, mainly from the northern states of Punjab, Haryana, western Uttar Pradesh and Uttarakhand, burn paddy straw that remains in the field after the main crop is harvested. The smoke is driven into the NCR by strong winds, causing bad instances of smog every winter. This year, the situation was so bad that schools had to be closed for a few days and entry of heavy vehicles had to be banned in city limits.

"The OMCs would require about 150,000 tonnes of biomass – including rice straw, wheat straw and bamboo shoots – for each of these plants annually," says Y.B. Ramakrishna, chairman, a working group on biofuels, ministry for petroleum & natural gas. "Two such plants are coming up in Punjab and Haryana. Hence, it is logical for them to collect and stock this biomass within the 15-30 days it will be available in a year. "

The tricky part of the exercise is this: OMCs are expected to invest at least ₹10,000 crore in the sector. Each of the plants would require 500 tonnes of biomass a day to function optimally. Handling the logistics of the operation would be the headache of the OMCs, as the concerned governments of the states, where the stubble burning takes place, are not said to be too enthusiastic about the idea. The states would rather have the Centre dole out a subsidy to the farmers to manage the stubble.

According to some estimates, about 34 million tonnes of paddy straw is generated in the four states named here, of which a maximum of 23 mt would be from fields cleared by the combine of harvesters. In these fields, because the tracks have to be cleared fast and, because it is mechanised, the entire stubble doesn't get uprooted. This leaves the farmer with little option but to burn it, if he wants to clear his field swiftly enough for the new crop. Officials said the time-consuming option of allowing the stubble to naturally die can only be considered at the expense of delaying the sowing of wheat, the successor crop, which would mean a loss in yield. An option is to attach the combine harvesters with an extra machine called the 'Super Straw Management System' (SMS). This cuts the straw closer to the ground and into pieces, which then gets mixed with the soil, saving the farmers from burning it. But, each SMS costs ₹1-1.25 lakh and, though the Punjab government gives a 50 per cent subsidy on such machines (up to ₹50,000), many farmers say an additional machine would lower the efficiency of the combine harvester.

The plan, if fully implemented, will nix the NITI Aayog's ₹11,500 crore suggestion to permanently address the problem. This entailed ensuring that the crop residue is addressed within the field itself first, and that the paddy straw gets a ready market.

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Pro-net neutrality

TRAI sticks to its stand

Telecom Regulatory Authority of India (TRAI) has come out in favour of the principle of net neutrality, proposing a set of recommendations that would restrict 'any form of discrimination or interference' in the treatment of online content. If adopted by the Modi government, Internet service providers (ISPs) would not be able to engage in practices such as 'blocking, degrading, slowing down or granting preferential speeds or treatment to any content'.

Put simply, net neutrality is a policy that prohibits ISPs from discriminating between internet traffic as well as different websites. It prevents web providers from blocking certain websites and from changing how quickly those sites will load on your computer.

The global debate on net neutrality acquired a fresh dimension because US President Donald Trump's Federal Communications Commission chairman, Ajit Pai, has recently mooted a plan that would change the internet as we know it. The plan would eliminate the right to equal access to the internet. It would allow huge telecom companies to charge internet users more money to visit certain websites or use certain apps. ISPs such as Verizon, Time Warner Cable, Comcast, AT&T, Altice, and Charter would be major gainers. Without net neutrality, these companies could theoretically make some websites load faster than others or charge websites or users more money to access different sites.

Pai's proposal needs to be approved by the FCC's five commissioners, where it is expected to pass along partisan lines on 14 December. The three Republican commissioners – Pai, Brendan Carr and Michael O'Rielly – are expected to back the move. While there is no evidence to suggest that India will always copy what the US does, there were some speculation about the Trump administration asking friendly countries to toe a similar line to gain respectability back home.

In its recommendation order, the telecom regulator has indicated that these principles of non-discrimination and equal access can be brought into force with amendments to the licence agreements that govern bodies, which provide Internet services

in India. While these recommendations (in particular the licence amendments) will come into force, only if the Department of Telecommunications decides to implement them, TRAI quietly notes that, pending consideration, it may regulate the "manner in which the current licensing requirement of unrestricted access to all content on the Internet is implemented and enforced." Consequently, on issues that concern consumer protection, transparency and monitoring of compliance, the telecom regulator may go ahead and issue regulations as it sees fit. TRAI had in January floated a consultation paper on the topic, seeking views on issues such as how to ensure non-discriminatory access to content on internet, among others. This was followed up by an open house discussion in August which saw participation by representatives from telecom and ISPs, consulting firms, activists, and policy experts.

India has adopted a pro-net neutrality stand by taking a tough call against zero-rated plans such as Facebook's Free Basics. TRAI showed considerable conviction by battling any type of preferential treatment of internet websites, despite the massive campaign by Facebook in support of its Free Basics programme, which promised access to a few basic services free of cost through partnerships with selected telecom service providers.

Wider approach

"Our regulator now thinks of itself as a forerunner in this space; so, we knew that they were not going to be influenced by the American move," says Sunil Abraham, executive director, Centre for Internet & Society, Bengaluru. However, a section in the government believes that India should evolve a stand which suits local conditions. The view is echoed by Mahesh Uppal, director, ComFirst India, a communications consulting firm. "India must evolve a unique approach to net neutrality," says Uppal. "The key requirement is that our approach to net neutrality should be evidence-based. While we have not seen any major breaches of net neutrality rules as of now, it does not mean we should not address the problem of future misuse," he adds. Rules must also be flexible and allow exceptions under some circumstances.

There were mixed reactions to TRAI's recommendations. The Cellular Operators Association of India (COAI) observed that the recommendations were 'principally' in agreement with the industry submissions, regarding the narrow issue of Net neutrality but were disappointed that the authority did not adopt the industry recommendation to have a wider approach. "A committee to review and decide on network management violations is unnecessarily bureaucratic, and not in keeping with light touch regulation or the ease of doing business," COAI stated. In contrast, the Internet Association of India called the recommendations 'progressive and in line with the debates' in the industry and user groups.

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A new Pandora's box

Can weapons without human control be trusted to distinguish between the guilty and the innocent?

BRIJ KHINDARIA

A new category of non-nuclear weapons is emerging capable of having a bigger deterrence effect than nuclear weapons. They have the great advantage of not killing hundreds of thousands of people or causing heinous long-term diseases from radiation for millions.

They are 'lethal autonomous weapons systems' (LAWS), sometimes called killer robots. Russian President Vladimir Putin, who commands the world's most lethal military after the US, recently asserted that future wars could consist of battles only among robots, including autonomous drones.

The powerful global push towards artificial intelligence (AI) is the driving force of unmanned killer robots. Putin warned that "the one who becomes the leader in this sphere will be the ruler of the world."

The race to build LAWS has already begun and India should not be left behind. Such weapons would make split-second decisions to kill and destroy much faster than human soldiers. Countries with LAWS could win non-nuclear wars with minimal or no damage to their own warriors, people and territory.

So, they may not hesitate to start pre-emptive wars against countries without LAWS. Weaker non-nuclear states would have little or no deterrence capabilities and may have to surrender to a threatened LAWS attack without a bullet being fired.

The biggest winners from this greater military insecurity will be those who make and sell LAWS, which are likely to be exorbitantly expensive. Companies in the US, Russia, China and a few European countries would get the windfalls, but Indian companies should strive to be among them.

LAWS are capable of self-learning on the go and, unlike humans, are free from self-doubt when they kill and destroy. But the core issue is whether weapons without meaningful human control can ever be trusted to distinguish between friendly forces, innocent civilians and armed enemies. Human Rights Watch thinks even the cleverest killer robot "would not be restrained by human emotions and the capacity for compassion, which can provide an important check on the killing of civilians".

Other serious military and legal questions include accountability for mistakes or massacres in the fog of war and moral issues concerning intelligent machines overruling human decisions.

All artificial intelligence is dual use and can be adapted to killer robots. Early examples include the Taranis, an unmanned combat aircraft being developed by BAE, and the autonomous SGR-A1 robot sentry gun made by Samsung and deployed in South Korea. It can detect and kill targets 2 km away. Other nearly autonomous systems are also in use, including tanks, defences for warships and increasingly lethal drones.

A human controller makes the key decisions so far but the imminent prospect of complete autonomy prompted 126 renowned AI experts to sound loud alarms in 2017. Their letter was signed, among others, by Elon Musk, founder, Tesla, SpaceX, OpenAI (USA); Mustafa Suleyman, founder, Google's DeepMind (UK); and Jüergen Schmidhuber, leading deep learning expert & founder, Nnaisense (Switzerland).

"Lethal autonomous weapons threaten to become the third revolution in warfare. Once developed, they will permit armed conflict to be fought at a scale greater than ever and at time scales faster than humans can comprehend," they warned.

"These can be weapons of terror, weapons that despots and terrorists use against innocent populations, and weapons hacked to behave in undesirable ways. We do not have long to act. Once this Pandora's box is opened, it will be hard to close."

The Campaign to Stop Killer Robots has called for an outright ban by end 2019 on the development, production, and use of fully autonomous weapons. It suggests a simple definition as systems that "once launched can select targets and apply violent force without meaningful human control".

India's Amandeep Singh Gill, chair of a new Group of Governmental Experts on LAWS, thinks these are early days and more clarity is needed on how to characterise and define such weapons. "It would be easy to just legislate a ban: whatever it is, let's just ban it. But I think that we, as responsible actors in the international domain, we have to be clear about what it is that we are legislating on." he said.

Warfare strategists say that modern wars no longer seem to have a start or end, unlike the great wars of the 20th century and earlier. Warfare, whether against terrorists, insurgents or states, always uses the best available technologies; LAWS could be inevitable next steps in this continuum to high-tech weapons. ◆

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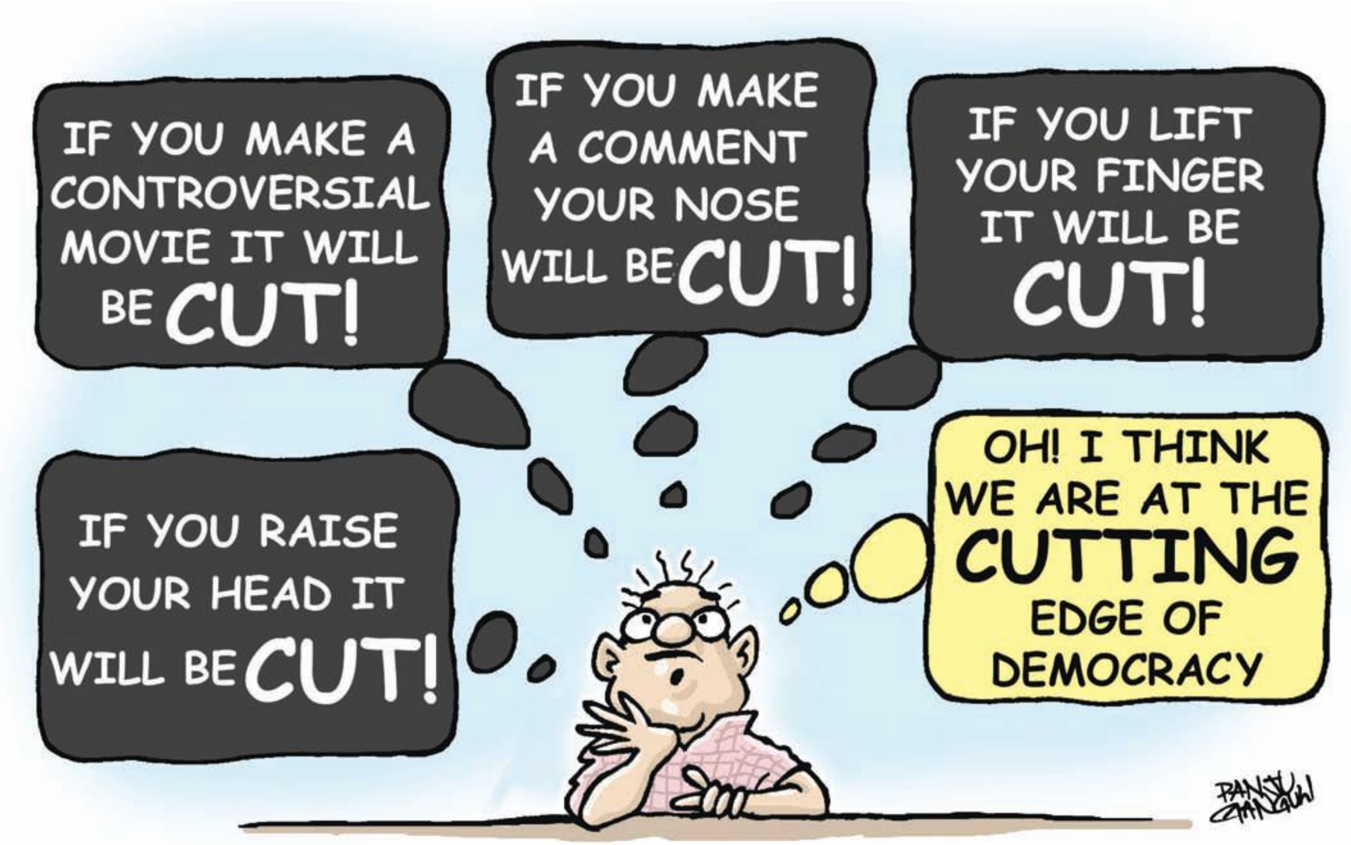
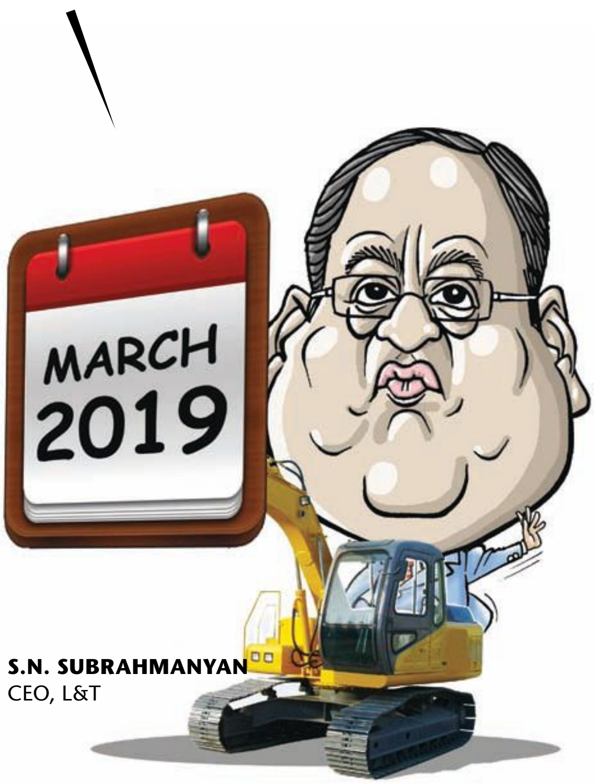
Panju's Page By Panju Ganguli



ONLY AFTER MARCH 2019 WE WILL BE ABLE TO SEE IMPROVEMENT WHEN THIS DISPENSATION COMES BACK OR A NEW DISPENSATION COMES TO POWER IN DELHI...TILL THEN THINGS WILL BE LITTLE SUBDUED AND CHALLENGING



S.N. SUBRAHMANYAN
CEO, L&T

IT WAS LONG OVERDUE AND I ALWAYS FEEL RATING AGENCIES HAVE NOT BEEN FAIR TO INDIA. IN THE LAST ONE-AND-A-HALF YEARS WE HAVE SEEN A NUMBER OF TRANSFORMATIONAL CHANGES

DEEPAK PAREKH
Chairman, HDFC

PANEL DISCUSSION

SANJAY BORADE

Better than the rest

Our panel selects the best bank for the year 2017

It's been 19 years since we instituted our Best Bank award that is conferred to recognise the contribution of a bank in India, that operates on a national scale and captured growth, enticed customers, has excelled in both service and strength. The award is one of its kind, since the distinction is single and undiluted for a single bank in any given year.

Such a selection is never an easy task. Indian banks have seen better years than the one that just passed by. It is easy to forget that lending money is the easier part, but it is far more difficult to recover sums due. Exuberant lending over the past few years has strained relationships between bankers and borrowers, and bankruptcy proceedings underway will redefine this relationship and the manner in which business is conducted and disputes are settled.

Our panel discussion was held against this backdrop to select a bank that had stood above the rest, had been lending in what has generally been a bad banking year, had emerged strong despite an industry in tatters, and was geared to face emerging challenges – especially on the digital front, the effects of which will only intensify in the future.

Our panel this year was chaired by Shikha Sharma, managing director & CEO, Axis Bank. Along with her on the panel were Jaspal Bindra, chairman, Centrum Capital; Parth Jindal, managing director, JSW Cement; Rajeev Gupta, founder, Arpwood Capital; Rajeev Jain, managing director, Bajaj Finance and Sunil Mehta, chairman, Punjab National Bank.

THE PANELLISTS

CHAIRED BY
Shikha Sharma
Managing Director & Ceo
Axis Bank

Jaspal Bindra
Chairman
Centrum Capital

Parth Jindal
Managing Director
JSW Cement

Rajeev Gupta
Founder
Arpwood Capital

Rajeev Jain
Managing Director,
Bajaj Finance

Sunil Mehta
Chairman
Punjab National Bank

As always we set a base criteria for selection. Since we choose only a single bank, it must have a national impact and, therefore, assets of over ₹100,000 crore. Winners of the best bank for the previous three years are excluded to allow for a new bank to win the award.

Further, based purely on numbers, *Business India* prepared a shortlist of 10 banks to assist the panel in discussions – based on about 20 parameters, such as growth in assets, advances, deposits, low-cost deposits, net profit, market cap, fee income, cost to income ratio, credit to deposit ratio, provision coverage ratio, capital adequacy and return on asset – with panellists free to add new names to the list with mutual consensus. We had one foreign bank, five private sector banks and a few public sector banks that made the mark this year.

But numbers can never tell a full story. Bank balance sheets are only now starting to reflect reality, cloaked under 'regulatory forbearance' for the past few years. Moreover, numbers can never fully reflect intangibles like customer service or brand value.

Moreover, with the banking system having taken a setback, new competition had emerged from fintech companies and non banking financial companies. Companies too had shifted borrowings to the commercial paper market to take advantage of the difference in borrowing rates.

A panellist opined that perception plays an important role in decision making because it will determine future sustainability. While most of the sour loans were now accounted for, some had yet to be recognised for accounting purposes.

The first to fall off the list were the smaller public sector banks. Though they had shown an improvement in financial numbers this year, it was too early to tell if this was a blip and if they would go back to their old ways again. Moreover, even though public sector bank share prices had surged following the government's recapitalisation announcement – only two notable public sector banks stood out in the industry this year.

A panellist said that public sector banks are still playing the catch-up game. And while they had public faith and, therefore, parked deposits, they could offer the best term loan rates to industry. But unlike their peers, they did not chase equally lucrative, ancillary services like cash management – though some had pulled up their socks and had started to do so.

A foreign bank came up for discussion next but was dropped on account of increasing irrelevance. It had met the base criteria set for selection, had a strong book and churned out more profits on a smaller base than some of India's largest banks.

But the foreign bank had cut down on lending last year, a trend that has gathered pace over the last few years. Foreign banks in India are increasingly losing relevance from a national perspective, focussed on their niche and lucrative customer base, with their India arms turning into mere extensions of global strategy. The aggressive growth they had seen earlier, based on innovative ideas were industry standard, and without the will to expand they were losing relevance. With more innovation and growth being noticed elsewhere, the foreign bank was dropped off the list.

Two private sector banks came up for discussion next. The first was a large private sector bank, but a panel member said that there was a leadership issue at the institution. That they had missed out on an opportunity, and there was a sense of discontentment in industry about them.

The second private sector bank had grown rapidly over the past few years. It had built its book around mezzanine debt, which is high risk but high return collateralised lending. A research house had opined that its share price should be at one fifth of its current level, while another had offered strong support to it. Yet, it was only a matter of time before this bank would account for non-performing assets totalling about ₹6,000 crore, which do not show on its books yet. It fell off the list too.

A public sector bank came up for discussion next. A new leader sourced from the private sector had brought new life into the bank. It had made notable progress over the past few years, but there was a succession issue brewing. If the leader was to not continue at the post after his term ends next year, and if the new manager was selected from an internal

Business India BEST BANK 2017 HDFC Bank

PREVIOUS WINNERS

2016 **Axis Bank**
◆
2015 **IndusInd Bank**
◆
2014 **Kotak Mahindra Bank**
◆
2013 **HDFC Bank**
◆
2012 **Bank of Baroda**
◆
2011 **Punjab National Bank**
◆
2010 **Bank of Baroda**
◆
2009 **State Bank of India**
◆
2008 **HDFC Bank**
◆
2007 **Axis Bank**
◆
2006 **ICICI Bank**
◆
2005 **State Bank of India**
◆
2004 **ICICI Bank**
◆
2003 **Oriental Bank of Commerce**
◆
2002 **Citibank**
◆
2001 **HDFC Bank; Bank of Baroda; Standard Chartered Bank**
◆
2000 **State Bank of India**
◆
1999 **Corporation Bank**

set of managers, would the daggers be out for the consultants hired by the bank to execute a strategy that has played out over the last few years?

At this point, only two banks made it to the final list -- State Bank of India and HDFC Bank. The venerable State Bank of India had made significant progress over the last few years, and had a cleaner balance sheet than most of its peers. By sheer size – a quarter of the banking industry – its impact remains disproportional.

Its digital rollout – which had started under O.P. Bhatt – had gathered pace and it had caught up with peers despite the limitations one would expect in the public sector. The bank had management depth, had merged its subsidiaries, executed a smooth succession plan, with no single individual responsible for that credit – and with no baton to pass on *per se*.

A panellist said that increasingly succession issues in the public sector are less of a problem even as almost all of the larger private sector banks seemed to have an issue with it. While SBI did have non-performing assets to deal with, these were under control and it was growing inspite of the setback its peers faced.

The second, HDFC Bank had shown consistent growth for more than a decade with a quality book. It has been rewarded by investors with the largest market cap within the banking industry – which is fuel for any bank with growth ambitions.

The panel did express two concerns about the bank. The first was about term lending, in which the bank had limited exposure. While this had shielded the bank from accumulating sour loans, as a consequence, it had also limited experience in the sector. The second was a succession plan, which – as has been seen in the past — can be a risk for a bank.

But this bank had also rolled out a digital strategy – on top of its strengths around capturing transactions and cash management, that was best in industry and it was well-placed to capture market share going into the future. Through innovation and alertness, it has made inroads even in government quarters, with a panel member saying that it would be seen as an equal or even better for executing government contracts.

When the votes were called out, the final decision went in favour of HDFC Bank. Under chairman and managing director Aditya Puri, the bank is already the largest in the private sector in India, in terms of advances as well as deposits. And with a clean book and processes well in place, it expects to surge ahead over the next few years. Our heartiest congratulations to Aditya Puri and the team at HDFC Bank for winning the Best Bank 2017!

◆ RYAN MAXIM RODRIGUES

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Managing scale and risk

HDFC Bank is set to double in size in four years

If this were a hare and tortoise race, the tortoise is finally in the lead. And it has taken perseverance, consistency, an eye on quality, and a good 24 years to do so.

By domestic assets, private sector HDFC Bank has emerged as the largest private sector bank in the country, prompting the central bank to classify it as a systemically important bank. In terms of advances and deposits (and profitability) it is already larger than all other private sector banks.

If some may think it is time to pause and consolidate, HDFC Bank is readying to double in size. "We normally double every three-and-a-half years, and I see no reason why that should not continue," says Aditya Puri, the bank's managing director & CEO. "Prospects are fantastic. The world changes fast, but the next five years shouldn't be a problem."

Banking has seen several structural changes since Puri took charge as CEO in 1994. He inherited a well-respected brand, leveraged it to build a distribution network, and created products that neither the public nor the foreign banks had at the time or were able to deliver.

Getting to this size has required five transformations in 24 years. Starting as a wholesale bank, with a focus on transaction banking and cash management, HDFC expanded into securities and the stock market, making inroads into retail by year 2000. Two banks – Centurion Bank of Punjab and Times Bank – were acquired to gather scale, and expanded from the cities into semi-urban and rural India. Today, HDFC is seen by the market as a retail bank, though 44 per cent of its business is lending to selected areas within wholesale.

There were also at least three storms to weather during his term. In 2007, when banks across the globe and a few in India, faced setbacks, he kept charging ahead. In 2014, when banks in Africa and China lost market share to emerging fin-tech companies – Puri stepped up the pace. Today, as public sector banks grapple with sour loans, he is readying to double in size.

With a base of over 40 million customers, economies of scale are in full play at HDFC. In 2016-17, the bank posted a net profit of ₹15,253 crore – up by 20 per cent from the previous year. Its market capitalisation on the stock markets has crossed ₹478,000 crore, the third largest of any company in the country.

If digital is the buzzword in banking, Puri has positioned to be at the front of the line. "You ask six people what digital means and you will get seven answers," says Puri. "But if you look at what is happening — when you have convergence of media and computing, the ability to have big data and analytics; everything being connected, it gives you the ability to alter your business model and to provide a personalised product to the customer as well as reduce cost."

In comes Eva, a chatbot, that automates millions of successful conversations on the bank's website and Facebook messenger every month. Leveraging artificial intelligence, Eva represents the bank to external customers, but there are at least six other bots for internal and employee use. "The next version may be able to do more like assist in transactions. We are trying to develop this as a conversation property," says Nitin Chugh, country head, digital banking.

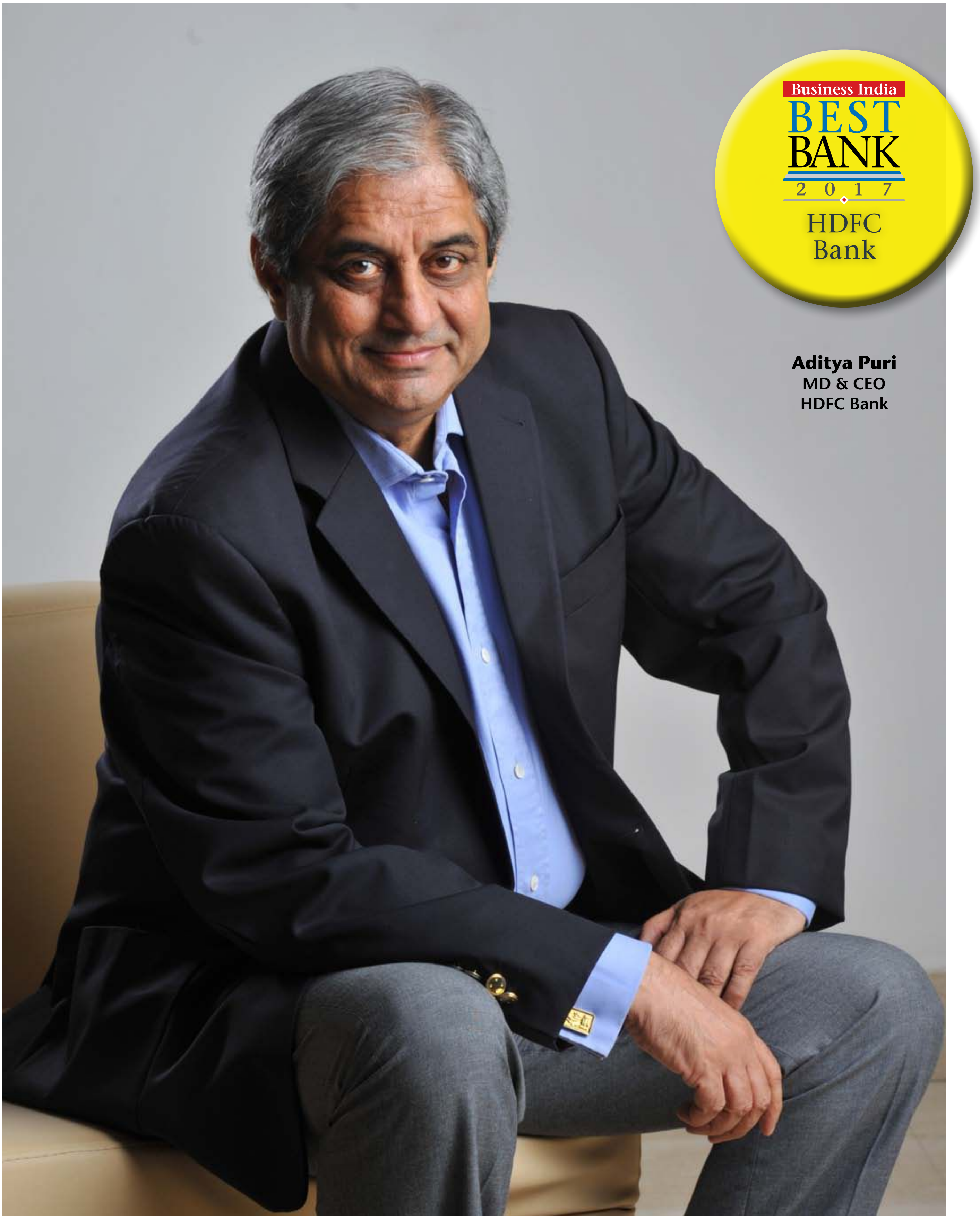
Then came Ira, a humanoid deployed at a branch in Mumbai, a robot and pseudo-butler that moves, guiding customers to counters and answering simple questions. In a testing phase, the bank is trying to learn what it can do and what the customers expect of it.

Ahead of the curve

BEST BANK 2017

	Total Assets 2017	Total Assets 2016	% Growth
State Bank of India	34,45,121.56	29,70,897.64	15.96
ICICI Bank	9,86,042.66	9,18,756.20	7.32
HDFC Bank	8,92,344.16	7,30,261.82	22.19
Punjab National Bank	7,33,310.91	7,12,792.96	2.87
Bank of Baroda	7,19,220.51	6,91,179.08	4.05

PHOTOS: SANJAY BORADE



Sukthankar: we need people

Bharucha: HDFC is a full-fledged commercial bank

There is smartbuy.com, the bank's answer to emerging competition from e-commerce players. Products are available cheaper here than elsewhere, because the bank doesn't charge distribution, but asks for it to be passed on to the customer. There is Payzapp, an inexpensive app by the bank that has 12 million registered users.

There is a much talked about 10 second, personal loan — from the time of application to the time of disbursal — for existing customers, and 10-minute approval for others, subject to documentation.

Another loan against securities account, in a tie up with NSDL (National Securities Depository Limited), offers loans against shares. It used to take five-to-seven days in the earlier process, but can now be disbursed in five minutes.

In credit cards, with about 9.5 million customers, HDFC Bank is nearly twice the size of its nearest competitor. And the base will continue to grow. Unsecured loans have been growing at 40-50 per cent, with little sign of delinquency. "We are both the largest acquirer and issuer in the payments business," says Parag Rao, country head, card payment products, merchant acquiring services and marketing.

