SPECIAL ISSUE

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INDIA'S BEST CEOs

The BT-PwC India study throws up new champions


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From the Editor

The Corporate Chieftains

The past few years have not been easy for corporate chieftains in India. There have been many global pain points and uncertainties, and even within the country, most CEOs have had to deal with enormous flux and a rapidly changing environment because of a host of factors. For some sectors, especially those dependent on commodities, the subdued prices of the past couple of years brought both good news as well as bad. Input prices came down but growth was also affected. The slowdown in China caused an enormous ripple effect in a host of industries, especially the metals sector. Cheap Chinese imports have caused deep impact on the profit margins and general economics of a number of sectors. The Chinese slowdown also had a profound effect on companies that have a big market in that country – Jaguar Land Rover, for instance.

Meanwhile, technology disruptions and new innovations around the digital space have created many opportunities but also problems for sectors across the board. We have seen the rise of e-commerce that has had huge impact on brick-and-mortar players. We have seen the rise of aggregators and the advent of social media, which have had their own set of cascading effects. The Indian economy, while it has been a bright spot in the global economy, has, however, not created the kind of revenue growth or profit growth for a range of companies because of many factors – from increased competition to digital disruptions.

And just when the consumption story was becoming better in India after a couple of largely stagnant years, the sudden demonetisation – or rather remonetisation – of ₹500 and ₹1,000 notes has put the brakes on it, at least for the short term. How it will play out in the long run will be apparent six months to a year later, although most economists agree that barring a few gainers – banks, digital payment players, organised retailers, etc. – most industries will take a short-term hit. The government is now doing many things to encourage digital transactions and whether these will spur consumption quickly will be known after a couple of more quarters. Whether the big companies in most industries will gain at the expense of the small and medium-sized players – who prefer dealing in cash – will also be apparent after some time. Uncertainty in business has, in fact, become the new normal.

But the best CEOs in any sector take uncertainties in their stride, and they tend to outperform their peers in good times and bad. In our annual exercise to pick the best CEOs, we look at the performance over the past three years to create the initial shortlist. We look at how a CEO has performed on three key parameters – revenue growth, profit growth and total shareholder returns – during the past three years to create an initial shortlist of top three in each sector. The final winners in each sector – and the final Champion of Champions – are decided by a jury of eminent corporate personalities. This year, our esteemed jurors were Nimesh Kampani, Founder and Chairman, JM Financial Group; Kalpana Morparia, CEO of JP Morgan India; Haigreve Khaitan, Senior Partner, Khaitan & Co.; and Sri Rajan, Chairman, Bain & Co. India. They picked the most outstanding performers of corporate India.

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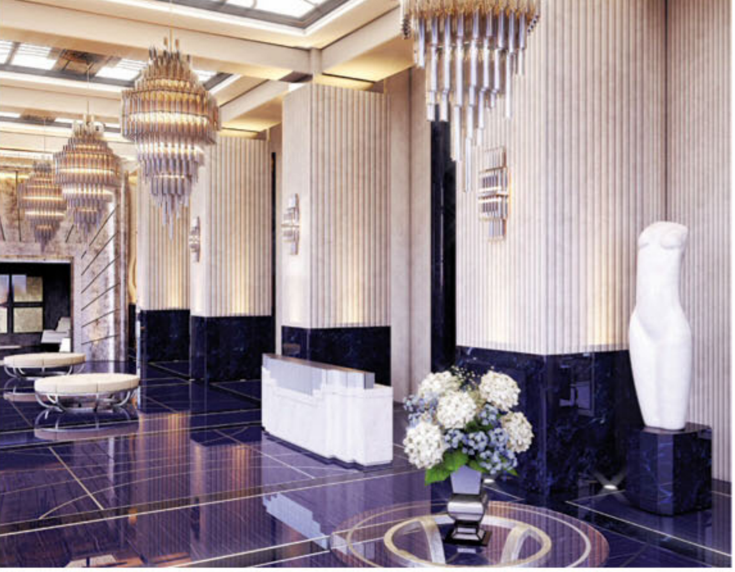

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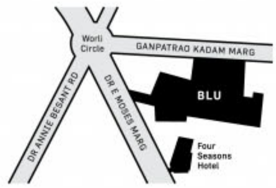

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An Audacious Move

This refers to your cover story on demonetisation (*Turbulence*, December 18). It is the best thing that has happened to India, post Independence. This announcement by Prime Minister Narendra Modi on November 8 gave little time to the black marketers and must have given them a rude shock. Perhaps, this is the most effective way of curbing the instances of black money in circulation and terror funding that have over the period assumed dangerous proportions. There is no denying the fact that corruption is rampant, and for many vested interests it has literally become a way of life to make quick bucks through illegal means. There is a near parallel economy of black money running, which is retarding the growth process. No doubt, the common people may be put to hardships in the short to medium term. But the government's efforts to minimise the inconvenience in terms of exchange of old currency notes in banks and meeting the emergencies at hospitals, railways, petrol stations, etc., are also most welcome. Overall, it is clear that the whole exercise is intended to discourage the people from making high-value cash transactions by promoting in a big way the other available modes, like the plastic cards, along the lines in western countries. In a nutshell, it is an audacious and historic move that will hike by a huge measure the performance rating of BJP government and build their credibility, furthermore.

Srinivasan Umashankar, *Nagpur*

First Step in Cleaning Up the Economy

This refers to your cover story on demonetisation. Yes, immediate effects of cash demonetisation are probably not on the lines that the government would have envisaged. But having said that the pain and patience of our citizens should not go waste and this cash demonetisation should just be the first step in the fight against black economy. As we all know that not only has the Prime Minister taken a huge political gamble with demonstisation but has also put economic growth on the back burner for at least 2-3 quarters. It highlights the significance of the scheme for Modi and his team. It appears to be just the starting point for the government. Modi has himself said that there will be many initiatives after this to weed out corruption and black money from the system. In fact, on November 8, Modi talked about three things – eradication of black money, fake currency and terror funding. After more than a month, we cannot say that that all three objectives have been met. He appears to have been partially successful. Indeed, now comes the most critical part – the issue of funding political parties. It remains the biggest source of black money. The Prime Minister has talked about transparency in political funding and now he has to walk the talk. Funding of political parties has to be made transparent and the government has to work towards cleaning up the system. Every donation, irrespective of the amount and right from Panchayat to national level, should be disclosed to the public. It should come under right to information. Once that happens, I am sure political parties will have to toe the line.

Bal Govind, *Noida*

Questioning Manmohan's *Maunbrat*

This refers to your demonetisation article. Former Prime Minister Manmohan Singh has called it the "organised loot" and "legalised plunder" of the common people. While he is partially right as people's hard-earned money saved in banks is not available to them for the time being, what about the scams and mismanagement of the country's affairs during his regime? Why did he remain silent? Besides, he was an economist. By remaining silent and not acting on his duties as PM, he was responsible for the country's slow development and even for the downfall of Congress. In allowing this he acted like a true politician. If he was unable to act independently on the right track due to any reason, the right thing would have been to resign as PM.

Mahesh Kumar, *New Delhi*

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COVER BY NILANJAN DAS

JANUARY/01/2017
VOLUME 25/NUMBER 26

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From time to time, you will see pages titled "An Impact Feature" or "Advertorial" in *Business Today*. This is no different from an advertisement and the magazine's editorial staff is not involved in its creation in any way.

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NEWS

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The Iron Lady of Tamil Nadu, who dominated state's politics for nearly three decades, leaves behind a major power vaccum
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Demonetisation Effect: Medicine Sales Dip 10 per cent in November
Companies which are more into acute therapies experience around 12-15 per cent lower sales
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Vibrant Pitch in Hyderabad by Gujarat Drug Regulator
About 40 per cent of drugs manufactured in the country and 28 per cent of total exports are from Gujarat
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How Demonetisation Offers an Opportunity to Invest in Debt Funds
Demonetisation move has left all kinds of savers confused, but people with swelling savings accounts can make intelligent use of money by investing in debt funds
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Internet of Things: The Off-Road Drive to Connectivity in India
Though IoT is gaining traction at a fast pace in India, it is still in its infancy
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Nissan Brings Sports Motoring to India
Its entry into the luxury sports market comes at a time when the company is turning around with sales growing at more than 50 per cent
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50 million

subscribers in just 83 days for Reliance Jio, or 1,000 customers per minute, or 600,000 subscribers per day, since its commercial launch on September 5

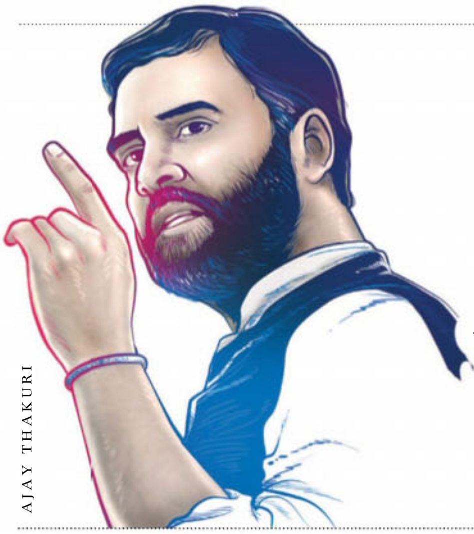
₹4 lakh crore

of debt for 85 Indian companies, says a report by ratings agency Fitch, adding that the companies' ability to service their debt is limited, and a significant proportion of their assets are also non-productive

QUOTE

"A smartwatch has no soul"

– Jean-Claude Monachon, Vice-President, Product and Customer Service, Omega, on why the company's mechanical pie pan dial will never get old because of its emotional connect, and why smartwatches are not a threat to the watchmaker



AJAY THAKURI

QUOTE

"Paytm means Pay to Modi"

– Rahul Gandhi, Vice-President, Indian National Congress, on the government's demonetisation move and the subsequent growth in business for the digital wallet company

RELIANCE EXITS TV BIZ

Anil Ambani's Reliance Group has agreed to sell its entire television business, and a 49 per cent stake in its radio business, to Zee Group. While Zee Media Corporation will buy the stake in the radio business, Zee Entertainment Enterprises, a separate entity under the Zee Group, will take over the TV business

INDIAN IT ON US HIRING SPREE

Anticipating a more protectionist visa regime under Donald Trump, India's $150-billion IT services sector is speeding up acquisitions in the US and recruiting heavily from US college campuses. TCS, Infosys and Wipro earlier used the H1-B skilled worker visas to fly computer engineers to the US to service clients

DIGITAL DISRUPTOR FOR MUTUAL FUNDS

Sebi may soon allow investors to invest ₹50,000 in mutual funds every month through e-wallets with the aim of increasing digital transactions. The draft guidelines are already in the works. The market regulator is also considering instant redemption of liquid MFs into bank accounts to boost inflows and attract retail customers

GST UNDER CLOUD

The passage of the GST Bill going through in the Winter Session of Parliament looks difficult with three major non-NDA-ruled states delaying a consensus on the issue of sharing of administrative powers between the Centre and states in the recently concluded GST Council meeting

19 - 20

INFRA GREEN FUND

WHAT: Financing Quality and Green Infrastructure in Asia
WHEN: December 19-20, Hanoi
WHAT TO LOOK FOR: Asian Development Bank is organising the event to analyse quality and climate change in infrastructure, and identify specific new sources of infrastructure finance, its pros and cons, the impediments and challenges of tapping into these new sources

19 - 20

SMART ART

WHAT: Smart Cities, Art Cities
WHEN: December 19-20, New Delhi
WHAT TO LOOK FOR: FICCI is organising the first annual conference to make the creative industry an integral part of smart cities and contribute to their local economies by bringing organisations and individuals to find sustainable solutions and policy changes for art and culture with the help of corporates, civil society groups, government, financial institutions, media and experts

20

GREEN FUTURE

WHAT: Green City - Decoding Sustainability
WHEN: December 20, Kolkata
WHAT TO LOOK FOR: The CII convention provides a platform to discuss the challenges of setting up green homes, among all stakeholders, and highlights cutting-edge ideas that will lead to greener, more cost-effective and energy-efficient buildings

19 - 21

SECURING SEA ROUTES

WHAT: Improving Maritime Transport Safety and Development of Port Infrastructure
WHEN: Dec 19-21, Bangkok
WHAT TO LOOK FOR: The UN event will review practices and challenges, and discuss options to enhance maritime safety in the region, including policies and regulations, risk assessment, compliance and monitoring

21

GO DIGITAL

CII

WHAT: Cashless Economy - The Road Ahead
WHEN: December 21, Chennai
WHAT TO LOOK FOR: The CII event will identify the challenges of moving towards a cashless economy given that less than 5 per cent of all payments in India happen electronically, and lay out a roadmap to reduce the use of cash and increase tax compliance in the country

22

WOMEN FIRST

WHAT: National Summit for Enterprising Women
WHEN: December 22, New Delhi
WHAT TO LOOK FOR: The Assocham event will help women job-seekers to become job creators by enabling them to stand on their own feet and create a favourable and holistic environment for them to flourish