"The economy is growing steadily," says Arvind Kapil, group head, retail assets and unsecured loans. "What do you think will happen in a six trillion dollar economy? You will start to see Bentleys in your society. You will see a lot more Mini Coopers which you do not see now."

Such confidence in quick lending is backed by big data, advanced analytics, and initial steps in artificial intelligence, with customer construct being built through various social media. More importantly, it is linked to rising per capita income.

Data can be used, for instance, to map customer purchases and behaviour. It uses past responses to assess channel preference like whether the customer doesn't open emails, prefers to talk to a physical warm body, or over the phone. It can then predict the best date and time to approach the

BEST BANK 2017

Scaling up

	Net Profit 2017	2016	% Growth
HDFC Bank	**15253.03**	**12801.33**	**19.15**
State Bank of India	10484.10	9950.65	5.36
ICICI Bank	**10188.38**	**10179.96**	**0.08**
Kotak Mahindra Bank	4941.33	3458.85	42.86
Axis Bank	**3953.03**	**8349.67**	**-52.65**

Zaveri: legacy systems are a handicap

Kapil: brimming with confidence

customer, and the best product suited for her at that time.

Till only a few years ago, it is such changes that got people to say that banks were turning into dinosaurs. "If you look at Amazon, Facebook, Netflix or Apple, they just use the structural changes in computing and mobility to come up with a product that is more convenient to the customer and at the same time reduce cost," says Puri. "We forget that we could do the same thing in banking. So we started with zero on a plain sheet of paper. And said that, if we want to give the customer a frictionless experience, then how should he be able to deal with us."

But to be able to deliver such products also requires a strong backend — a scalable network and continually refined processes that are able to support execution without disruption. Shifting to an API (Application Programming Interface) platform, means customers at HDFC can access the bank from any device. By the first quarter of next year, customers will be able to start a conversation on the phone and carry it on in a branch.

Three years back, HDFC Bank's core banking transactions were on average 2,500 transactions per second (tps) up now to 5,000 tps. An investment plan to roll out 10,000 tps is already underway.

Transactions are emerging like never before and from all quarters — through bill payments, deposits, credit and debit cards and point of sale terminals, trade on net, emerging, small and medium corporates, through RTGS and NEFT, and through portals like Smartbuy and Payzapp. An auto loan can be sourced from seven different channels with a stream of partners within those channels, and this is only one product.

"To run a bank of this size with 4,800 branches, you need something like 4,000 to 5,000 CPUs (central processing units) on average, consuming four to five megawatt of electricity and five to six petabyte of storage," says Munish Mittal, chief information officer.

Scaling up to keep up with growth is

Steady growth

	Advances		%
	2017	**2016**	**Growth**
State Bank of India	**1896886.82**	**1870260.89**	**1.42**
HDFC Bank	585480.99	487290.42	20.15
ICICI Bank	**515317.31**	**493729.11**	**4.37**
Punjab National Bank	424230.49	446083.03	-4.89
Bank of Baroda	**392262.30**	**391485.99**	**0.19**

Of men and machine

In a free-wheeling interview, Aditya Puri (68) discusses a range of issues including succession planning

What is the next step for digital and banking?
Fundamentally, if you have a digital signature, a lot of the documents can move online. This will rapidly expand exponentially in a geometric progression over a period of time and it's as much a question of what we are ready for but also what the customer wants. But that doesn't mean the physical world will disappear. First, they said internet will come and bricks and mortar will disappear. Then, they said e-commerce will come. Half went there. Now all those (e-commerce) fellows are buying bricks and mortar. There will be a convergence between the physical world and the online world.

Does productivity at its peak lead to job losses?
Is there a direct linear relation between productivity, digitisation and job loss? There is, however, a co-relation in terms of more efficiency. So, if a credit analysed job can be done by a model you still need somebody to be able to make the model. You need somebody to be able to analyse that data. So, you create a different type of job. It's more a challenge of reskilling than losing jobs. Whenever there has been a technological change, the type of job changes. The auto revolution created more jobs, because automobile price fell and more people could buy cars. It's a question of how many people can reskill themselves.

You have supported demonetisation...
The cash component has gone down by 12 per cent. If it goes down by a further 12 per cent, the cost of printing and managing currency is ₹25,000 crore. You reduce the amount of cash in the system. It helped digitisation, brought a lot of new money into the system.

Is the rollout of GST smoothening?
GST is a far reaching reform. It is easy to say it could be one or two rates. The fact is: it took you 15 years and you could not introduce GST; because you never came to a conclusion. It may not have been the best GST to start with, but it is rapidly coming to what it should have been originally. If they had said that they want the GST like that, the states would not have signed. This is a temporary disruption for a reform that is so large.

Shouldn't a few public sector banks be made private? The ones that are being starved...
Some of the private sector banks also have reasonable NPAs. Privatisation could be a solution, it is not the only solution. I think moving to introduce reform is not easy. The bankruptcy code is a good reform. Recognition of NPAs is an even bigger reform. Today, a promoter is scared to lose the company. That is a big step forward.

Should promoters be allowed to buy their companies back?
If they are fit and proper, how did they land here? It doesn't make sense. You take the company to where it is. Then it comes into the bankruptcy code. Then you get it for a cheaper price. By definition,

one side of HDFC's success, incomplete without the continual improvements in processes to keep pace. Take cheque clearing for instance. HDFC Bank processes more than 60 million cheques a month. Back in the day every cheque would be processed by entering an account number. When core banking system came in, data started to be fetched from it.

That process improved to fetching only the signature of the customer, and tallying it online — so that it did not have to be keyed in again. In February, the bank will go live with auto verification of signatures, deploying artificial intelligence. The machine will verify signatures, and if it doesn't tally, then human eyeballing will take place.

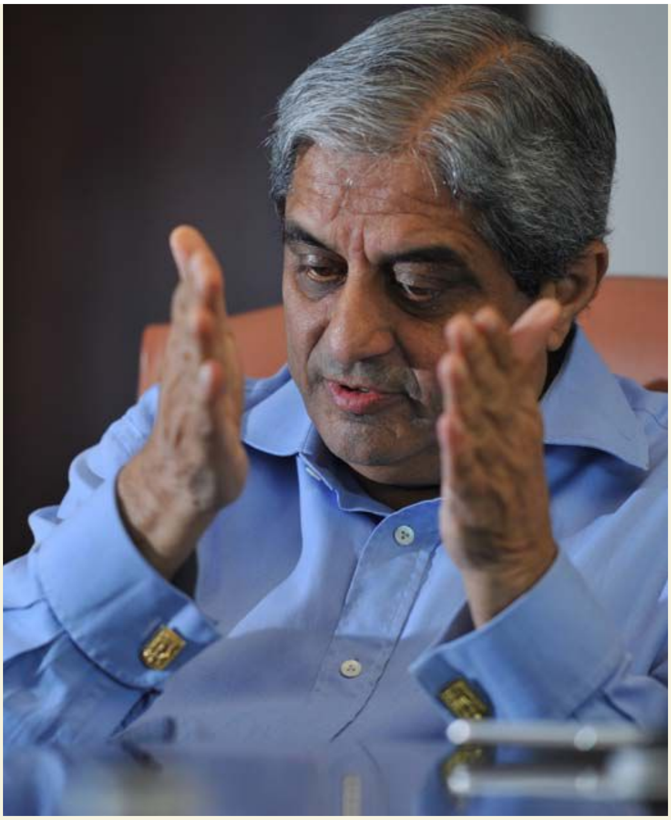
Or tax collections. When HDFC started, it would take days from the time a branch could collect and till it would reach the government. The bank signed a commitment with the government to complete the process in finite time, else pay interest for the

BEST BANK 2017

Collecting more

	Fee Income 2017	Fee Income 2016	% Growth
State Bank of India	**18665.02**	**16215.33**	**15.11**
HDFC Bank	10074.94	8986.77	12.11
ICICI Bank	**9390.11**	**9733.22**	**-3.53**
Axis Bank	8108.56	7982.64	1.58
Kotak Mahindra Bank	**4096.77**	**3461.72**	**18.34**

Chugh: digital dominance



you're the best guy to know how much to bid for it. And you will end up giving the banks a bigger hit than what they would have got if it hadn't gone to the bankruptcy code.

Competitors say you don't lend long term...
HDFC has never shied from long-term lending. It has shied from long-term lending in which it did not understand how it would get its money back. The structuring has improved now that people have learnt their lessons. Which if they had put in at that time, we wouldn't have been in this soup. And now, if it's a good project, we were always there.

Do you see merit in a merger with HDFC?
Whenever we see potential we shall merge. It could be the largest Indian company, still we would love to have it. It's got to do with plain economics; Deepak Parekh and I have got along fantastically well but it has to make sense. The tax rate, the capital gains tax, there are different concessions. So, if it made sense and the regulations made sense, we would love to merge. We've been hoping that the rates would come down for a long time.

Would it happen before you turn 70?
No idea. But if it did, we would merge.

Finally, on succession planning, is it a risk at HDFC Bank?
It is not an issue at all. We have both internal and external candidates. We have discussed it at the board. We will start to fine-tune it closer to 18 months before my retirement. And the replacement will be in place one year before I retire.

Life after 70, is retirement a state of mind?
It depends on that time. I am feeling fit. I play my games. I work. Maybe I will work in a company. Maybe I will start work at a non-bank. I don't know.

entire period. From five working days the process cut down to five calendar days, and is now one working day.

"The challenge is in managing transformationally, a fairly complex and sophisticated ecosystem. Technological and delivery changes are taking place, and customer expectations are changing," says Bhavesh Zaveri, country head, wholesale banking and cash management product. "Legacy systems are a handicap. In 2016, they become inflexible to meet today's demand and to connect to other surround systems. We don't allow ourselves to become a slave to our systems. We don't keep any of our systems static beyond five to seven years," he adds.

Changing processes in favour of cost efficiencies has made re-skilling of staff a continual exercise. During the heady branch expansion days, HDFC Bank's employee count rose to 92,000. Hiring froze last year with branch expansion slowing, and churn has brought the number down to 84,000.

The number is rising again but has lost pace. "As an organisation, as we are growing, there will always be areas, where we need people," says Paresh Sukthankar, deputy managing director. "If there are people who are not coming up to the standards of performance, we train them and help them come up. Beyond that is a performance improvement plan with a structured process from there".

BEST BANK 2017

Catching up

	NIM 2017	NIM 2016
Citi	**5.15**	**4.53**
HSBC	4.92	3.43
Standard Chartered	**4.70**	**5.46**
HDFC Bank	3.94	3.98
Kotak Mahindra Bank	**3.93**	**3.85**

BEST BANK 2017

Better performance

	Return on Assets 2017	Return on Assets 2016
Citi	**2.45**	**2.20**
Kotak Mahindra Bank	1.78	1.43
HSBC	**1.76**	**1.53**
HDFC Bank	1.70	1.75
Standard Chartered	**1.70**	**0.75**

Rao: what the customer wants

Mittal: tech advantage

Lending short

How did HDFC Bank skip this latest banking crisis that most public sector banks – and even a few private sector banks – find themselves snowed under? Competition argues that HDFC Bank does not do project financing, term lending, or long-term loans to industry, which has contained risk and kept its books relatively clean.

This was true in the initial years, and the bank has now started to lend across tenures. Of the total loans, 46 per cent are to Indian companies – and 30 per cent of that is of an average tenure of five-to-nine years.

HDFC Bank decided that it would participate with companies that had been in infrastructure. They were selective about who they dealt with, and put it through a good amount of risk evaluation to make sure that money wasn't being put out on the basis of fancy excel sheets.

Part of the crisis, says Kaizad Bharucha, executive director, was in terms of a mismatch in companies tie ups for input and output. "They wanted to put up world class assets and execute within a timeline, and they largely did get their projects on stream. But, after that, what do you do, if you do not have those two ends tied? And, for the guys who got it tied up, they were faced with a commodity cycle," he adds.

HDFC also has a policy of lending preferably on cash flow – be it retail or corporate – instead of collateral. The idea is to worry less about selling a customer asset in case of a default, and more about whether the customer can pay back in the first place.

Bharucha says that HDFC is a full-fledged commercial bank, and given the size and footprint, it needs to have the entire range of products. 'Wholesale' will continue to fill about half of the bank's books and, as the bank grows its assets, and with customer demand, it will find itself stepping deeper into long term lending – even if only as a measure of diversification.

It is these continuous improvements and refining of processes that has kept HDFC Bank ahead of the curve. Banks in India have tried to emulate the HDFC strategy but have met with limited success. The bank is known in the industry for its efficient processes, but how difficult can that be to replicate or improve on by others?

"You do need the framework, the processes, the policies and the ecosystem, but you also need individuals to execute," says Sukhthankar. "Likewise, no matter how good an individual, he cannot be as successful without the rest of the pieces in place."

Digitisation still has limitations, with different demographics choosing to deal differently with the bank. Moreover, law requires physical signatures and document collection in several cases, for which the branch is still relevant – as in client-servicing and to meet cash, trade and small and business requirements. As long as these pieces exist, the branch will still be relevant.

"We want to give the customer what the customer wants, when they want it and how they want it irrespective of the channels they use," says Rao.

◆ RYAN MAXIM RODRIGUES

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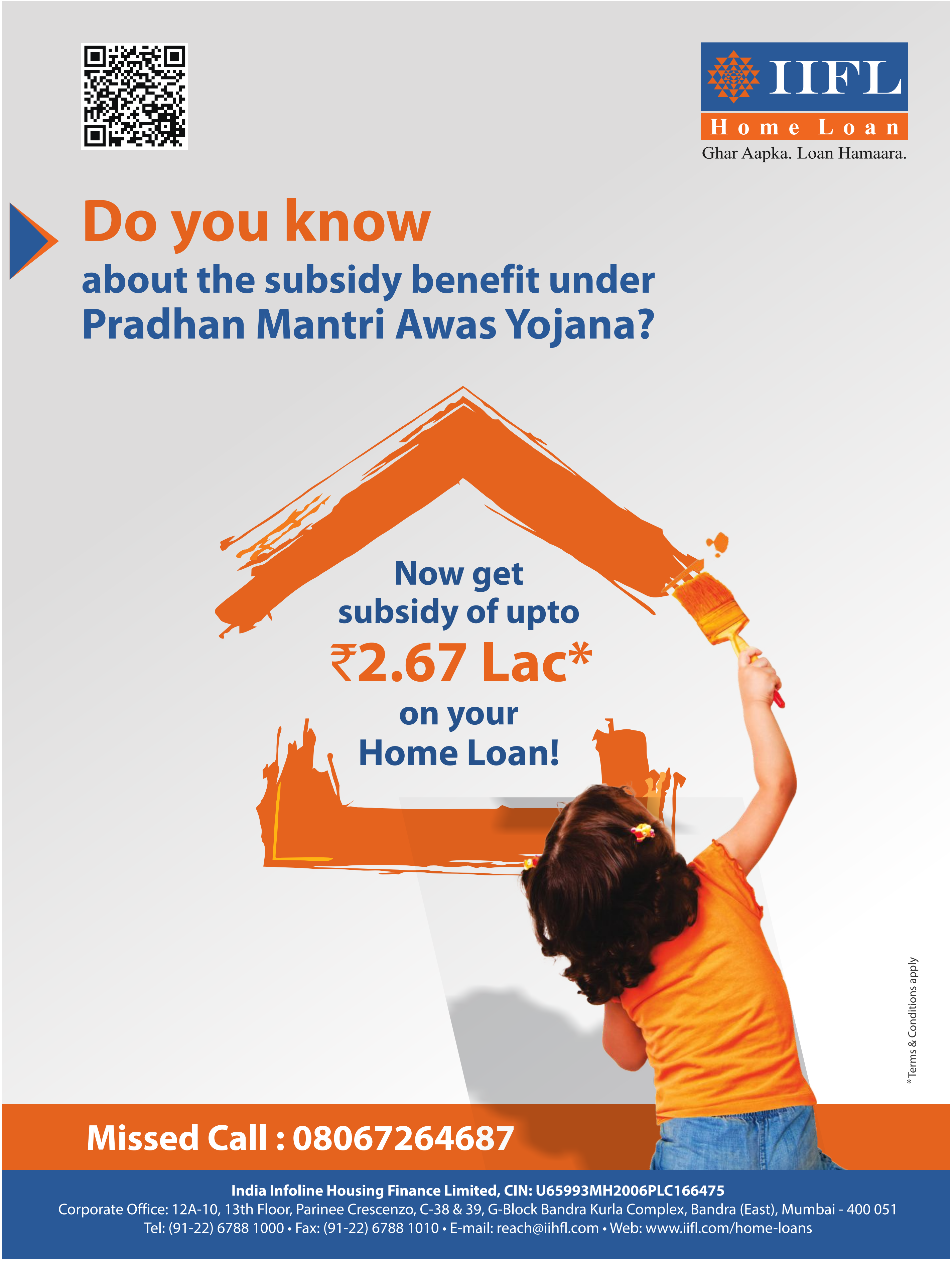
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Easy way out

Will edible oil import duty hike really help?

India is the largest importer of edible oils globally. The Modi government's recent decision to raise import duties on a range of edible oils, in a bid to support growers who are bearing losses due to plunging domestic prices, has many dimensions. For one thing, the hike in import duties on edible oil is the highest in a decade, underlining the fact that the idea of self-sufficiency in oilseeds production is still a pipedream. Edible oil imports still account for about 70 per cent of the country's requirements, mainly from Malaysia and Indonesia. Soya oil is also imported from Argentina and Brazil. Sunflower oil is imported from Ukraine and Russia.

The import reliance has increased steadily from 44 per cent in 2001-02. As the world's leading edible oil buyer, India imported 15.45 million tonnes of both edible and non-edible oils in the 2016-17 marketing year (November-October), up by 4.75 per cent from 14.74 million tonnes in the previous year.

Politically, the move will help the ruling Bharatiya Janata Party put up a pro-farmer face, as it comes ahead of the Gujarat assembly election, where farm distress has become an electoral issue. Gujarat is a major producer of groundnut contributing about 40 per cent to India's total production of the oilseed. Though import duty on groundnut oil has been left untouched, groundnut seed prices have dropped below their Minimum Support Price of ₹4,450 per quintal, announced by the Vijay Rupani government in September. Local prices,in fact, had plunged to ₹3,000 per quintal despite an almost 12 per cent fall in acreage this kharif season due to good carryover stocks and low demand. This is also the case with soyabean, sunflower seed and cottonseed. Rising imports were further queering the pitch. According to data released by the Solvent Extractors' Association (SEA) soyabean, rapeseed and groundnut were being sold lower than the MSP and their prices had declined in the range of 20 to 30 per cent on a year-on-year basis. The lower price, in turn deters farmers to sow oilseeds and opt for other crops. The hike in import tax is also likely to benefit growers of soyabean in the largest producing state of Madhya Pradesh, where assembly elections are likely by the end of next year. A massive farmers' agitation has rocked the state this year.

On 17 November, the Centre raised the import duty on crude palm oil to 30 per cent from 15 per cent and on refined oil to 40 per cent from 25 per cent in a bid to curb cheaper shipments and boost local prices for supporting farmers and refiners. Import duty on crude soyabean oil was increased to 30 per cent from 17.5 per cent, while refined soyabean oil was raised to 35 per cent from the current 20 per cent. Similarly, the import duty on crude sunflower oil has been increased to 25 per cent from 12.5 per cent, while that on refined sunflower oil has been increased to 35 per cent from 20 per cent. Also, the import duty on crude canola/ rapeseed/ mustard oils has been increased to 25 per cent from 12.5 per cent, while the tax on refined crude canola/rapeseed/mustard oils have been increased to 35 per cent from 20 per cent. That apart, import duty on soyabean has been increased to 45 per cent from 30 per cent. An inter-ministerial group headed by transport minister Nitin Gadkari and the Economic Advisory Council to Prime Minister had examined the local price situation and suggested raising the import duties on edible oils and some oilseeds. The government says that the announcement will encourage farmers at home.

Beyond the hike in import duty on pulses, the government has also freed up exports of all varieties of pulses as a surge in domestic supply pulled down prices way below the MSPs announced by the government. Free export of pulses will provide an alternative market for farmers at remunerative prices and help exporters regain markets, the Centre said on 16 November, following cabinet approval to allow exports. Earlier in November, the government also hiked the import duty on yellow peas to 50 per cent to support domestic growers of pulses like chana, urad and moong beans.

But while farmers may feel happy, the duty revisions signal a policy shift to help farmers at the cost of higher prices for consumers. Increase in import duty is expected to result in higher domestic edible oil prices.

"Of late, there is a shift from consumer centric policies to keep (food) inflation low which caused significant farm distress in the past two years," says Ashok Gulati, agriculture chair professor at Delhi-based Indian Council for Research on International Economic Relations. "This also signifies that at a political level BJP has realised that the reality is far from what they promised farmers... with prices of pulses and oilseed at historical lows compared to support prices they are hoping that the reversal in trade policies will help them in elections," Gulati adds.

Protecting the industry

Apart from better prices for farmers, increased import duty on most of the edible oil imports are expected to protect the domestic industry's interest. Indian oilseed crushers had been struggling to compete with cheaper imports from Indonesia, Malaysia, Brazil and Argentina, reducing demand for local rapeseed and soyabeans which have been trading below government-set prices in the physical market and angering farmers.

The domestic edible oil processing and crushing industry has welcomed the government move. "The price of edible oil may go up by ₹5-6 per kg, which, in turn, will raise the price of oilseed and support farmers. However, there is unlikely to be a big fall in imports as India's needs to feed 1.3 billion people," says B.V. Mehta, executive director, Solvent Extractors

Seed oil expeller

Association. The country might end up importing 15.5-16 million tonnes of edible oil in the 2017-18 oil marketing year that started in November, almost the same amount as the previous year.

The duty hike should lift local oilseed prices, which may encourage farmers to sell oilseeds and increase supply for crushing. So, the short term demand will see a major impact because it was such a steep price hike, but the local oilseed production is not enough to cover all its demand.

According to credit rating agency ICRA, India occupies a prominent position in the world oilseeds industry with contribution of around 10 per cent in worldwide production. The country is producing 7-8.5 million tonnes of edible oil annually from 28 million hectares of land. Herein lies the catch. Experts say the average yield of various oilseeds crops in India, though improved, is lower than world average and significantly lower than other major oilseeds producing nations. "Average yield of various oilseeds crops in India, though improved, is lower than the world average and significantly lower than other major oilseeds producing nations," says Sachin Sachdeva, Associate Head & AVP, corporate ratings, ICRA. Malaysia, for instance, produces 20 million tonnes of edible oil, using just 5 million hectares of land. The imbalance in the demand for edible oils and domestic production sows up in the dependence on imports.

"We need to understand if we are really growing appropriate crop for our soil. There is not much research being done in the area. Investment in oilseeds research and development is a key element and should be enhanced," says R.B.N. Prasad of Indian Institute of Chemical Technology, Hyderabad, and former chief scientist and head of Centre of Lipid Research. The ICRIER report stated that while there was some progress in increasing the area under cultivation and improving yields, the growth had been slow. According to the rating agency ICRA, what's hampering production at present are: a lack of suitable varieties, high-cost of cultivation, dearth of timely availability of inputs, and low and fluctuating prices. Also, the monsoon remains a crucial factor, as majority of the area – about 75 per cent under oilseed cultivation – is still rain-fed.

The Centre's National Mission

on Oilseeds & Oil Palm (NMOOP) – to encourage oil seeds production can potentially bring down India's dependence on imports for edible oil. NMOOP aims to increase oilseed production to 42 million tonnes by 2021-22, from 34 million tonnes now. Apart from directly helping farmers, it will also result in savings on foreign exchange. Edible oil imports constitute about 2.5 per cent of India's total import bill. NMOOP needs to be given a decisive push.

So, will the import duty hike work? G. Chandrashekhar, a commodities market expert, feels the idea of price band and policy intervention is no panacea for rates falling below MSP recently. Such quick-fix solutions seldom deliver sustained results. On the other hand, they can distort the trade, unleash speculative forces and not deliver intended relief to growers and consumers.

Cooking oil production line

Trade policy

A fundamental issue with effecting frequent changes in export-import policy is that it ignores India's role in the global marketplace. Despite the fact that India is a consuming economy and not an export-oriented one, farm exports are not insubstantial. Over the last three years they were worth 17-19 lakh crore (about $30 billion). Major agri products shipped into the country include vegetable oils, pulses, fresh fruits and vegetables, raw cashew as also wheat and sugar from time to time.

The import of essentials such as edible oil and pulses being inevitable in the absence of a production ramp-up, any tinkering with trade policy without taking into account international sensitivities and trade relations can potentially lead to a backlash and retaliatory action.

The exim policy, says Chandrashekhar, should be treated as sacrosanct and be tweaked only in rare cases. A progressive foreign trade policy is one where export and import windows both are open. Handling tariff policy is tricky. It is not just the volume of export or import that drives commodity prices. Besides, there are other drivers including global demand and supply, monetary policy, currency, weather and speculative funds in the bourses, apart from seasonal and regional production. Unfortunately, within the government, there is little global commodity market commercial intelligence available so as to be able to take informed decisions on tariff changes. Bilateral pacts with various countries have to be honoured too. "It is reported that MSP will be treated as the benchmark. This dynamic tariff policy would work well on paper, but not on the ground. Exporters and importers make forward commitments and frequent changes in policies will lead to uncertainties and risk," he says.

Since 2013, the world has had five straight years of large production of oilseeds resulting in a burdensome inventory. The Indian oilseeds and oils market is well integrated with the global market through the trade route. Any change in world market prices will get reflected here. Thus, frequent changes in exim policy for oilseeds and oils could prove to be counterproductive because India is import-dependent for edible oil. That would make frequent tariff changes seem like a logical alternative. But they hardly exert a marked impact on domestic oilseed prices. A hike in customs duty on imported oils has had no effect on oilseed rates here.

In the case of vegetable oil, it is possible to restrict trade without imposing trade or tariff barriers. Primarily, imports need regulation in terms of registration of import contracts and monitoring of arrivals. Importantly, excessive import, if any, can be curbed by reducing the credit period for payment against imports. A long credit period — 90 to 150 days — encourages over-trading and many importers are mired in what can be called the 'import debt trap'. Imposing a maximum credit period of 30 days will remove the incentive to indulge in over-trading.

Thus, the massive import duty like in oilseeds reflects an inertia within the government. Every ministry concerned — agriculture, food and consumer affairs, finance and finally, commerce — is keen to find an easy way out of the mess. This approach needs a thorough review and the government will have to look at the sector holistically covering production, processing, consumption and trade.