23

HEALTHY DEBATE

WHAT: Strategies for Sustainable Healthcare
WHEN: December 23, Vijaywada
WHAT TO LOOK FOR: The CII conference will explore opportunities, challenges and strategies in the development of sustainable healthcare, and how technology, operational excellence and public-private partnerships can increase healthcare access to the masses

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- February 2015

FIRST GREEN MASALA BOND

- Issued by IFC, Washington
- Listed on LSE
- Special Award for Innovation (structure) by Environmental-Finance.com
- Size: INR 3.15 Bn
- First ever investment by IFC in an emerging market Green Bond August 2015

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- Best Innovation & Sustainable Financial Products & Services, 2016
- Outstanding Business Sustainability Achievement, 2015 & 2013
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Karlsruhe Sustainable Finance Awards, Germany

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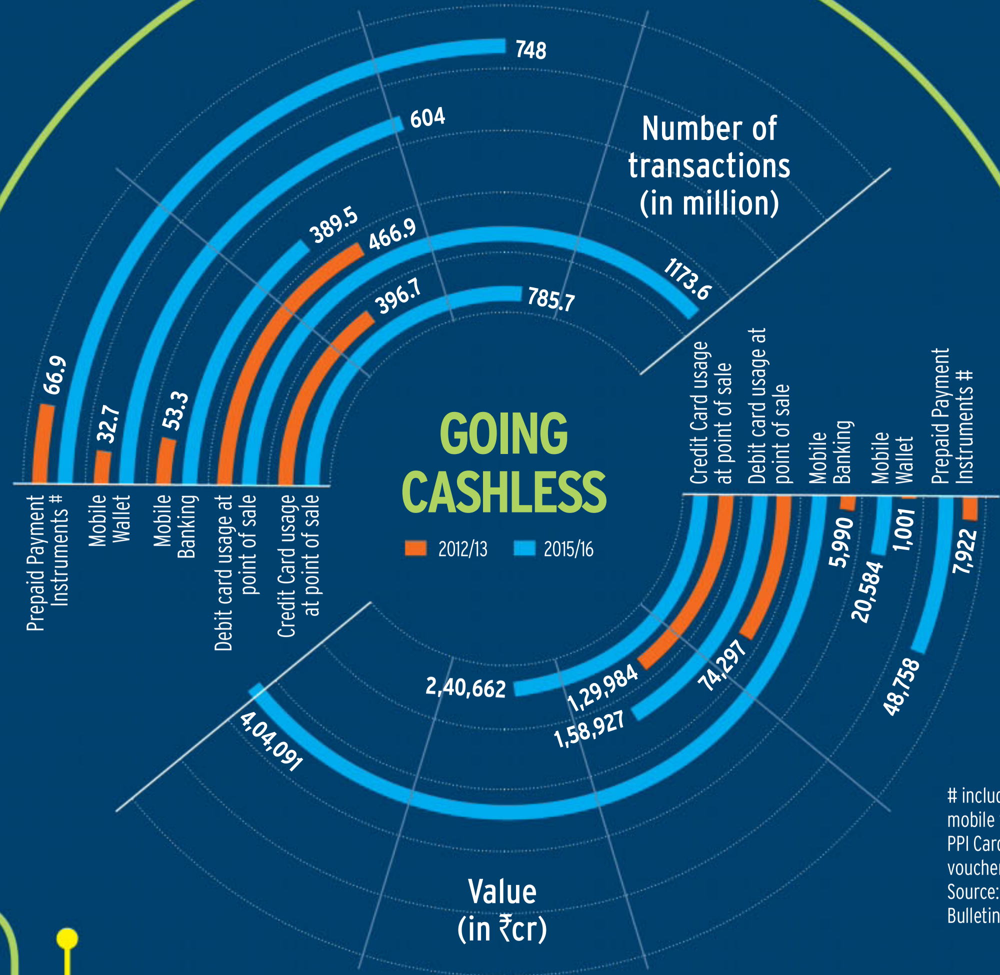
FOCUS GRAPHITI

PATH TO DIGITISATION

India moving towards digitisation is evident. However, constant fall in its Networked Readiness Index rank shows weakness in its potential to leverage information and communications technologies for social and economic gains

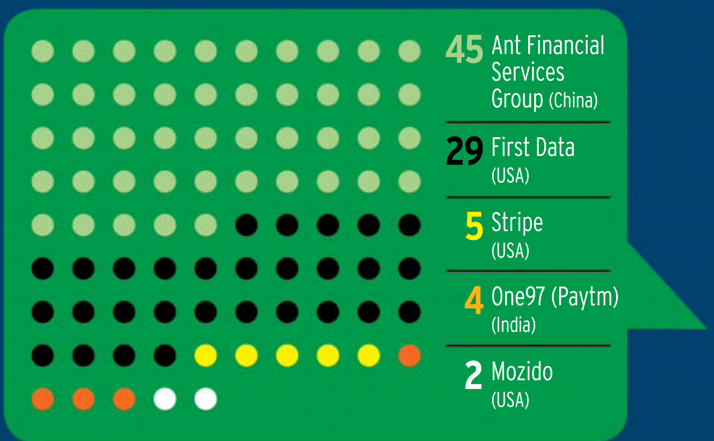
Graphic: **Tanmoy Chakraborty** • Research: **Avneet Kaur**



includes mobile wallet, PPI Cards, paper vouchers
Source: RBI Bulletin

RICHLY VALUED

India's Paytm is among top five fin-tech start-ups* by valuation



*startups with valuation>$1bn
Source: BCG Digital Payments 2020

LOSING OUT

India is not utilising its digital potential and its rank in Networked Readiness Index^ has been falling

CONNECTING INDIA

India is currently the world's second largest market in terms of mobile subscribers

1,250 mn
Population

1,000 mn
Mobile phone users

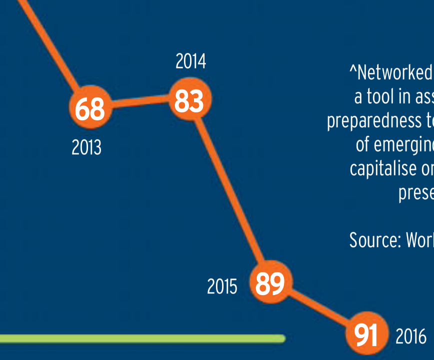
350 mn
Internet users

275 mn
Smartphone users

Figures for 2015
Source: BCG Digital Payments 2020, DIPP

51.04% Rural tele-density at end of September 2016

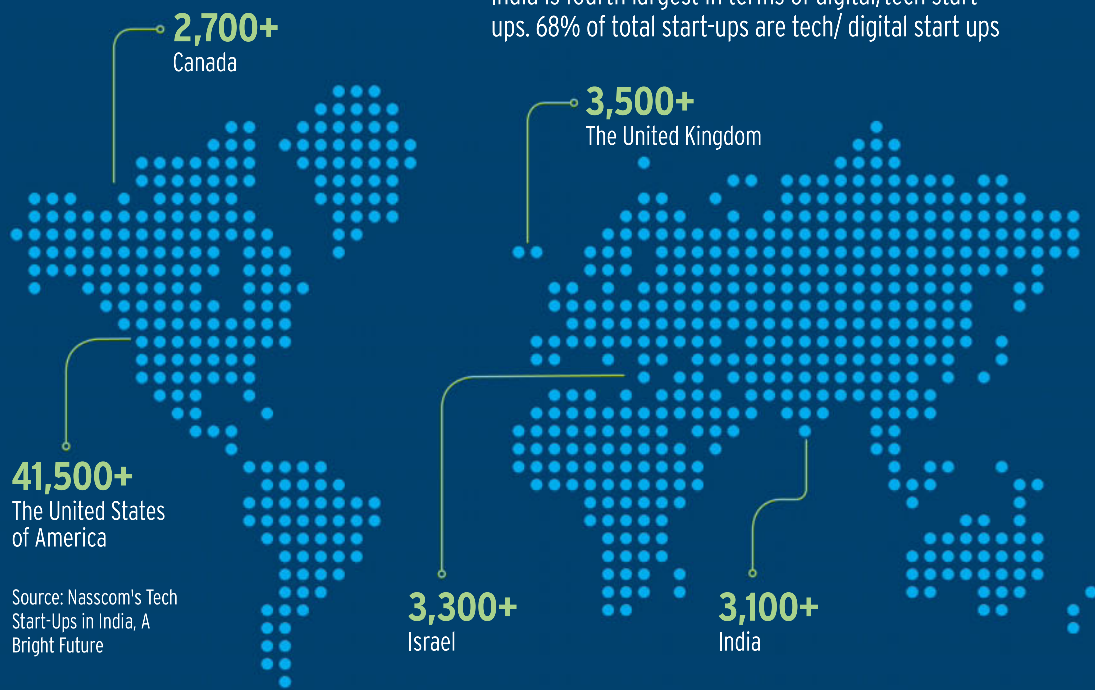
DIPP's Telecommunications Sector Achievement Report, 2016



^Networked Readiness Index is a tool in assessing a country's preparedness to reap the benefits of emerging technologies and capitalise on the opportunities presented by the digital transformation
Source: World Economic Forum

GROWING FOOTPRINT

India is fourth largest in terms of digital/tech start-ups. 68% of total start-ups are tech/ digital start ups



Source: Nasscom's Tech Start-Ups in India, A Bright Future

0.1 lakh – 81 lakh
Digital Saksharta Abhiyan: Number of people enrolled in 2010 & 2016 respectively
Source:Digitalindia.gov.in

100 cr – 1300 cr
Postal department's revenue increase between 2014 and 2016 by way of cash-on-delivery from e-commerce majors
Source:Digitalindia.gov.in

Paralysed

Withdrawal of high denomination currency notes has the parallel financial system in a quandary, severely affecting lives in rural India.

By P B JAYAKUMAR & NEVIN JOHN

In the first four days of the demonetisation announcement, the 31 District Central Cooperative (DCC) banks in Maharashtra collected ₹4,000 crore as deposits in banned currencies through their 3,800 branches, mostly in rural villages.

Their customers were largely farmers and daily wage earners. Usually, DCC banks park the deposits received with state co-operative banks. But when the Reserve Bank of India decided to bar such banks from accepting old notes, fearing exploitation of the system by black money holders who may stash old currency notes in exchange for the new ones, it fuelled a crisis in the rural banking system.

The ₹4,000 crore – a large part of the deposits was allegedly made by politicians who control most DCC banks – is now lying in the vaults of the quasi banks. This has left the poor farmers who had deposited their hard-earned money in a fix. Finance Minister Arun Jaitley had earlier assured that the money earned through legal routes would not be lost. "But it is not clear how the government will absorb the deposits in DCC banks," says Pramod Karnad, Managing Director, Maharashtra State Cooperative (MSC) Bank.

In fact, demonetisation has left the country's non-banking and informal financial system, which serves the rural hinterlands, in a quandary. Chit funds, gold loan companies and local money lenders have all but gone bust. The flourishing NBFC industry, which borrowed from the banking sector and lent to the non-salaried class in semi-urban and rural areas, has also been hit – while banks are finding it hard to lend to them, borrowers' income has been negatively impacted due to demonetisation. "India's traditional financial system runs on cash. Converting it into cashless in a short time will be simply impossible," says T.S. Sivaramakrishnan, General Secretary, All India Association of Chit Funds (AIACF).

The government had subsequently asked NABARD to resolve the credit issues of farmers as the sowing season was on, and had allowed disbursements of up to ₹21,000 crore. But the move failed to take off because of a shortage of currency notes. The MSC Bank had also asked for an additional ₹2,680 crore for crop loans, but it is yet to receive the amount.

Ajay Vir Jakhar, Chairman, Bharat Krishak Samaj, an association of agriculture producers, says the government's move has come as a double whammy for farmers. While credit continues to be a big issue, the prices of perishable commodities – especially fruits and vegitables – fell by at least 30 per cent following a drop in demand. "The rural agrarian economy is completely driven by cash. The whole chain, starting from farmers and wholesalers to middlemen and vendors, operates in cash. The withdrawal of the old currency notes will naturally hit the entire chain," says Jakhar.

There are 367 DCC banks across Maharashtra, Karnantaka, Gujarat, Andhra Pradesh, Tamil Nadu, Kerala, Himachal Pradesh and Uttar Pradesh. In Maharashtra, DCC banks cater to 3.8 million account holders. According to the Maharashtra State Cooperative Banks Association, around 800,000 people are dependent only on DCC banks.

In fact, demonetisation has also affected 11.4 million account holders, majority of them farmers, from 21,085 primary agricultural credit societies (PACS) at the village level, as they are barred from either exchanging old notes or receiving cash.

Kerala Finance Minister T.M. Thomas Isaac says the informal financial system in the state has been irreparably damaged because of demonetisation. The cooperative banks – the state and district cooperative banks are licensed by the RBI, while primary cooperative societies are permitted under the provisions of the State Cooperative Societies Act and are currently overseen by the Registrar of Cooperative Societies – hold more than ₹60,000 crore in deposits, besides having disbursed over ₹30,000 crore in loans. The government's move has grounded the entire cooperative bank-

THE BREAK-UP

Rural India's cooperative banking network is facing the brunt of cash recall.

Scheduled State Co-operative Banks
19

Non-Scheduled State Cooperative Banks
14*

Scheduled Urban Co-operative Banks
54

Non-Scheduled Urban Co-operative Banks
1,515*

State Co-operative Banks
30

Regional rural banks
55

* Non-scheduled banks are not registered under the RBI Act; Source: RBI

ing system in the state. "My government's revenue collection has fallen by 40 per cent in the past four weeks. I fear there will be no money in the treasury next month to pay pension and wages to millions of government employees," says Isaac.

Business has also slowed down in the state. "Those who run restaurants, shops and sell FMCG products have lost over 50 per cent of their businesses. The migrant workers (Kerala has two million migrant unskilled labourers from other states, especially from West Bengal) are returning because of less opportunities," adds Isaac. He says Kerala's economic growth rate will fall this year to 4 per cent from 7 per cent last year due to demonetisation. This will also result in a fall in remittances from non-resident Indians, who account for 35 per cent of the state's economy. The situation is more or less the same in other states.

Another business in the informal financial system that has been hit is gold loans. George Alexander Muthoot, Managing Director of Muthoot Finance, the largest gold loan company in the country, says the average ticket size of gold loans is ₹40,000 and almost 70 per cent transactions are in cash. "We have seen a decrease of about 40 per cent in loan disbursements and about 50 per cent in loan repayments."

However, he expects that demonetisation will immensely benefit the organised companies in the sector. "The unorganised players will be impacted as they do not have online transaction facilities," says Muthoot. The unorganised gold loan lenders mostly provide credit to fishermen and farmers in the neighbourhood, including loans for wedding and education. People from low income groups, who have no proper financial proof, depend heavily on these lenders.

THE UNORGANISED PLAYERS WILL BE IMPACTED AS THEY DO NOT HAVE ONLINE FACILITIES. WE HAVE SEEN A DECREASE OF 40% IN LOAN DISBURSEMENTS AND 50% IN LOAN REPAYMENTS

GEORGE ALEXANDER MUTHOOT,
MD, Muthoot Finance

CUSTOMERS IN RURAL INDIA REPAY LOANS MOSTLY IN CASH. THE LOAN REQUIREMENT HAS FALLEN AFTER DEMONETISATION. IT MAY TAKE SOME TIME FOR THE ECONOMY TO RECOVER

RAMESH IYER,
Vice Chairman and MD,
Mahindra & Mahindra
Financial Services

Chit funds are another major source of cash for low income groups. Sivaramakrishnan of the AIACF says there are about 35,000 registered chit funds in the country – mostly in Andhra Pradesh, Tamil Nadu, Karnataka and West Bengal – with an estimated turnover of ₹40,000 crore. The turnover of unregistered players would be double the size of the registered funds. "After demonetisation, the business of registered companies has fallen by 20 per cent. However, most players in the unorganised sector had to shut shop," he says.

Ramesh Iyer, Vice Chairman and Managing Director, Mahindra & Mahindra Financial Services – one of India's largest rural and agricultural finance companies – says that the move has affected loan disbursements of rural financing companies. "Customers in rural India repay loans mostly in cash. The loan requirement has fallen after the demonetisation move. Repayments are also getting delayed. It might take some time for the economy to recover," says Iyer.

Now, it is up to the government to announce a contingency plan for rural India's cash-based lifeline, with non-banking financial companies and the informal financial system, and the lives they support, coming to a grinding halt. Is the Prime Minister listening? ◆

@nevinjl; @pb_pbjayan

Cloudy Outlook

The equity markets are likely to remain weak in the near term given the uncertain impact of demonetisation on corporate earnings. By MAHESH NAYAK

RACHIT GOSWAMI

Ramesh Sobti, Managing Director & CEO of IndusInd Bank, has been beefing up his sales force in the two-wheeler vehicle loan segment since the demonetisation drive by the government. "This is the best thing which has happened to India, merging the informal with the formal economy," says Sobti. Only 20 per cent of the total two-wheeler sales happen through financing but all this could change with the impact of demonetisation, believes Sobti. "This would change. It can be easily 40-60 per cent or even 100 per cent going ahead," he says.

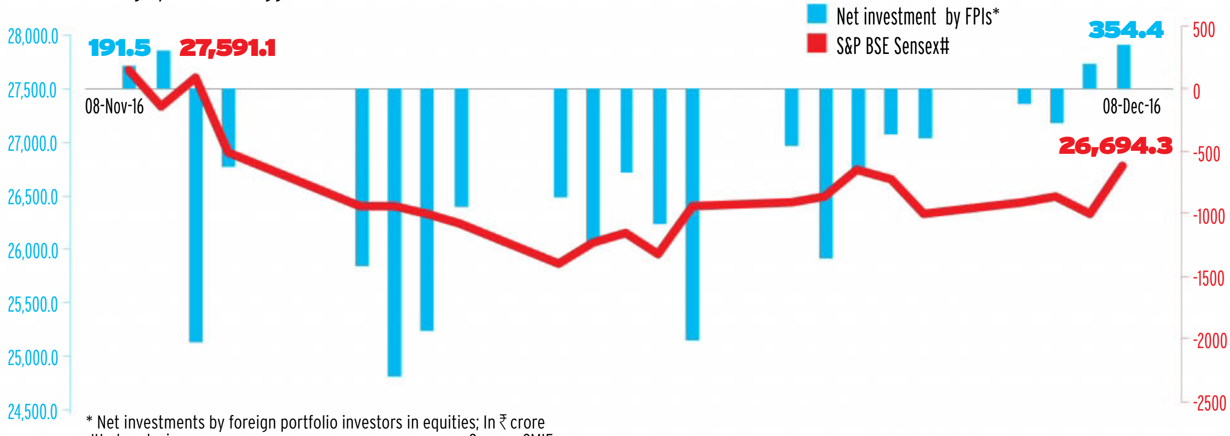
While most of India Inc. agree that demonetisation will be good for India in the long run, no one knows how much time it will take the economy and the markets to recover. "We are getting mixed reactions on demonetisation and, therefore, it has become difficult to gauge its exact impact and the time it will take for the economy to bounce back," says Nilesh Shah, Managing Director at Kotak AMC, who is sure that the earnings of companies will be impacted but isn't sure when they will bounce back. "We will have to wait and watch how earnings of India Inc. shape up. Whether there will be a bounce back within three months or will it take six months," says Shah.

THE RESERVE BANK OF INDIA'S DECISION TO LOWER GDP GROWTH ESTIMATES IS A CLEAR INDICATION OF SHORT-TERM PAIN, WARN SOME ANALYSTS

Small wonder, then, that the stock market has been subdued since demonetisation. The 30-share BSE Sensex had dipped 897 points or 3.25 per cent till December 8. The Sensex slipped from 27,591 on November 8 to touch a low of 25,718 on November 21 before bouncing back to close at 26,694 on December 8. The slowdown in FII selling in the past few sessions has been the reason for the partial recovery in the Sensex. "Market players including FIIs are booking profits. With uncertainty around earnings, they didn't want to stay invested in the market," says Shah, adding that "the market is in a pendulum state. It will swing according to important events surrounding the market, which includes the US Fed Reserve decision to hike rates and Union Budget in February 2017". Markets will slide further if the Fed

LOSING MOMENTUM

Selling by FIIs has dragged down the Sensex



* Net investments by foreign portfolio investors in equities; In ₹ crore

#Index closing

Source: CMIE

hikes rates soon and the fiscal deficit of the government is more than estimated, believe most analysts. "However, I don't see all the events being negative and, therefore, the markets will move up and down until corporate earnings regain sheen," says Shah.

Indeed, the Reserve Bank of India's (RBI) decision to lower GDP growth estimates is a clear indication of short-term pain, warn some analysts. "FY17 earnings of old economy companies should be largely negative due to stunted demand and business cycle crackdowns. In this scenario, I expect the (NSE) Nifty to be rangebound with a downward bias. The Nifty should remain between 7600-8400 in the short term till March 2017. By then, the cash currency crisis should also ease," says Gurunath Mudlapur, Managing Director at Atherstone Capital Markets, a Mumbai-based investment bank. "Demonetisation in the short term will have a negative effect on the economy, especially in segments which have been largely dependent on cash to do business," he adds, pointing out that new-generation businesses such as those related to technology, banking and finance should come out as winners in this situation. Market players also expect large businesses in organised old-economy sectors like textiles, metals and commodities to also benefit as they will be able to swiftly manage the transition into non-cash modes of conducting operations.

A slowdown in FII inflows on the back of lacklustre earnings by corporates concerns most analysts. The market regained confidence in February 2016 on expectation of improved earnings and the index rose 30 per cent till the end of September 2016. But lacklustre earnings may lead to FIIs selling off which can be a huge dampener for the market. FIIs are still considered to be the lifeline of the Indian markets. Learn to live with volatility and avoid swimming against the tide, caution analysts. "After demonetisation there is a trust deficit among FIIs. The sense that we are getting after talking with some of the big institutional investors is that they aren't confident about the central bank and its autonomy," says Mudlapur. Already, a weak rupee is a concern and any wrong move from the central bank would see further outflow of money from India, impacting overall economy, he adds.

The markets, then, will take a cue from several events. Hardening oil prices would concern most players given its inflationary impact on the Indian economy. A possible Fed rate hike may prevent the RBI from pruning rates over the next few months. If the monsoon next year is weak, it could also weigh on sentiment and drag down the Sensex. Most players are keeping their eyes skinned for these imponderables. ◆

@MaheshNayak


hindware
Rimless
100% Clean* 100% Rimless
Is also now 100% Bacteria free.
The Only 100% Bacteria free WC brand
recommended by IMAPH
Recommended by
INDIAN MEDICAL ACADEMY
FOR PREVENTIVE HEALTH
hindware ITALIAN COLLECTION
Element Wall Mounting EWC
*Tested and Certified by Lab

Low Decibel

Demonetisation has led to a ₹2,000-crore loss for the advertising sector, but it could lead to prudent spends. By AJITA SHASHIDHAR

DEMONETISED

Growth forecast for the advertisement sector

Media	2016 (%)	2017 (%)
Television	15.0	11.0
Print	10.0	7.6
Outdoor, cinema & radio	5-10	7-12
Digital	20	30
Indian advertising	13.0	11.2

Source: Edelweiss Report

Television channels, such as Star Plus or Zee, are allowed to air 12 minutes of advertising per hour. However, in the past one month, ever since the currency demonetisation was announced, advertisements have witnessed a 15-20 per cent dip. Advertisers spend over 45 per cent of their advertising and marketing spends on TV and around 30 per cent on print.

A drop of 15-35 per cent in consumption, following the withdrawal of the ₹500 and ₹1,000 currency notes, has led to many big-ticket advertisers cutting almost half of their ad spends, while regional brands have virtually stopped advertising. "There has been a dip in advertising," admits Punit Goenka, Chairman and MD, Zee Entertainment. In fact, Edelweiss Securities, which had said Zee's ad revenues would grow by over 19.4 per cent in the second half of 2016/17, has now revised its estimate to 5.7 per cent.

"We are undertaking some cuts for December. Having said that, for seasonal (winter) products, which were already sold in to trade, we will continue to advertise," says Saugata Gupta, MD and CEO, Marico. A section of market experts believes that demonetisation may actually urge marketers to allocate their marketing rupees more prudently. "It may be short-term budgeting management, but it may also give lead the marketers to reduce their media spends on platforms where 50 per cent of their marketing spends go and they don't even know what for," says Fabio Vacirca, Senior Managing Director, Accenture Products (APAC).

But will this translate into brands reallocating, say, the ₹2 lakh-3 lakh on a Star Plus ad on prime time, to alternate platforms such as digital? An Edelweiss Securities report says a 30 per cent jump in digital advertising is on the cards. While TV ads may dip from 15 per cent (growth) this year to 11 per cent in 2017, print may drop from 10 per cent to 7.6 per cent.

Marketing specialist Peshwa Acharya says putting a stop to advertising may, however, be a bad idea. "Marketers will look at new channels of spend that are cost-effective. Non-TV spends, such as digital, outdoor and activation, will surely pick up." Angshuman Bhattacharya, MD, Alvarez and Marsal, expects a rise in point-of-sales promotions. "In this situation, BTL activities such as in-shop promotions could incentivise consumers to spend. Brands will only look at targeted activities that will create demand."

But the jury is unanimous on the fact that the dip in ad spends is short term, maybe for a couple of quarters. "It isn't a traditional case of low demand. Once the supply of cash is back, consumption will restart and advertisers will come back with a bang," says Bhattacharya. Ashish Bhasin, Chairman, Dentsu Aegis Network, agrees: "When the economy does well, advertising will also do better. It will grow at least 1.5 times multiples of the GDP." ◆

@AjitaShashidhar

THE JURY IS UNANIMOUS ON THE FACT THAT THE DIP IN AD SPENDS IS SHORT TERM, MAYBE FOR A COUPLE OF QUARTERS

WHAT'S TRENDING

Rumour Has It

How social media platforms can keep fake content in check.