◆ RAKESH JOSHI

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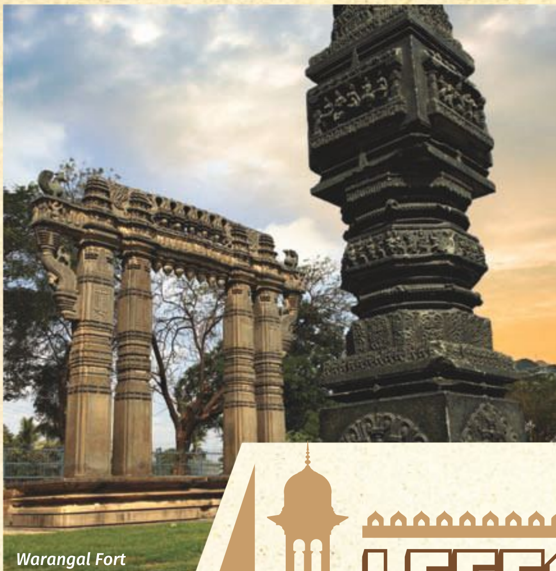
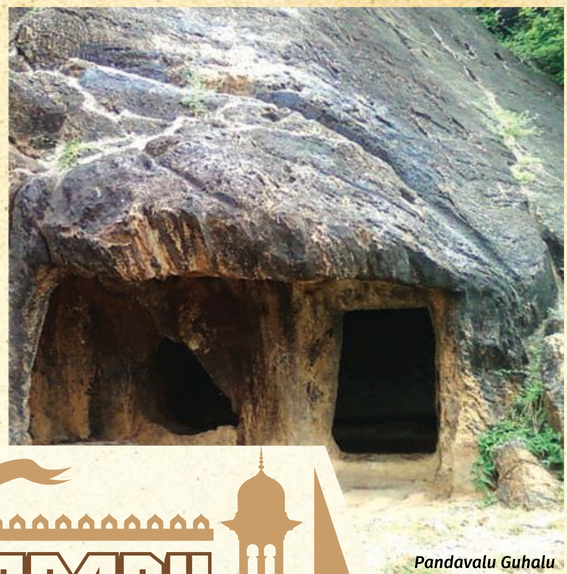
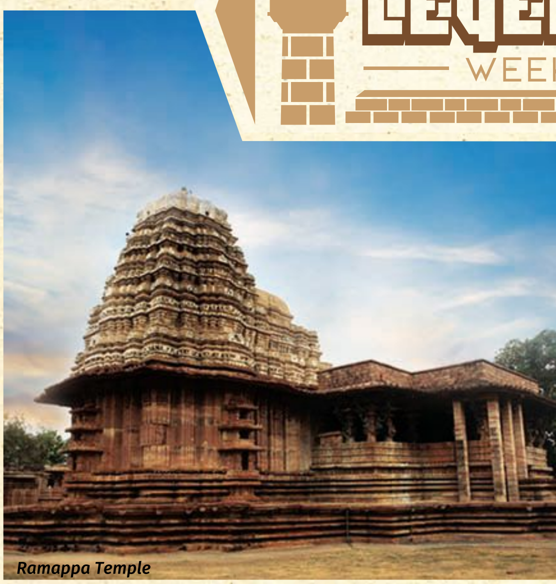


Warangal Fort

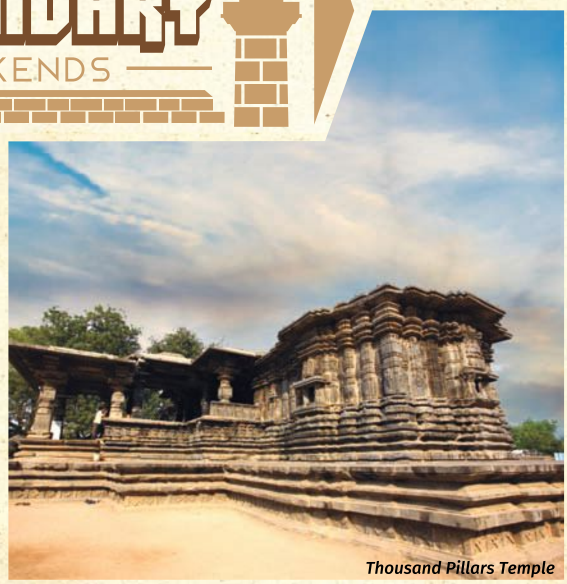


Pandavalu Guhalu

LEGENDARY
WEEKENDS



Ramappa Temple



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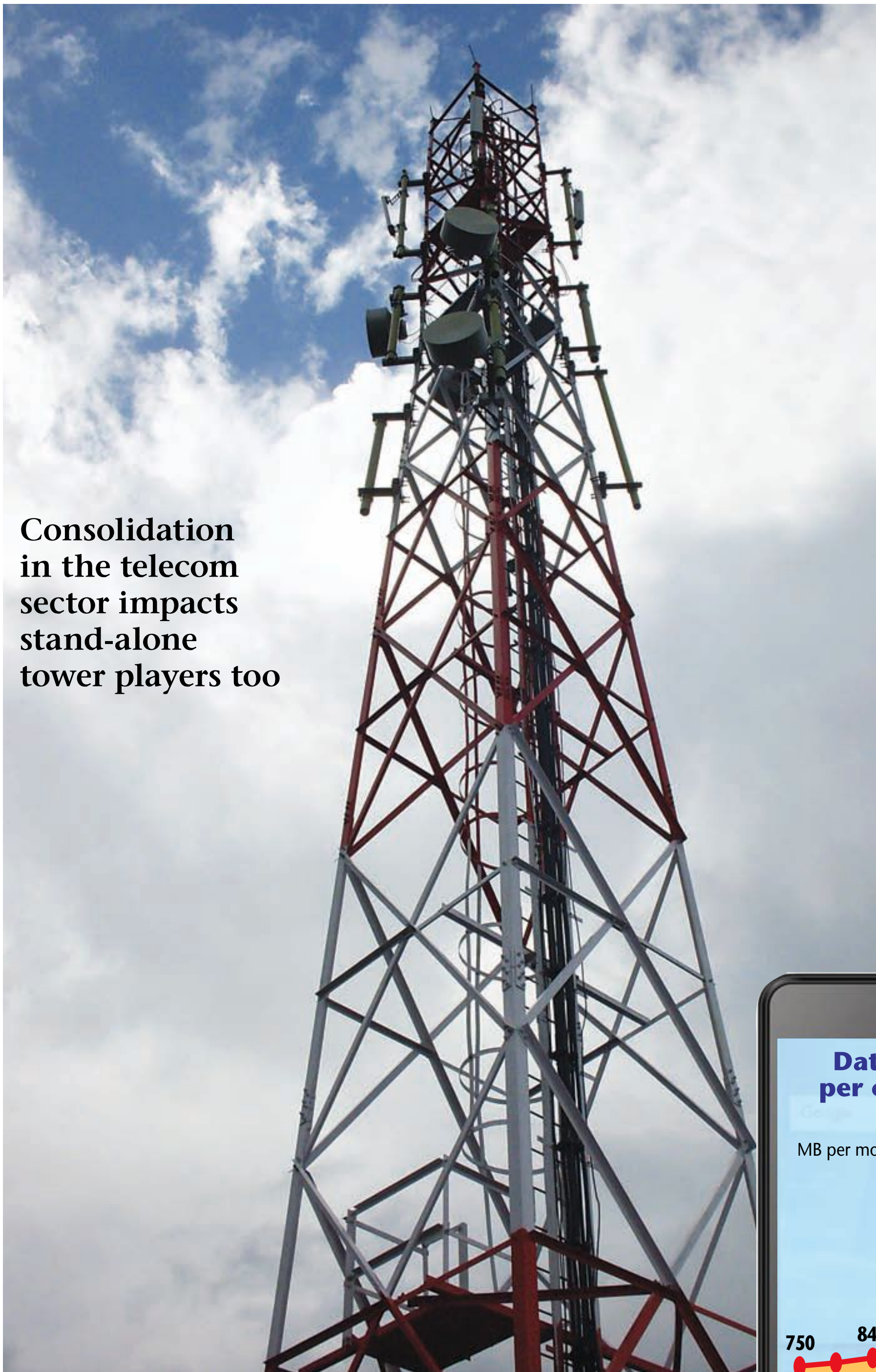


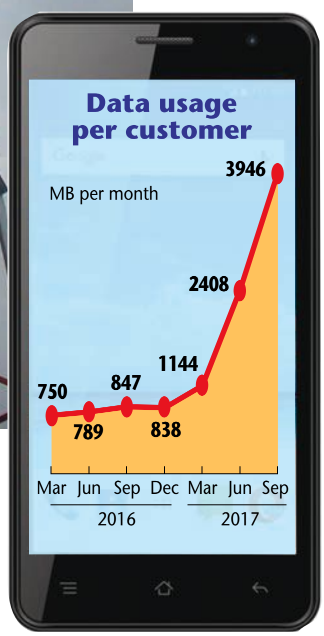
Consolidation in the telecom sector impacts stand-alone tower players too

The entry of Reliance Jio has shaken up not only the mobile industry, but the telecom tower business too. Many of the telecom companies, which had towers as part of their business, now want to move out of it. The effect of consolidation in the telecom sector has also impacted the stand-alone telecom tower players like GTL Infra. Cut-throat competition in the telecom arena has brought down ARPU and, as a result, revenues for the telecom players. With huge debts sitting on the books, selling off the tower business, which is not a core activity, seems to be a logical solution. Jio, whose entry acted as a catalyst for telecom companies' consolidation, is also a reason behind the consolidation in the telecom tower business.

The largest player in the industry is Indus, a JV, in which Vodafone and Bharti Airtel hold a 42 per cent stake each, while Idea, through its subsidiary Aditya Birla telecom, holds 16 per cent. It has 123,000 towers. Vittorio Colao, CEO, Vodafone group, had recently announced that Voda is looking to sell its stake in Indus, at a valuation of $5 billion, putting Indus' total value at $11.90 billion (₹79,730 crore).

The two pure telecom tower companies, which are listed in the telecom space, are Bharti Infra, which owns 39,264 towers (it is also a stakeholder in Indus) and GTL Infra, both of which are open to deals. GTL, which is going through SDR, is in the process of selling the company to new promoters. A GTL Infra official said that they expect investor induction around March 2018.

Bharti Infra is also exploring various options. Media reports indicate a two-leg transaction, with Bharti Infra first buying more stake in Indus, to become a majority shareholder. Then, Bharti Airtel, which owns 53.51 per cent stake in the company, would pare its stake to PE firms like KKR and Canadian Pension Plan investments, to retire its debt.



A few days back, Bharti had sold 4.49 per cent of its stake in Bharti Infratel (83 million shares) for ₹3,325 crore. "Discussions are still going on," said Sunil Bharti Mittal to the *Economic Times,* when asked about the sale of Infratel stakes. "We

SANJAY BORADE

SANJAY BORADE

Colao acknowledges that the price of $5 billion for its 42 per cent stake in Indus works out to roughly ₹26,000 per tenancy.

should be able to report back to you by the next quarter results."

On the other hand, Reliance Communications, which is reeling under huge debt and which had recently defaulted on bond payments, is also in the process of selling its telecom tower. Its previous deal, inked to sell 51 per cent of its stake in the tower arm for ₹11,000 crore, was called off as the merger between RCom and Aircel did not go through. RCom is now exploring fresh avenues for the sale of its tower, with Brookfield sighted as one of the likely buyers. The company is now looking at selling the tower arm as a whole, instead of the 51 per cent offered earlier. The valuations it can command will be lower than what was agreed on last time, as Aircel's business is not part of the deal anymore.

In November, American Tower Co (ATC), which is emerging as one of the largest players in India and the largest independent tower company in the world, bought 20,000 towers, owned by Vodafone India and Idea, at an enterprise value of ₹7,850 crore. ATC had become a major player in India, when it acquired an additional 51 per cent stake in Viom for ₹7,635 crore in 2015-16 from Srei Infra, IDFC PE and Tata Teleservices, taking its stake to 75 per cent. Viom was later renamed ATC India. Media reports suggest that Tata Teleservices still owns a 25 per cent stake in ATC India and wants to sell off that too.

Major consolidation?

While one can understand why the telecom companies want to sell their tower business, why do PE players or players like ATC want to buy it? Will the stress situation in the telecom business not impact their revenues? A steady flow of assured rental income is an exciting proposition for many PE players, surmises Abizer Diwanji of E&Y. He feels that the demand for towers will go up, as India moves from 4G to 5G, which would call for denser towers. Also, the way the industry is shaping up, it gives the feeling that the tower companies would be controlled by PE firms like KKR or Brookfield or foreign companies like ATC. This is in complete contrast to what the telecom business was earlier, when Indian entrepreneurs were strong and foreign players were recessive.

Media reports indicate a two-leg transaction, with Bharti Infra first buying more stake in Indus, to become a majority shareholder

Diwanji opines that there would eventually be two or three players in the tower business, with the industry going through a major consolidation. There are now more than 10 players (*see chart*) in the field. Apart from these, there is also Reliance Jio, which has 30,000 towers of its own, while its requirement is about 120,000, which it plans to meet through tenancies on other towers. In the coming two-three years, Jio would require 50,000-60,000 towers more, a part of which would be owned by them, while the majority would be outsourced. At some stage, Jio will have to hive off its tower assets to a separate company. There is a fair chance that the company may hold minority stakes in the tower companies, so as not to expand its ROCE. But that is for the future.

Meanwhile, how is the tower business being valued? In the telecom business, valuations are functions of ARPU, as well as the number of subscribers a company has. However, in the tower business, the number of towers a company has and the tenancies per tower are crucial for its valuation. Tenancy is the number of telecom companies that have put up active infrastructure on these telecom towers. Tenancy of two means, on an average, a tower has two telecom companies using the infrastructure. Telecom companies pay fixed rents for using the towers.

These contracts are for long terms, ranging from 10 to 15 years, with a normal 2.5 per cent built-in escalation cost. Agreements have significant exit penalties, ensuring that the business has a sure and steady income flow. Operating margins are good since, once a tower is installed, there are no major recurring expenses. Players like Bharti Infratel had an EBDIT margin of 44.74 per cent in the first half of 2017-18. A GTL Infra official says that his company is targeting 50 per cent EBDIT margin for 2017-18. That makes the PE players excited about this business, as they expect a steady flow of income similar to what is happening in REIT. Bharti Infratel's revenue per tower was ₹83,040 per month for the quarter ended September 2017, giving it an annual revenue per tower in the range of ₹10 lakh.

So, what would be the price at which the tower infra companies will be able to sell their business? Diwanji feels that the valuation of a tower is a function of its tenancies. Higher tenancies mean higher prices. Indus has the best tenancy ratio in the country, at 2.43, followed by Bharti Infra, with 2.39. Diwanji is of the opinion that a telecom tower company can fetch a price of ₹20-35 lakh per tenancies. ATC had bought the towers of Vodafone and Idea at an EV per tenancy of ₹28 lakh. Colao acknowledges that the price of $5 billion for its 42 per cent stake in Indus works out to roughly ₹26,000 per tenancy.

Major Indian telecom tower companies

Company	Nos.	Tenancy
Bharti Infra	39,264	2.39
Indus	123,000	2.43
BSNL	69,000	1.00
American Tower	58,000	2.20
Reliance Comm.	44,000	1.74
GTL	28,000	1.83
Others	26,000	NA

Source: Bharti Infratel analyst presentation

Action ahead

Several variables come into play, while deciding the valuations of a tower. Tenancy agreements of more than five years would fetch higher prices than those that have less than a five-year period, as the former will offer more clarity on the stream of revenues. Also, the quality of tenancy is a factor which the buyer of a telecom tower company would take into consideration. Clients like Bharti Airtel and Reliance Jio would command higher prices, due to their strong leadership, when compared to a player like Aircel. In that sense, the adherence of clients is a strong factor that drives valuations. To some extent, issues like the location of a tower (whether it is in a metro or a circle A or B or C town) or its positioning (ground-based or on rooftop) or the reach of the technology involved (based on 2G, 3G or 4G) could also determine the prices. We expect most of the transactions to take place in the region of ₹22,000-25,000 per tenancies, as the buyer would also need to justify RoE on the buying price.

On the flip side, there is a fair possibility that rental incomes may be negotiated on the lower side, due to the consolidation in the industry. Financials of telecom companies are not that attractive anymore and, hence, they may try to convince the telecom tower companies to settle for lower rentals, but with higher volumes. This could also impact margins. Jio's towers have only the owner as its tenant but, if it takes a tenant on its tower, then the competition can become tight.

In September, the government had announced that it had approved BSNL put together its 66,457 towers into a separate company. Right now, BSNL mainly uses its tower only for itself but, since it's a separate company, it can seek business from other telecom operators also. "An independent, dedicated tower company of BSNL, with a focussed approach, will lead to an increase in external tenancies and, consequentially, higher revenues for the new company," the government had said then.

The process of a demerger is expected to take two years. The Vodafone-Idea merger is likely to be over by September 2018 and one expects the rentals to be renegotiated by 2019. But one has to wait and see. Right now, the tower companies are in the thick of action in terms of merger & acquisitions. We expect Indus to be the first one to see some action, followed by Reliance Comm. What price the Indus deal would fetch will set the tone for the Reliance Comm tower business, as well as for GTL Infra.

The industry is heading for a lot of action, which we believe is good for the telecom companies, as well as for the tower companies.

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Global listed tower companies

Company	Towers	Tenancy
American Tower	148	2.2
Crown Castle	40	2.3
SBA	27	1.8
Sarana Merana Nusantara	15	1.7
Tower Bersama	13	1.7

Source: Bharti Infratel analyst presentation

All lit up

CLP India is betting big on the country's power sector with a diversifying portfolio

PHOTOS: SANJAY BORADE

Mishra: India is a primary growth market and a priority for CLP

While India's power sector has been largely passed over by overseas energy companies, with some foreign investments having tripped up as well, Hong Kong's 116-year-old China Light & Power (CLP) has held its ground for 15 years through a diversified portfolio, where it has invested over ₹14,500 crore. And CLP India Pvt Ltd, the wholly-owned subsidiary of CLP Co Syndicate, is now betting big on India's power sector

CLP Co. was incorporated in 1901 and listed on the Hong Kong stock exchange as CLP Holdings Ltd, one of Asia's largest investor-owned power businesses with $10.2 billion revenues (for 2016) and market cap of $23 billion. With cumulative capacities of 2,900 MW spanning coal, gas and wind, and with almost 1 gigawatt (GW) of this in wind alone, CLP India is also one of the largest wind power generators in the country. It forayed last year into solar power through a 100 MW joint venture with the other traditional wind major, Pune-based Suzlon Energy Ltd. The commissioning of this project will edge CLP India across 1 GW of renewables, counted with its 994 MW of wind capacities.

With its headcount in the renewable segment tripling over the past six years and a need for a larger workplace, CLP India shifted in June to its own new ₹100 crore corporate office, of 25,000 sq ft, in Mumbai's western suburb of Andheri – more than double its earlier leased office of 12,000 sq ft. A fourth of its countrywide workforce of 448 now operates from this office.

"India is a primary growth market and a priority for CLP," says Rajiv Ranjan Mishra, who joined the CLP group in 2002 and has been managing director of CLP India since 2005. "We have developed a central group in Hong Kong called the Innovation Centre to look at how the energy industry will change in the next 50 years and to determine what CLP will need to do to stay ahead of the competition." This, according to him, is to ensure that in the evolving energy market, CLP India will have the viable and necessary skills to outperform the rest of the industry.

CLP group aims to be "the leading responsible energy provider in the Asia-Pacific region, from one generation to the next". The company has for over 100 years provided electricity to 80 per cent of Hong Kong's population, and apart from India and mainland China, it has a presence in Taiwan, Thailand, Vietnam and Australia as well.

In line with its commitment to develop 30 per cent of its generating capacity from non-carbon emitting energy sources, including renewable energy and nuclear power, by 2020, its India subsidiary is pushing solar power in earnest to expand the share of renewables. With plans to invest about $1 billion towards the creation of over 1 GW of solar power capacity in India over the next five years, CLP India acquired a 49 per cent stake in Suzlon's 100 MW solar project at Veltoor, Telangana, with the option to gain full control a year from its commissioning. It won the ₹740 crore project in August 2015 at a tariff of ₹5.59 per kilowatt hour (kWh) under the Jawaharlal Nehru National Solar Mission (JNNSM).

The Veltoor project commissioned half (50 MW) its generating capacity in August, the remaining 50 MW to be operational by the end of this year. The company also has an MoU with the Haryana government for expanding the capacity of its 1,320 MW thermal power station in Jhajjar that was commissioned in 2012 and for co-locating there a ₹500 crore 132 MW solar project. Mishra adds that any such thermal expansion will depend on external factors, like timely regulatory approvals and the future power demand scenario in the state.

The 2x660 MW plant in Jhajjar is the largest coal-fired power plant of its kind in CLP's generation portfolio and one of India's first and largest supercritical coal-fired power plants. CLP has been present in India since 2002 when it acquired from Gujarat Paguthan Energy Corp Pvt Ltd (GPEC) a 655 MW gas-fired power plant in Paguthan in Gujarat's Bharuch district, one of the first independent power projects in the country.

Wind has been an integral part of CLP's business philosophy and is expected to continue making a vital contribution not only to its growth plans but also to its commitment to reduce CO^2 emissions. The company operates 12 wind projects across Maharashtra,

Rao: subdued industry and manufacturing have muted demand for power

Gujarat, Karnataka, Tamil Nadu, Rajasthan and Madhya Pradesh.

While the parent CLP and its joint venture partner Guangdong Nuclear Investment Co have for three decades been operating their 1,968 MW nuclear power station in Daya Bay in Shenzhen, China -- CLP's first overseas venture out of Hong Kong -- Mishra finds it premature to consider a nuclear venture in India. Recently, CLP also acquired a 17 per cent stake (worth $326 million) in Yangjiang Nuclear Power Co Ltd, which operates the 6,320 MW nuclear power station, also in the Guangdong province, like Daya Bay.

Supply exceeds demand

"It was always a bit of a roller coaster, but there has been secular improvement in at least the two areas of availability of fuel, particularly coal and on Ujwal Discom Assurance Yojana (UDAY) in terms of receivables being resolved in states like Rajasthan and Maharashtra," says Mishra. "Ultimately, there can be sustainable improvement only if the AT&C (aggregate technical and commercial) losses are brought down significantly."

Mishra feels that the much needed respite has resulted from UDAY, a restructuring package launched by the government in 2015 to restore the financial health of India's debt-ridden electricity discoms (distribution companies). "Even financially-strained states have started paying generators more or less on time," he says. "UDAY is estimated to have already yielded savings of nearly ₹12,000 crore, with a sharp reduction in revenue losses of up to 60 per cent in some cases." He points out that Rural Electrification Corporation (REC) has issued ₹2.3 lakh crore worth of bonds to refinance 85 per cent of the total distribution utility debt to be restructured, leading to lower rate of interest for discoms. UDAY's eventual success will depend on each state's ability to bring down T&D losses and setting the right tariff levels to avoid losses for the discoms.

Mishra notes that load factors have dwindled, as there has been only 5 per cent growth in demand for power against the 8 per cent growth in power supply. The Central Electricity Authority (CEA) has now counselled against adding coal-based capacities for the next decade, till 2027. It expects the 50,025 MW of coal-based capacities being built at present to more than fulfil a projected requirement of 44,085 MW of capacity for 2022-27. About 4,192 MW has also accrued from the R&M/LE (renovation and modernisation/life extension) work undertaken on 29 thermal units last year.

A 2016 Greenpeace report nevertheless predicts that 94 per cent of the coal-based capacities under construction will not be needed by 2022, causing a $49 billion loss in investments. While Rattan India's $150 million 1,200 MW Amravati coal plant languishes for lack of demand, the Gujarat government has dropped plans for a 4,000 MW coal-based ultra mega power project (UMPP), citing surplus generation capacity and suggesting instead a focus on renewable power.

While installed capacities of coal-based power in India rose marginally to 193,427 MW by September from 187,253 MW a year ago, renewable energy capacities surged to 58,303 MW from 44,237 MW over the year. Overall capacities (thermal, nuclear, hydro and renewable) went up from 306,358 MW to 329,298 MW.

A. Subba Rao, executive director, finance & strategy, CLP India, finds the demand for power muted, as industry

Makhija: solar power is India's big success story

Ashta: CLP India is working hard to raise its utilisation levels

and manufacturing have for long been subdued. While villages are being electrified, it is known that not all are being supplied 24x7, he contends. Mishra says that while operating conditions revived last year, owing to steady coal supply for thermal plants and better grid management for renewable energy, demand for power has softened in recent months due to the economic slowdown and the issue of power affordability. He believes short-term economic growth has been hit by the demonetisation and the implementation of the goods and services tax (GST). "But in the long run, we expect these reforms to put India on a stronger footing towards improving transparency and better compliance, benefiting the business sector," he notes. "The country nevertheless made progress with its low carbon transition, in line with the target to achieve 160 GW of renewable power by 2022."

Also, availability of both the company's thermal projects in 2016 was above 90 per cent, Jhajjar achieving a record availability of 93 per cent and Paguthan, of 94 per cent. But with auctions for subsidised gas imports halted from March 2016 due to lack of competition,Gujarat Urja Vikas Nigam Ltd (GUVNL), with which CLP has a power purchase agreement (PPA) for Paguthan, avoided procuring electricity from the plant at high imported spot gas prices. Mishra avers that though utilisation of the plant slumped to 10 per cent as a result, it is still a healthy asset with a lot of life left in it. "We are in discussion with GUVNL on the PPA that expires in December 2018," he mentions. "We are open to different options, including making the facility a multi-fuel one."

Private investment lags

Utilisation at Jhajjar was low too, due to lower dispatch on account of overcapacity and soft demand in Haryana. "Despite the fact that our income from both plants is mainly determined by availability, we are working hard with our customers to raise utilisation so that both plants can be used more efficiently," says Samir Ashta, director, finance & CFO. Following a planned two-month maintenance outage in the second quarter, the Jhajjar plant's availability has returned almost to the normative level of 80 per cent from the 70 per cent it had declined to – which should ensure complete recovery of fixed costs. "We expect availability levels to return to normal for the full year following completion of the planned outage, though utilisation has undoubtedly remained low," mentions Ashta.

Private sector investment has continued to lag, as power plants remain bedevilled by the load factor and the challenge of their PPAs. "At the same time, we are now fully in the era of competitive bidding, with solar being the big success story in terms of the bids," notes Mahesh Makhija, director, commercial (renewables), CLP India. "Bidding has been aggressive and has so far been supported by declining solar panel prices, but it remains to be seen how long and to what level this

116 years and going stronger

Two years after China Light & Power (CLP) Company Syndicate was incorporated in Hong Kong on 25 January 1901, it commissioned its first power station, with a generating capacity of 75 kilowatts. Considering that 1,000 kW equals one megawatt (MW) and that one Ultra Mega Power Plant (UMPP) of today has a capacity of 4,000 MW, this certainly was a puny facility.

By 1919, however, the company had started supplying power for street lighting in the Kowloon peninsula and today it fulfils 80 per cent of Hong Kong's demand for power, earning over 34 per cent of its worldwide revenues from the city state.

The man behind all this was entrepreneur and philanthropist, Sir Elly (Eleaszer Silas) Kadoorie, born in 1867 to a wealthy Baghdadi Jew family that had large business interests in the Far East. He was still a child when his family migrated to Mumbai and in his teens when he moved to Shanghai to seek his fortune.

He prospered enough to go into business on his own, and CLP was among those companies he established in Hong Kong and Shanghai together with his brother, Sir Ellis Kadoorie. The Kadoorie brothers made their fortunes in banking, rubber plantations, real estate and, of course, their

Munjal: thermal power is a losing proposition in India

will continue."

Makhija points out that solar has been one industry where input prices have seen a dramatic fall – ₹2.62 per kWh. "Even the prices of conventional or wind turbines have not come down anywhere close to what has been seen in the case of solar panels," he says. "Competitive bidding has at times led to rather aggressive bidding, but the opportunity in solar is so huge that one can rest assured that it will come down to a sensible bidding level." Conventional power had seen this working out to levels where the customer benefited from reasonable tariffs and the investor made decent returns. While competitive bidding does reduce risks, one should not invest in haste and repent later, if the bids become unsustainable, he adds.

"Our wind energy production increased from 1.5 TWh (terawatt hours) in 2015 to 1.7 TWh in 2016, reflecting the commissioning in the second half of 2015 of the 100.8 MW project in Tejuva, Rajasthan, and the 92 MW project in Chandgarh, Madhya Pradesh," says Makhija. Naveen Munjal, director (commercial), CLP India, explains that the company's lower revenue – from ₹1,677 crore ($258 million) in the first half of 2016 to ₹1,644 crore ($253 million) in H1 2017 -- was a result of lower dispatch from Paguthan, partially offset by higher generation from renewable projects.

Munjal attributes the lower operating expenses – to ₹1,073 crore ($165 million) from ₹1,131 crore ($174 million) -- over these to lower fuel cost on lower generation from Paguthan. Also there was a write-off of capitalised cost of the 148.8 MW Yermala wind project in Maharashtra, after its cancellation because of land issues. According to him, thermal power is a losing proposition in the country at present, with a loss of 70 paise between the cost of generation and the revenue realised. "This is because tariffs have remained unrevised for years, states continue to incur distribution losses and some poorly managed companies are overburdened by overheads and other expenses," he observes.

As regards CLP India, while it manages its day to day operations and pursues its business plans, every capex decision needs to be approved by its Hong Kong parent, says Munjal. "As we are a multinational operating in different geographies, each subsidiary has to compete for capital, which at the end of the day is limited," he adds. "If there is a project in one country that promises more returns than that in another, then clearly capital will be allocated to the more lucrative project."

Govindan: CLP India has garnered immense goodwill

Paulo Rocha, who was appointed COO of CLP India in June, feels that as far as future investments are concerned, it will continue to invest in technologies that are less polluting, as per its parent's Climate Vision 2050 target. "While bulk of the investments in India in future will be in renewables, we are open to consider those thermal projects that use advanced technology like super-critical or even ultra-supercritical and are less detrimental to the

electric power utility. Along the way, they also gained a major shareholding in Hong Kong Hotels Ltd.

Though Elly Kadoorie died in Shanghai in 1944, his legacy lives on. The flourishing family business is now controlled by his 76-year-old grandson, Sir Michael David Kadoorie, whose family retains a 35 per cent stake in their Hong Kong-based holding company of CLP Holdings Ltd, as China Light & Power is now known. Indeed, China Light & Power had been listed in Hong Kong before the Second World War and CLP Holdings was formed in 1998 following a company reorganisation.

Michael Kadoorie is rated as the 6th wealthiest person in Hong Kong. Apart from chairing CLP Holdings, he is also the chairman of the family's second largest listed group, The Hong Kong and Shanghai Hotels, which operates the Peninsula Hotel Group. He is besides a director of Metrojet Heliservices (Hong Kong) Ltd, being a helicopter pilot himself, and is an avid photography and classic car buff.

He has also initiated CLP Research Institute, a subsidiary of CLP Holdings that looks into renewable energy development, and holds a number of directorships in other non-Kadoorie companies.

The principal activity of CLP Holdings is investment holding, whilst the principal activities of its subsidiaries are the generation and supply of electricity in Hong Kong, Australia and India, and investment holding of power projects in the Chinese mainland, Southeast Asia and Taiwan. SB environment," he maintains. "Bulk of the stressed projects in the market use sub-critical technology. There are a few super-critical projects that are not aligned from our risk and returns perspective, hence we have not pursued those opportunities."

Mishra maintains that CLP India will continue to explore new opportunities in renewable areas, including the possibility of decentralised generation and also look for other growth opportunities along the energy supply chain. "We are keen to venture into the power transmission space," he points out. "We are currently bidding for two inter-state transmission projects where one is an inter-regional grid-strengthening project (to provide reliable transmission) between the western and northern regions (NRWR project) and the other is a dedicated evacuation arrangement for an upcoming ultra-mega solar park in Rajasthan." He adds that CLP India will consider most transmission opportunities that come up which are in line with its risk and returns perspective.

CLP INDIA'S PORTFOLIO

Thermal projects	
Combined cycle gas-fired power plant	
Paguthan, dist. Bharuch, Gujarat	655MW
Supercritical coal–fired power plant	
Jhajjar, dist. Jhajjar, Haryana	1,320MW
Total thermal power	**1,975 MW**
Wind farms	
Khandke, dist. Ahmednagar, Maharashtra	50.4 MW
Samana (Phases I&II), dists. Rajkot & Jamnagar, Gujarat	100.8 MW
Saundatti, dist. Belgaum, Karnataka	72 MW
Theni, dist. Theni, Tamil Nadu	99 MW
Harapanahalli, dist. Davanagere, Karnataka	39.6 MW
Andhra Lake, dist. Pune, Maharashtra	106.4 MW
Sipla, dist. Jaisalmer, Rajasthan	50.4 MW
Bhakrani, dist. Jaisalmer, Rajasthan	102.4 MW
Mahidad, dist. Rajkot, Gujarat	50.4 MW
Jath, dist. Sangli, Maharashtra	60 MW
Tejuva, dist. Jaisalmer, Rajasthan	100.8 MW
Chandgarh, dist. Dewas, Madhya Pradesh	92 MW
Total wind	**924.2 MW**
Total thermal + wind	**2,899.2 MW**
Under construction	
Solar Farm - Veltoor, Mahbub Nagar, Telangana	100 MW

Resistance to 'China'

On the question of resistance from the industry about Chinese companies getting into transmission, Mishra retorts that the perception about CLP is that it is a Hong Kong company as also an international company. "India has opened up its power sector for 100 per cent foreign investment, but it is the government's prerogative as to which country to exclude," he says. "If CLP India is not selected for whatever reason, we will abide by that decision, committed as we are to carry out our business strictly in accordance with the law of the land."

Even back in 2009, Andrew Brandler, the then CEO, CLP Holdings, had said on his visit to India: "We would like to create an Indian identity and are sensitive to the fact that our name has 'China' in it."

Gopinath Govindan, director, human resources, CLP India, says his company has garnered immense goodwill in the 15 years that it has been in India and its employees deem it a privilege to work for it, over 40 of them having been with the company from the outset. "Earlier on, we had to explain what CLP India was, but no longer," he adds. "Some years ago, we had engaged a brand consultancy to advise us on a change in name, but after interviewing all stakeholders, it urged us against any change as it concluded that CLP enjoyed very strong brand equity." He mentions that in a short film that CLP India made on its 15-year journey in India, one of the many employees interviewed said in answer to a question on why he had joined the company: "CLP is so open with government authorities that I am sure it will be open with its employees as well."

After 13 years as the head, Brandler was succeeded in 2013 by Richard Lancaster, the present CEO, CLP Holdings, who had then said that CLP was 'actively considering' listing its India subsidiary on Indian bourses not merely to raise capital, but to change perceptions.

"Our plans to list in the Indian market still remain firm, but it is difficult to specify a timeline," Mishra says when asked whether an initial public offering will be imminent in the next two to three years. "CLP India aspires to be part of the fabric of India as it was established with the promise of delivering economic, social and environmental value in the market it operates."

"Business dynamics have been changing for our company and the sector as well," says Mishra, indicating that, while CLP India is keen on being a listed entity in India, it also needs to analyse its growth pipeline. "From a centralised coal and gas generation, the industry is slowly inching towards decentralised generation with greater thrust on green capacity addition. We are keen to participate in all these new opportunities, but it's a little too early to predict how each of these verticals will evolve."

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SANJAY BORADE

No pipe dream, this

Vipul, Jayant Parag and Hina: staying ahead in the race

Prince Pipes & Fittings is set to scale new heights as a metal-to-plastic revolution unfolds

For various reasons, the 71-year-old Jayant Chheda, CMD, Prince Pipes & Fittings Ltd (PPFL), Mumbai, is considered a 'king' of the plastic pipes industry. During the last decade, in the organised plastic segment, he lifted PPFL from a ₹100 crore company to a ₹1,262 crore (March 2017) outfit, with five plants and a combined capacity of 143,000 tonnes per annum (tpa). It now has a product basket of more than 7,500 units and enjoys a pan India presence, aided by a 750 strong distributor network and catering to over 200,000 retailers. "Still I kept my company name as 'prince', because we are young. With this base, we are on a cusp of exponential growth," explains Jayant (fourth among the five siblings). PPFL's story in Mumbai begins in 1911, when Jayant's father migrated from Kutch, Gujarat, to Matunga, Bombay, along with his five sons and started running a *kirana* (neighbourhood grocery store).

In the early 1960s, Jayant and his brothers decided to enter into manufacturing and started a small electro plating unit. "Here, we were anodising the handles for plastic buckets. That's how we got a feel for plastics," adds Jayant, who ventured into the plastics business in the 1970s, making kitchenware like buckets, mugs, tumblers and other articles, from a small factory at Marol, Andheri. In 1982, he entered into poly vinyl chloride (PVC) business and launched the 'Prince' brand, going solo at the same time.

A decade later, in 1994, for various tax and other benefits, the factory was moved to Silvassa, where he added injection moulding (batch process) for making fittings and extrusion machines (continuous process) for making pipes. The same year, Parag, the current joint MD and the eldest son of Jayant, joined the business, when the company's topline was just ₹13 crore. "My father is a visionary, with an astonishing risk appetite," says Parag, now 46. "It was my father who saw the huge potential PVC had in replacing metal & cement pipes. When our company was just a ₹100 crore outfit in 2005, my father, an avid traveller, felt that his company could grow past all limits, if he spread it across the country. So, he set the agenda for PPFL's pan-India expansion. He took me and my younger brother Vipul (four year old at that time) into confidence, planning out the future growth – all the way up to the ₹1,000 crore league". Parag helped realise his father's dream of making fittings for pipes – a wide range of fittings, which included couplers, tees, elbows and end caps – which are used in agriculture. They further diversified into other categories, such as pipes for plumbing, drainage, municipal waste, bore-well and rainwater harvesting.

Inorganic growth

Parag and Vipul came with new ideas and set higher goals. "While keeping in mind the idea of organic growth, we felt inorganic growth too was necessary, which would make us a pan-India company," says Vipul. PPFL set up a greenfield plant in Hardwar, Uttarakhand, in 2008, taking advantage of the various incentives offered by the state. On the inorganic side, the Chhedas made the first acquisition by buying a Bhuj-based pipe maker Kenson's manufacturing plant, as also the Kenson brand, in 2013. Their second acquisition followed soon after – two manufacturing units from Chemplast Sanmar. This acquisition gave Prince Pipes access to the Trubore brand of pipes, made by a Chennai-based company, which makes pipes for borewells, which were popular across the South. "This acquisition strengthened the company's presence in the South and also the West, as it got control of Sanmar's Kolhapur and Chennai plants, while the Hardwar plant enabled Prince to penetrate deeper in the North," explains Parag. His aggressive acquisition strategy took the company to the ₹1,000 crore (2014) turnover mark in just nine years. "This aggression portrayed in the form of good acquisitions essentially paid off well and we achieved ₹1,000 crore one year ahead of our set target."

The last five years have seen a consolidation and improvement in profit margins at PPFL, with the turnover increasing from ₹801.79 crore (March 2013) to ₹1,262.58 crore (March 2017). Here, it's the value-added products that have seen better profit margins. During the same period, the operating profit, reflected in the earnings before interest and depreciation (EBIDTA), has moved up from ₹96.49 crore to ₹161.90 crore, while the profit after tax has almost doubled from ₹38.05 crore to ₹74.36 crore. It has a debt facility of ₹488.35 crore, which has been rated by CARE Ratings. "The upward revision in the ratings assigned to the bank facilities of PPFL takes into account growth in scale of operations and improved profitability, thereby resulting in an enhanced overall debt protection matrix," says Divyesh Shah, analyst, CARE, explaining the rating rationale.

Sharda: drawing up a capex plan

"The story of plastic replacing cement and steel is an ongoing one," says Hemant Kumar, general manager, PPFL, who joined the company when it was just ₹100 crore. Looking at the marketing functions, he points out that the plastic pipes industry in India is driven by investments in the agriculture and construction space, namely irrigation, water supply, sanitation, and housing, which will mirror economic growth. In the past five fiscal years (2012 to 2017), the plastic piping industry has grown faster than the GDP growth, due to the high growth in end-use-sector investments, such as irrigation and urban infrastructure. "Increased awareness, as also adoption and substitution of metal pipes by plastic pipes has led to a higher growth at 10-12 per cent CAGR. "Organised players grew at a pace, which was faster than the piping industry's average growth, owing to an increase in the quality consciousness of consumers, the emergence of premium products in real estate, fittings segment, and chlorinated polyvinyl chloride (CPVC) niche applications, among others".

Interestingly, one of the most important changes that have taken place in the piping industry over the last decade was the large-scale shift from metal to polymer-based pipes in most applications. "This was especially true in case of plumbing and piping applications in the construction industry. This evolution has allowed for greater research and development in specialised products by organised players for specific applications, with the development of polymers such as CPVC for hot and cold water plumbing, fire fighting, and transportation of industrial fluids. The CPVC segment, which poses technological barriers to enter, has also given branded players like us an opportunity to increase market share. Until then, unplasticied products had dominated the piping industry, with several unorganised players posing stiff competition to branded players," explains Parag. According to a CRISIL research report, PPFL has had a market share of about 5 per cent in 2016-17 and is amongst the top six organised players, which collectively has a total market share of 44 per cent. The rest of the market is dominated by a bunch of unorganised players.

Meanwhile, to stay ahead in the race, the Chhedas are looking to set up plants closer to the customers, besides adding new polymers like high density polyethylene (HDPE) and products like DWC (double wall corrugated) to PPFL's portfolio. "We are looking at doubling our capacity by 2020," says Shyam Sharda, CFO, PPFL, drawing up a capex plan of ₹360 crore.

PPFL is planning to put up two units, one each in Rajasthan and Telangana. "The Rajasthan unit of 52,000 tpa will be on stream in June 2018, while the Telangana unit of 91,000 tpa will come into being in 2019," sums up Parag. PPFL is looking at a listing on the bourse, while also joining the ₹3,000 crore club in the next four years.

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New kid on the block

Eris Lifesciences becomes a darling of the market within months of its public listing

An apt analogy for a decade-old pharma company with a sales revenue of less than ₹1,000 crore would be that of a 10-year-old child, who has just got into secondary school. While his smallest achievement is lauded by doting parents, everybody knows that the child has a long way to go before he finds his place in the world.

A good example in the Indian pharmaceutical industry context is Eris Lifesciences, a first generation company established in 2007. It has chalked up sales revenues of ₹725 crore (PAT: ₹242 crore) in 2016-17, and ₹443 crore (PAT: ₹163.7 crore) in the first half of 2017-18. Further, its product range is limited to tablets and syrups to be taken by mouth (no high value injectables), and there are multiple players competing directly with each of its products! (*See graph*).

Despite these circumstances, Eris Lifesciences has become a darling of the stock market within four-five months of its public listing, having appreciated from a listing price of ₹614-769 on 30 November. The market capitalisation therefore works out to ₹10,000 crore (free float: ₹1,273 crore). Interestingly, the scrip was listed at just a 2 per cent premium on its issue price. One reason for the impressive performance could be that Eris is nearly debt-free and sitting on cash reserves of more than ₹300 crore (as on June 2017).

However, of about 28 million shares on offer during the IPO earlier this year, about 22 million came from existing shareholders including private equity player ChrysCapital, which held 16.25 per cent, and some from the promoters. ChrysCapital took up a stake in the company in 2011, and excited by way of the IPO. Thus, very little of the proceeds of the IPO actually went back to the company's coffers. Also, why the company could not attract interest from other PE players also demands an explanation.

Bakshi: growing through brands and franchises

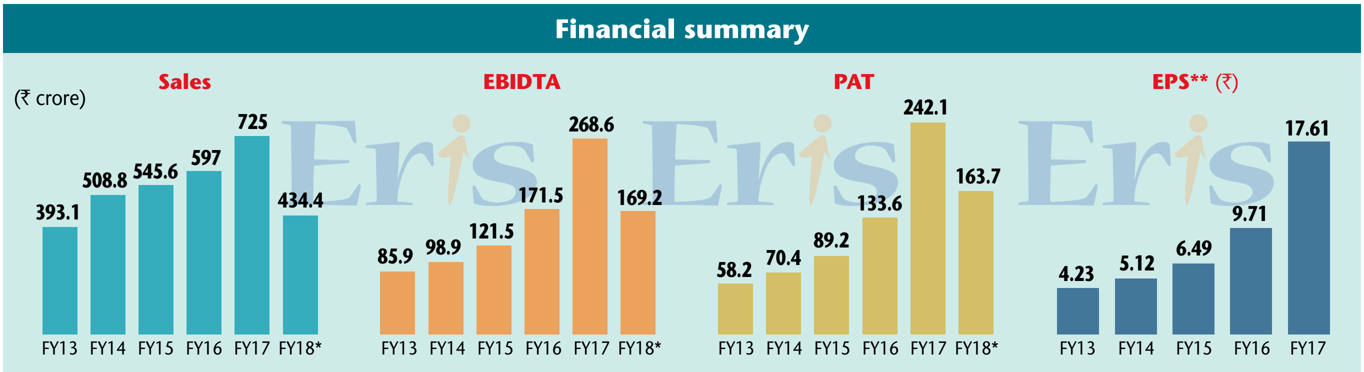
The company's main business is in oral medicines for diabetes and heart disease (including cholesterol lowering drugs like atorvastatin and rosuvastatin) with a small proportion of their revenues coming from the gastro-intestinal medicines like rabeprazole (antacid). It has a portfolio of 26 'mother brands', which together fetch about 95 per cent of their sales. This might change soon, with its recent acquisition of a basket of over 130 brands from Strides-Shasun, a company with a totally different business model.

Thus, Eris is completely focussed on the domestic market within India, with no plans for export in the near future. On the other hand, Strides earns some 51 per cent of its ₹3,510 crore revenue from the regulated markets such as North America and Australia, and another 18 per cent from the emerging markets. This proportion could increase in the coming year or two because the bouquet of products it has divested to Eris is also for the Indian market. Industry observers point out that many of those products were a legacy from Shasun Pharma, which was merged with Strides three years ago.

The latest transaction entailed an investment of ₹500 crore, that is 2.8 times the annual sales revenue of about ₹180 crore. While the full list of products is too long to mention, one of the objectives was to expand their presence in the neurology, gastroenterology and women's health segments.

"We clearly believe that the portfolio that we have acquired is made up not only of brands but also of franchises. By franchises, we mean that these brands resonate well with the practicing doctors. At their peak most of these brands were in the Top Five in their respective markets. Brands like Renerve, Raricap, Otogesic, Stugil have a huge brand recall. We feel that these are franchises which could be built into more number of brands and a bigger franchise can be created," says Amit Bakshi, MD, Eris Lifesciences.

"This transaction is the outcome of our portfolio reprioritisation, to focus more sharply on larger regulated markets," adds Shashank Sinha, managing director, Strides. "We retain global rights for the divested portfolio, which have significant sales in Africa and will continue to grow our emerging market business. Net proceeds from this transaction will be used to pay down debt to the tune of ₹400 crore." This of course would be a partial relief, given that at the end of 2016-17, the company had slightly over ₹3,000 crore of debt on its books. Sinha, however, did not respond to *Business India*'s questions till the time of this writing. Among the issues raised with the Strides management was the imperative for making the sale at this point and whether this was the best price they could get.



*Till first half of FY 2017-18. ** Estimates

Purple patch

It is, therefore, noteworthy that Strides had seen a gradual downslide in its share price, currently at about ₹815 (market cap: ₹7,925 crore, free float: ₹5,039 crore), from ₹1,100-1,200 in January-February 2016. Equity research house ICICI Securities has, in its latest report, recommended a BUY on the scrip with a 12-15 month target price of ₹1,000!

Comparatively speaking, Eris appears to be going through a purple patch, having recorded a 16.5 per cent CAGR in its revenues, and a 40 per cent upside in PAT during the past four years. This could be explained partly by what is known as the 'small base effect' and the fact that two of its 10 top selling brands were launched recently; Cilnidipine (medicine for high blood pressure) in 2012 and teneligyptin (anti-diabetes) in 2015. The latter has recorded a 448 per cent growth in 2016-17, compared to its first year in the market! Likewise, Cilnidipine's annual growth has been 168 per cent since its launch in 2012.

In the current year, too, it has launched two new products for the treatment of Central Nervous System disorders and plans another three in the next two quarters. These launches were scheduled in Q1 of the current fiscal year but had to be delayed because of GST-related issues, mainly the reluctance of distribution channels to pick up new inventory before the earlier stocks could be cleared.

In the months preceding the Strides-Shasun deal, Eris had made a string of small acquisitions. "In October 2017, we acquired 100 per cent shareholding in Pune based nutraceuticals maker UTH Healthcare for ₹12.85 crore. UTH portfolio includes products for obesity, diabetes, gestational diabetes mellitus, maternal nutrition, and cardio-vascular diseases," says Bakshi. In the second half 2016, they acquired Kinedex Healthcare for ₹77 crore, and a clutch of 40 brands from Amay Pharma for ₹32.8 crore. While the Amay brands were intended to strengthen their anti-diabetes and heart disease (medicines) portfolio, Kinedex has helped to bolster their presence in the area of mobility disorders.

Top 10 brands in India

Brand name	Launch year	Chemical name	Therapeutic Area	Sales (₹ crore)	CAGR % (FY 13-17)	Brands in India** (No.)
Glimisave	2007	Glimepiride	Diabetes	170.88	29.00	432
Eritel	2008	Telmisartan	High BP	102.22	28.50	182
Rabonik	2008	Rabeprazole	Gastro	54.18	9.20	581
Remylin	2007	Vit-B12+Vit-D3	Diabetic neuropathy	52.97	10.20	
Tayo	2011	Vitamin D	Vitamin Def	52.67	7.70	
Olmin	2010	Olmesartan	High BP	48.71	36.10	49
Atorsave	2007	Atorvastatin	Anti-cholesterol	37.73	7.20	651
LnBloc	2012	Cilnidipine	High BP	35.99	168.40	16
Tendia	2015	Teneligliptin	Diabetes	28.78	448.30*	22
Crevast	2010	Rosuvastatin	Anti-cholesterol	22.96	20.40	101

*Figures available for FY 2015-16 and 2016-17 only. **Source: Medindia.net. Tenegliptin data from 1mg.com

Another interesting aspect of the Eris Lifesciences results is that the EBIDTA and PAT numbers are quite close to each other. This is on account of several reasons: the company is almost debt free, which means the interest outgo is negligible and its estimated tax rate for Q1 would be just about 4 per cent, while that for the full year 2017-18 could be in the vicinity of 7-8 per cent. The low tax rate is partly because its only manufacturing facility is located in Guwahati, which is entitled to a tax holiday until 2024.

In an earnings call at the end of their first quarter as a listed company, the Eris management said about 80 per cent of their production (by value) came from their own manufacturing plant, while the rest was outsourced. This number might go up somewhat with the introduction of new products but a certain proportion would continue to be manufactured outside. The company has no plans for capital expansion in the next one or two year other than strategic acquisition of suitable brands.

In addition, Eris has no immediate plans for export of its products, and is therefore vulnerable to policy changes within India. The management claims that just 12 per cent of its sales comes from products under price control, though the list of such products has not been made public. Also, it does not have separate budget for R&D activities, even though it has about 40-50 pharmaceutical scientists on its payroll. It also does not have long-term plans, even for the next three to five years.

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PHOTOS: SANJAY BORADE

Joining an elite club

Rao: mutual fund milestone

With its AUM crossing ₹2 lakh crore, SBI MF crosses another milestone

SBI Mutual Fund's office in Bandra-Kurla Complex, the new business district of Mumbai, was all lit up during the festive season. On 17 October, the *dhanteras* day, which heralds the start of Diwali, the festive atmosphere was hard to miss. Anuradha Rao, MD & CEO, along with her team, were in an ecstatic mood – for, on that auspicious day, the AUM of the mutual fund had crossed the ₹2 lakh crore milestone. And, with it, SBI had gate-crashed into the elite club of fund houses, such as ICICI, HDFC, Reliance and Aditya Birla Capital M, which had crossed this milestone (*see table*). All these funds have AUM of ₹2-3 lakh crore.

For Rao, the joy was even greater. A career banker, with more than three decades experience in the banking and allied sector, Rao had taken charge as the MD & CEO, SBI Fund Management, in August 2016. She was on deputation from SBI, where she was DMD, having joined the bank as a probationary officer in 1982. Prior to being promoted as the DMD, Rao was the CGM, SBI, in charge of personal banking. The asset base of SBI MF, which is a part of SBI Fund Management, was, at that time, ₹1.20 lakh crore. Within 15 months, under her leadership, the fund had added ₹80,000 crore to the AUM. For, SBI MF, which was celebrating its 30th year since its launch, this was the fastest leap in the AUM.

It is true that the equity markets were also buoyant with the indices making new tops, every few weeks. Not surprisingly, the mutual fund industry had also made a quantum leap over the few months, having seen its AUM surging by nearly half to the present level of ₹21.79 crore. SBI MF has, however, outpaced the industry's growth during Rao's tenure having clocked a 66 per cent growth during the same period. "While the environment has been favourable, SBI MF has also grown its market share in the industry and is close to double digits currently," says D.P. Singh, executive director & CMO, who has been with the funds for 20 years and has been on an aggressive communication drive to widen the investor base.

SBI MF accounts for 9 per cent of the total industry's AUM with its market share steadily increasing year by year. It was 6.3 per cent in 2014-15 and 7.9 per cent in 2015-16. The top five fund houses account for 57 per cent of the total AUM today. Unlike other fund houses, portfolio management and advisory services, as also offshore funds and alternative investment

30 years growth story

1987	Launched SBI MF
1991	Launched SBI Magnum Eq Fund
1992	Launched SBI Fund Management
1993	SBI Savings Schemes
1994	Magnum Global
1997	Sector funds launched
2000	SBI Online Portal launched
2001	Emerging Blue Chip Fund
2006	Offshore products launched
2007	Share transfer to Amundi
2012	Crossed ₹50,000 AUM
2012	ETF launched
2013	Acquired Daiwa MF
2015	Mandate to manage Employee Provident Funds
2015	Crossed ₹1 lakh crore AUM
2017	AUM crosess ₹2 lakh crore

funds, do not form a part of SBI MF. In the offshore funds, SBI was the first bank sponsored fund to launch an offshore fund, SBI Resurgent India Opportunities Fund. SBI MF, however, got a boost when the Employees Provident Fund Office decided to invest 5 per cent of the investible surplus into SBI Exchange Traded Fund, benchmarked against the Nifty index.

Started in August, the EPFO invested ₹6,577 crore in 2015-16. With the limits being gradually raised to allow EPFO to invest 5-15 per cent of the investible surplus, EPFO chose to diversify its fund managers. Even so, the total quantum of its total funds invested was ₹14,982 crore in 2016-17, which is expected to touch ₹20,000 crore. Besides SBI MF four other entities, HSBC MF, Reliance Capital, ICICI Primary Dealership and UTI have received a mandate for three years to manage the funds. "SBI is a big and powerful brand and retail investors are drawn to it," says Balasubramaniam, CEO, Aditya Birla Capital Mutual Fund, adding that the fund has been aggressively marketing to retail investors, like others in the industry.

Rao's initial thrust was on 'improving and rationalising the processes, with a view to enhancing the customer's experience'. "There is enough competition in the market and one bad experience is enough to lose the customer for life," she points out. Changing the perception of distributors, as also investors, was the other task high on their agenda. Rationalising that distributors were the immediate touch point with the investors, she felt it was necessary for them to understand the fund's business philosophies and make their interaction with the different branches more seamless.

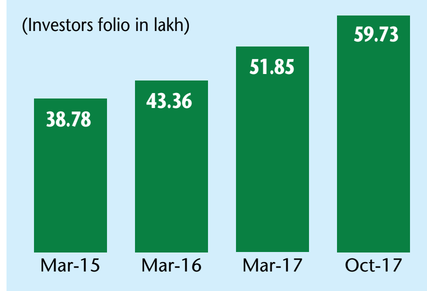
Rao also beefed up the online portal to make on-boarding easier for customers. Getting KYC done and opening a zero balance account and reporting was made easier, with a result that nearly 30 per cent of the transactions for buying or selling the various schemes are done online. Payment through debit cards and net banking helps to provide the customer an easy option to invest at his convenience. Nearly 400 new folios are added every day through the zero balance account. What is noteworthy is that investors coming through systematic investment plans are also growing in numbers. While this is a trend witnessed across industry, SBI has seen its live SIP accounts move up sharply to 2.44 million in the current fiscal year – more than double the 1.1 million customers it had in 2015-16. This is nearly half of the total investors' folios, which stood at 5.97 million in October 2017.

In terms of orientation, says Rao, SBI MF has evolved from product orientation to solution orientation, giving investors and distributors a choice to create their portfolio by picking products suitable for them, based on their requirements. "Offering investors relevant products suitable to their needs is the new trend," says Singh.

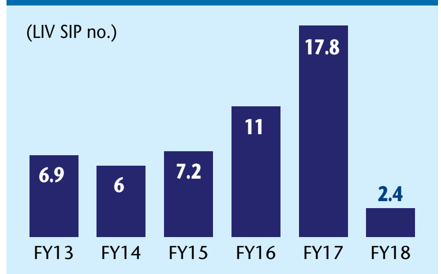
Wide distribution

The thrust on B-15 centres has also yielded the fund good results. Like Reliance ADAG MF, which had, for the last several years, been focussing on the B-15 centres, SBI has also, over the last five years, actively focussed on these centres. SBI MF, ABC Mutual Fund and Reliance MF have amongst the highest penetration levels in these sectors. "There is a lot of retail money in the B-15 centres that need to be channelized," says Sundeep Sikka, CEO, Reliance ADAG MF.

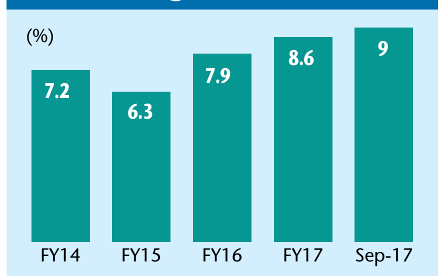
Gaining confidence



Sip by Sip growth



Growing market share



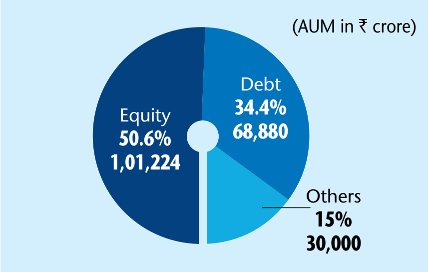
In the top 5 league

	AUM ₹ lakh crore	% to Ind %	PBT ₹ crore
ICICI	2.79	13.3	735
HDFC	2.7	12.9	800
Reliance	2.31	11.0	592
ABCap	2.25	10.7	335
SBI	1.88	9.0	330
Industry total	20.95	57	

* Average AUM, July-Sept. PBT as on FY17

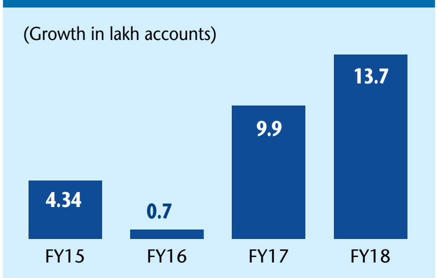
From a little less than 1 million folios in 2015-16, the total number of folios for SBI MF has gone up to 1.37 million in 2016-17 – amongst the highest in the industry. Since inception, SBI had focussed on retail customers. As a result, its equity portion of the fund's portfolio has been much above the industry's average. In 2016-17, it was

Equity heavy



As on 31 October 2017

B-15 towns



more than 50 per cent of the portfolio. Liquid funds, which accounted for as much as 30 per cent of the total portfolio, have dipped to 20 per cent, indicating a lower emphasis on corporate funds and a higher emphasis on the sticky equity funds.

Over the years, the profile of the investors has also been changing. In B-15 towns, especially, Singh says people are more convinced to put in debt instruments. For new investors, who were earlier investing in the traditional fixed deposits of banks, it makes sense to put the funds in debt funds rather than equity. “FD to FD plus and not directly to equity is how the funds are positioned. Given the trust enjoyed by State Bank even in the remotest corners, this is a big differentiator,” says Singh.

According to an analyst, SBI also gets a huge amount of surplus funds from SBI Treasury in its liquid funds. There is also an unwritten rule that surplus funds of PSUs like Coal India should be parked in PSU bank-sponsored funds. This was further strengthened by the problems faced in redemption in the case of J.P. Morgan MF, where investors got stuck for three months. Bank-sponsored funds have an added advantage over private sector funds.

While SBI had taken over Daiwa Funds, a few years ago (*see chart*), it does not plan to aggressively scout for funds in the industry. Rao is more in favour of growing the funds organically. “There is enough scope to grow on our own,” says Rao. In 2017-18, Rao plans to open 68 new branches, to serve customers well. In B-15 sectors, where investors are coming in for the first time, a certain amount of hand-holding is required, she reasons. Rao has a point in favouring organic growth. Riding on the strong pedigree of its bank, SBI MF can probably have the widest distribution. Reliance MF justifies that, being a non-bank sponsored fund, it can provide undivided attention to the investors, unlike banks, which have many more issues to deal with, other than just advising clients about wealth building.

Getting investors on board

However, it is the bank-sponsored funds which have registered the highest profits. While HDFC MF has a PBT of ₹800 crore, ICICI MF has recorded a PBT of ₹735 crore and Reliance MF, ₹592 crore. SBI and ABC MF have PBTs of less than 50 per cent of the profit posted by HDFC and ICICI MF. Rao can easily increase both the AUM, as also the profit by smarter deployment of resources.

The mutual fund industry’s efforts in popularising SIPs over the last few years have helped all funds including SBI MF. Rao is of the opinion that, while SIPs are good for getting on board investors wanting to build wealth, it is also necessary to build products for those who have been accumulating income over a longer period and have built wealth to have an easy tax-efficient mode for withdrawals. It is with this motto in mind that SBI MF has of late been popularising Systematic Withdrawal Plans, which allows them to have a consistent flow of income to meet their monthly expenses, without having the tension of timing the markets. Life-time solutions, like a child’s higher education, the buying of cars, house, etc, are quite common in markets like the US, but have not taken off in India as yet. From SIPs to SWPs could be the next big shift in the industry. SBI has been trying to popularise this product for retirees in a big way.

Rao is unfazed about the market

Singh: fund managers to every Indian

volatility. Recognising that it is liquidity that is driving the markets currently, she feels that there is a need to moderate expectations amongst investors at this stage. New investors in a bull market, who have not seen the downside, find it difficult to come to terms when the direction of the market changes. Currently, expectations are ruling high and corporate earnings have yet to catch up with the hopes built in the prices of shares. And it is at this point that investors have to be convinced that short-term predictions are difficult and one has to invest keeping a long-term horizon in mind.

SBI MF’s aim is not to just increase the AUM for AUM’s sake; it is rightly looking at increasing its overall market share too, aiming to be one of the top three fund houses in the country. Like SBI, which had a vision of being a banker to every Indian, SBI MF wants to be the fund manager to every Indian, says Singh. With strong tailwinds and aggressive push, it may not be long before the bank-sponsored funds strengthen their overall market share.

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‘Look and feel’ time

Ikea’s experiential centre provides a taste of the brand before its store opening early next year

The wait, and it was really long for Ikea fans, is over. For a company with one of the strongest brand recall values and regularly amongst the most admired brands in the world, Ikea has long had admirers in the country, who have eyed a Kallax shelving series, or Malm bed frame, or the ever-popular Billy bookcase wistfully and have to be contend with a Fornuft bowl or a Sedlig spoon, it hasn’t quite been the same. The Swedish home furnishing brand has opened a ‘Hej (or hello) Home’ experience centre in Hyderabad, where it will launch its first store in India, expected to be in spring next year.

In preparation, and to attract future customers, Ikea has opened its first experiential centre – Ikea Hej Home in Forum Mall, HITEC city, Hyderabad. The 3,000 sq ft experiential store displays about 300-350 products – the store will have about 7,000 SKUs when it opens. Hej Home represents a full-size house, with common areas, including interactive elements. “We have had 15,000 visitors already”, says Ulf Smedberg, country marketing manager, Ikea India, expressing satisfaction over the way the store is being received.

Designed for a six-month duration, Ikea Hej Home highlights what the brand stands for and what to expect from an Ikea store. At Hej Home, future Ikea customers can experience Ikea products before they can actually buy it from its stores in spring 2018.

The brand is already basking in the popularity Ikea Hej Home is drawing in. The store is a success, says Smedberg. “Children are especially excited, and find the whole concept fascinating,” he says. “We have heard them say – I don’t want to leave.” Ikea’s modernist designs for furniture and appliances, along with a reputation for eco-friendly simplicity, have had considerable appeal wherever they have opened.

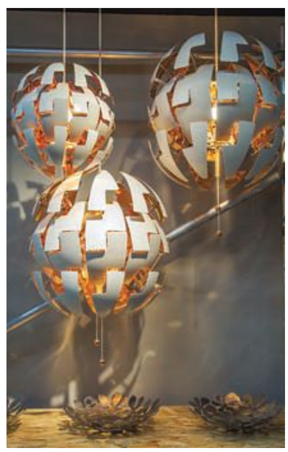
The display includes the bedroom, living area, kitchen and dining, play area among others, and has reportedly cost about ₹1,00,000. The brand team looked at over 500 homes in India, and over 100 in Hyderabad before finalising on products to stock and display.

The Hej Home concept has been tried earlier too. Giving the example of Seoul, South Korea, where it was recently tried, Smedberg says, “People were happy, they wanted to touch and feel the products and interact with the room settings. They told us they were inspired and brought their family and friends and stayed a long time in the café and interacted with the Ikea co-workers.”

Future perfect

“We are excited to finally meet the Hyderabad society and open doors to our first experiential home for them,” said Juvencio Maeztu, CEO, Ikea India, on the occasion. “With the launch of Ikea Hej Home, we are getting closer to the first Ikea India store opening. We hope our future customers will have a good experience and get inspired to do more things with their homes, when they are able to buy Ikea products next spring.”