By **SONAL KHETARPAL**

If the social media chatter ahead of the US presidential election was anything to go by, it was clear which way the wind was blowing. Donald Trump's win, therefore, was shocking, questioning once again the credibility of social media content.

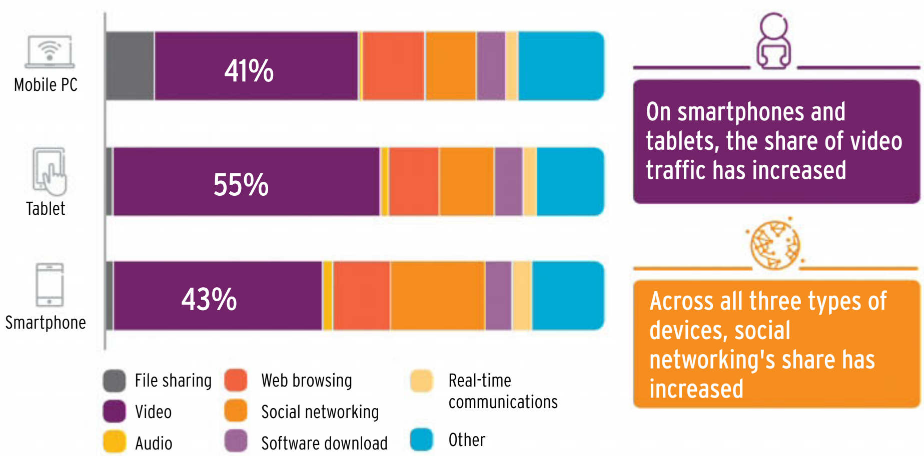
At the crux of this volley of unverified content on social media is an algorithm that delivers 'relevant' content to us based on our preferences. Continuously reading content that reinforces one's point of view, with the other facet hidden, leads to the creation of the bubble of half-truth in which we all happily live, until it bursts, like in the case of America's election result, explains Siddharth Deshmukh, Associate Dean, Area Leader - Digital Platform & Strategies, MICA.

This problem has exacerbated as Facebook and Twitter have become the go-to platforms for news, and users remain oblivious that the content is determined by what they 'like' to read, as against what the ground reality may be. Facts take a backseat as popular opinion goes 'viral', as seen even during the demonetisation drive in India.

RAJ VERMA

DIGITAL DASHBOARD

Global mobile data traffic volumes by application category and device type



Source: Ericsson Mobility Report

But can we blame these platforms for such propaganda? Deshmukh of MICA says, "These platforms are businesses, and are doing whatever they can to turn profitable. These intermediaries have to be as open as possible because their goal is to replicate real-life conversations." Vivek Bhargava, CEO, DAN Performance Group, agrees. He believes it is the source that is liable, not the platform. "If a person prints out 10,000 copies of an article and circulates it, can the printing company be held liable?" he asks.

Facebook's founder, Mark Zuckerberg, in a blog post, talked about work-in-progress projects to better detect misinformation, and "better technical systems to detect what people will flag as false before they do it themselves". Twitter, too, has launched a feature to mute notifications based on keywords, and a more user-friendly harassment reporting system.

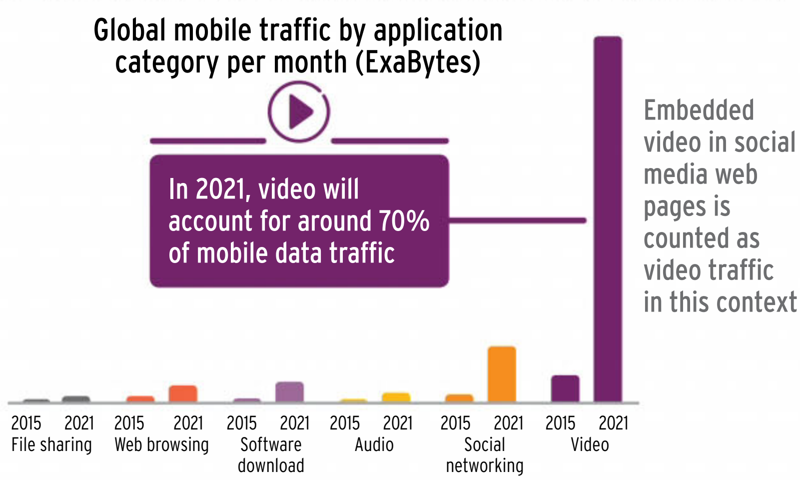
Parminder Singh, former MD of Twitter India and SE Asia, says, "Weeding out fake content is much more complicated, partially because of limitations of technology." The offensiveness of a post can be determined by its content, but judging its authenticity, he says, is not easy. "Even if a comprehensive repository of facts exists, new ones keep getting added, making fact-checking an incomplete exercise."

In case of brands and businesses that use social media for marketing, and hence are a big source of revenue for these platforms, distinguishing fake and malicious information from genuine feedback is a challenge. Even if a malicious post is identified, the action may not be swift. According to a Supreme Court order, a non-government or person's request for taking down online content should be accompanied by a court order. Which means Facebook can process requests based only on official court orders or if it violates its community guidelines.

To reduce the incidence of fake content, Neil Shah, Research Director, Counterpoint Research, suggests that platforms let users rate the content based on the authenticity of the source. For content related to brands on social media, he proposes automated alerts that can be sent directly to companies or the subject of the content, if an article gets viewed or shared above a certain threshold – a feature these platforms can monetise.

In May this year, the European Commission signed a code of conduct with Facebook, Twitter, Microsoft and Google to remove 'hate speech' from these sites. Some criticised the move as it undermines citizens' fundamental rights. Instead of stricter laws, Prasanth Sugathan, Counsel at Software Freedom Law Centre, says, "The government, Internet users and policy makers must come together to define transparency and freedom of speech in the Indian context, and practise self regulation," he says. ◆

@sonalkhetarpal7



LISTENING POST

Calling the Bluff

Facebook recently asked its users in a survey to indentify misleading posts in what seems to be an effort to curb fake news. In the survey, Facebook asked users to rate news posts on the basis of their headlines, and say whether they were using misleading language. Users could choose from five options – not at all, slightly, somewhat, very much and completely. The question appeared in a bar below the posts. Facebook has been under fire recently for the way in which it handled fake and misleading posts during the US presidential elections. In a Facebook post, Mark Zuckerberg recently said that 99 per cent of the posts on the social networking site are authentic, and only a small number comprises fake news and hoaxes.

Icebreaker

LinkedIn has introduced a feature to make messaging on the LinkedIn app easier. With this new feature, users can engage in conversations with the people they are not familiar with, as LinkedIn will highlight the common things between the two. "We know that reaching out to reconnect, ask for advice or network for potential job opportunities can be intimidating, so we've added personalised conversation starters on LinkedIn messaging to give members authentic ways to break the ice," the professional networking site's blog post said. Now when a user writes a message to a stranger on the LinkedIn app, he can tap on the light bulb icon located above the keypad and explore suggestions from the network on how to use it to start a conversation.

A Cut Above

The 2016 BT-PwC India list of India's Best CEOs throws up new champions.

By RAJEEV DUBEY

When corporate excellence becomes the norm, supremacy is defined – not just in numbers and strategies but in subtleties. Standout performance on revenue, profits and shareholder returns is the baseline of the annual ranking of India's Best CEOs 2016. But what they do beyond that is the litmus test of their and their companies' character and resilience.

So, whether it is Sunil Duggal's tightrope walk running the family-owned Dabur professionally or C.P. Gurnani's people management skills in buying and integrating numerous companies into Tech Mahindra or Venu Srinivasan cranking the innovation machinery at TVS Motors, the bar just got higher and higher in this year's ranking.

As much as Indo Count's Anil Jain's life after corporate debt restructuring will leave you captivated, equally Rajnikant Shroff's potion for successful global acquisitions at United Phosphorus will absorb your imagination.

Why did the eminent jury (see page 100) stick its neck out in picking Irfan Razack of Prestige Estates, belonging to the much maligned real estate sector? Or, for that matter, what tilted the scales in favour of Gautam Adani of Adani Ports? And, in a first, how did brothers Sudhir and Samir Mehta of Torrent Power and Torrent Pharma make it to the podium? This package promises to satiate every bit of your managerial curiosity about running such successful enterprises. Read on.

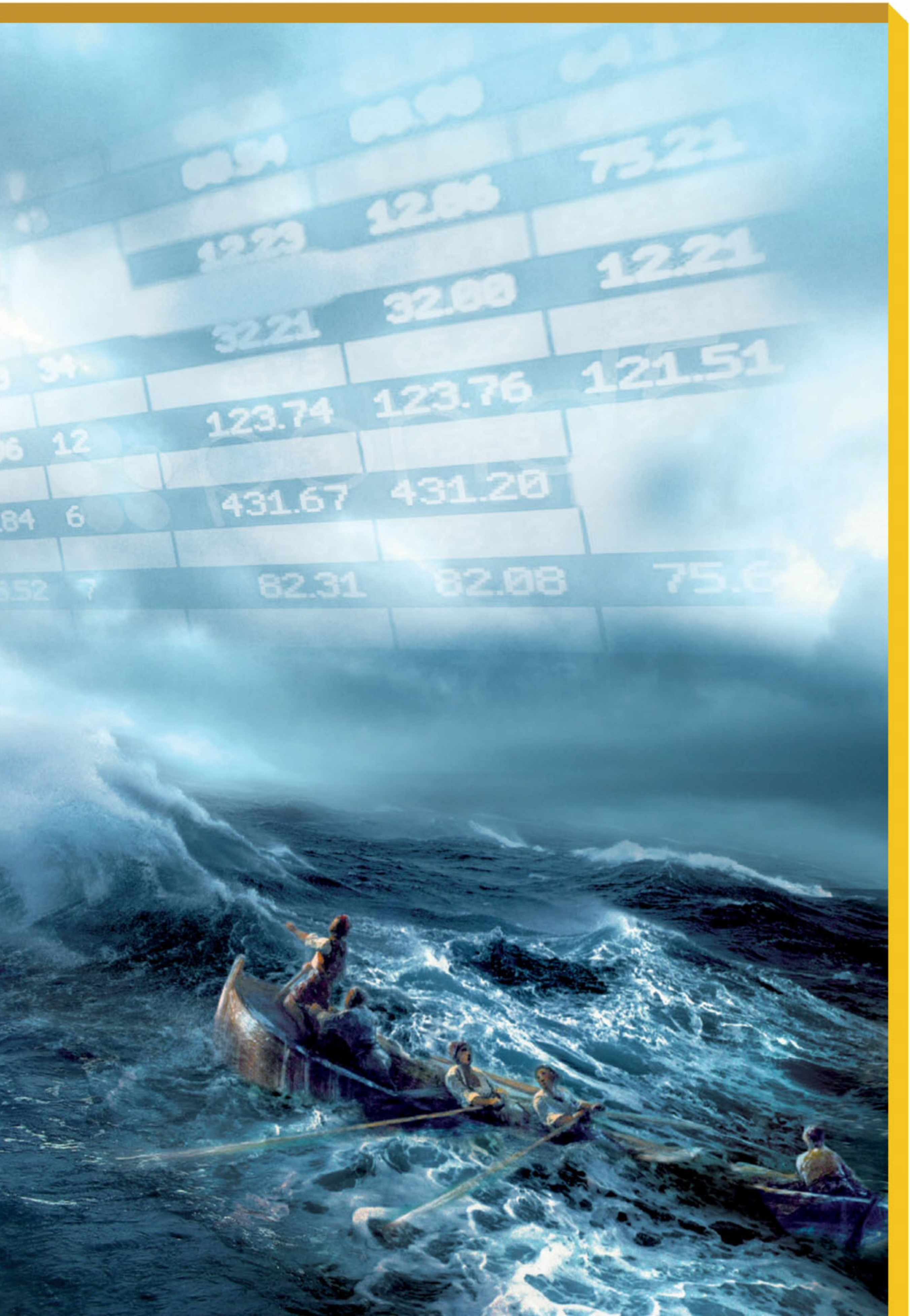


ILLUSTRATION BY NILANJAN DAS

INDIA's BEST CEOs

VENU SRINIVASAN, Chairman & MD, TVS Motor Company

The Champ

Venu Srinivasan has brought TVS Motor back in the reckoning in the Indian two-wheeler industry.

BY VENKATESHA BABU

Honne Gowda, 43, runs a small provision store in Doddaballapur, an hour's drive from Bangalore. Most people here either depend on farming/dairy or do odd jobs in the country's information technology capital. Every Friday, the store's operations are taken over by Gowda's wife, as he goes to the city for fresh supplies on his trusted steed — a moss green TVS XL. He swears by his slim nine-year-old moped and claims: "It can haul anything I need, from the various daily items I sell to fresh grass bales for the cattle. I have never had any issue with it. What I like most is affordability, low maintenance cost and reasonable mileage. Most houses here have a TVS moped."