Besides the products, Ikea Hej Home also gives a peek into Ikea’s long-standing relationship with India, its history and philanthropic activities. Incidentally, the pop-up will also look to connect with potential future co-workers, especially the women in Hyderabad. Ikea has a non-negotiable commitment to hire 50 per cent women co-workers at all levels in India.



Ikea has 403 stores in 49 countries, with a turnover of €35.074 billion in 2016. Ikea has been sourcing from India for over 30 years for its global stores. In India, it has 50 suppliers with 45,000 direct employees and 400,000 people in the extended supply chain.

Ikea plans to bring Hej Home to other cities where it will open stores. After the Hyderabad store, the second store will open in Mumbai during 2019, followed by Bengaluru and Delhi NCR. And yes, given the ‘thin’ wallets that India has on average, many products are expected to be in the affordable price range.

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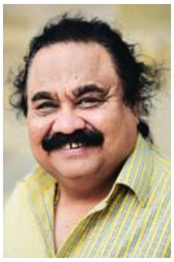
Honest to God

Charity begins at home, Mr Mittal



SANDEEP GOYAL

Honest to God, I was delighted to read the news that the Mittal family of Bharti Airtel fame, led by Sunil Bharti Mittal, had decided to give 10 per cent of their wealth, a hefty ₹7,000 crore, to philanthropy. Coming as it did on the heels of Rohini & Nandan Nilekani announcing their commitment to donate 50 per cent of their wealth (reported to be to the tune of around $1.7 billion) under the Giving Pledge – a philanthropy movement launched by Microsoft founder Bill Gates and wife Melinda seven years ago – this is certainly a big leap forward for charity and 'giving' in India. Billionaire investor Rakesh Jhunjhunwala has already pledged to give away about ₹5,000 crore when he turns 60 in 2020; Wipro's Azim Premji has donated ₹63,000 crore since 2001 – over ₹30,000 crore in the last five years alone – and Kiran Mazumdar Shaw, who has also signed the Giving Pledge, donates 50 per cent of her personal income every year, giving away ₹40 crore last year.

I have known Sunil Bharti Mittal, and his two brothers Rakesh and Rajan for nearly 25 years now. They have built a fabulous business, and a fantabulous brand, in Airtel. I have been witness to the great work Sunil's father Shri Sat Paul Mittal, a Parliamentarian, did in the area of population studies. If memory serves me right, there was a building named after him in Siri Fort, Delhi, where the Mittal family used to support an institute in his memory. I used to be part of the extended Bharti family, when the Bharti School of Telecommunication Technology & Management came up at IIT-Delhi. The Bharti Centre for Communication at IIT-Mumbai, and Bharti Institute of Public Policy at ISB, Mohali, came years later. But the most impactful work, and yeoman's service, that Sunil and the Mittal family has done over the years has been the establishment of the 1,600 Satya Bharti schools that reach 3,500+ villages and have 200,000 students on their rolls today.

A large chunk of the ₹7,000 crore charity cheque will go to the Satya Bharti University, which the Mittals want to establish somewhere in their home state Punjab and which will provide education to 10,000 under-privileged students every year in the state. As much as ₹1,000 crore are earmarked for the university – which is really good news.

My humble request to Mr Mittal is to focus the rest of his philanthropy too on his home state of Punjab. This may sound highly parochial and inward looking but I have reason to believe that Punjab needs the Mittal benevolence more than any place else. Mittal needs to borrow a leaf from billionaire real estate tycoon P.N.C. Menon of Sobha Developers, who too has signed up for the Gates, Giving Pledge, and who decided to concentrate most of his philanthropy in his home state of Kerala (not his adopted home, Bengaluru). He has adopted two economically backward panchayats in Kerala's Palakkad district – Vadakkenchery and Kizhakkenchery – where he now runs several old-age homes, educational institutions, healthcare centres and rehabilitation schemes for the downtrodden. All energies focussed on a limited geography. The transformation in these homeboroughs of Menon is unbelievable.

Sunil is possibly the richest son of Punjab. The Munjals, the Singhs of Ranbaxy, the Oswals and other business families of the state are far behind the Mittals on affluence or economic heft. When billionaires in Bengaluru or Mumbai give to charity, they obviously don't have Punjab on the radar. This once-rich state today needs a big helping hand on many more fronts than just the university. And Sunil Bharti Mittal can be Punjab's messiah. To address issues of water, soil, crop yields, decadent youth, drug addiction, skills deficit, rabid unemployment and widespread underemployment. The state's coffers are nearly empty after many years of fighting terrorism. Mittal's help, judiciously extended, could be a boon to the state, and its people.

Sunil's leadership in 'giving' could trigger the large number of Punjabis abroad to join his efforts. They are capable of donating large amounts provided they see a credible effort from a credible source, and there is no one better to emulate than Sunil Bharti Mittal. His involvement will also signal transparency and proper use of funds. Sunil can become the beacon of visible transformation in his home state. Punjab needs his money, his mind and his mentorship. I am willing to volunteer my time, effort and money to whatever Mr Mittal wants me to help with, in putting Punjab back on the rails.

Sunil sir, there is so much waiting to be done from Moga to Malerkotla, Mukerian to Morinda, Muktsar to Malout. *Punjab jagao; khushali vadhao; bacche padhao; tarraki karao; punya kamao; ghar aao; karishma dikhao.* ◆

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Not an easy road ahead

Will Air India be actually disinvested?

National carrier Air India's fate remains shrouded in mystery. The government is now talking about disinvesting the airline due to its accumulated losses, which have touched ₹50,000 crore. Paradoxically, less than five years back (2012), a comprehensive turnaround plan (TAP) was approved by the Cabinet Committee on Economic Affairs, which included a financial restructuring plan for Air India, with an equity infusion of ₹42,182 crore (to be paid over a period of 20 years). And, though Air India has received nearly ₹26,000 crore in instalments already, as loans and payment of aircraft since 2012, its financial health continues to remain the same.

The financial restructuring plan also included Air India earning a revenue of ₹5,000 crore over 10 years (from 2012 till 2022) through monetisation of assets. Unfortunately, nothing has worked in that direction either. In fact, that exercise has failed to achieve its target.

"Monetisation of assets of Air India failed to achieve the target mainly due to improper selection of properties not based on actual feasibility of monetisation," says a report by CAG. Four properties, which included a plot at Vasant Vihar, Delhi; plots in Nerul, Navi Mumbai; buildings at the old airport, Mumbai; and land at Baba Kharak Singh Marg, Delhi; listed in the TAP, could not be monetised due to various deficiencies in ownership and conditions attached to the ownership. Further, four properties identified in TAP for monetisation could not be monetised, as the same were being utilised by the company for its own use. Though 108 properties were given for valuation to DTZ, most of them had already been given on lease by state government/Airport Authority of India (AAI)/government agencies for specific purposes. Further, 18 properties did not have clear titles; hence, monetisation of them was uncertain. Only six properties had been put up for e-auction, out of which only two properties were sold till date. "Due to non-achievement of the yearly monetisation target of ₹500 crore, there was additional interest and debt burden on the company," the report adds.

Amidst all this, Air India was making claims of reporting operational profits. This too has been quashed by insiders of the ministry of civil aviation. "Air India owes ₹3,000 crore as dues to the AAI on account of landing, parking and navigation charges," say sources. "How could they ignore this aspect, while calculating operating profits?" they ask.

Another major issue that Air India is saddled with and has to sort out is its huge employee strength – nearly 22,000 people are employed by the

A gamble worth taking

Several times in the past, Business India had advocated that Air India needed to be divested. We had stated that Air India is a shining example of everything that could be wrong in a public sector unit (see Editorial, August 2017), cursed as it was with poor accountability, strong and militant trade unions, political interference and the absence of a killer service attitude, when it comes to flying high in the face of the competition.

Despite several attempts in the past, half-hearted or otherwise, the much-awaited divestment has not happened. One reason for this was the failure to come to terms with the conditions set by the potential buyers. During the earlier tenure of the NDA government, a potential buyer, Tatas-Singapore Airlines combine, had backed off in the absence of a defined game plan for the future.

Again, a few months ago, it was rumoured that the government was looking for a foreign buyer to take over the ailing airline, which has some valuable landing slots in India, the UK and the US, land and an experienced MRO set-up. There was also a proposal that, in an effort to entice a buyer, the government was willing to write off a substantial portion of the debts the airline has incurred over the years, as a precursor to a sale or divestment.

Does it make sense to look out for only foreign buyers? Equity demands that all norms for divestment, including allowing every eligible short-listed buyer an equal chance to bid for the national carrier, be met. A foreign buyer enjoys the currency arbitrage advantage but, with global markets awash with money, nothing stops even an Indian buyer from accessing foreign capital at competitive rates and bidding for the airline. Also, if the government is serious about writing off the capital losses, ahead of the divestment, it can consider dribbling a minority stake, say 10 per cent, in the stock markets through an IPO. It does not matter at what price it is done – it can even be at a discount. This would give investors a chance to try and grab a chunk of the issue and be a part of the national carrier.

More importantly, the commercial consideration that the airline could actually have a private buyer over a period of, say, two years or so, could be a more endearing factor for the investors at large. For the government, such a dribbling out of shares would also facilitate negotiating with a strategic buyer, as it would have established a floor price to start the negotiations. And, a year or two ahead of the actual privatisation, a professional board with impeccable credentials could be formed to ensure that there was no undue political interference in operating the airlines. The point is that the government has to cede actual control over managing a service industry, and not merely pay lip service.

While listing a company and having the best of a management board in place is not a sure panacea for turning a haemorrhaging company around, it is certainly worth a try. Business India has time and again pointed out that the UK government succeeded in turning around British Airways, which was in a similar bad condition in this manner. Listing may provide a chance for the government to salvage its pride, and some loans, if it works. It is a gamble worth taking.

◆ DAKSESH PARIKH

carrier and its subsidiaries. Out of this number, Air India has 12,000 employees, including pilots and cabin crew.

Interestingly, nearly 47 per cent of Air India's non-technical staff are in their last five years of service and are likely to accept VRS, say sources. Since 2012, the airline has not been hiring directly and has hired pilots and cabin crew on a contractual basis.

With so many issues plaguing the airline, who would want to take up an equity stake in it, especially, if there is a clause for a minority stake in the airline? There are talks of various options the government can consider for disinvestment – which include diluting some subsidiaries of Air India and not the entire group. One such consideration is selling Air India and Air India Express together and Alliance Air separately. Separate bidders would also be considered for Air India's ground-handling subsidiary – Air India Air Transport Service Limited and its maintenance, repair and overhaul unit. But all this is still tentative. The rationale behind selling Air India under different heads is more viability. Strangely, while bids are yet to be invited, the government has reportedly held a few rounds of back-channel talks with prospective buyers of Air India and its subsidiaries.

Disinvestment or not?

Indigo has expressed interest in buying Air India's international operations, including Air India Express, which flies to various airports in the Gulf, the Middle East and South East Asia. Turkey's Celebi Aviation Holding and Delhi's Bird Group have shown interest in Air India's ground handling arm.

On 28 June, the Cabinet Committee on Economic Affairs, chaired by Prime Minister Narendra Modi, had given an in-principle nod for strategic disinvestment of Air India. The ministerial panel, led by Arun Jaitley, was targeting divesting stake in Air India and its subsidiaries by June 2018.

However, there is speculation on whether the June 2018 deadline that has been set by the government would actually be adhered to or not. With the unions already protesting in Delhi, Kolkata and Mumbai, it won't be an easy road ahead.

Amidst all this confusion, there was a change of guard at the top management of Air India, wherein the present CMD (Rajiv Bansal) has come in on an interim basis (which ended 23 November) for a period of three months, which was extended by another three months. However, last week Karnataka cadre IAS Pradeep Singh Kharola was hired on as the CMD. Bansal is an additional secretary and financial advisor in the ministry of petroleum and he has been giving additional charge as CMD of Air India. Sounds a bit bizarre that such a large organisation has settled for an interim CMD!

One will have to wait and see whether Air India can actually be disinvested or does it continue to limp towards survival by getting a continuous supply of working capital in the form of loans from different government financial institutions!

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New growth avenue

Housing for students emerges as an alternative asset class for the domestic realty sector

While the domestic real estate sector is under transition amid weaker sentiment, stakeholders are actively looking for alternative avenues that can help them ride the challenging period. There is a search on for alternative asset classes within the realty space which will not only help de-risk the business, but also go a long way in diversifying the portfolio. One such asset class, which is gradually drawing attention, is 'housing for students', which is unorganised in India and presents a huge opportunity.

According to experts, an attractive rental yield, expected at 15-18 per cent, will surely bring in more players as the student housing opportunity becomes more visible. Student housing is an alternative asset class, which ideally would fall under the commercial asset class category, being a rent-yielding asset. According to one estimate, student housing in India is a $50 billion market. But with students being less careful with property than mature tenants, and due to vacancies during vacations, student housing has its challenges. There are in excess of 50 million students pursuing higher studies outside their home towns.

For developers, it provides a window to diversify from the presently turbulent segments of mainstream real estate while, for asset management entities and funds, it is an emerging segment with the potential to offer returns – higher than the established assets of office and retail. For the government, this is one way of promoting its manifesto on skill development and education, by putting together an enabling environment for students from every quarter. For universities, it is an avenue to enhance ex-domiciliary campus amenities, without fretting about their limited financial muscle.

"Globally, we have seen student housing advancing up the growth curve swiftly," says Ramesh Nair, CEO & country head, JLL India. "In the process, it has become a part of mainstream real estate asset classes across quite a few geographies. India, however, has a lot of catching up to do, given that we are only making a start now."

Pateria: a new concept

"The concept of student housing in an organised shape is almost missing in India," explains Rohit Pateria, co-founder, Rental Stay Pvt Ltd or Placio, one of the few recent start-ups in this space. "Organised supply is limited – primarily restricted to campuses. Some effort has recently been made in the private sector. To start with, there is a need to identify the available housing stock and convert it to student housing, backed by the right kind of services. Going forward, developers will have to come into play and build such stocks."

Based in Noida, Placio was co-founded in March 2016 by three professionals with extensive corporate work experience. While Pateria, a chartered accountant, is CEO, Ankush Arora, a postgraduate in hospitality, is chief business officer and Atul Singh, a B Tech from IIT-Roorkee and an MBA from IIM-Ahmedabad, is COO.

Online platform

Currently, with a capacity to offer over 1,000 beds across various properties and targeting off-campus students of Amity University campus at Noida, Placio offers an online platform where students can select their choice of accommodation. The company not only acts as an aggregator, but also as a service provider, and manages and operates these stocks with all necessary services ranging from facilities management services to food, security and transportation. Placio, generally works on a partnership model striking exclusive arrangements with the property owners and charges 10-15 per cent as management fee.

Enthused by the response in a short span of time, Placio (already breaking even), which is looking to raise fund from a Singapore-based venture fund, is in the process of expanding its business to other geographies. The company is adding 5,000 beds in Delhi-NCR, as also Lucknow and Indore by March 2018, even as it has plans to add another 5,000 beds by March 2019 in cities like Pune, Bengaluru, Hyderabad, Kota, Chandigarh and Gandhinagar. It is targeting 20,000 beds/unit by 2020 and is all set to clock a revenue of ₹9 crore by FY18, ₹50 crore (FY19) and ₹100 crore (FY20).

According to a JLL report, India has about 34 million students in the higher education space – more than double the size of the advanced and large student housing markets in the West. Given the lack of supply, unmet demand for student housing is high in India. For instance, the 10 leading states in terms of the number of students in the higher education space experience an unmet demand to the tune of 30-60 per cent, as per official statistics available.

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Brand accountability

Brands must make profit, not just noise

JAGDEEP KAPOOR

Building brands is an art and science. Brand management must be done with discipline and creativity. Many people think that, by creating a lot of noise and hype, they are doing brand building. This is only a part of the activity. For complete brand building activity, one must ensure and follow my brand mantra: brands must make profit, not only noise. Some of the best brands in India balance between topline and bottomline.

There are some great brands in India – Lux, Dove, Titan and Tanishq, as also brands from ITC, Maruti, Asian Paints and Hero Motors – the list is endless. Many service brands like Zee Entertainment and IndiGo Airlines, and brands like Airtel and D-Mart have done extremely well too.

The interesting thing in brand building is carefully crafted brand strategies helping build strong healthy brands. While many initiatives are undertaken to build brands creating demand and catering to demand, both have to be fulfilled. It must be understood that a brand manager is not only in charge of revenue but also profit. If the brand manager serves the consumer well and the consumer benefits, only then does the company profit.

I would strongly recommend my Samsika Brand Accountability Module to evaluate the healthy progress of the brand, to be reviewed every six months. My recommended brand accountability module has been described in this article in a clear and actionable manner.

The first parameter of the Samsika Brand Accountability Module is brand awareness growth. The first and the foremost need of any brand is to be able to spread awareness about itself. Awareness has to be reviewed as per my Brand Mantra: *jo dikhta hai, woh bikta hai* ™ which is appropriate here.

Brand Amul does a wonderful job of attaining brand awareness growth. Be it regular and relevant messages or hoardings on current topics or themes on television or in magazines like *Business India*, Amul, with its positioning Taste of India, has been able to spread and grow awareness across the country.

Not only has the 'mother brand awareness' grown, but also sub-brands like Amul Masti and Amul Kool had their awareness spread and grow. Despite being one of the top brands in the country, it still strives to keep its awareness ever growing and consequently its sales ever-growing.

If 'Brand awareness growth' is the first parameter of the Samsika Brand Accountability Module, the second parameter is 'brand trials growth'. New consumers must be allowed to try your brand and also must be allowed to try your family of sub-brands. 'Brand trials growth' can be achieved through weapons of distribution, price and education.

The recent offering of Jio and its sub-brands has been able to disrupt the telecom market and ensure wide-spread trials of its brand and sub-brands in the Jio family. Being a new entrant in the telecom sector, all appropriate weapons were used to get new consumers or to get existing consumers to do a brand switch or to get existing consumers to have an additional brand in addition to their existing brand. Brand Jio is succeeding in achieving trials to a large extent, moving from 0 per cent market share to 9 per cent to 15 per cent in a short span of time.

'Brand trials growth' of the Samsika Brand Accountability Module is a powerful parameter to be evaluated every six months. This is followed by the third parameter: 'brand repeats growth'. If a brand is able to give good quality performance and exceeds consumer needs, the consumer will buy again and again and again. This is how companies are built through repeat purchase. The brand Fevicol, from an over ₹5,500 crore company Pidilite, is an excellent example of 'brand repeats growth'. It has ensured repeat purchases among consumers, carpenters and dealers over the years. Thus, Fevicol is one of the strongest brands in the country, capturing the hearts and the minds of the consumers and influencers, through its tangible and non-tangible appeal. Thus, 'brand repeats growth' parameter is a test of quality and performance of all brands. Also, it is a reflection of the brand effectiveness and perceived value.

The fourth parameter of the module is 'brand sales growth'. This parameter is obvious. Top-line sales are a must for a company to thrive and its rate of growth signals the health of the company. Maruti Suzuki, with its sub-brands like Alto, Ciaz,, Celerio, Dzire and many others, have made Maruti sales growth reach the mountain of ₹70,000 crore sales, and its company to grow through increase of product portfolio, customer portfolio, geographical reach, new show-rooms and regular advertising support.

Maruti Suzuki is an excellent example of Samsika Brand Accountability Module, which has been able to not only grow, but also grow in a sustained manner both in volume and value. This parameter of 'brand sales growth' is critical and track should be kept of it on a regular basis.

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The fifth parameter of the Samsika Brand Accountability Module is 'brand market share growth'. Creating market share is a highly competitive and challenging job. The brand positioning and its competitive edge could make consumers prefer your brand and switch towards it, increasing the brands market share. Brand Airline IndiGo from Interglobe Aviation, with sales of almost ₹20,000 crore, has been able to garner a 41 per cent market share in a few years, with the nearest competitor at about 19 per cent market share. This is a great achievement. This is happening due to brand efficiency, due to the brand taking off on time and landing on time and due to its services. As the market grows, and as competition heats up, holding to aggressive increase in the market share, is the duty of the market leader brand. IndiGo has achieved that. Hence, Brand market share growth is a significant parameter in a growing and competitive market.

The sixth and the last parameter of the Samsika Brand Accountability Module is 'brand profit growth'. My brand mantra is: 'brands must make profit, not only noise'™. While topline sales are important, bottomline profit growth is equally important. Usually, strong brands are profitable brands. My other way of looking at it is that a profitable brand should be considered a strong brand.

The retail brand-D-Mart from Avenue Supermart Ltd, is a strong and profitable brand. In the cut-throat market of retailing, it has been able to emerge with a strong bottom-line due to its aggressive approach in revenue and its tight approach of cost and its value approach towards consumers. During the July-September 2017 quarter, its profit grew by 65 per cent and it stands tall in the retail industry.

'Brand profit growth' is a dharma of every brand and it can be achieved through the right karma, in terms of brand policy. Brand profit growth' reflects the solid character of the brand.

Thus, the Samsika Brand Accountability Module, through its six parameters – brand awareness growth, brand trials growth, brand repeats growth, brand sales growth, brand market share growth, and brand profit growth – makes a brand healthy and fighting fit, growing brand. I would recommend using the Samsika Brand Accountability Module for brands who desire to have a sustained profitable growth!

Switching on

A Pune company has made a name in electrical services and products around India

Praviin and Manjiree Biche have taken their company into a new orbit

Persistent Systems, whose CEO & MD Anand Deshpande inaugurated Orbittal Electromech's new LED lights manufacturing unit, has been associated with the smaller company for a decade, using it to provide electrical services for most of its projects in Pune, Nagpur and Hyderabad. "They have a dedicated and technically sound team that is capable of flawless execution," says Kedar Paranjpye, chief administrative officer at Persistent. "They finish on time, their prices are competitive and the entire team is proactive."

Deshpande himself was there mainly for Orbittal's director & CEO Nikkhiel Tambbe, who had a long stint with Persistent. "He was in the electrical team during the construction of our projects," he says, describing Tambbe as a "diligent worker with drive and ambition".

Manjiree Biche, who has a diploma in electronics and radio engineering (DERE) from Pune's Cusrow Wadia Institute of Technology, worked in a couple of companies for six years, during which she also used to "do small stuff for others", before quitting her job to set up Orbittal in 1995. "I wanted freedom – and money!" explains Biche, who is the chairperson and director of the company. Beginning with electronics development, reverse engineering and calibration services, she worked hard to build up the company.

Her husband Praviin, whom she had met in college – he was doing his electrical engineering at the same time as she was in DERE – had meanwhile got a series of jobs over almost a decade in companies like Bharat Electronics Ltd's joint-venture firm B-Delft and glass major Saint-Gobain, building up his expertise in projects. "I specialised in setting up new infrastructure for companies to start production," he says.

Shifting focus

After supporting his wife unofficially in marketing Orbittal's services for some years, he too joined the company in 1999 as managing director. "That was when we shifted our focus to turnkey electrical projects from the earlier mechanical, electrical, and plumbing (MEP)," he says. "We have worked for a series of multinational clients right from the beginning." Along with a range of offerings in these, it also got into the manufacture of high-tension and low-tension electrical panels, exit signage, EMS (electronics manufacturing services) to design, assemble and test components and printed circuit board (PCB) assemblies for original equipment manufacturers, as well as integrating and installing solar panels.

At Fiat India Automobiles, Ranjangaon, near Pune, corporate purchase head Saif Siddiqui describes Orbittal as a regular vendor. "We have earlier awarded many electrical projects to them. They have done a good job in terms of cost, quality and timely delivery of projects like electrification of the office, canteen and the shop floors in the body shop, assembly shop and warehouse," he says.

Sandeep Gosavi, former vice-president, projects, Vishay Components, has had a long association of more than 10 years with Orbittal. "I used them for Infrastructure Projects related to MEP, but more of electrical installations," he says. "The team knew their job and customer expectations well. Most important is, I never experienced any negative surprise on any of the important parameters like quality, cost and delivery. Also, they are ready to walk the extra mile in case of twists in the job requirements that are part and parcel of any project."

With such a high level of customer satisfaction, Orbittal Electromech doubled its revenues year on year from its inception till 2008. "We then decided to slow down and concentrate on horizontal development – like putting ERP, ISO and better safety standards in place over the next three years," says Praviin Biche. "We began pushing for growth again in 2011, and have got to a level of 35 per cent y-o-y since then," Manjiree Biche adds. Tambbe chips in: "We also formalised our different verticals under turnkey projects and manufacturing, including the latest: all types of industrial and commercial LED light fixtures, including flame-proof clean room applications for pharma manufacturers."

With a spanking new research & development centre, which too was inaugurated by Deshpande along with the ₹6-crore, 500 kW-per-month LED unit, the trio – whose names are all spelt with double initials on a numerologist's advice – are taking Orbittal ahead from its current ₹66 crore with 500-plus employees across four units in Pune and residence-offices in Gurgaon, Ahmedabad, Indore and Bengaluru, to a target of doubling its revenues in the next couple of years.

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The new Calangute central

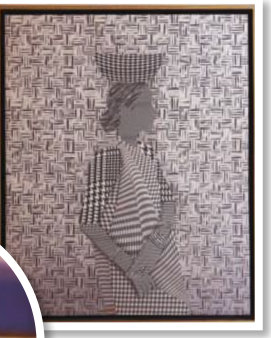
Le Méridien Goa adds a new level of panache to the leisure destination

If Goa is India's party central, Calangute, or at least its beach side parts, for the last few years, have been its beating heart. Popular seafood joints, umpteen kaju stores, some feni too, bars that come alive post sunset, 'Punjabi' tadka restaurants, dosa 'plazas', mobile skimpily clad Russian visitors, long winding lanes all headed to the beach – it's an unlikely smorgasbord that keeps the party going.

Branded hotels, however, have been in short supply for those who yearn for their comfort and loyalty points, and want to stay close to 'where the action is'. The situation is changing however, and an early entrant to the 'strip' is Le Méridien, now a Marriott brand. The tenth Le Meridien hotel opening in India marks a considerable landmark for the brand. Le Méridien is designed to be for the guest who seeks a deeper connection with the destination—a 'curated approach to culture', interpreted through many a programme in each individual hotel.

This outpost, began life in the planning stages as an Aloft, but changed brands precisely because of its rich layering. Located in the heart of the bustling Calangute Sinquerim belt, the hotel's 146 rooms are chic, and imbued with Goan sensibilities. Slightly tucked away from the road, the hotel is about half a kilometre from the beach. "Méridiens are about discovery," says general manager Norton Pereira, explaining the unusual entrance and layout of the hotel. Essentially divided between two buildings, the entrance block houses most public spaces and a few rooms.

The design elements include Le Meridien Hub which has representations of local Kunbi folk, long-time residents of the area. From original Kunbi jewellery and artefacts to modern interpretations of Kunbi weaves – and these black and white wall prints are all over the hotel. Displaying different aspects and ways of life for these traditional fisherfolk, they make the hotel a veritable museum, where guests can walk the hallways admiring the art!



Another of the brand's unique offerings – the 'Sparkling' experience, by which a coffee outpost during the day almost magically transforms into a full-fledged bar, is right upfront at Longitude 73°. Do get someone to wow you.

The main restaurant named, as in every Le Méridien, Latest Recipe, is an all-day diner. Sumptuous breakfast, an exhaustive menu for lunch and dinner, its array is wide, but we recommend the local Goan cuisine.

Unusual features

A hidden gem, not just for the hotel, but potentially for Goa, is Jazz & Grills, a specialty restaurant offers canapés and grills, along with an extensive beverage and premium cigar menu. Get the jovial chef Saurav Chattoraj to recommend a memorable meal. Add live performances, and this two-level restaurant, complete with a retro 1950s Americana feel (check out the Midnight Blue sofas) is a perfect getaway from the crowds.

Part of the Le Méridien identity is an 'Unlock Destination' by which lesser known features of the place are highlighted. The hotel is looking at associating with a 16th century chapel. It also offers walks in tucked away villages such as Assagao, verdant, dotted with historic structures from the Portuguese era, and now modern retail and cafés such as the Gunpowder, which moved from Delhi or People Tree, a remarkable treasure house of eco-friendly retail.

Another unusual feature is the Library Lounge, a large oasis of quality time for oneself. Spacious, with a multitude of books, it just needs a drink to make it a perfect evening.

Incidentally, the hotel is among the rare buildings in Goa to utilise its rooftop, excellent for events, or just to gaze at the azure Arabian sea.

A stay at LM Goa will surely add to your loyalty points – it has the highest SPG rating of all the Méridiens in India, incidentally. What you need come for are the details, for which the hotel seems to set new standards.

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Lessons from 26/11

The darkest cloud with a thick silver lining

Mumbai is a symbol of the incredible energy and optimism that defines India in the 21st century . . . The Taj has been the symbol of the strength and the resilience of the Indian people . . . The resolve and resilience of the Indian people stood in stark contrast to the savagery of the terrorists

President Barrack Obama

DR SHASHANK SHAH

On 26 November 2008 (26/11), 10 terrorists representing the Pakistani extremist outfit Lashkar-e-Taiba (LeT), travelled over 500 miles through the Arabian Sea from Karachi to Mumbai, and laid siege to parts of India's 'maximum city' with nearly two crore residents. The attack, planned with military precision, killed 166 innocent people and injured over 300. Amid resounding gunfire in the heart of South Mumbai, Operation Black Tornado, led by the National Security Guards (NSG) of the government of India, neutralised the terrorists. Nine of the terrorists were killed, and one, Mohammed Ajmal Kasab, was caught alive while trying to escape.

Of all the places targeted in Mumbai, the one where the fight with the terrorists lasted the longest was at the Taj Mahal Palace Hotel. Like Opera House to Sydney, and the Eiffel Tower to Paris, for over 113 years, the Taj has been a prominent symbol of Mumbai. Even before the Gateway of India was built in 1924, the hotel was the most outstanding structure on the Bombay coastline. In attacking the Taj and trying to destroy its century-old heritage wing, especially the historic dome, LeT wanted to leave a visible scar on the success story of India Inc that was epitomised by one of the oldest institutions synonymous with Mumbai and its history. Over 1,200 guests and 600 employees were inside the hotel for functions as diverse as a high profile wedding reception, a Bohra Muslim wedding, Unilever CEOs Global Meet with 30 senior leaders from Unilever worldwide, and two other corporate meetings. The Indian, Chinese, Japanese – indeed all the restaurants – were full that Wednesday evening, when the first gunshots were heard.