It is precisely this kind of brand loyalty among

CHAMPION OF CHAMPIONS AND BEST CEO
(Mid-sized Companies)

TOTAL INCOME/ 3-YR CAGR
₹11,296.9 cr / 16.2%

PBIT/ 3-YR CAGR
₹613.9 cr / 41.8%

PAT/ 3-YR CAGR
₹432.1 cr/ 27.8%

3-YR AVERAGE TSR
137.30%

AVERAGE MCAP YOY GROWTH*
17.3%

ROE/ ROCE
24.1%/ 22.5%

CASH/ DEBT
₹32.8cr / ₹902.3cr

NET PROFIT MARGIN
3.5%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns; Source: ACE Equity

JAISON G

people in villages and smaller towns that helped TVS XL touch the 10-million sales mark last year, the second two-wheeler brand in India to achieve this milestone (besides Hero Splendor). It would not be an exaggeration to say that a very big part of the country's rural economy moves on TVS XL mopeds, as attested by faithful users like Gowda.

However, even in this semi-urban town, there is a clamour for change. Gowda's 16-year-old son Hemant wants an Apache bike for going to college. The father is more intent on the Jupiter scooter. Interestingly, Hemant isn't aware that the high-end Apache bike he wants is made by the same TVS Motor Company (TVSMC) that his father swears by.

It is this ability to appeal across generations and types of users that has made TVSMC stand out in the highly-competitive Indian automobile market with its mopeds, scooters, bikes and auto-rickshaws. This is reflected in the company's financials. Over the past three years, while TVSMC's revenue grew at a compounded annual growth rate (CAGR) of 16.2 per cent, net profit grew at 27.8 per cent CAGR. TVSMC is now India's third-largest two-wheeler player, with around 14 per cent market share. Its stock is trading at its highest levels in the past 15 years.

While at first glance, all this may seem not out of the ordinary, what TVSMC has achieved over the years is pretty impressive if we look at how challenging things were around 2001 when it had just ended its two-decade-old joint venture with Japan's Suzuki. That time, not many competitors, observers and analysts thought it would be able to do well after the break-up. That it thrived is all thanks to the leadership of Venu Srinivasan, the third-generation scion of the storied T.V. Sundaram Iyengar family.

LONG-TERM FOCUS

The rise of the TVS Group under Venu Srinivasan's grandfather, T.V. Sundaram Iyengar, who brought the road transport industry to South India, is well chronicled. Slowly, the group expanded into motor industry, auto ancillaries and financial services. While the collective revenue of the TVS Group is in excess of $7 billion, individual companies are run by different branches of the family independently.

But the most interesting journey has been the one undertaken by the two-wheeler business. TVS ventured into the space in 1978 and launched its first moped, the now legendary TVS 50, a couple of years later. In 1982, it joined hands with Suzuki for technology, and in 1984 entered the bike segment.

Ind-Suzuki, as the bikes were branded initially, was a hit in the then-nascent Indian market. However, the dream run was halted by labour trouble. Srinivasan made his mark by taking on the recalcitrant unions and scripting a turnaround in the fortunes of the company, which was re-named as TVS-Suzuki.

Just when things seemed back on track came the rupture in the relationship with Suzuki. The timing could not have been worse. The company was then making only two-stroke vehicles and the market was decidedly shifting towards four-stroke engines, primarily for their higher mileage. With the global partner, which supplied it technology, not around, TVSMC was left to fend for itself.

"We had a long history between 1979 and 2006 in two-stroke technology. Four-stroke was a discontinuous product and there were some challenges related to design, product and service. After we parted with Suzuki, we (independently) designed our first four-stroke bike (Victor). That was our first attempt at design. Some (attempts) did not work, while others were more successful," says Srinivasan, 64, sitting in the first floor of a fairly utilitarian office complex in Chennai, with none of the attendant paraphernalia one encounters while meeting industry chieftains. The only exception are the

THE JOURNEY

Set up in **1978**

Launches its first vehicle in 1980, the **TVS 50 moped**

Enters into a technical tie-up with Suzuki of Japan in 1982

First motorcycle launched

TVS Scooty, its iconic scooter, launched in 1994

In 2001, Suzuki and TVS part ways

Launches India's first indigenously-designed and manufactured **four-stroke bike, Victor**

Wins Deming Prize, considered the **Nobel Prize** for quality, in 2002

In 2007, enters the three-wheeler market

In 2014, Chairman Venu Srinivasan's son **Sudarshan Venu** appointed Joint MD

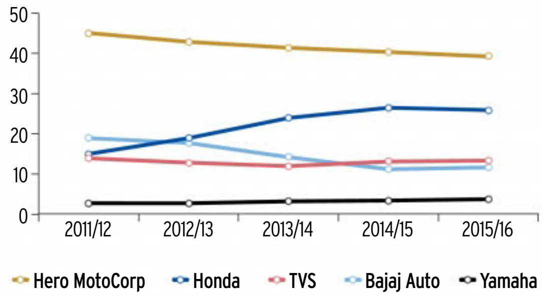
FAIR PIE

Sales are almost equally divided between its three product categories

Figures are unit sales for 2015/16
Source: SIAM

THE COMEBACK

TVS has beaten Bajaj Auto in market share (%) and become the No. 3 player in two-wheelers



Source: SIAM

discreet but ubiquitous security guards in their light blue safari suits.

Srinivasan, obsessed with quality, steered a revolution by emphasising total quality management. TVSMC won the Deming Prize, considered the Nobel Prize in quality, in 2002. If TVSMC products top JD Power quality surveys, it is because of the work done for more than a decade, says Srinivasan. "What you are seeing now is the result of our work over a long time. One of the things we learnt from the Japanese was to focus on the long term, even if it means that people are sceptical in the short term," he says.

This is where TVSMC, though listed, enjoys the advantages of being family-run. "Businesses run by families can afford to focus on the long term as they (families) are not incentivised by stock options," he says. He is clear that long term doesn't mean forever but says it helps when one is not fixated on the company's stock price.

"We fight for market share on a daily, weekly, monthly, quarterly basis. After all, long term is made up of several short-term milestones. But long-term objectives are like the pole star on which we are focused," he says.

THE SHIFT

TVSMC was historically known mainly for its mopeds. What has driven growth over the past few years, however, is scooters and, to some extent, bikes. A recent Motilal Oswal report says that in the first quarter of 2012/13, mopeds accounted for about 39 per cent revenue. In the fourth quarter of 2015/16, this declined to 29 per cent. The contribution of scooters went up from about 22 per cent to 30 per cent during the period. Bikes account for a little over one-third revenue.

Asked about the shrinking moped space, Srinivasan says this mirrors a larger trend in the automobile industry. "If you take cars, sales of very small cars, 800cc, are declining, whereas sales of cars with engine capacity of 1200cc and above are growing. Other categories such as mini-SUV are also growing. Moped is a rural phenomenon. It has declined and will continue to decline. We happen to be there and will continue to be there. If I had to enter afresh, would I do so? I don't know." He says further growth will come from slightly higher-end bikes (150cc and above) rather than 100cc commuter bikes. "The 100-125cc will be occupied by scooters because of urbanisation and improvement in the road infrastructure. High-end motorcycles and scooters will be the future growth areas for the Indian two-wheeler industry."

TVSMC has taken a number of steps over the past three years to strengthen its product portfolio. It launched Jupiter in the fast-growing scooter segment to challenge the dominance of Honda's Activa. In the premium segment, it launched RTR 200 to take on Bajaj's Pulsar range. In the commuter segment, it launched a refreshed Victor.

In 2013, TVS tied up with German major BMW to manufacture the latter's products at its Hosur facility. Apart from the contract manufacturing agreement, the first bike born out of the collaboration between the two companies is likely to be launched under the TVS brand sometime early next year. "I have no comments to offer on that. However, we don't see ourselves making a bike with more than, say, 300-350cc engines," he says.

INNOVATION AT TVS MOTOR COMPANY

TVS has had a long history of several firsts in the Indian context, from small practical touches to technology breakthroughs. While it was not the first moped company in India (players like Luna and Kinetic already existed), it launched the country's first two-seater moped. Mundane, maybe, but very practical and successful.

On the technology front, it was the first to deploy a catalytic converter in a 100cc bike, burnishing its green credentials. These reduced harmful exhausts. It was also the first to offer ABS (anti-lock brake system), a safety feature, which has now almost become a standard. Given the increasing traffic in Indian cities, it offered the first clutch-less motorcycle. Till then, this feature existed only in scooters.

Innovation has not been limited to technology but has also revolved around factoring in use-cases and design language. India's first scooterette – Scooty – was targeted exclusively at women and did much for their empowerment by providing them mobility. It also launched a scooter with what it called the 'Body-Balance' technology to distribute weight better.

An industry analyst who did not want to be identified as he is not authorised to speak to the media says the arrangement with BMW will not only provide an additional revenue stream but also give TVS's portfolio of premium products an aspirational value. "An improved product mix with greater emphasis on higher-margin scooters and bikes is what has helped the company do well in the marketplace," he says.

Asked if the company will move towards premiumisation, like some other players, Srinivasan says, "We are back in the commuter segment through Victor. Both premium and commuter plays are doing well. We don't see ourselves only as a premium player."

Today, scooters contribute about 30 per cent revenue, bikes about 37 per cent, and mopeds about 30 per cent. The rest is three-wheelers. The company has a capacity to produce 3.2 million two-wheelers and 1,50,000 three-wheelers at its plants in Hosur, Mysore and Pantnagar.

About the flux in the three-wheeler business, Srinivasan says, "One has to realise that it is not the core business. I am happy with the progress, but we can always do better."

The company also has a manufacturing facility in Indonesia and exports to more than 50 countries. It has been affected on the export front of late. "A lot of our exports were to South America and Africa where markets have shrunk due to crash in commodity prices. But I expect things to eventually pick up," he says.

SUCCESSION PLANNING

The fourth generation is being trained to take over the mantle. Son Sudarshan Venu, 26, joined as Joint Managing Director a few years ago. Asked if some of the recent successes and cutting-edge designs are a result of the new generation joining the business, Srinivasan says, "Sudarshan is very passionate, very intense and, of course, a part of the success can be attributed to him, though I must point out that we have a strong professional CEO and a very talented team."

Sudarshan led the company's foray into real estate through a subsidiary. Its first two projects sold out in record time and have been delivered. Asked whether this will be eventually made into an independent business, Srinivasan says, "No comments. We have planted a seed. If it does well, we will talk about it in the future."

He is nowadays not involved in day-to-day operations. "I am focused only on three things — technology planning, product development and HR." The only relaxation for him is the work he does through the Srinivasan Services Trust (SST), which works in 4,000 villages, impacting more than 2.5 million people. He says he spends about 30 days a year in villages monitoring the SST's work.

Even as he grooms his son to succeed, he leads TVSMC in battles amid intense competition with global players such as Honda, Yamaha and Suzuki, and local majors Hero, Bajaj and Mahindra. He, though, believes there is space for everybody to do well. "India's two-wheeler penetration is lower than countries such as Indonesia, Thailand and Malaysia. The next 15 years will bring a lot of opportunities."