There are three lessons that companies and institutions can learn from the Taj in the light of their response to the terror attack. Firstly, the way in which Ratan Tata and the entire management of the Taj, handled the aftermath. It was the most mature response to an event of that magnitude. What left most people spellbound was that within three weeks of the attack, the Taj once again opened its doors to welcome guests. It was symbolic of defiance coupled with courage. Secondly, the response towards their employees. Typically, when two-thirds of a hotel is closed down, any organisation would retrench some part of its employee-base, as large as 1,800 people. However, the Taj didn't. Not a single person was retrenched. Instead, the period was used to further train the employees and raise service levels. Many were transferred to other Taj properties so that they could continue their good work. Lastly, the manner in which the Tatas decided to take care of the families of the deceased, not only the employees but also from the public at large, was beyond normal expectations.

These lessons go far beyond a win-win solution or strategy. They were far beyond any economic or even ethical considerations. They were in the realm of morality, and bordered upon spirituality. An acknowledgement of this came from a person no less than the President of the US. In 2010, during his historic 10-day visit to India, President Barrack Obama chose the Taj as his residence in Mumbai to show his solidarity with victims of 26/11. During the visit, he said, "To those who have asked whether this is intended to send a message, my answer is simply, absolutely!"

Beyond the call of duty

The employees of the Taj went way beyond the call of duty to save as many guests as possible. Krishna Kumar, then VC, Taj Hotels, remarked that all employees knew the exit routes. However, it was beyond his comprehension, that in spite of that, not a single employee gave in to the natural survival instinct and left the premises. Karambir Kang, then GM, Taj Mumbai, called them the real heroes of the Taj. Even before the NSG commandos could formulate a strategy to safely evacuate the guests out of the premises, the employees had used their prudence and ensured that they were in safe areas, until help arrived.

Chef Hemant Oberoi's valiant team formed a human chain to protect 60–70 guests while escorting them from Wasabi, the Japanese restaurant, down the spiral steps into the kitchen, and out. Thomas Varghese (head waiter), Vijay Banja (executive chef), Hemant Talim, Kaizad Kamdin and Zaheen Mateen (chefs), and Rajan Kamble (engineer), employees serving the hotel in different capacities for many decades, voluntarily faced the line of fire while evacuating guests through the exit routes of the labyrinthine Taj. They laid down their lives by blocking the gunmen's path, and were spewed with bullets from those vengeful weapons.

The author has been visiting scholar, Harvard Business School; and fellow, Harvard University. His column is based on various extracts taken from his book Win-Win Corporations *published by Penguin Random House, 2017*

Mallika Jagad, the 24-year-old banquet manager for the Unilever event, and her team, used their extraordinary presence of mind, switched off the lights and bolted the doors of the banquet room where the event was on. For over a dozen hours, she and her team took care of the guests who were ducking and squatting below the tables. Finally, in the early hours of morning, they were rescued by the fire crew through the windows. And who can forget Karambir Kang, the 40-year-old GM of the Taj? His heroic leadership of the hotel, not only got it the Best Overseas Business Hotel Award, but also universal appreciation for making the best possible efforts to save the lives of thousands of guests, even when his own family, wife Neeti and sons Uday and Samar, were getting asphyxiated on the sixth floor of the Taj. "You know, at that time, we didn't know the magnitude of the attack, and the number of gunmen. Were they four or 10? But in spite of that, in the given circumstances, we just took the right decisions with whatever knowledge we had. We all felt responsible for each other and for our guests. It's not that somebody was telling them to do whatever they did. But, independently, in different pockets of the hotel, they all acted the same way. It was remarkable." He believed that what happened that day was a tangible expression of the employees' belief that the Taj was their family. The place had given them livelihood, made their lives, educated their kids, and enabled them to build their homes. "The Taj is like a temple. It's revered by the staff."

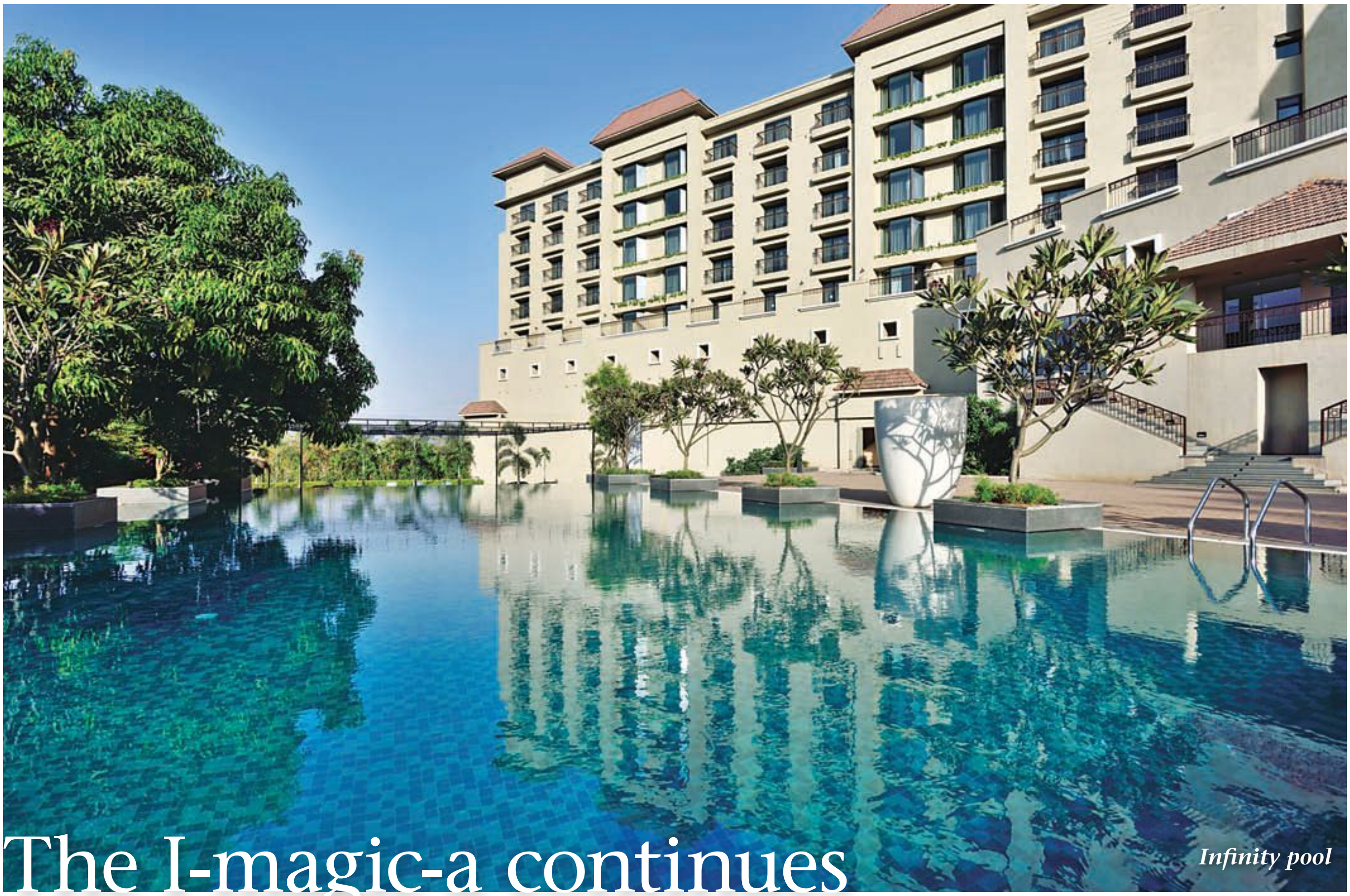
"The reason my people created those human chains and essentially put themselves in between the terrorists and the guests was that they considered this hotel as their home. You cannot come to my house and you cannot harm my guests because they are my family. It was a direct manifestation of the Indian philosophy that the guest is God," said Raymond Bickson, then group MD, who was himself stuck inside his office for nearly 16 hours. Ratan Tata, Krishna Kumar, and all the senior people from the company were standing helplessly on the pavements outside not knowing what was going on inside, or how many people had been killed. Hundreds of employees from other shifts had flocked to the venue, and were squatting on nearby roads.

Like family

Post 26/11, a lot of requests for help was came in from people, in hospitals, and the Taj was paying for this. There were some people who had nobody to pay their bills. There was this dilemma as to whether the patient was connected to the tragedy at the Taj in any way. At that time, Krishna Kumar walked into the crisis room set-up to handle emergencies with a message from Ratan Tata: the Taj should not distinguish while helping people, whether security forces, police, fire service, hotel employees, guests of the Taj or the general public, whether killed or wounded. Tata had decided to form a trust to pay for everybody injured in the city during 26/11.

The Taj Public Service Welfare Trust was announced on 15 December 2008, only 17 days after the disaster. Besides IHCL, the Sir Dorabji Tata Trust and Sir Ratan Tata Trust committed a significant initial contribution to the newly formed trust. Ratan Tata himself was a part of the board of trustees that included Krishna Kumar and Raymond Bickson, among others. Tata instructed the team to go to every hospital where the injured were being treated. If the hospital hadn't taken care of the bills, the Taj would do the needful. Besides a number of other relief measures, the company decided that the families of the Taj employees, who died during the attack, would be paid their deceased members' salaries for the rest of their lives, as well as all medical benefits, and education for dependents up to the age of 24.

"We may have been knocked down, but not out," Ratan Tata avowed. To communicate a message resonating this spirit, Taj ran a three-part communication campaign 'Taj Forever', which aimed at healing, moving forward, and for communicating to the world that 'Taj is Forever'. The weekend before the Taj was reopened, a staff-only programme was organised where spiritual leaders from all major faiths conducted prayers and healing rituals. For 45 minutes, the names of all 1,700 employees of the Taj Mumbai were read out to appreciate the unity with which they stood behind the company. "Just to hear all our names echo in that hall was so reaffirming. It united us in a way that went deeper than the usual team-building programmes," reminisced Bickson. The next day, 1,000 people, including guests, friends and family applauded for 15 minutes, tears streaming down many faces, as the 540 Taj employees who were on duty on 26/11 strode proudly through the lobby on a red carpet. They were the real heroes of a real adventure – the game called life. ◆



Infinity pool

The I-magic-a continues

Novotel Imagica Khopoli has entered its third year with more offerings and a double dose of confidence

About three years ago, when 287-room Novotel Imagica Khopoli was launched, Srinivas Srirangam – general manager questioned: "will people come to this hotel far away from Mumbai in the industrial zone of Khopoli?" A launch specialist, having opened Novotel Hyderabad and Novotel Calcutta in his 14 years with Accor, a skeptical Srirangam did recognise the potential for a theme hotel.

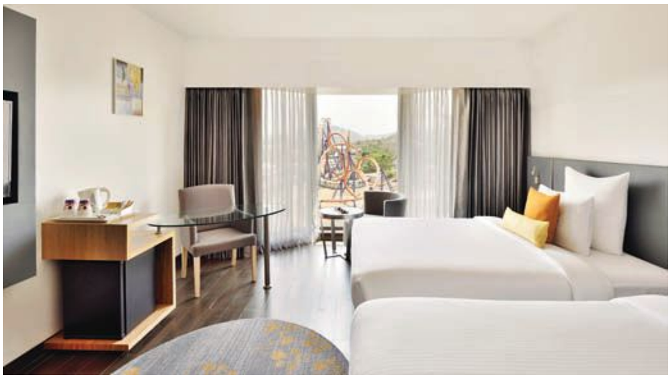
Cut to today, he sits back reassured of the footfalls and rightly attributes the success of AccorHotels' first theme park property to proximity to India's premier theme parks – Imagica, Water Park, & Snow Park. "MICE is a big contributor too," he quickly adds.

The going has not been that easy. Srirangam openly details the logistical challenges. "It is so far from the city of Mumbai!" Khopoli is a small town, and not necessarily a good source of workers and supplies. Further, he explains that people who come to the park have average spending power and may not be their regular patrons. "A family of four spends ₹6,000 in the park. Stay in our hotel (two rooms with meals) can cost ₹15,000-₹20,000; averaging ₹25,000. You can go to Dubai with that amount!" He does have a point.

To attract families, especially over the weekends, the hotel has turbo-charged its in-house activities and introduced packages with the theme park. Guests can participate in interactive sessions of storytelling, swimming classes, craft, painting and clay art, and even karaoke. Recently, they invited guests to participate in pre-Christmas cake-mixing. They have a gaming area with foosball, pool, darts, carom, chess and table tennis. Integrating the theme parks as well, VIP guests staying at the property get special express entries to the rides, special assistance and view to watch the parade and a personal guide through the park.

Srirangam: fun maestro

The hotel is most known for its brunch service. "We have 30-40 people coming from Mumbai and Pune only



Classic Family Room

The Square At Novotel Imagica Khopoli

Preparing for Christmas

The character brigade

Segway fun

for the weekend brunch. For ₹1,799 you listen to some good music, eat great food and spend time in the pool from 9 am to 4 pm," says Srirangam.

Believing in the concept that food is an array of innovative creations and the kitchen is a place to let your imagination loose, the chefs at the resort prefer experimentation. "It is said a family that eats together stays together and the resort has certainly kept the needs of children in mind while designing their cuisine."

Understandably, the footfall is very low on weekdays. On these days, the hotel focuses on MICE and weddings. MICE/weddings contribute 62 per cent to the business. Long stay corporates (foreigners who work in the Khopoli area) make up 2-3 per cent. Road shows were held in Hyderabad, Bengaluru and Ahmedabad to showcase the hotel. The hotel has hosted quite a few biggies – Google, Deloitte, E&Y, Schafler, Audi, Siyaram and Sebi to name a few.

Seven-star service

Catering to diverse expectations is not easy. "We service guests who have travelled abroad, been to Disney, and people who have never ever been to a theme park or theme park hotel."

The hotel's average daily rate (ADR), a metric widely used in the hospitality industry to indicate the average realised room rental per day, is quite comfortable, too. Srirangam gives the numbers: "Through the year we have 80% occupancy and average ADR of ₹6,500. On good days we go up to ₹12,000-₹14,000."

The hotel maintains its objective of seven-star service, though it is not termed a 'luxury' property. According to Srinivas, "Luxury is about how good the service is." He measures the success of his hotel by people's laughter and children's happiness than by an expensive chandelier or Italian marble in the lobby. "We make you feel at home. You and the kids are free to do what you like." For him and his team, guest engagement is key.

In fact, the hotel was recently awarded the "Best Integrated Resort of The Year" Category at the *Lonely Planet* Magazine's Travel and Lifestyle Leadership Awards 2017.

◆ BERTIE D'SOUZA
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Projecting a positive image

An ownership policy for PSEs would help in running them on professional lines

Public sector enterprises (PSEs), also known as 'state-owned enterprises' (SOEs), are vital constituents of the major economies of the world. In many countries, their contribution in terms of GDP, employment generation and socio-economic development is noteworthy. From time to time, difficult situations arising out of external factors like the wars of 1960s, oil crisis of 1970s, collapse of the Soviet Union, East Asian currency meltdown and the global financial crisis of 2008, which is still lingering in many countries in Europe and North America, have proved that the unbridled free market economy did not possess the magic wand to correct the weaknesses in the economy.

"There also is not a single case on record in the history of any country that has developed through adherence to 'free market' principles, certainly not the US", observes distinguished scholar Noam Chomsky. It has also been found that capitalistic structure alone can be averse to a nation's growth, as it is earmarked with instability and upheavals. This has further led to the realisation that capital in the hands of the state is the preferred option, rather than capital in private hands.

Good governance of PSEs, therefore, has become an essential imperative to promote planned socio-economic development of the country. The ongoing changes the world over have also led to the growing importance of corporate governance practices based on the pillars of accountability, transparency, integrity and responsiveness. Further, PSEs, being state-owned, are often identified with vague, complex or contradictory objectives, as the regulator and the owner are the same and, therefore transgress in each other's roles. This creates a paradox in the public mind towards their sound corporate governance practices. There is, therefore, a need for clear demarcation in the role of the owner and the regulator, by the formulation of an ownership policy. "The government should develop an ownership policy," observes OECD. "The policy should *inter alia* define the overall rationales for state ownership, the state's role in the governance of SOEs, how the state will implement its ownership policy, and the respective roles and responsibilities of those government offices involved in its implementation".

U.D. CHOUBEY

The author is director general, SCOPE

Why ownership policy? A well-documented ownership policy defines in detail what the ownership entity seeks to achieve through the SOEs and how it will implement the same. This will help in the elimination of confusion and gaps pertaining to lines of ownership and defined lines of transparency and accountability. It also helps to avoid the usual pitfalls of passive ownership and improves the governance structure of SOEs, minimising control and interference in day-to-day commercial decision-making. It provides greater powers to the board, which serves as an effective tool for communication, to the public at large, about its objectives and long-term commitment. This is communicated effectively to the myriad stakeholders of the organisation. Besides, it ensures equitable treatment to all stakeholders.

International experiences Many OECD countries have provided a clear statement of the state's overall objective as an owner and what it expects from them. According to OECD's 'transparency & accountability guide for state ownership', the Swedish government's ownership policy has the overall objective to create value for the owners. Similarly, in France, the objective is to contribute to a better valorisation of the state's share in an SOE. In the UK, the objective is to ensure that the government shareholding delivers sustained positive returns. The cost of capital is returned in overtime within the policy, regulatory and customer parameters set by the government by acting as an effective and intelligent shareholder, whereas achieving economic societal result is the core purpose in Finland.

In New Zealand, the four overarching goals comprise: to be clear with PSE boards about shareholding expectations, to provide stakeholders with enhanced value performance through benchmarking, develop appropriate capital structures and to ensure that requests for capital are in line with business needs.

The ownership policy in Norway ensures control of natural resources and revenue that can be used for the good of society. It includes, *inter alia*, policy declaration, important political objectives, sector independent consideration that companies must take into account. It also includes objectives for the ownership of individual companies, their commercial objectives and required rate of return, the capital asset pricing model, companies with sectoral policy goals and the companies reporting and administration. Norway focusses on professionalism and emphasises equal treatment of shareholders.

Committee on corporate governance SEBI's Uday Kotak Committee on Corporate Governance has appreciated the prominent role played by Indian public enterprises and also acknowledged

unique challenges faced by them that make their governance more complex than in the private sector, given that:
• Most PSEs pursue multiple and diverse objectives in line with their broader social welfare objectives;
• PSEs may also have certain structural issues arising due to conflicts of interest that are inherent in cases where the same entity is both the owner and regulator; and
• decision-making in PSEs is protracted, owing to accountability at multiple levels. Nonetheless, there is a need for moving to enhanced governance standards.

The committee recommended that the government should assess and examine the broader issues related to PSEs governance in particular ownership structure for the government stake.

The committee concluded that, while the issue related to governance and ownership structures requires more consideration and detailed analysis, the following guiding principles must be kept in mind for such assessment on this subject:
• Establish a transparent mandate for PSEs and disclose its objectives and obligations;
• Ensure independence of the PSEs from the administrative ministry; and
• Consolidate the government stake in listed PSEs under holding entity structure(s).

It is, therefore, apparent that the need for a structured ownership policy is also being recognised in the country.

Developing an ownership policy For developing ownership policy in the Indian context, the government needs to develop a document defining the objectives of the PSEs – both commercial and non-commercial – and what it expects from them. It should also include obligations of the state as an owner. The document should be a short but high-level paper, clearly outlining the measurable targets/objectives of the PSEs.

Developing an ownership policy should involve wide consultations and would require a survey of the existing document available with special relevance to PSEs. While documents, such as the memorandum of understanding, DPE guidelines, companies' act and SEBI provisions are specifically applicable to government companies, other documents issued by various departments from time to time, including CVC, CAG, CIC, etc, could be among the many documents that can be referred to while formulating the ownership policy.

An independent committee consisting of representation from DPE, SCOPE, academicians, government and international experts on corporate governance could be formed for developing the ownership policy. Regular interactions should be organized, so as to gain a broad perspective and objectives of the state, as an owner, and its functions and responsibilities in fulfilling the ownership function. Regular interactions should also be held with stakeholders such as vendors, creditors, other shareholders, employees etc, so as to gain their perspective on ownership policy. This would increase the level of acceptance by key stakeholders and market participants.

The policy document should outline the role and key functions of the ownership entity as well as SOE board, appointment of auditor, management remuneration, etc. Given the magnitude of operation, targets ranging from commercial to social should be incorporated. These targets are set after adequate discussion with all relevant bodies/authorities that are involved/attached to the government. To fix more realistic targets, it is necessary that a PSE and its board are also involved. In order to develop objective accountability, a performance indicator should be developed, so as to make measurements more objective and accurate. Processes and systems should be developed in order to ensure transparent and adequate disclosure by PSEs.

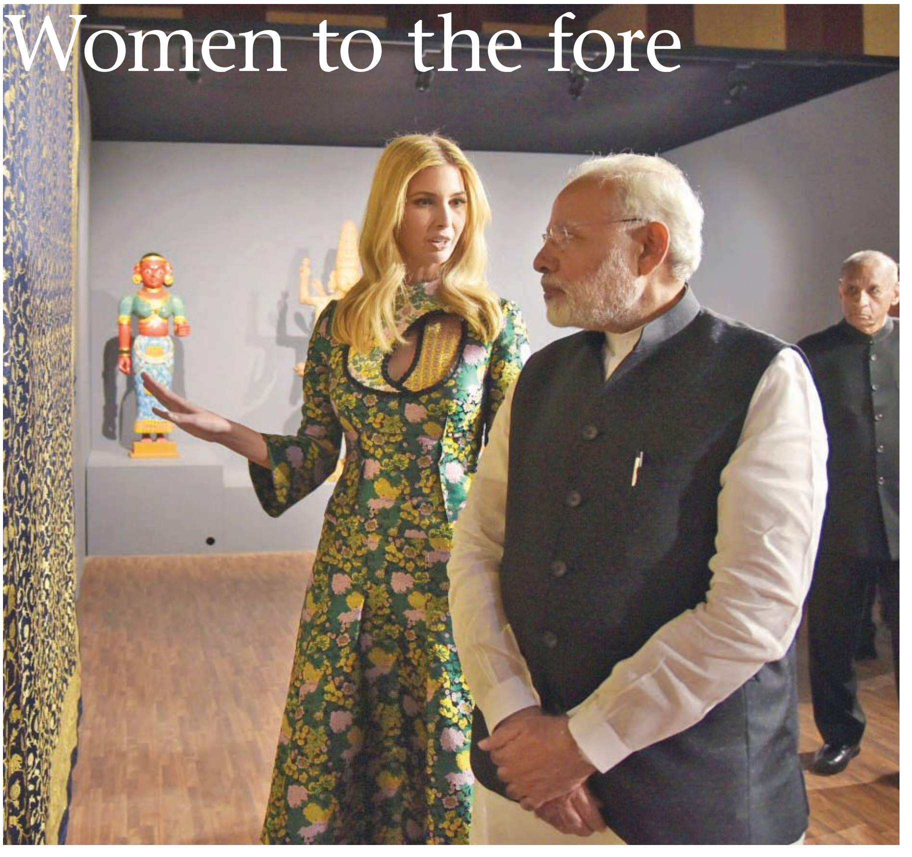
Once the draft of the policy is ready, it should be circulated within a closed group (including adequate representation from PSEs), so as to receive their inputs and make the necessary changes, if required. On finalisation of the policy, the same should be put forth to the government for its assent and should be tabled in Parliament before the policy is implemented.

One of the most significant elements of an ownership policy is its public disclosure. The policy, once developed and approved should be placed on all plausible public portals of the government and its departments, PSEs' websites, etc, so that the document is accessible to the general public.

Implementation of the policy This is of the utmost importance, so as to ensure its success. Hence, it is important that awareness workshops, training workshops and seminars are organized under the guidance of government so as to spread awareness about the policy and what it stands for. Seminars and training workshops could be organised by the government to assist PSEs and other stakeholders in undertaking the policy and implementing it.

A well-documented ownership policy will provide a sound foundation for improving transparency and accountability. It would also help in forming a yardstick/benchmark for measurement and improvement of performance of PSEs thereby ensuring a level playing field and equitable treatment to all stakeholders. This is a mammoth task and would require concerted efforts. It needs to be developed in consultation with all and with the involvement of international organisations and experts. The policy would help in running PSEs on sound professional lines, achieving best practices of corporate governance as well as in branding India as an informed owner, thereby leading to an overall positive image of the country. ◆

Women to the fore



Modi uses GES to hard-sell India

Launched by former US president Barack Obama in 2010, the Global Entrepreneurship Summit (GES) is an annual convention that gathers emerging entrepreneurs, investors and supporters from across the world. This year's summit: *Women First, Prosperity for All*, was co-hosted by NITI Aayog and the US state department in Hyderabad. Being held in South Asia for the first time, the GES was attended by over 1,500 delegates from 100 countries. Naturally, over half of the entrepreneurs, investors and ecosystem supporters at the summit were women. The choice of the City of Pearls for holding the GES was apt: the new state of Telangana has just notched the first rank among states in the ease of doing business. Besides, Hyderabad is where American corporate giants like Boeing, Facebook, Apple, Microsoft, Google and Über have located their India head offices.

What lent a touch of personal diplomacy to the event was the presence of Ivanka Trump, 36, as head of the US delegation. Many saw it as a sign of her father, US President Donald Trump's outreach to India, illustrating the growing warmth in ties between India and the US. In her keynote address, Ivanka, who holds the post of advisor to the US President, was effusive in her praise for Prime Minister Narendra Modi's leadership, noting that "from your childhood selling tea to becoming prime minister, you've proven that transformational change is possible". On his part, Modi talked up bilateral relations, saying the GES 2017 "not only connects Silicon Valley with Hyderabad but also showcases the close ties between the US and India".

When Trump took office, there were doubts about whether ties between the world's oldest and largest democracies would follow the path of co-operation set up by Obama. The doubts were put to rest during a meeting between Trump and Modi in Washington in June with the two leaders affirming a strategic partnership between their nations. It was announced after this meeting that Ivanka would come to India as the head of the US delegation for the GES. Former foreign secretary Lalit Mansingh, who also served as India's ambassador to the US during the Clinton presidency, says that India hosting the GES was significant for several reasons. "It announces the importance of India as an economic destination and signals India's arrival on the world stage as a country with considerable economic standing."

There was some controversy about Ivanka heading the US delegation. The First Daughter has been criticised by much of her country's media as an imperfect choice to speak on women's issues. While she has called for more support for working women around the world, a section of the American media has previously raised questions about work conditions for labourers, in India and other Asian countries, who make clothing for her fashion lines – an issue on which she's remained silent.

Yet the Trump establishment believed that Ivanka was the right choice and rose to the occasion. Heather Nauert of the US state department said at a news conference: "We are certainly proud of what she's been able to accomplish, and I can think of no better representative for the US government to talk about women entrepreneurship than her." President Trump himself tweeted approval of Ivanka's participation: "Great work Ivanka".

But it wasn't just a celebration of women power or Indo-US ties at the GES. Modi used the event for hard selling India as an attractive investment destination, urging foreign investors to become partners in the country's growth story. Addressing the inaugural session, he highlighted the steps India has taken to improve the ease of doing business and expressed New Delhi's resolve to improve its ranking from 100, designated by the World Bank, to 50. "We have improved on indicators like dealing with construction permits, getting credit, protecting minority investors, paying taxes, enforcing contracts and resolving insolvency. The process is not yet complete."

The PM said credit rating company Moody's Investors Service raising India's sovereign rating from Baa3 to Baa2 in almost 14 years is a recognition of his government's efforts.

"Nineteen incubation centres have been created in various institutions and universities to nurture innovative start-ups and businesses to become sustainable," he added.

The Hyderabad International Convention Centre and the HITEC City area, where the three-day event took place, turned into a virtual fortress with over 10,000 security personnel, including commandos, guarding roads, hotels and the venue. In preparation for the event, Hyderabad, a city with a population approaching 9 million, was transformed overnight, with the Telangana government pitching in to make elaborate arrangements for the big event. New roads were built; bridges and buildings across paths that the summit delegates took for sightseeing to historic venues were given a fresh coat of paint. All around, rainbow coloured lights were installed and murals with messages about India's transformation erected. Hundreds of beggars, who throng the city otherwise, were sent to "rehabilitation centres". Even the sighting of stray dogs became rare.

Bridging the gender gap

Ivanka shared the limelight on Day 2 with Cherie Blair, wife of former British Prime Minister Tony Blair. Both made a strong pitch for adoption of technology to bridge the gender gap and boost women entrepreneurship across the world at a plenary session on 'Innovations in Workforce Development and Skills Training'. Other participants highlighted the gender gap in workforce and called for nurturing an ecosystem to provide equal opportunities for women to hone their entrepreneurial skills.

Ivanka said that having equal representation to women and diversity in entrepreneurship was financially beneficial to both the families and society. "Out of every dollar earned by women, 90 cents goes back into their family income," she said. She called for a comprehensive public policy to encourage more women in the workforce, through a number of initiatives, including technology support, financial support and taxation policies.

Blair, who heads the Cherie Blair Foundation for Women, explained how she used to balance her job as an attorney with the responsibilities of being wife of a prime minister, thanks to the technology. She said there was no need for women to feel inferior to men; in fact, they were far superior to men in many aspects, if they got access to technology. However, she noted, "India has one of the lowest rates of female labour force participation in the world. This is a huge potential gap."

ICICI Bank managing director and CEO Chanda Kochhar said women in India were making it to the top in the corporate world. She pointed out that India had produced women in sports like wrestling and gymnastics that were considered the male domains. "India has women fighter pilots. The Indian Navy has started an all-women expedition. Today, India has a defence minister who is a lady. India has senior ministers who are ladies," she said.

Striking a personal note, she said,

If India closes the labour force gender gap by half, your economy could grow by over $150 billion in the next three years

"In India, 40 per cent of the banking sector is headed by women. In our bank alone, out of one lakh youth trained under skill training initiative, 55 per cent are women. Over 60 million women in India were leading the self-help groups involved in small savings and rural entrepreneurship."

Today, more than 11 million women in the United States own businesses. They employ nearly 9 million workers, and generate over $1 trillion in revenue. However, in developing countries, 70 per cent of women-owned small and medium-sized businesses are denied access to capital. The result has been a nearly $300 billion annual credit deficit for women entrepreneurs in the developing world. In some countries, women are not allowed to own property, travel freely, or work without the consent of their husbands.

A positive outcome of the GES was the decision by NITI Ayog to set up a cell focused on offering financial support and mentorship to women entrepreneurs. The cell, to be called Women Entrepreneurial and Innovation Cell of NITI Aayog, will be headed by NITI Aayog advisor Anna Roy, and will offer women financial support through the ₹10,000 crore Fund of Funds and Mudra microloan scheme apart from mentorship in scaling up. The decision follows a NASSCOM report released this month which said that women entrepreneurs constitute only 11 per cent of Indian start-ups. Also, the women-focused venture capital fund Saha Fund said only 3 per cent of women entrepreneurs have received VC funding.