For now, TVSMC is sitting pretty and getting ready to fight the next battle in its war for market dominance. ◆

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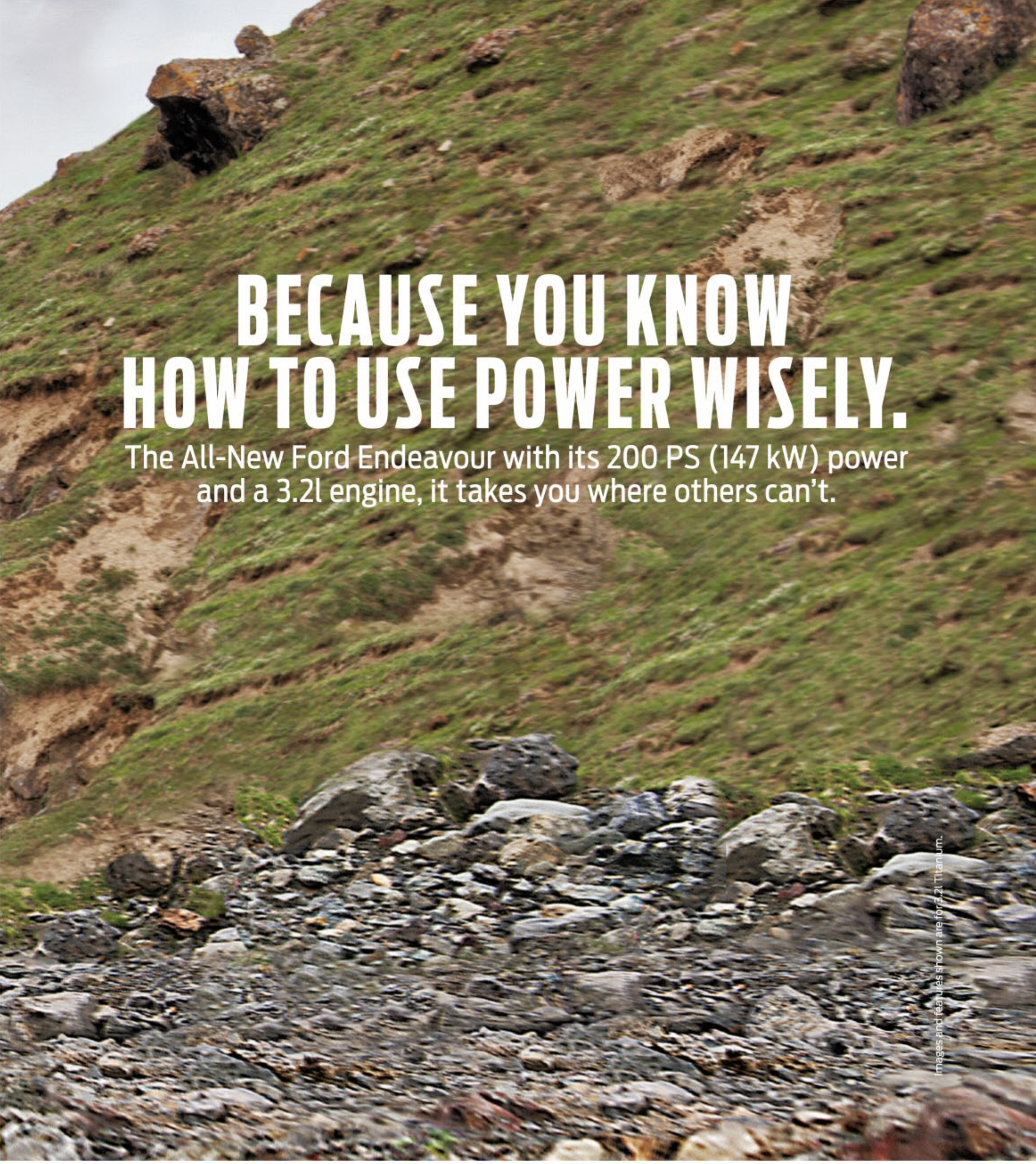


Semi Automatic Parking Assistance

Seven Airbags

Powerfold Tailgate

INDIA's BEST CEOs

NISHI VASUDEVA

Chairman & Managing Director, HPCL

Sailing Through

How Nishi Vasudeva steered oil behemoth HPCL through a tricky time of falling crude oil prices.

BY ANILESH S. MAHAJAN

During her two-year stint as Chairman and Managing Director of HPCL, Nishi Vasudeva's ability to steer the public sector oil company through periods of uncertainty and make hay of the positive developments helped the company reap the benefits over the long term.

Within a couple of months of Vasudeva taking over the reins of HPCL on March 1, 2014, Brent crude prices, which were about $110 a barrel, started their downward journey, and by the time she demitted office in March 2016 had crashed to about $39 per barrel. The continuous fall in the global price of crude oil had heads of even MNC oil majors worried, but Vasudeva was quick on her feet and countered the onslaught with the Integrated Margin Management (IMM), a platform for maximising margins from every barrel of crude oil. "Through this we could prevent the over-purchase of products, saving unnecessary costs, because every dollar bill saved is a dollar earned," says Vasudeva.

As part of her plan, she formed an empowered group, which had control over cross-functional processes, for maximising margins across the value chain, capturing opportunities and reducing margin leakages by introducing the concept of net corporate realisation. "Every month, this team, comprising heads of retail, operations, distribution, refinery and IT, among others, used to sit together and gauge the approximate quantity of the prospective sales. The analysis allowed us to determine almost the exact quantum of products required at each depot and terminal. Based on our sales forecast, we were able to calculate backwards how much crude we needed to import or buy. The purchase of crude or other products would happen accordingly," she adds. The team directly reported to her.

About 67 per cent of HPCL's revenue comes from sale of retail products, including petrol, diesel and liquefied petroleum gas. "Retail being our primary revenue earner, it was important for us to understand and identify the constraints for operational efficiencies, before undertaking actions for enhancing operational effectiveness. Once we started addressing them, HPCL started improving its performance," she says.

The move reflected in the company's fiscal numbers, with operating profit margins improving to 3.31 per cent in 2015/16 from 2.75 per cent in 2013/14, and net profit margin rising 1.32 per cent in 2014/15 –

RACHIT GOSWAMI

BEST CEO
(Super large Companies) &

BEST CEO
(Oil & Gas)

TOTAL INCOME/3-YR CAGR
₹1,82,516.8 cr / -4.5%

PBIT/ 3-YR CAGR
₹6,378.2 cr / 30.2%

PAT/ 3-YR CAGR
₹3,862.7 cr / 62.2%

3-YR AVERAGE TSR
66.9%

AVERAGE MCAP YOY GROWTH*
36.7%

ROE/ ROCE
22.6% / 16.8%

CASH/ DEBT
₹19.7 cr / ₹21,336.8 cr

NET PROFIT MARGIN
1.9%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns; Source: ACE Equity

crossing the 1 per cent mark for the first time in four years. "I always told my colleagues, if you want to chase your dream and grow big in any organisation, you should not hide behind excuses for not taking tough assignments," says Vasudeva.

Says Vandana Hari, Founder of Singapore-based Vanda Insights: "It was impressive the way she led HPCL to healthy financial results from her first year at the company, and that, too, in one of the most challenging years for the oil industry. I hope she continues to inspire women in this male-dominated industry." Hari is not alone. Even her former bosses vouch for her. Says Arun Balakrishnan, a former CMD of HPCL (2007 to 2010): "She impressed all of us with her dedication, discipline and zeal to do things right. As a boss, it was very comfortable for me to rely on her to get things done. The tougher the task, the brighter Vasudeva would shine."

Vausudeva not only ensured her success up the corporate ladder, but also that of the PSU oil major, in the process. Last fiscal, HPCL posted 1.9 per cent net profit margin to clock ₹3,862.74 crore net profit. Its consolidated profit hit ₹4,929.41 crore from ₹1,498.58 crore in the previous year. It also reported CAGR of 62.2 per cent in net profit the best among its peers BPCL (41.1 per cent) and IOCL (21.8 per cent). This, despite the fact that BPCL clocked 3.4 per cent and IOCL posted 2.4 per cent net profit margins, much higher than HPCL's numbers. This is largely because IOCL and BPCL have much bigger refineries and petrochemical businesses, and have larger market share in the retail businesses.

In India, petroleum product sales witnessed growth of 9.3 per cent over the previous year. HPCL, among the public sector oil companies, increased its market share by 0.31 per cent to reach 21.25 per cent of the 51,870 petrol pump outlets across the country, in 2015/16. Soon, the IMM platform was being adopted by HPCL's PSU peers, IOCL and BPCL, which were keeping a close watch on the developments at HPCL, to arrest the fall in their profit margins. Says S. Jeyakrishnan, Director - Marketing, HPCL, "In the past two years, IMM was ingrained into our planning process in such a way that it will bear fruits even when we see some increase in crude oil prices."

Vasudeva was lucky, too. The then newly-elected government's oil sector reforms, including the decision to free up diesel prices from government control in September 2014, followed by the oil ministry's decision to give LPG subsidy benefits directly to the customers' bank accounts, helped improve the cash flow of the company, and reduced its dependency on taking debt from the market. In an earlier one-on-one with *Business Today*, B. Ashok, CMD, IOCL, had said: "Earlier, the government used to delay the compensation for the subsidy outgo. OMCs had to take debt from the market to maintain cash flows. The interest outgoes were never compensated." Like IOCL, HPCL, too, started saving on the subsidy spends.

Last fiscal, the three HPCL-controlled refineries recorded combined refining throughput of 17.23 MMT, compared to 16.18 MMT in 2014/15, with a capacity utilisation of 116 per cent. It is planning a 15 MTPA petro-chemical hub at Visakhapatnam in Andhra Pradesh. Along with other PSU OMCs, HPCL is also setting up a 60-MTPA refinery in Maharastra, in which it will have 25 per cent equity.

Now, it is up to Vasudeva's successor, Mukesh Kumar Surana, to ensure efficient implementation of her blueprint to help HPCL take flight even under the cloud of OPEC and allied countries threatening to cut crude oil production to jack up prices. ◆

@anileshmahajan

BALANCED GROWTH

India's first woman chairman of any non-bank PSU, globally joined the league of Karen Agustiawan of Indonesian state firm Pertamina, Maria das Gracas Silva Foste of Brazil's Petrobras, Sumayya Athmani of Kenya's National Oil Corporation, Lyn Elsenhans of US-based Sunoco and Sara Ortwein of ExxonMobil Upstream Research

Oil prices crashed from $110 a barrel barely four months after she took charge to $37 a barrel the day she demitted office

Focused on reducing costs to maximise profits

Brought in more scientific planning

Implemented Integrated Margin Management (IMM) system to add value to crude oil purchases, systems at refineries and marketing-distribution. It helped maximise profits and improve net corporate realisation

HPCL under Vasudeva, like its peers IOCL and BPCL, benefited from freeing up of diesel to market prices, and direct benefit transfer for LPG distribution

INDIA's BEST CEOs
KENICHI AYUKAWA
MD,& CEO, Maruti Suzuki


VIVAN MEHRA

Top Driver

Kenichi Ayukawa has taken India's automobile market leader where it feared to tread earlier – success in premium cars.

By CHANCHAL PAL CHAUHAN

Since Kenichi Ayukawa took over as CEO and Managing Director of Maruti Suzuki Ltd on April 1, 2013, its share price has risen to ₹5,240 per share (December 8) from around Rs 1,400 at the time, its annual profit has nearly doubled to ₹4,571 crore in 2015/16 from ₹2,392 crore in 2012/13, while its market share has gone up by a spectacular 10 percentage points to touch 48 per cent.

There have a series of successful launches of new models, with the last two, Baleno, a premium hatchback, and Vitara Brezza, a compact SUV, having bagged enough orders to be considered 'sold out' for this financial year. Brezza has become leader in its segment within just 10 months of hitting the market. Two other models launched during his tenure, Ciaz and Ertiga – both of them 'mild hybrids', employing electrical power for several tasks usually needing fuel – are leaders in their respective segments, too.

In July 2015, the company rolled out a separate sales network, NEXA, for its premium variants, complementing its existing network of 2,000 showrooms, which has already sold over 150,000 cars – more than the combined sales of General Motors, Volkswagen or Ford in India. Around 125 NEXA deal-

erships have been given out, with each one of the futuristic outlets being developed at a cost of at least ₹25 crore.

But the two areas where Ayukawa has made the biggest difference are industrial relations and technology.

Ayukawa took over barely 10 months after the worst labour violence in Maruti's history – when workers on the rampage with iron rods and wooden sticks at its Manesar plant set then HR manager Avnish Kumar Dev's office on fire, burning him to death, and seriously injured another 100. In 2011, Maruti had seen a 59-day strike. Coupled with the violence and subsequent closure in July 2012, Maruti's market share fell to an all-time low of 38 per cent.

BEST CEO
(Large Companies)

TOTAL INCOME/ 3-YR CAGR
₹58,268.4 cr/ 9.4%

PBIT/ 3-YR CAGR
₹6,616.5 cr/ 27.7%

PAT/ 3-YR CAGR
₹4,571.4 cr/ 24.1%

3-YR AVERAGE TSR
50.2%

AVERAGE MCAP YOY GROWTH*
15.5%

ROE/ ROCE
18.0%/ 25.7%

CASH/ DEBT
₹39.1 cr / ₹230.9 cr

NET PROFIT MARGIN
7%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns;
Source: ACE Equity

Personally selected by Suzuki patriarch Osamu Suzuki to restore normalcy to the Indian operations, Ayukawa has ensured complete industrial harmony. There has not been even a single instance of strife during his tenure so far a formidable achievement considering the company's mammoth workforce of 20,000 who manufacture 1.5 million vehicles a year. "He struck a conciliatory note from the time he took over," says Kuldeep Jhangu, General Secretary, Maruti Udyog Kamgar Union, the older of Maruti's two unions, comprising mainly workers at its Gurugram plant. "He takes direct feedback from us on every issue."

Not surprisingly, unlike earlier CEOs, Ayukawa spends half his time on the shop floor. Such is his rapport with the workers that they are willing to go the extra mile for him. In May this year, a blast at the factory premises of Maruti's biggest supplier of car air conditioning components, Subros, brought production to a standstill. Ayukawa persuaded the workers to take their annual two week earned leave right away, which gave Subros time to recoup its losses and restart supply. "It was the support of our workforce that enabled us to make the adjustment," says Ayukawa. "Most had planned their holidays at different times, but they understood the importance of cooperating, especially when customers were eagerly awaiting the new Brezza SUV." Ayukawa changed his own week-long holiday plan as well.

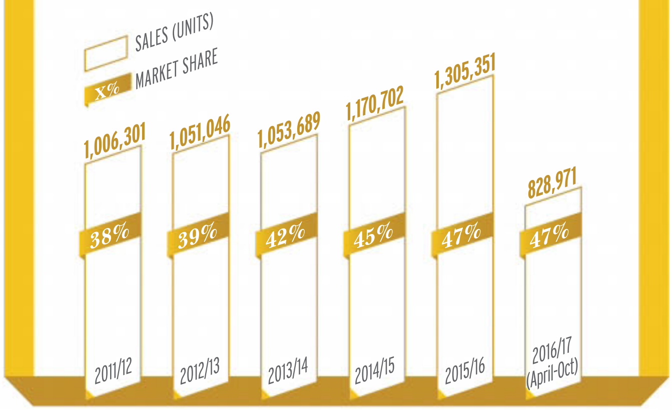
TECHNOLOGICAL LEAP

The other major transformation is in the growing emphasis on cutting-edge technology. Though it has dominated the market in automobiles for over three decades, Maruti Suzuki was never a technology leader. Ayukawa, realising this lacuna could affect future growth, has sought to marry technological advance with Maruti Suzuki's age-old emphasis on affordability. Perhaps he was influenced by the fate of Suzuki in the US – where the American Suzuki Motor Corp (ASMC) filed for bankruptcy and stopped selling vehicles in 2012 in the face of increasing competition. Ayukawa had worked for ASMC from 1997 to 2000.

He has ventured into affordable automatic transmission variants of well-established models such as Alto, WagonR, DZire and Celerio, without compromising on their fuel efficiency. Increasing focus on safety, he has introduced variants with dual airbags and anti-lock brakes in most of Maruti's models. An R&D centre is being built in Rohtak with an investment of ₹2,500 crore. Most importantly, for the first time in Suzuki's history, he has empowered Indian engineers, led by C.V. Raman, to develop new vehicles.

TOP DOG

Maruti Suzuki's sales have consistently increased over the years



Source: SIAM

Both Baleno and Brezza have been developed entirely in India. Baleno is even being exported to numerous countries, including Japan. "Baleno was very helpful in changing the image of our company," says Ayukawa. "Its development began four years ago. We have to continue this kind of effort. It takes about three to four years to come up with a breakthrough product. Right now, we are working on products that will be launched in the next three to four years. Continuity is very important. We may well keep developing models here and selling them globally, including in Japan. We want to take on this challenge."

CULTURAL FACTOR

A law graduate, who loves reading and golf, Ayukawa, 60, has been with Suzuki since 1980. He is the first Maruti Suzuki CEO who also has experience of serving in Pakistan, where he was MD of Pak Suzuki Motor Co from 2004 to 2008. He maintains his Pakistan stint is helping him considerably in India. "People of both India and Pakistan are honest, sincere and kind," he says. "But their attitude to you will depend on how you approach them. That is common to both countries, despite the unfortunate history between the two after Partition. I have found it easy to establish personal relationships in both places." Apart from a brief membership of the Maruti Suzuki board, he had no previous experience of India, very unlike his predecessor as CEO, S. Nakanishi who spent more than 30 years in this country. "Nakanishi is like my big brother in the company," Ayukawa adds. "He gave me a lot of advice when I first came here on how to communicate with Indians, which was very helpful."

"Ayukawa has been like a fresh breeze for Maruti," says R.C. Bhargava, the company's 82-year-old Chairman. "His ability to strike a rapport with workers and understand their psyche has helped a lot. He developed close links with the union representatives and spends long hours on the shop floor."

FUTURE PERFECT

Ayukawa wants to increase production from the current 1.5 million vehicles annually to 2.5 million, in effect accounting for a third of Suzuki's global production. The company's third plant, coming up at Sanand, Gujarat, will have an initial capacity of 250,000 units. "Ultimately, we plan to make around 1.5 million units annually in Sanand alone, but that will take some time as the Indian market grows," says Ayukawa. He expects the SUV segment to strengthen rapidly, while forever remaining alert to the growing competition even in the hatchback segment – where Maruti has long ruled – from the likes of Renault's Kwid. "We have to prepare and align a product to overcome the challenge from Kwid and other new generational products," he says. "We have to compete. But this is the situation in every industry. We have to surprise our customers with new offerings – innovations in design, in performance, price, shape and size of our vehicles."

He continues to exhort his Indian engineers to focus on products that can compete globally. "Maruti is No. 1 in India, but Suzuki is not in the same position globally," he says. "If we can raise our quality standards to compete with the best in the world, we will be strong players in the passenger vehicle segment around the world." He has already outlined the new areas for them. Hybrids and electric vehicles will be a major focus with the former going beyond the 'mild hybrids' to those which can go fully electric if required. Crisper designs to attract buyers are also in the making.

Maruti's stature in the automobile market can be gauged from the fact that, at any time, seven of its models are in the top 10 bestselling car list. The demand is so high that the parent Suzuki Motor has advanced completion of the Sanand plant by six months to January 2017 to provide the Baleno hatchback to Indian customers. Maruti is so starved of capacity that almost half its portfolio is on the waiting list in some part of the country or other.

Ayukawa is supremely confident of touching the 2-million sales mark by 2020 or even going higher. More than 15 new Maruti models are scheduled to hit the market by then.

Despite its large base, Maruti remains among the fastest growing auto manufacturers in the country even as it matches global peers on high acceptance amongst Indian customers. The company perennially tops the JD Power auto surveys. "Maruti is always a yard ahead of its competitors who have failed to imitate it on product life cycle and customer aspirations," says Wilfried Aulbur, head of auto consultancy firm Roland Berger's Asia Automotive Practice. "It does not just make smart mobility like the hugely successful mild-hybrid in the Ciaz sedan, but also trims cost, which makes it stand out among carmakers." ◆

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BALANCED GROWTH

- Seven models are in top 10 bestseller list
- Market share improving across all markets in top 10 cities and rural
- Only carmaker with monthly sales more than 100,000
- Growing at almost double the pace of industry
- Ready to play a much bigger role in global operations of parent Suzuki Motor
- Unit sales in the domestic market were higher than Suzuki's in Japan

TECHNOLOGY LEADER

- First to debut fuel-efficient, mild hybrids
- Launched affordable two-pedal technology with cheaper automatics
- Standardising safety equipment like airbags and ABS across models
- Invested ₹2,500 crore in world class R&D centre at Rohtak in Haryana
- Create strategic models for the world in India

SIDDHARTHA LAL, MD & CEO, Eicher Motors

Steady Biker

Siddhartha Lal has continued to whet the appetite of consumers for Royal Enfield motorcycles.

BY CHANCHAL PAL CHAUHAN

Siddhartha Lal, MD & CEO of Eicher Motors, wants to create a global brand. And, going by the diverse appeal of his Royal Enfield motorcycles, now sold across five continents, his ambition may not be out of place.

This comes after he generated enormous wealth for his investors – each share clocked ₹26,601.95 at its peak on 29 September, from a mere ₹17.50 when Lal took over in 2001. The stratospheric level of Eicher's share price comes on the back of a gush of profits that zoomed 10-fold to ₹1,230 crore, lifting its EBITDA margins to 28.3 per cent. This is more than a turnaround for Eicher, which booked as little as ₹125 crore profits just five fiscals ago.

The overflowing chest has augmented Lal's global pursuits – he has already moved base to the UK in 2015 to incubate next generation technology. The first outcome of his move – 'Himalayan', a 411-cc air-cooled four-stroke tourer – has already created transcontinental ripples. Just a few months into its debut in Columbia and Australia, Himalayan already accounts for 10 per cent of the company's exports in the current fiscal. And it is yet to enter Europe, potentially the largest market.

It sold just 25,000 motorcycles till 2005, compared to almost 500,000 units in FY15/16. "We want to emerge as the world's No. 1 mid-sized motorcycle company – with a global brand – for long leisure rides, something like Himalayan has fairly achieved overseas," Lal told *Business Today* on the phone from his new office in Leicestershire, London, which is the epicentre of his global ambitions.

Besides moving to London, he has infused fresh blood into the top management. Many of them – such as his new President at Royal Enfield, Rudratej Singh – come from Unilever. He also hired Rod Copes, a former Harley-Davidson manager, to head North America operations. He is also laying more focus on newer areas of revenues like branded Royal Enfield merchandise that will ideally drive revenues in the next decade, besides not ruling out opportunities of growth from fast-growing

BEST CEO
(Small Companies) &
BEST CEO
(Automobiles)

TOTAL INCOME/3-YR CAGR
₹6,366.3 cr/ 79.8%

PBIT/ 3-YR CAGR
₹1,771 cr/ 116.7%

PAT/ 3-YR CAGR
₹1,229.9 cr/ 104.0%

3-YR AVERAGE TSR
100.3%

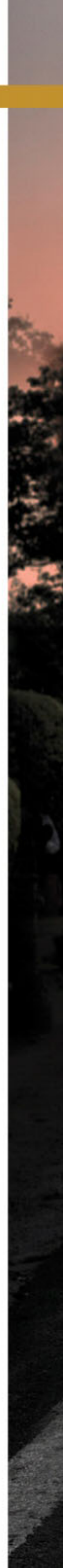
AVERAGE MCAP YOY GROWTH*
14.9%

ROE/ ROCE
72.7%/ 104%

CASH/ DEBT
₹44.5 cr/ ₹22.6 cr

NET PROFIT MARGIN
17.6%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns; Source: ACE Equity



VIVAN MEHRA

categories like scooters.

His performance has already reaped him the prestigious BT Best CEO awards, with the jury awarding Lal the award in two categories – best automobile company, and best small company (across sectors). This is the second year running that he has achieved this feat. The reason is simple. He had the courage to trim his portfolio in 2000 when he was just 26. He divested 13 group businesses and put all resources behind Royal Enfield and Eicher Trucks. For Lal, it was a choice between sharpening focus to go global, or remaining "a mediocre player in all the 15 small businesses we had at that point in time". He chose the former, and invested in it, and it has been a swashbuckling ride. For perspective, Lal draws inspiration from global brands like Porsche and Mini, which he says are focused and stick to their core DNA.

ROYAL ENFIELD'S BIGGEST ASSET

Motorcycles have been the forte of Royal Enfield, and robust demand continues even during the current cash crisis. It is likely to boost the brand's valuation and enable it to continue the ride even as the two-wheeler segment faces huge decline owing to the cash-starved market.

Analysts tracking the industry remain bullish, projecting operating margins in the range of 31.5-33.2 per cent as the company did not offer any discount to customers. Given the buoyant demand, brokerage firms like CLSA and Edelweiss Securities have raised the price target on the company's stock to ₹28,000 from ₹25,000 earlier. "We are pegging sales volume at 6.6 to 7.6 lakh units for the current and the next financial year," says Chirag Shah, Research Analyst with Edelweiss Securities. Eicher's 35 per cent growth in sales is more than double the 17 per cent growth of Indian two-wheeler industry in the current fiscal.

Lal says global operations currently contribute around 5 per cent of the company's total revenue. "We see good potential and it can grow substantially. We have a great market in India, which will drive us for the next decade, but we have to tap the emerging markets for the massive opportunity of mid-sized, long-distance leisure biking," he adds.

The company has started operating stores in Indonesia, Thailand and Philippines in South-East Asia, and now in Colombia, after establishing a footing in developed markets like the UK, Europe, Japan, and Australia over the decades.

Company Director R.L. Ravichandran, who has been with the company for more than a decade, says: "Siddhartha has taken Royal Enfield to new levels. His passion helped us develop a new engine in 2009/10, which was an inflection point for volumes that grew at a CAGR of 54 per cent from CY10 to FY15/16."

OTHER BUSINESSES

So, what is driving Lal to take the company to the next level,

THE GROWTH STORY

Most valued two-wheeler manufacturer in the world

Single handedly revived Royal Enfield, which was a mishmash of multiple businesses in 2001

Outpaced industry with 35 per cent sales growth in FY16 against 17 per cent of industry

Most monetised motorcycle brand with only five models

Brought multipurpose LCV with Polaris of the US

Taking brand equity of Royal Enfield closer to global peers like Harley-Davidson and Triumph

STRONG FOOTING

Eicher Motors continues to be a debt free company

The 28.3 per cent EBITDA margin of FY16 is a benchmark in automobile industry

Successfully runs oldest motorcycle brand in continuous production

Runs overseas stores in the US, Colombia, UK, UAE, France , Spain, Indonesia, Thailand & Philippines

Its latest offering, Himalayan, an adventure & touring motorcycle, is a global success

Its CV business with Swedish Volvo is much ahead of global biggies like Daimler and MAN which also operates the truck and bus division VE Commercial Vehicles? He had roped in Swedish trucking giant Volvo for technology, which has resulted in windfall gains in terms of market share in the medium to heavy vehicles segment, currently at 34 per cent.