Lending glamour as well as cerebral content to the event were newly-crowned Miss World Manushi Chhillar, star woman cricketer Mithali Raj and ace tennis player Sania Mirza. From the government's side, Sushma Swaraj and Nirmala Sitharaman made a strong statement about how far Indian women had come in breaking the glass ceiling in public life. Swaraj welcomed the delegates and hailed the Ivanka-led US delegation for their efforts to promote an entrepreneurship programme on a global level. "I would like to thank Ivanka Trump, co-host of this summit. She represents energy and the spirit of an entrepreneur that characterises the youth of today. I have no doubt that under the leadership of PM Modi and President Trump India and US relations will reach new heights and contribute to global peace and prosperity."

Ivanka stressed on how significant it had been in the past few years for women to be part of the entrepreneurial drive the world had witnessed. "Fuelling the growth of women-led businesses isn't simply good for our society – it is good for our economy. Just consider, if India closes the labour force gender gap by half, your economy could grow by over $150 billion in the next three years." ◆

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SANJAY BORADE

Gagan Rai

Date of Birth: 09.07.1955

Education: SR College, Delhi; MA (Economics); ICWA, Certified institute of Bankers; Diploma in Project Finance

Career: IDBI; CARE; NSDL, executive director, 1995; MD and CEO; NSDL e-Governance Infrastructure Ltd, CEO & MD, 2008-till date

The national custodians

For a lover of the old Hindi Bollywood songs of Mohamad Rafi, Hemant Kumar, Mahendra Kapoor and Lata Mangeshkar, Gagan Rai is very much abreast of modern technological advances in Information Technology, including block chain and artificial intelligence. Aspiring to build NSDL eGovernance Infrastructure as a custodian of national records, Rai is already looking at diversifying into digitisation of land records. Admitting that "we have not started any formal dialogues", he feels that this will be a really big opportunity for the company. However with transfer of land (other than agriculture), registration of deeds and documents being a concurrent subject, the consent of each state is required for digitisation of records. Once it is done, it would however ease a lot of problems relating to transfer of immoveable properties. Title verification is one of the biggest challenges and in the US there are insurance products which underwrite 'title guarantees'.

The digitisation of land records is indeed an ambitious and a highly challenging project. As and when it happens it could well change the way transfer of immoveable properties is done. Currently, the search and validation of titles especially those in rural areas takes as long as 3-6 months. And even then one is not sure if all the records have been properly declared. But Rai has never shirked taking on challenging projects right through his career spanning over three-and-a-half decades.

Doing away with physical shares and trading in the electronic mode was a transformational reform in the capital market. However the formation of the NSE and NSDL in 1995 ensured the demise of trading in physical shares along with numerous problems. Rai, who was handpicked by Dr R.H. Patil from IDBI to take over as executive director of NSDL, did a meticulous job. But once more than 90 per cent of the shares were dematted and physical trading brought down to a bare minimum, the challenge was met and it only required well laid down processes to be followed.

The institution builders at NSDL started looking around and his team studied the global depositaries functioning to see what else could be done. To their surprise they found that depositories only concentrated on data management related to securities, and focussed on improving efficiencies and processes.

Having fully demonstrated its expertise in implementing a turnkey project on a pan-India basis, NSDL was however chosen by the Central Board of Direct Taxes to implement a tax information network in 2003. This allowed the depository to maintain an electronic ledger of all payments made by taxpayers and received by the exchequer. Tax deducted at source through TIN systems and maintaining an individual tax payment register of tax payers saw tax revenues in FY05 rise by 25-35 per cent. This was without any increase in the tax rate and nearly 3 times the normal growth rate. More importantly, it made tax administration more convenient. "Our aim is to use technology in a practical manner in a bid to provide customers an efficient and transparent service at a low cost," says Rai.

The successful implementation of this system saw the company being chosen to issue PAN card numbers in 2004. On-line tax payment, maintaining the accounts of receipts and refunds made by the income tax authorities was a natural progression for NSDL. The Online Accounting System (OLTAS) also required the linking of banks and setting up a Web portal for tax payers. The board, according to Rai was fully supportive of the diversification moves. Post PAN and TAN the company also got the mandate from the Central Board of Excise for uploading central excise challan data.

From 2005 onwards NSDL continued to grow. It was identified by National Pension Scheme administrators for maintaining its central records. This necessitated maintaining a database and issuance of a permanent retirement account number. It caters to 13 million investors including government officials and bankers.

For every diversification, the company had to go to SEBI and gets its approval. It was probably this more than anything else which saw NSDL being hived off as a separate entity, NSDL Depository, in 2013. The company with the remaining business was renamed NSDL eGovernance. Both companies had identical shareholdings. IDBI holds the majority with 30 per cent. The NSE holds 25 per cent, with the balance held by various banks and institutions. Both companies are growing at a good pace. NSDL eGovernance has an estimated turnover of ₹650 crore and is growing annually between 15-20 per cent. Profit before taxation is ₹180 crore. In FY17 NSDL had securities worth ₹150 lakh crore, as on 31 March 2017. The active demat accounts was 1.58 crore. In FY17 NSDL posted a PBT of ₹124 crore on a total income of ₹200 crore. NSDL, which is sitting on a huge mine of data, has already received a licence from the RBI for launching a payment bank.

NSDL eGovernance, after the demerger, has been taking up various other government's e-governance initiatives. It has launched the system of e-KYC besides hosting other services for income tax departments including the implementation of the National Judicial Reference System. More recently it bagged the mandate for acting as the registrar for the Unique Identification Authority of India which allows it to facilitate registration of residents wishing to obtain a unique identity number based on biometric details (Aadhaar). This service is being done through its enrolments agencies empanelled by UIDAI.

Along with Aadhaar issuance it has also been designated as an agency for facilitating Aadhaar authentication and e-KYC services. Given the deadline of 31 December for all bank account holders to link their cards and 28 February to link their Aadhaar card details with mobile service providers, Rai and his team are working towards the creation of an efficient and easy system to facilitate these linkages. The e-KYC is stored at a central portal/cloud and can be referred by entities such as banks, mutual funds and insurance companies. Other projects include e-services and health applications developed for hospitals to bring in administrative efficiency, online digital signature, etc.

More recently it has launched a system which allows a person to get his will prepared through Web-based portal Ezeewill. Hosted on a state-of the art secured platform similar to other NSDL eGovernance projects, this platform allows a person to provide details of his assets and the name of beneficiaries to whom the assets are desired to be given. The will would be drafted by a team of legal professionals on behalf of the client and sent to him on the payment of the fees which are currently around ₹4,500 per will. It also allows a person to engage in discussions with the legal professional on a phone and ensure that the will is made and properly given to the executor. The succession planning service is relatively new but is expected to pick up.

Two other initiatives launched at the behest of the finance ministry include Vidhya Lakshmi and Vidyasaarathi. The latter is a unique scholarship programme which facilitates the management of the students' quest for getting a scholarship, submission and review of applications and award of scholarship. The funds, proposed to be given as scholarships by various institutions, companies and others are listed on the portal. Vidyalakshmi.co.in is an education loan aggregation portal helping students to apply for loans with various banks using a common application form. "The idea of this entire exercise is to ensure that funds are given to deserving candidates and a proper monitoring and analysis of the portal can be done by central government agencies," points out Rai.

Rai, a merit rank holder in college, was in august company in his college with Arun Jaitely as one of his seniors. Several others of his college mates have become leaders in their own respective fields. Education is something dear to his heart and he says this move, which is essentially a matchmaking platform of seekers and givers, eases the search of students wishing to pursue higher studies.

Given the huge databases one would have expected NSDL eGovernance to have several products based on data analytics for further fine-tuning of governance systems. Rai however says the data belongs to various institutions in the government and without their consent "we cannot do anything". Trust and confidence are the pillars on which the edifice of NSDL eGovernance has been built. And Rai aims to respect that.

A property database is the next big initiative which, once it gets the go ahead, will keep Rai and his team busy for quite some time.

◆ DAKSESH PARIKH

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Steaming growth

Wow Momo wants to become the McDonald's of India

The food business is growing in India. And the QSR (Quick Service Restaurant) segment, has an estimated market of ₹9,000 crore growing at 30 per cent. Of this, the organised sector accounts for only 20 per cent. However with the implementation of GST, the ratio is expected to change. The segment attracts immense investment opportunity. Indian QSR focuses on growing consumer needs, convenience, appetite and affordable pricing. Sagar J. Daryani, an entrepreneur along with his partner Binod Homagai founded Wow Momo Foods Pvt Limited in 2008. This is India's first chain of branded momos. "From ₹56 lakh in the first year, today we have a turnover of ₹52 crore with a CAGR of nearly 40 per cent over the last three years," says Daryani, the 30-year-old co-founder and CEO. "The driver of our success has been quality, innovation, marketing strategy and dedication," he adds.

The success of Wow Momo is worth repeating. Daryani was born in a small business family in Kolkata. His father was a garment manufacturer, who owned a shirt brand 'Aladdin' for men. The fortune of the family fell when his father was cheated by the agents and distributors of his company. Huge debt piled up on him. "I have seen how my parents struggled. Even paying the school fee was a challenge for the family," Daryani recollects. However, gradually the family cleared the debt by selling property and opened a small garment store in Garihat Market in South Kolkata. Daryani helped his father run the store when he was in college. Soon he realised that his standalone garment store was no match for the big malls with a variety of brands to offer. Hence he wanted to start his own business.

While studying B.Com at St. Xavier College, Kolkata, Daryani met his classmate Binod. Both had aspiration to become entrepreneurs. "We had no ambition to go for MBA or appear for CAT exam. Our focus was to set up something on our own," recalls Daryani. Inspired by the growth of Kookie Jar – a well-known bakery in Kolkata – both of them decided to get into the food business. But they had to abandon the idea due to the high investment of ₹25-30 lakh to create infrastructure.

The opportunity came when Spencer's store in Kolkata was looking for shop-in-shop partners to sell food items including momos. The duo met the manager with the momo sample prepared by a known cook for tasting. The manager of Spencer's liked the taste and offered them a 6/6 feet kiosk at Tollygunge, and the journey began with an initial capital of ₹30,000 borrowed from their families. They also hired a part time cook for ₹3,000 to make momos at the Daryani's house garage. They carried them in hot cases to Spencer's. While Daryani would approach every customer entering the store and offer them a taste the momos, Binod managed the counter. The strategy worked well and the duo managed to cover the monthly rent of ₹2,000 for the kiosk from the first few days. Going by Wow Momo's performance, Spencer's management offered them space at South City, a posh shopping mall in Kolkata. "A 9 to 10 foot stall at Spencer's food court at the mall gave us the brand image. Started with a monthly sale of ₹4.5 lakh in 2009, today the monthly sale of the store has increased to ₹9 lakh. This was a game changer for us," explains Daryani. The company today owns 30 delivery vehicles to supply momos to its stores in different locations.

Unique concept

Shah Miftaur Rahman, a friend of Daryani and Binod with a finance background joined Wow Momo as the third partner in 2015. While Daryani takes care of the entire retail expansion and marketing, Binod (32) is responsible for production, R&D and innovation and Miftaur (30) controls the entire finance and HR of the company.

Wow Momo operates out of kiosks,

COMPANY:
Wow Momo Foods Pvt Limited

ESTABLISHED:
2008

FOUNDERS:
Sagar J. Daryani, Binod Homagai and Shah Miftaur Rahman

TURNOVER:
₹52 crore

food courts in malls, quick service outlet, shop-in-shop and high street quick service restaurants in busy commercial locations. It also entered airports and metro stations. At present it has 140 outlets across nine cities – Kolkata, Bengaluru, Chennai, Delhi, Gurgaon, Mumbai, Kochi, Pune, and Bhubaneswar. It includes three airport stores in Kolkata, Mumbai and Delhi and 16 stores at metro stations in Kolkata and Delhi. Soon it will open an outlet at Chennai airport. Kolkata being the headquarters, has the maximum number of 72 stores. The east contributes 50 per cent of the revenue of the company. The average size of an outlet varies from 20 sq ft to 800 sq ft. All stores are owned and run by the company.

Commenting, on Wow Momo, Rakesh Biyani, joint managing director, Future Retail, which owns Big Bazar says, "It is a unique concept. The brand is visible everywhere. They are growing fast with consistent quality."


SAJAL BOSE

Wow Momo has a presence in several Big Bazaar stores also.

The company not only registered a steady growth, but also innovated. Its unique way of serving momo delicacies won many customers. The menu caters to 8 types of momos with 12 different flavours available in steamed, fried and panfried formats largely in white and brown flour variants. It has smartly invented Sizzler Momos, MoBurg (Momo Burgers), Tandoori Momos and Baked Momo Au'gratin. Even their dessert is a 'Chocolate' Momo. It also introduced 'Wow Value Meals' that comes with momo, Thukpa and a cold drink. Wow Momo sells 2.5 lakh pieces per day. It employs 1,500 people. "We offer momo according to the local palates. This is generating interest among customers. Quality and innovation are important factors in the food business," says Binod, co-founder. The company owns a base kitchen for momos in each city for seamless supply. "We make momos under stringent quality parameters. We conform to the guidelines of various food safety standards with a minimum of human handling," adds Binod.

Wow Momo raised its first round of funding of ₹10 crore in 2015 from India Angel Network (IAN) led by Sanjeev Bikhchandani, founder, Info Edge and Saurabh Shristava at a ₹100 crore valuation. The fund was used for expansion. The company added 100 stores in the last two years since the equity funding. "Wow Momo got many things right from the investors' perspective. Great team, scalable concept, growth with profit, strong brand equity and large market," says Bikhchandani. This June, the company raised ₹44 crore as Series B Funding led by Lighthouse Funds at a ₹230 crore valuation for further expansion and to build back-end infrastructure. The company is setting up a state-of-the-art automated facility with a capacity to make 5 lakh momos a day along with a sauce manufacturing unit at a cost of ₹10 crore. "We needed a bigger base kitchen set-up. The new 21,000 sq ft facility at Kasba Industrial Estate in Kolkata, to be on stream next year, will cater to the company's outlets in Kolkata and its surroundings. It will enter the ready-to-eat segment with frozen momos. We are also looking to export to the US and UK markets from this plant," says Binod. The company intends to open 150 more outlets in the next two years.

"Wow Momo presents a great opportunity to participate in the fast growing Indian food services space. What inspired us was that it is a capital efficient model. The company has demonstrated phenomenal growth and earned customers' confidence on a short span of time," says Sachin Bhartiya, partner at Lighthouse Funds. Lighthouse largely focuses on consumer brands. It has also invested in brands like Fabindia, Cera Sanitaryware, Xseed Education, Bikaji Foods, Kama Ayurveda.

"Wow Momo brand enjoys an encouraging acceptance across India. We are a PAT positive company since inception. Investors have confidence in us," says co-founder Miftaur. Promoters hold 80 per cent share of the company including 5 per cent ESOPs and the remaining 20 per cent with investors.

"We are now in an expansion mode. We will add 50-60 stores by next year. The focus is on Tier II cities. Recently we have opened a store in Bhubaneswar. The response is overwhelming," Sagar claims. According to a source, the company is negotiating with Indian Oil to set up Wow Momo kiosks at more than 100 petrol pumps across India. This is expected to roll out in the next three months.

Daryani says that the company has received some tempting offers to sell out but he wants to take the company public in the next 5 years once the enterprise is mature and the management structure is in place to handle the expected growth. He aims to take the company to ₹400 crore with 500 stores pan-India in the next 4-5 years.

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Go camping!

Campper.com offers information and assistance in accessing camp sites in Kerala

In business, timing is an important factor, which can make or break a business. For now, what two young Kochi-based entrepreneurs have started seems to be in the nick of time. Their campper.com, an online aggregator of camping sites in Kerala, has in one year of operation attracted hundreds of users, while Kerala is poised to be rebranded as 'The Land of Adventure'.

Described by users as 'the OYO of camping', the Campper portal has caught the imagination of not just young adventure-freaks but, surprisingly, a large number of families too. From households to collegemates, techies, lovers, girls' groups to families, a new wave of campers is out there to get a different holiday experience.

Till recently, the biggest spoilsport for the campers was the lack of information on camping sites across South India, and especially in Kerala. campper.com, a start-up from Kitco's incubator and founded by Prabil M.J. and Sooraj Rajan, hopes to fill the gap. "Without any marketing or advertisements, we are getting 70-80 bookings every month," says Prabil, who quit a well-paid IT job to co-found Campper. "We have seen three-year-olds to 65-year-olds choosing camping using our web platform."

The website, which has 100-plus campsites listed, has already seen bookings by 900-plus campers in a year. "We are standardising the camp sites in terms of quality and the services provided," says Sooraj, who left his banking job in Singapore to join the enterprise. "Bike riding groups and techies increasingly prefer tents in the recent days. "A good per cent of the tourists who booked through us are families," adds Sooraj.

Kerala's tourism sector, which currently accounts for almost 10 per cent of the state's GDP, is projected to up its share to 20 per cent in the next five years. Total revenue from the sector stood at ₹29,658.56 crore in 2016, with 10,38,419 foreign tourists visiting the state during the year.

Land of adventure

Eco-tourism, which promotes environment-friendly tourism, has been gaining popularity in the state. "The department of tourism is following a robust development plan in order to promote the adventure tourism of the state as it has huge potential and can substantially contribute to the overall growth of the tourism sector," says P. Bala Kiran, director, department of tourism, Kerala. With the focus on developing new possibilities to drive the adventure tourism, the tourism board is keen on working closely with the forest department, he adds.

"Kerala will be rebranded as 'The Land of Adventure' to woo the younger generation by offering them activity and water-based tourism. Moreover, the department of tourism has planned to develop water-based activities like kayaking, cruise tourism, etc. Additionally, the state government plans to develop 10 eco-tourism circuits to connect various forests to promote green tourism," adds Kiran.

According to the Kerala Tourism survey report of 2016, 65 per cent of the state's population is below 35 years of age; hence, the thrust on activity-based tourism. The promoters say that the camping facility will offer an opportunity to landowners to earn extra money. Land owners can earn around ₹200,000 per year by sharing their excess land. "We are also planning to rope in farmers who are ready to provide camp sites and farming experience to the tourists," says Prabil, CEO, Campper. "We believe that spending more time outside has its own health benefits like sharper thinking and creativity to simply being happy," he says. For those who wish to just enjoy a night staring at the stars and doing nothing else, Campper will provide the breakfast, dinner and even the barbecue, he adds.

The company has camp sites in prominent tourist destinations in the state, such as Munnar, Vagamon, Wayanad, Ponmudi, Vandiperiyar, Mankulam, Yellapatty, Chittar, Ramakkalmedu, etc. The camp sites are provided with tents, refreshing and parking facilities. Some of the camp sites are also equipped with Wi-Fi. Homely food is served to the tourists at these camps.

All these camp sites can be booked throughout the year according to individual choice of place and time. The rate starts at ₹999, which includes dinner and breakfast, per person per night. A caretaker will be available in the camp site to support the tourists. Apart from helping the tourists, he will brief them about features of the place and other facilities available there. Most of the camp sites have facilities for trucking, biking, fishing, jeep safari and other adventure tourism activities.

◆ SABIN IQBAL

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NEW ISSUES

Healthy investment

The Ahmedabad-based Shalby Hospitals goes public

In the past two years, over a dozen healthcare and pharmaceutical companies have gone public and most of the scrips are doing quite well. Examples include Narayana Hrudayalaya, HCG (cancer hospitals), Dr Lal's Path Labs and Alkem Laboratories. The latest in this line is Shalby Hospitals, the Ahmedabad-based group of 11 hospitals that focusses sharply on orthopedics (treatment of bone disease).

The promoter of Shalby group is Vikram Shah (an orthopedic surgeon with over 25 years of experience in clinical practice), ably assisted by his son, Shanay Shah (who has a degree in business management). Put together, the group has about 2,000 hospital beds, of which about 800 are operational, while the rest are ready to go on stream within a relatively short time.

This can work both ways – a well-run hospital, whose market share is growing rapidly, would be able to accommodate more patients quickly and generate higher revenues. For a less fortunate hospital, the investment into the future can mean increased debt and interest outgo, thus stretching its finances.

The Shalby Hospital IPO comprises of a fresh issue of about 19.5 million shares, at a price band of ₹ 245-248, plus an offer for sale of 1 million shares, currently held by the promoter group. The fresh issue component therefore comes to ₹480 crore, of which ₹348 crore would be used for retiring a part of the existing debt, while the rest would be allocated towards purchase of medical equipment and other needs of the new hospitals being built by the group.

Vikaram and Shanay Shah: growing rapidly

SHALBY HOSPITALS
ISSUE SIZE ₹480 crore fresh issue (about 19.5 million shares), plus OFs of one million shares
PRICE BAND ₹245-248 (face value ₹10)
DATES 5-7 December 2017
PROMOTERS Dr Vikram Shah & family
LEAD RUNNING MANAGERS Edelweiss Financial, IDFC Bank, IIFL Holdings
REGISTRARS Karvy Computershare

Before the IPO, the shareholding was as follows: Promoters: Vikram Shah (8.73 million shares: 9.85 per cent); Darshini Shah (3.01 million shares: 3.4 per cent); Shanay Shah (137,525 shares); and Shah Family Trust (43.32 million shares: 48 per cent); adding to a total promoter holding of 86.76 million shares (97.87 per cent). It is not clear whether the one million shares for the OFS would come from the Shah Family Trust or Vikram Shah's personal holding. After the IPO, the promoter group's holding will drop to 79.4 per cent, but they will have to dilute further to bring the public float to 25 per cent within three years of listing.

The company's financial performance until now is also satisfactory, within the limitations of the healthcare industry. Its topline revenue for 2015-16 was ₹289 crore (EBIDTA: ₹39.3 crore) and the corresponding figure for 2016-17 (nine months ended December 2016) was ₹240 crore (EBIDTA: ₹41.32 crore), which is broadly in line with the industry average.

Leadership position

Healthcare companies go through phases of expansion and consolidation, sometimes spanning cycles of two-three years. Thus, during the expansion stage of any healthcare or hospital company, the EBIDTA and PAT numbers would move south, giving the impression that the company is not doing well. Hence, investors in hospital firms including Shalby would be well advised to consider a three-year horizon while making an investment decision.

Shalby has built for itself a leadership position in the field of hip and knee joint replacement surgery, not just within India but also in the world. Considering that there are only a few major hospital chains in India that have focussed on bone disorders, Shalby is well placed to take advantage of the growing number of arthritis cases in the country. The only other names that come to mind are Sancheti Hospital based in Pune and MIOT Hospital in Chennai, neither of which are as widespread as the Shalby group.

Likewise, with six of its hospitals located in different cities of Gujarat, Shalby is the largest single chain of private hospitals in that state. Its closest competitor is Sterling Hospitals with four properties, followed by two Zydus Hospitals, while Apollo and Narayana Hrudayalaya have one establishment each.

Apart from being present in five states, they are also diversifying their position in other medical fields such as cardiology (heart disease), even as they strive to maintain their position in joint replacement therapy.

◆ SUMIT GHOSHAL

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OVERVIEW

Even as the winter creeps in...

... all eyes are on RBI and the Gujarat elections

RAJAN ZAVERI

Mumbai, which houses the two largest stock exchanges, has not as yet been enveloped by the cold, though a drop in temperatures to 18 degrees on the last day of November did cause some shivers. However, winters are short-lived, at least in Dalal Street.

The Sensex dipped 453 points on the last session of the month to close at 33149 – down nearly 450 points since 1 November. Two factors which saw sellers join the party were the reports of the fiscal deficit widening to ₹5.52 lakh crore during April-August. This translates to 96 per cent of the 2017-18 target. Lower taxation and the inability to cut rising expenses contributed to this rise. However, the government has proposed maintaining the overall deficit at 3.2 per cent of the GDP in 2017-18. This news came on the last Thursday of the month, which was the F&O settlement date.

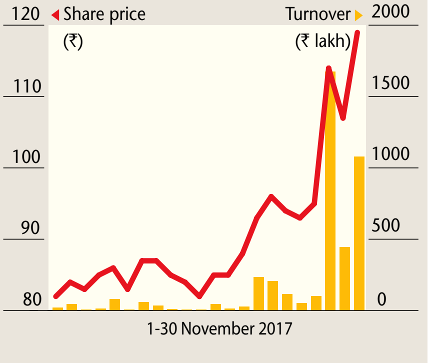
The good news, which came after the market closed on the last day of the month, was the rise in GDP growth to 6.3 per cent in the quarter July-September 2017. While it was still below the 7.3 per cent growth recorded in the comparable quarter last year, it was better than the 5.7 per cent recorded in the first quarter April-June. Analysts feel that the acceleration in the growth witnessed in this quarter is an indication that the economy has shrugged off the pains of GST and demonetisation. A similar growth in the next two quarters could probably see the country ending the year with a GDP growth of over 7 per cent. The core industries have seen a growth of 4.7 per cent – largely aided by steel production of 8.4 per cent growth in October. Cement growth has yet to take off.

On the macro front, going forward, one visualises better days. The Sensex, from 1 January till date, has given returns of 25 per cent and expectations of better returns have seen FII net investments in November rise to ₹20,000 crore, taking the year to date investments to nearly ₹59,000 crore. The mutual funds investments in the equity market have risen to over ₹1,00,000 crore – ₹1.06 lakh crore, to be precise. It is this expected recovery in the economy which is being reflected in the share prices, along with expectations that the earnings growth will improve significantly in 2018-19. The manufacturing PMI Index has also improved to 53.6 in November from 50.3 in October.

Tea time

Meanwhile, on the corporate front, a fair amount of development is witnessed in the non-index shares. In the case of tea companies, the expected decline in tea production, following the lower production in Kenya and Sri Lanka (which account for almost a fourth of the total tea consumed globally) has seen a surge in tea prices. India, which is one of the largest consumers of tea and also the second largest tea producer, is expected to see a modest increase in tea production in 2017. In October, the production was up by 17 per cent. The increase in tea prices of higher volumes has seen most tea companies' shares being rerated. Tata Global, Harrison Malayalam, Jayshree Tea, Goodricke, Mcleod Russel all touched 52-week highs in the last few days. Goodricke was at ₹545 midway through the session on 1 December, while Mcleod Russel was at ₹248, Tata Global at ₹292 and Jayshree Tea ₹144, with Harrison Malayalam also touching a high of ₹125 – all on the last day of November. Hindustan Unilever made a 52-week high on 14 November. Of course, the company also sells soap and detergents, besides having an exposure to food products and frozen desserts. Tea shares are likely to become favourites like sugar shares last year.

Harrison Mal



Gain: **45**% / Marketcap: ₹**220** crore
52 week Hi ₹**125** (30/11/17) / Lo: ₹**60** (5/12/16)

However, the strong consumption trend in the economy has also seen some remarkable turnarounds. Butterfly Gandhimathi, the Chennai-based company, in which the Reliance private equity (ADAG) group holds about 14 per cent equity, has seen the company report an EPS of ₹1.62, against a negative EPS of ₹5 in the first half of 2017-18. The company, which is into domestic appliances too, has seen total income go up from ₹265 crore in 2016-17 to ₹297 crore in 2017-18 during April-September 2017. Shares touched a 52-week high of ₹518 on 30 November.

Crompton Greaves Consumer Electricals saw the share prices recording a 52 week high of ₹292 on 24 November. Spun off as a separate company from Crompton Greaves (now CG Power & Industrial Solutions), the company's shares have gained over 100 per cent since its low of ₹137 in December 2016. The company has posted a 23 per cent growth in PAT in the quarter ended September. In both quarters, it has maintained PAT margins at over 7 per cent. The company's focus on selling premium fans has allowed it to increase its market share in an industry, which has shown a decline over the last 10 months, post demonetisation. Lighting, which is their second big growth area, has also seen a healthy growth, with its focus on LED paying off.

Bajaj Electricals and Havells India, two other major companies in the fragmented industry of lighting and brown goods, have also recorded 52-week highs, recently. Bajaj Electricals recorded a 52-week high of ₹500 on 28 November, while Havells recorded a 52-week high of ₹564 on 23 October.

Another turnaround company is Mirc Electronics, better known by its brand name Onida. The shares of the company hit a 52-week high of ₹55 on 30 November – from a low of ₹11.75. The company, which is into TV and air-conditioners, will probably benefit from the slowdown in its competitors', particularly Videocon's, business. Videocon has reported huge losses in its consumer and appliances division, in the last three reported quarters.

On the IPO front, Bharat ETF 22, a balanced fund, by ICICI Pru was listed at a 3 per cent premium last fortnight. The fund, which will invest in PSU shares, had received subscriptions of nearly ₹32,000 crore over the initial target of ₹8,000 crore. The fund retained ₹14,500 crore. HDFC Mutual Fund is the next big IPO, which will probably hit the markets by December. Post listing, HDFC plans to retain 50.1 per cent, with Standard Life retaining a 25 per cent stake.

IT shares are clearly on a recovery path. Two majors, Infosys and Wipro, have launched their buy-back schemes. Infosys is buying back 113 million shares of ₹5 each at ₹1,150, which is about 4.92 per cent of the total share capital. The offer, which started by November, is open till 14 December. Kotak Mahindra and JP Morgan are handling the issue, which will see the company paying investors about ₹13,000 crore of its accumulated reserves. Wipro is buying back 343.7 million of its ₹2 paid up shares at ₹320, paying up ₹11,000 crore. The total shares, which will be bought back, represent about 7.6 per cent of its capital. Infosys' shares have gone up by about 5 per cent in the run-up to the buy-back. Wipro shares have not seen any change in November.

Meanwhile, the market is awaiting the RBI credit policy on 5 December. This will be followed by Gujarat's assembly elections, which are scheduled for 9 and 14 December. The election results will have a notable impact on sentiments. If the BJP gets 120-125 seats of the total 200 seats, the markets will see a strong surge, while a win with 110-120 seats could dampen sentiments. With Modi and his entire team touring Gujarat, the assembly elections are seen as a mini-rehearsal of the main bout of 2019. It would also indicate the extent of the displeasure of the state against the two main reforms ushered in by Modi – the demonetisation and the GST – as also, the victory of caste politics over development. Of course, one can never predict the outcome of the elections and, like in Uttar Pradesh, one can expect surprises. However, till the elections' results are declared on 18 December, the markets are likely to see a fair amount of volatility.

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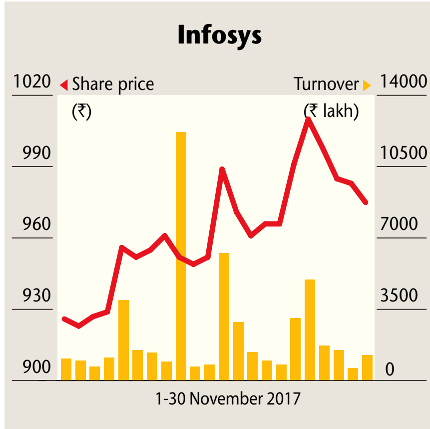
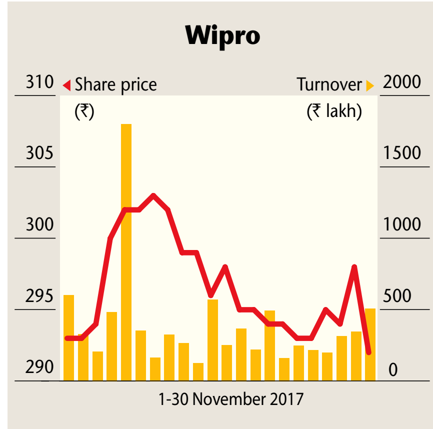
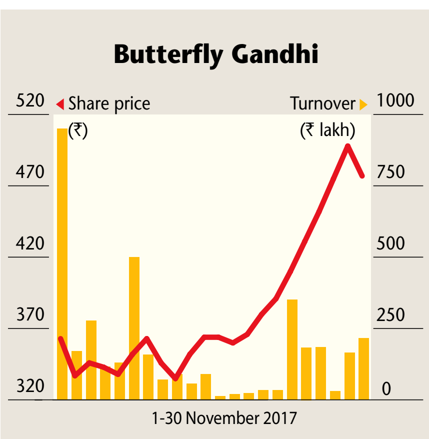


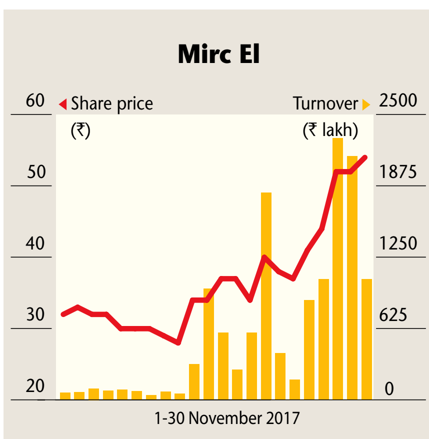
Gain: **5**% / Marketcap: ₹**2,23,945** crore
52 week Hi ₹**1,045** (13/1/17) / Lo: ₹**861** (22/8/17)



Gain: **0**% / Marketcap: ₹**1,42,010** crore
52 week Hi ₹**308** (7/11/17) / Lo: ₹**861** (31/1/17)



Gain: **31**% / Marketcap: ₹**813** crore
52 week Hi ₹**518** (30/11/17) / Lo: ₹**157** (9/8/17)



Gain: **69**% / Marketcap: ₹**1,149** crore
52 week Hi ₹**55** (30/11/17) / Lo: ₹**12** (24/8/17)

Leadership role

The Walt Disney Co, South Asia, has promoted Amrita Pandey to the newly created role of regional head, media distribution & OTT, South Asia. Pandey adds management of the South East Asian (SEA) regional markets of Singapore, Malaysia, Indonesia, Thailand, the Philippines and Vietnam to her current purview of India. Responsible for driving all digital and OTT partnerships, content licensing and broadcast network distribution across the Indian subcontinent, and SEA, Pandey will report to Mahesh Samat, EVP & MD, The Walt Disney Co, South Asia, and Mark Endemaño, SVP, media distribution, Walt Disney International. Pandey joined Disney in 2012 and has held several leadership roles in studio distribution, marketing and local movie production, in addition to leading the content syndication business.

Experienced professional

Franklin Templeton Investments has announced the appointment of Naganath Sundaresan as president & CIO, of its alternatives business in India. Based at Franklin Templeton's Mumbai offices, Sundaresan will be responsible for introducing and growing the firm's efforts in the alternatives space in the country and will report to Mat Gulley, executive vice-president & head of alternatives, Franklin Templeton Investments. Sundaresan brings with him over 30 years of financial services experience and joins Franklin Templeton Investments from DSP Blackrock Investment Managers (DSPBR) where, as president & CIO, he led an experienced team of professionals to create a highly successful asset management business.

Reinforcing values

GirnarSoft, the parent company of leading automobile portals CarDekho, Gaadi, and Zigwheels, has appointed Pragya Kumar as chief people officer. Kumar takes over from Ankur Agarwal, who had taken the additional responsibility of handling HR, while being the business head of insurance unit at the company. With Kumar's joining, GirnarSoft aims to add management structures to accommodate the increased workforce, and reinforce the cultural values that will sustain the growing businesses.

Critical role

Bezerra: well received

Roche has announced the appointment of Lara Bezerra as managing director, Roche Products (India), as successor to Maturin Tchoumi, who has now moved to Roche Finland in a new role. Bezerra has held various positions of leadership across geographies, including Europe and Latin America. With over 24 years of experience in the pharmaceutical industry, Bezerra comes to India after a successful assignment as the general manager of Roche Venezuela. Her tenure in Venezuela was among the most turbulent times in the country's history, and her leadership was critical in navigating that period. In 2016, Roche was named among the Top 20 places to work in Venezuela.

Variety of roles

Equifax Inc, a global information solutions company, has announced the appointment of K.M. Nanaiah as country head, Equifax India. Nanaiah comes to Equifax from Renoir Management, a global consulting firm with in-depth knowledge of the B2B and B2C market ecosystem, after spending two decades in sales and general management roles in global business environments. Prior to Renoir, Nanaiah was managing director, Pitney Bowes, India, where he set up and led the country business unit for over 10 years.

Law expert

In line with the company's commitment to continuous evolution of corporate practices and to strengthen professional management for accomplishing accelerated growth and excellence, Intex Technologies, a consumer electronics company, has appointed veteran corporate law expert Mahavir Prasad Garg as company secretary. Garg will be responsible for secretarial, finance and investment functions of the company. Garg brings with him over two decades of rich experience in addressing a company's corporate governance needs, for keeping the board up-to-date on trends and issues. His core strength lies in assessing the board's structure, governance practices and suggesting opportunities for the board to perform better.

Media veteran

Hotstar, India's premium streaming platform, has announced the appointment of Punitha Arumugam as platform evangelist, with the mandate to showcase the power of the platform to India's leading brands. The appointment is amongst Hotstar's several initiatives to spur an increasing shift in marketing focus towards platforms with high quality content and engaged audiences. Arumugam, a media agency veteran, best known for her leadership at Madison Media as group CEO for over 13 years, and at Google as agency director for over 5 years, is seen as a leader who shaped many agencies' and marketers' increasing use of digital platforms for brand building.

High image marketer

The Diamond Producers Association (DPA), an alliance of seven of the largest diamond mining companies globally, has announced the appointment of Richa Singh as its managing director for India. Singh joins DPA from L'Oreal and will be overseeing all the activities of the DPA in India, a market of great importance to the organisation. She comes to DPA with close to 19 years of experience in high image consumer goods marketing, including four years in advertising. ◆

MADAME TUSSAUDS CENTRE IN DELHI HOPES TO CASH IN ON INDIA'S CELEBRITY CULTURE

Delhi ready for premium selfies!

Jain and Kloos with the Salman Khan figure

Celeb-mad Indians eager to get selfies with their favourite stars, and with no direct access to them, have had for decades to go a long way to a Madame Tussauds centre to get the next best experience – to get a picture with their likeness. Pics of well-heeled Indians posing with waxworks figures of Amitabh Bachchan, Madhuri Dixit, Aishwarya Rai, Hrithik Roshan, Katrina Kaif and Salman Khan at Madame Tussauds London have aroused a 'me-too' rush.

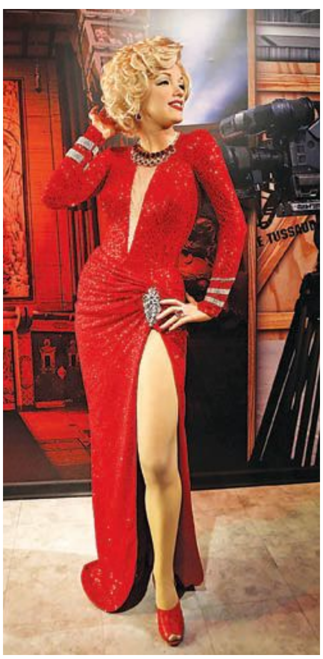
Well, the rush to distant shores could be over for most. Madame Tussauds opened its 23rd centre globally in the heart of downtown Delhi last week.

The Delhi unit is located in the Regal building in Connaught Place, part of the city's heritage area. Its layout follows the thematic pattern as with other centres, with separate zones for Cinema, Sports, History & World Leaders and Music.

About 50 wax figures are on display. These include a motley collection of well-known individuals, Indian and otherwise. Here you could pose with Bachchan, Mahatma Gandhi, Jackie Chan, Sachin Tendulkar, Lady Gaga, Narendra Modi and Kim Kardashian and more – an eclectic bunch if there ever was one.

In contrast to the usual mix of 60:40 international to local icons, the Delhi branch reverses the ratio. Anshul Jain, GM & director, Merlin Entertainments India, explains it as a 'broader focus on Indian celebrities', while Marcel Kloos, director, New Openings, Europe & emerging markets, Madame Tussauds, explains that the mix depended on the market.

Selfies welcome Interactivity – read posing with celebrities – is encouraged. "Guests will be encouraged to interact, perform and even reflect with our figures in unique and immersive settings within the attraction," stresses Jain. "This exciting project has been a long time coming, and since we announced our coming to Delhi, we have had such an overwhelming response from everyone across the country – we are extremely thrilled to be opening our doors today to start making memories



Marilyn Monroe

Michael Jackson

Jessica Alba

Ranbir Kapoor

Milkha Singh: going down a nostalgic road

for the guests we receive."

Two years in the making, there is a considerable marketing and outreach programme in the offing, mentions Kloos. "We want to attract schools, students of which will get entrance at a discounted rate," he points out. While the adult ticket rate is ₹960, families of at least four members and groups can avail of significant discounts.

While all the figures are made in London, a local research on-site team will be posted in Delhi to co-ordinate with the artists of London, says Kloos. Each statue takes about four months to be completed and costs almost £1.5 million. Yes, visitors touch the statues! He does expect the Delhi centre to take longer than average to turn profitable, especially given that ticket prices are about a third of London's.

The museum will be able to accommodate approximately 500 visitors at a go, said Jain. 'Live action', present in some outposts of Madame Tussauds, will not be present in Delhi, at least to begin with. "Every single attraction of Madame Tussauds is a special edition and differs in displays and planning," he said.

Visitors could well go down a nostalgic road. Actress Madhubala is styled from her Anarkali character from the movie *Mughal-e-Azam*. Singer Asha Bhosle is dressed in a cream and gold sari in a singing pose, complete with a microphone. Raj Kapoor, for some reason is in black & white, while Salman Khan is riding a rickshaw in the host city section. Who you will not find at the moment, but are in the offing, include Shahrukh Khan and Hrithik Roshan. Yes, to keep the interest up, figures will be added periodically, Kloos points out. As for the international celebs, waxworks for many of them are the most updated yet, something the Delhi attraction hopes, will draw in visitors.

◆ SUMAN TARAFDAR

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CELEBS TO POSE WITH

Mahatma Gandhi ◆ Amitabh Bachchan ◆ Kapil Dev ◆ **Sachin Tendulkar** ◆ **Narendra Modi** ◆ A.P.J. Abdul Kalam; Vallabhbhai Patel ◆ **Subhash Bose** ◆ **Madhubala** ◆ Milkha Singh ◆ Salman Khan ◆ Katrina Kaif ◆ **Kareena Kapoor** ◆ Lady Gaga ◆ **Kim Kardashian** ◆ David Beckham ◆ Lionel Messi ◆ **Sonu Nigam** ◆ **Shreya Ghoshal** ◆ Michael Jackson ◆ Beyoncé ◆ **Marilyn Monroe** ◆ **Angelina Jolie** ◆ Scarlett Johansson ◆ Nicole Kidman; **Jennifer Lopez** ◆ Kate Winslet ◆ **Justin Bieber** ◆ Tom Cruise ◆ Leonardo di Caprio ◆ **Brian Lara** ◆ **Ronaldo** ◆ Usain Bolt ◆ Jessica Alba

VICTORINOX PRODUCES ITS 500 MILLIONTH SWISS ARMY KNIFE AND CELEBRATES IT WITH A LIMITED EDITION POCKETKNIFE FOR INDIA

On the cutting edge

Victorinox AG the maker of the iconic Swiss Army Knife, this year produced its 500 millionth pocketknife since its establishment in a Swiss village in 1884. This milestone brought its fourth generation proprietor and CEO, Carl Elsener, together with his wife, Veronica Elsener, the company's Global Brand head, to Mumbai to release a limited edition of 150 such knives imprinted with the flags of the two countries.

From Mumbai, the Elseners flew to New York to pay tribute to their American customers who account for half the blades produced at the Victorinox headquarters in Ibach, in the old Swiss canton – or state - of Schwyz. As Swiss Consul General in Mumbai, Martin Bienz, noted of his country of eight million, "Astonishing that Victorinox knives number over 60 times the Swiss population!"

Carl Elsener says his great grandfather – whose name he bears, as all the eldest sons in successive generations – opened a cutlery workshop with his mother Victoria in 1884 and started developing a multi-functional foldable knife that was compact and easy to carry. The knife was ready by 1891 and Elsener delivered its two versions to the Swiss Army as 'Officer's Knife' and 'Sport Knife'. The Swiss Army until then had used German knives, but had wanted to provide its conscripts a knife they could use not only to slice cheese, but also to maintain their rifles and open tinned rations.

Elsener patented his products a few years later and named them Victoria upon the death of his mother in 1909, registering the famous 'cross and shield' emblem as a trademark that same year. He coined the name 'Victorinox' only in 1921 by combining his mother's name with 'inox', abbreviation for acier inoxydable, French for stainless steel.

Also known as the Original Swiss Army Knife, these small red knives gained international recognition around World War II and became renowned for their fine workmanship, dependence and durability. American GIs, serving in Europe during the War, introduced Victorinox to the US and to the wider world when they bought the knives in huge quantities to gift people back home, leading to greater orders.

Carrying a lifetime guarantee against manufacturing defects, Victorinox knives are available in over 100 different models. The largest of them is 'SwissChamp' that comes with 33 features, consists of 64 individual parts, and requires over 450 steps to make, yet weighs only 185 grams.

The present Carl Elsener worked with his father for 34 years until 2013 when the latter died at the age of 90. The senior Carl Elsener had joined the family firm in 1939 as a 17-year-old and had taken over from his father upon his death in 1950. He heralded an era of expansion and development by introducing new products and mechanising a manufacturing process that until then had entailed assembling the knives by hand. Victorinox soon expanded beyond its knives and cutlery to the manufacture of watches, travel gear, apparel and fragrances.

While the senior Elsener introduced the watches in 1989 in collaboration with his company's distribution partner – and subsequent wholly-owned subsidiary - in the US, the Connecticut-based Swiss Army Brands, Inc., he entered the travel gear market a decade later by issuing a manufacturing licence to the TRG Group, based in St. Louis. Under him, Victorinox in 2005 took over its Swiss rival Wenger and its product portfolio that included fragrances. Wenger was founded in 1893. While he introduced apparel in 2001, the current management will shortly discontinue its production as it has decided to focus on its four key categories of knives, travel gear, watches and fragrances.

Today, Victorinox AG has subsidiaries in the US, Canada, Mexico, Brazil, Chile, Peru, Bolivia, Japan, China, Hong Kong, Taiwan, Poland and, of course, India. While its knives, watches and fragrances are produced exclusively in Switzerland, travel gear is produced in the Philippines under strict Victorinox quality specifications. The products are sold via numerous partners in more than 120 countries and the full product range is presented in around 70 own retail stores worldwide.

"For our export business (almost 90 per cent of the knives are exported) Made in Switzerland is a vital label," notes Elsener. "Victorinox AG employs over 2,000 staff worldwide, of whom 1,200 are based in Switzerland, and 90 in India." Nine of his three brothers and seven sisters work in the company, five of them as members of the Board. "My wife and I have three children aged between 17 and 25, who are still in vocational training," he says. "I have been CEO since 2007 and am very passionate about my job, so it may be a little early to talk about my successor at this point of time." He, however, adds that he will very likely abide by the family tradition of passing this position on to someone from within the family to ensure continuity of its business and values.

Victorinox generates sales of around CHF500 million (₹3,300 crore) and has shown an average growth rate of 5.6 per cent for the past 30 years. "We are continuously investing in the future growth of our business, and still see a lot of white spots on the world map that we can cover with the expanded distribution of our products," mentions Elsener. "We expect to finish business 6 per cent higher this year than last year."

Victorinox entered India in the late '90s via a distributor as a market test exercise, says Victorinox India Pvt. Ltd Managing Director Colonel Chandhoke. "Our Mumbai-headquartered India subsidiary was formed in 2007, with regional offices in New Delhi and Bengaluru," he remarks. "Our brand is present at 400 points of sales across India and across all product categories."

Victorinox is part of the standard equipment of NATO, and has been an essential tool on expeditions worldwide, from the north and south poles to Mount Everest, and from tropical rain forests to voyages across the seas and deserts. Victorinox knives find place in the permanent design collections of the Museum of Modern Art in New York, the Swiss National Museum, Zurich, The Design Museum of London, and the State Museum for Applied Art in Munch.

A Victorinox knife had saved a child on a Bombay-Bangalore flight in 1976. The boy was in danger of choking to death on a sweet stuck in his throat, when a doctor on board rushed to the rescue. As the first-aid box on the flight lacked a scalpel, a passenger came forward with a clean new pocketknife. The doctor perform an emergency tracheotomy that saved the lad.

Canadian astronaut Chris Haffield recounts in his book, An Astronaut's Guide to Life on Earth, how on his maiden space voyage in 1995, he broke into the now-defunct Russian space station Mir using a Victorinox knife. When his space shuttle arrived at the orbiting Mir, he and his crew discovered that "the Russian engineers had taped, strapped, and sealed out the docking module's hatch just a little too enthusiastically".

"We broke into Mir using a Swiss Army Knife," Haffield wrote in a glowing endorsement of the blade. "Never leave the planet without one."

◆ SAROSH BANA

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Countering addiction

Substance abuse is a problem in many countries, particularly among young people in troubled societies like Northern Ireland has been in the past. Hence it is rather appropriate that a lady from that country is trying to help people in other countries, who are similar afflicted. This is the mission that **Mary O'Brien** has embarked upon through the **Onestep Clinic** that she founded several years ago. It has now become one of Ireland's leading centres for de-addiction services. One of the points that Onestep attempts is to provide de-addiction services on an outpatient basis with the help of medicines, home care and family support. "We try to offer an alternative to institutionalising an addicted person, because that is not the only way to go through a detox," she says. O'Brien was in Mumbai recently to visit the Onestep outlet in the city, which has been established as a JV with an Indian partner. Though she has formally exited the company recently, her involvement with people addicted to various substances continues unabated. Hence she travels around the world, talking with care givers and others concerned with various forms of addictions.

Celebrating silver

To celebrate 25 years of McKinsey & Company in India, two high-quality events in Delhi and Mumbai with the crème de la crème of society were hosted by Gautam Kumra (inset), MD, McKinsey India. Author and *New York Times* columnist Thomas Friedman was the keynote speaker in Delhi along with Dominic Barton, global managing partner, McKinsey & Company. The discussion centred around: 'Thriving in the age of accelerations', and how CEOs are responding to massive disruptions around them. In Mumbai, the firm hosted influencers on the lawns of the iconic Prince of Wales museum, where the theme for the evening was 'India and the world', in line with a major exhibition being hosted by the museum. A high-profile panel discussion with Rajnish Kumar, chairman, SBI; N. Chandrasekaran, chairman, Tata group; Uday Kotak, vice-chairman, Kotak Mahindra Bank; Madhav Chavan, co-founder, Pratham; and Barton, was moderated by Shereen Bhan managing editor, CNBC-TV18. The panel discussed India's growth potential and the need to reset aspirations for economic growth as well as living standards. India is expected to become a $5 trillion economy by 2025 and the third largest economy in the world by 2030. A major point of discussion was how the country's economic growth is no longer dependent on exports. The domestic market is a massive driver and the investment momentum can only accelerate.

Rosy hues

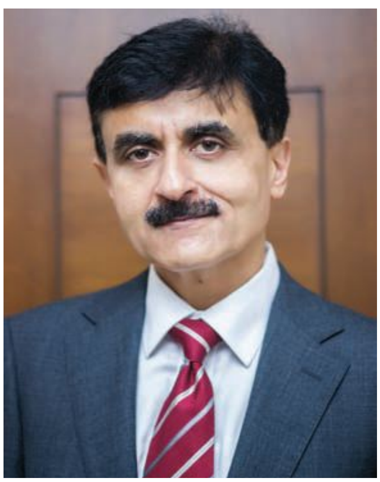
Payal Singhal, renowned for her fashion label globally, has many feathers in her cap. In August she collaborated with The Desai Foundation from the United States to create an exclusive collection: Payal Singhal X Desai Foundation. More recently she brings to the table a stunning collaboration with TheLabelLife.com. The celebratory edit by Singhal, **La Vie En Rose**, is a thoughtful collection of 10 fuss-free occasion apt pieces to mix and match for this shining season and beyond. "We had been on the lookout for an e-commerce brand who can tell a narrative and who better than TheLabelLife.com, also I personally feel that TheLabelLife.com understands the 9-to-9 woman and the need of transitional pieces such as an off-shoulder top which can be mixed-matched from a simple skirt to classic denims," says Singhal. The modern and updated silhouettes include wardrobe must haves such as the shirt dress, *lehenga* skirt, jacket, off-shoulder top and tunic to name a few. The collection will also feature accessories such as a clutch, wedges and scarves – a contemporary twist by the designer.

Giving family

The **Bharti family**, which has built one of India's leading business enterprises, has pledged 10 per cent of its personal wealth, including 3 per cent of its stake in group flagship Bharti Airtel, towards supporting the activities of the **Bharti Foundation**, the group's philanthropic arm. "Today is a major milestone in the journey of the Bharti family. Being first generation entrepreneurs, we feel absolutely privileged that this nation gave us the opportunity to imagine and build world-class businesses. Bharti's DNA has always been about creating a deep positive impact on society through our businesses, and we are proud to have contributed to the India growth story," said **Sunil Bharti Mittal**, founder and chairman, Bharti Enterprises and chairman, Bharti Foundation. On the same day, the Bharti Foundation also announced its plans to set up Satya Bharti University for Science and Technology to complement its existing programmes in the area of education.

"Having built a successful model for primary and senior schooling under Satya Bharti Schools, Bharti Family plans to build Satya Bharti University – a world-class institution, to support the higher education aspirations of India's youth. Our aspiration is to develop it into a centre of excellence not just in India but globally," said **Rakesh Bharti Mittal**, vice-chairman, Bharti Enterprises and co-chairman, Bharti Foundation. The Bharti Foundation has carved a strong niche for itself in India's development sector with proven models and large scale execution in the areas of education for underprivileged children, sanitation, etc.

Life without cancer



Healthcare professionals worldwide are rapidly adopting precision medicine approaches to better diagnose, treat and prevent disease. After decades of research, scientists now understand that patients' tumours have genetic mutations that cause cancer to grow and spread. "Today, for certain cancers, we can match the right drug to the right person at the right dose, using genetic-based therapies to deliver better patient outcomes," says **Amit Chopra**, managing director and VP/GM, India and Middle East, **Thermo Fisher Scientific**. Based on more than 25 years of serving the cancer research community, Thermo Fisher Scientific is now helping researchers accelerate research on new diagnostics and therapies, providing technologies, such as mass spectrometry and next-generation sequencing; services and support to help address the unique challenges of cancer research. Its next-generation sequencing (NGS) platform is now used worldwide to provide a deeper understanding of the basic biology of cancer at a cellular and molecular level. Thermo Fisher is also supporting pioneering work with liquid biopsies, enabling researchers to use its NGS platform to isolate biologically more relevant cells in a tumour (using cell-free DNA) instead of concentrating on the entire tumour composition. From understanding the genome with NGS to proteomic research with mass spectrometry, Thermo Fisher is supporting scientists in the war on cancer, enabling them to produce more data and insights that ultimately bring us closer to making our world cancer free.

Getting over grief

What does a writer do when she loses a dear one? Veteran journalist and author **Vinita Deshmukh** has done what she does best: write. Her book ***Grieving to Healing***, released last fortnight, is a 'catharsis', she says. Not only for her as she struggled to go about the healing process after losing her husband and 'best friend' Vishwas in January this year, but "for each one of us who has lost his or her dearest one". Deshmukh, a journalist of 28 years' standing, is also a noted Right to Information (RTI) activist and convener of the RTI Forum For Instant Information (RFII), and has compiled and edited a book, *Milestone 7: Journey of RTI Act*. She has also used the Act to get the data for another book *The Mighty Fall*, based on former President Pratibha Patil's post-retirement home scam and Dow Chemicals. RTI also helped her co-author another book, *To The Last Bullet*, with Vinita Kamte – an exposé of the needless deaths of her police officer husband Ashok Kamte along with Hemant Karkare and Vijay Salaskar in the 26/11 Mumbai terror attack. "My book is not just a personal experience – it aims to heal the hearts of those who have lost their loved ones," Deshmukh says. "My philosophy is that one hand can lift a soul."

'Growth may be further revised upward'

T.C.A. Anant was appointed the chief statistician of India for five years in 2013. Talking about the new GDP growth figures, he feels that economic growth is firmly back and the GDP might be revised further upward after the total gamut of indirect tax collections becomes clear as GST has introduced some complications in calculating the growth numbers

On economy regaining momentum
The GDP figure for Q2 at constant prices is 6.3 per cent in the second quarter of the financial year. This reversal in trend is very encouraging. Growth is firmly back, as economic decline has worked its way out of the system and the current trend would continue over the coming quarters. Manufacturing growth rose to 7 per cent, after the low 1.2 per cent rise the previous quarter. Manufacturing growth gained support from a pickup in production after the GST rollout. Anticipation of GST meant people were delaying production for the festive season until GST got launched. My reading of the corporate data suggests that this is principally for consumption and sales. It doesn't appear that inventory accumulation has led to GDP increase in Q2. But growth will remain strong in Q3 as companies increase production in anticipation of more sales during the festive season.

On assessment methods
With the indirect tax regime now dominated by the Goods and Services Tax (GST) regime, the statistics department had to change its assessment methods. GST introduced a certain level of statistical challenge in compiling the growth numbers. In a normal year, businesses are conversant with tax processes and know their tax liabilities, so the collections are in line with what is anticipated. However, this year, the uncertainty surrounding the GST procedures, and the leeway the government has given in terms of extended deadlines, has meant that the indirect tax collections for the particular period are still being updated.

Since we've had to use proxies for sales tax collection estimates, it might be that when revised figures for indirect tax collections are released, GDP figures might go up. Indirect tax collections are actually higher this year. GDP is derived by adding taxes on products, net of subsidies on products, to Gross Value Added (GVA) at basic prices. The taxes on products include both GST and non-GST revenue of Central and state governments' statement. For the second quarter of the current financial year, also first three months of the GST rollout, Centre and states collected around ₹2.75 lakh crore, slightly more than the targeted ₹2.73 lakh crore. We will be monitoring the implementation of the GST for some more time.

On worries:
Capital formation estimates also show government expenditure has been robust, while that in the private sector has remained weak. In the second quarter, the rate of capital formation remained below 30 per cent, a trend for the third quarter in a row. The latest figures show gross fixed capital formation was 28.9 per cent. This time, private expenditure needs to ramp up.

On low growth areas:
Agriculture is the worst performer. The monsoon had been not as good as last year. Agricultural production in the second quarter was held up due to poor crop output. As for the lingering effect of the government's demonetisation drive, my judgement is that what demonetisation was will be very hard to read from GDP numbers. It is possible that informal credit might have taken the place of cash transactions in rural India. Normal trading practices and a lot of trade in India, particularly in the informal sector, is relationship-based. In this way, because of relationship networks, cash transactions can also be substituted with informal credit. My suspicion is that a lot of the claims of the impact of demonetisation on agriculture simply does not account for the presence of such relationships in the sector.

Among the sectors, construction registered the lowest growth, at 2.6 per cent compared with 4.3 per cent in the same period last year. This can be attributed to ongoing structural realignment.

In the mid nineties, the Khorakiwalas approached SAMSIKA® to build the Monginis brand and create a definitive brand presence in India, through franchising and distribution. SAMSIKA® devised the following strategy for the Monginis brand over the next several years.

Brand Positioning Statement®

SAMSIKA® recommended the Brand Category '**The Cake Shop**' for Monginis. SAMSIKA® agreed with the Brand Positioning '**Celebrations**'.

Communication Strategy

The SAMSIKA® devised a customer orientation and positive perception management strategy for Monginis. The SAMSIKA® devised communication strategy yielded excellent results. The entire communication plan from the creative brief and selection of communication partners to the execution of an impactful, cost-effective media campaign was strategized by SAMSIKA®, ensuring complete visibility and awareness of Monginis on television, in print and in other media, emphasizing 'vegetarian'.

Sales Strategy

SAMSIKA® recommended having franchise outlets near railway stations, and achieved large footfalls, and growth in sales.

Sales Force Training

SAMSIKA® provided initial training to both SBU I and SBU II sales teams. The first manufacturer franchisees and the retailer franchises were also trained at SAMSIKA®.

SAMSIKA® introduced and implemented the SAMSIKA® Sales Force Training® module to provide regular service to the market thereby improving the frequency and volume of sales.

Promotion Strategy

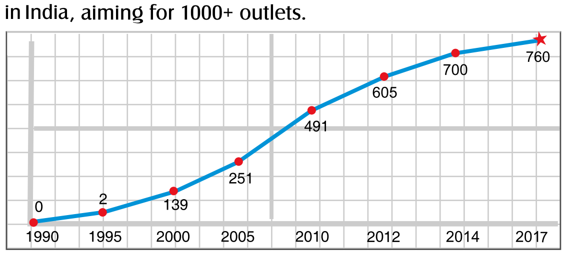
SAMSIKA® crafted a highly aggressive and innovative promotion strategy giving rise to regularity of sales, consumer interaction and feedback, and facilitating quick consumer off-take. Monginis Outlets were asked to open half an hour earlier so as to increase customer footfalls. The essence of the strategy was that customers who had missed their breakfast would be in the mood to pick up a light snack on their way to work. As a result, Monginis has had tremendous amount of growth in footfalls and sales.

Distribution and Franchising Strategy

SAMSIKA® recommended that the brand needed to replicate and franchise so that the consumers could benefit. SAMSIKA® advocated dividing operations into distinct strategic business units. SAMSIKA® recommended to set up two SBUs, SBU I – which would service franchisees and SBU II which would service retail sales. SAMSIKA® Franchise Strategy was implemented. Today Monginis is a household name and has the largest chain of cake shops in India. Monginis has grown from just 2 initial outlets to over 760 exclusive cake shop franchisees spread across 60 cities in India, aiming for 1000+ outlets.

150+

760+



Growth in number of Monginis Franchises

'Mr. Jagdeep Kapoor's contribution towards brand building has been unique. In Monginis, he has helped us in realizing the value of our brand name. Furthermore, Mr. Jagdeep Kapoor has helped in considerably enhancing the brand image of Monginis in the market.'

Mr. Zoher Khorakiwala, Chairman, Monginis Foods Pvt. Ltd.

SAMSIKA®
marketing
consultants pvt. ltd.

For a list of other great brands built by SAMSIKA® turn the page