He senses a great opportunity in new reforms like GST, demonetisation and even the new BS-VI norms (coming in 2020) where telematics in new-age vehicles will change the logistic market. "Our strive for latest in technology will shine in the new India. We have put modern trucking systems like the new Pro-Series trucks from Eicher Volvo that will drive cashless logistics and transform the total CV business in India. Also, the giant leap in safety and emission norms will bring a level playing field for all companies as we emerge among the top three automotive markets in the world," says Lal.

Its 50:50 joint venture with Polaris Industries Inc. of the US to design, manufacture and market personal vehicles has been tepid so far. The first product, Multix, a family-to-business transport vehicle that can even generate electricity for household needs, is now available in 60 locations across eight states. "It will be a game changer in times of modern retail and our way to success in the highly competitive transport sector, bringing unparallel efficiency and faster turnaround to change value preposition for Indian customers," he says.

THE FUTURE

The world's fastest-growing motorcycle company is now looking at new areas of growth. As part of its focused thrust on international markets, Royal Enfield showcased Himalayan at Gaikindo Indonesia International auto show in August 2016. Marking a significant milestone, the company opened its flagship store in Milwaukee, North America, in September 2016. Two exclusive stores were also added in Europe in October 2016, one each in Barcelona and Valencia in Spain.

"All our key projects on capacity and product development are progressing as per plans. We held the groundbreaking ceremony of our third plant in Vallam Vadagal, Tamil Nadu, which will take our annual production capacity to 900,000 units. Our technical centre in the UK is in advanced stages of development and should be operational by end of 2016/17. That will complement our Chennai technical centre," says Lal.

That is all very fine. But as long as he takes care to build evocative motorcycles, Royal Enfield will likely continue to cruise. ◆

@sablaik

R.D. SHROFF

Chairman & MD, UPL

The Acquirer

R.D. Shroff's M&A strategy has grown UPL manifold.

By NEVIN JOHN

The big leap for Rajnikant Shroff, Chairman & MD, UPL, came in November 2006, when UPL purchased French pesticide maker Cerexagri. The same year, it also acquired seeds producer Dubai-based Advanta. In 2011, the company acquired 50 per cent stake in Sipcam Isagro Brazil and 51 per cent stake in dva Agro Do Brasil (dva Agro Brazil), which engaged in the production and marketing of crop protection products. Sipcam was sold later at a huge profit. Earlier, UPL had acquired companies in Argentina in 2006. With these acquisitions, Latin America has become the largest market for UPL in the past three to four years. In 2015, Latam contributed 26 per cent to revenues, compared to zero about a decade ago. North America, European Union and India contribute around 20 per cent each.

Shroff was born in a family of entrepreneurs from Kutch. The family had been in the textile business during the pre-Independence era. His father and uncle first ventured out into new business, making pain balm and hair oil, and marketing them door to door at the time of the great recession in the 1930s. Later, during World War II, the duo found business opportunities in chemicals and started a small chemical factory at a buffalo shed at Jogeshwari in Mumbai.

Shroff's interest in chemistry blossomed at the shed. He founded a chemical company, UPL, in 1969 in Vapi with a mere ₹4 lakh and 20-26 employees to produce red phosphorus, which was used for making match box. In 2015/16, the global crop protection chemicals industry encountered its most challenging year. Drought conditions were extensive; commodity prices declined; farmers encountered weaker cash flows; currencies devalued; and crop protection chemicals purchases were postponed. But UPL continued to do well. UPL's products, manufactured in 29 plants across the world, and marketed in around 120 countries, comprise fungicides, herbicides, insecticides, plant growth regulators, rodenticides, specialty chemicals, nutri-feeds, seeds and seed treatment products. ◆

@nevinjl

BEST CEO

(Agriculture & Allied)

TOTAL INCOME/ 3-YR CAGR
₹6,441.3 cr / 16.5%

PBIT/ 3-YR CAGR
₹1,038.9 cr / 37.6%

PAT/ 3-YR CAGR
₹706 cr / 50.2%

3-YR AVERAGE TSR
66.2%

AVERAGE MCAP YOY GROWTH*
19.7%

ROE/ ROCE
18.7% / 19.9%

CASH/ DEBT
₹72.8 cr / ₹1,527.8 cr

NET PROFIT MARGIN
11.2%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns; Source: ACE Equity

Capital efforts to healthy & sp

DDA. Building a world class city with unwavering passion & unrelenting commitment for nearly six decades!

THE SPORTING SPIRIT

For a fitter Delhi!

To go with a healthier environment, DDA has also developed a wide range of facilities for sports and fitness, for people of all ages. Full-fledged large sports complexes (plus, smaller ones in specific areas), multigyms and fitness centres, playfields, swimming pools, and even walking trails have been built. DDA has also laid out India's first "pay-&-play" golf courses to give citizens the opportunity to enjoy this sport that was until now played only by the elite.

HOME FOR ALL

Lakhs of dreams come true!

In over five decades, DDA has built or facilitated houses for more than a million people of every strata of society from premium three bedroom apartments, two bedroom homes to single bedroom dwellings across Delhi. Use of prefab technology has been adopted for EWS houses for the poor -- a reflection of DDA's social commitment. These houses have the wherewithal to be 'homes' and not just 'houses'.

COMMONWEALTH APPLAUSE

The Games of excellence!

As India staged the 2010 Commonwealth Games, DDA's contribution at the global event stood out conspicuously! DDA built the iconic 34-tower, 1168-apartment Commonwealth Games Village that housed the athletes and officials from 70 participating countries. Made to world class standards, these apartments were applauded by all who stayed there. But DDA's role in the event went beyond the Village. It also made competitive and practice venues like at Siri Fort, Yamuna and Saket Sports Complexes.

INFRASTRUCTURE

Creating lifelines!

DDA understands that without supporting infrastructure, a city is like a body without a backbone. Which is why establishing such facilities is a key part of the Authority's development mandate. Over 57 years, DDA has facilitated the construction of 13 flyovers, besides underpasses and over-bridges. It has helped build innumerable social, educational, cultural and medical facilities. Roads, water supply networks, drainage systems and power utilities have also benefited from DDA's role as a facilitator in the holistic development of the Capital.

11,83,215 Houses
5,050 Hectares of Greens
3,600 Plots for Social, Educational, Cultural Institutions
449 Convenient Shopping Centers
138 Local Shopping Centers
44 Community Centers

11 District Centers
22 Industrial Estates
13 Flyovers
18 Sports Complexes
17 Swimming Pools
40 Multi-Gyms / Fitness Centers
2 Golf Courses

develop a vibrant,
orting Capital !

It was in 1957 that Delhi Development Authority became an integral part of Delhi's identity, when Parliament passed the Delhi Development Act -- and the Authority assumed its formidable responsibility of nurturing a historic city into one of the great Capitals of the world. Over the years, DDA has played a versatile and multi-faceted role in addressing the challenges of a growing Capital, ensuring its balanced development and responding to demands of an every increasing populace in a rapidly changing living environment. Here, in brief, are DDA's achievements on various fronts, as it continues on its dynamic quest of shaping a world class city.

GREEN ALL OVER

The most among metros!

Already a large metropolis, Delhi still continues to grow rapidly -- its population increasing by 5 lakhs every year! This further strains the Capital's space, infrastructure and environment. Yet, DDA has managed to maintain the city's "green cover" at a healthy level of 17%, which is the highest among all metros in India. Green areas, spread over 5050 hectares throughout Delhi, provide citizens with space for recreation and leisure, besides acting as "lungs" for fresh air. Regional parks, district parks, Biodiversity parks, green belts, local parks and playgrounds ... DDA has developed all these for a better Delhi.

SHOPPING & BUSINESS

Profit with pleasure!

Sprawling commercial plazas that have become landmarks in their own right! Glitzy shopping malls that bring together discerning shoppers and the finest brands. Busy district centres that integrate corporate offices with retail hubs. Local and convenient shopping centres that have become a part of everyday life. Thanks to careful planning, DDA has facilitated each of these commercial complexes in key business or residential areas of the Capital by providing developed land.

BOOSTING BIODIVERSITY

Parks that enthrall!

To preserve rare species of flora and fauna facing extinction due to rapid urbanization, DDA has set up the giant Aravalli and Yamuna Biodiversity Parks. The former covers 692 acres, the latter 457 acres. Yet in spite of their large size, these world class sanctuaries have been located right within the city limits for easy accessibility! Many endangered species of animals, plants, birds and insects have got a fresh lease of life -- including the Red Crested Pochard, Bar Headed Goose, Neelgai and Jackal, trees like Mahua, and rare butterflies. DDA has planned four more such Parks.

PRESERVING HERITAGE

Bringing history to life!

DDA also shares the responsibility for preserving the Capital's numerous archaeological monuments -- the symbols of Delhi's rich and glorious past. DDA not only helps in maintaining non-listed monuments, but the environs around various monuments as well. Among the many such monuments are UNESCO World Heritage Sites of Humayun's Tomb, Mehrauli Archaeological Park, etc. These remain must-see attractions on every tourist's itinerary.

DOT Communications

www.dda.org.in

DELHI DEVELOPMENT AUTHORITY

Shaping a world class Capital

INDIA's BEST CEOs

SHOBHANA RAMACHANDHRAN

MD, TVS Srichakra

Rolling Wheels

Shobhana Ramachandhran has taken TVS Srichakra to the top of the list of tyre suppliers to OEMs.

By VENKATESHA BABU

Three years ago, if one had the foresight and good fortune to pick up shares of Madurai-based TVS Srichakra, one would be sitting pretty today. In spite of recent turbulence in the market post-demonetisation, shares of TVS Srichakra have risen more than 1,000 per cent in the past three years compared to a mere 25 per cent rise in the BSE Sensex. While share price movements might not always be an accurate barometer of changes taking place in a company, it is true in the case of TVS Srichakra.

TVS Srichakra sells tyres under the brand name TVS Tyres and exports under the brand TVS Eurogrip. The tyre market in India is intensely competitive with the presence of both local biggies such as MRF, Apollo, CEAT, and JK Tyres, as well as international players such as Michelin, Bridgestone, and Continental, among others.

TVS Srichakra, though, operates only in the two-wheeler and three-wheeler tyre market. It has nearly 25 per cent share of the overall market in the original equipment manufacturer (OEM) space. Although part of the TVS Group, Srichakra supplies its tyres to every OEM major in the two-and three-wheeler categories including Honda Motorcycle & Scooter India, Hero MotoCorp, Bajaj Auto, Yamaha, Mahindra and, of course, TVS Motors. TVS Srichakra has also entered into an agreement with Michelin to contract-manufacture tyres for the French company.

A couple of factors have contributed to Srichakra delivering an outstanding performance in the recent past. The overall buoyant growth of the two-wheeler industry over the past few years has meant that as the lead supplier in the OEM category, it has enjoyed good demand for its products. Also, soft rub-

BEST CEO
(Auto Ancillaries)

TOTAL INCOME/ 3-YR CAGR
₹2,082.1 cr/ 11.1%

PBIT/ 3-YR CAGR
₹303.8 cr/ 42.7%

PAT/ 3-YR CAGR
₹197.2 cr/ 76.8%

3-YR AVERAGE TSR
182.2%

AVERAGE MCAP YOY GROWTH*
35.2%

ROE/ ROCE
56.8%/ 58.9%

CASH/ DEBT
₹12.3 cr/ ₹131.2 cr

NET PROFIT MARGIN
8.8%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns;
Source: ACE Equity

ber prices and low crude oil prices, both key raw materials in the manufacture of tyres, have benefitted the company.

While end-user market growth and lower cost of raw material have positively impacted most tyre manufacturing companies, what has set TVS Srichakra apart is its greater thrust to grow the after-market replacement segment. While it is the leader in the OEM supplier category in its space, it is only the third largest player in the replacement tyre market.

Obviously, the margins provided by OEMs are relatively low compared to the after-market. From just 20 per cent of its sales coming from the more lucrative after-market even a couple of years ago, it has increased this to 30 per cent.

Shobhana Ramachandhran, the soft-spoken Managing Director of TVS Srichakra and the granddaughter of TVS Group's founder Sundaram Iyengar, says that this change of market-mix to address more of the lucrative after-market sales and better operational efficiencies has helped improve numbers. Tyre players have had to guard against dumping by international competitors. Unlike China, which is feared for dumping tyres below cost in four-wheeler category, it is Korean companies that are seen as a threat in two-wheelers.

Pointing out that TVS Tyres has been adapting and even leading changes happening in the marketplace, Ramachandhran says: "Now there is a growing market to address in the 125-cc to 400-cc vehicle category, which demands more premium tyres. Also, a shift is happening from tube to tubeless tyres." Which is why most players are also introducing radial tyres for two-wheelers.

While the company has not fully disclosed the terms of the agreement with Michelin, Angel Broking in a research report on the company said it this understanding that helps in providing greater revenue visibility.

TVS Srichakra also gets about 10 per cent of its revenues from exports to markets like the US, Europe, South America, Africa and Australia. For the export market, the company manufactures industrial pneumatic tyres, farm and implements tyres, skid steer tyres, multipurpose tyres and flotation tyres apart from other specific varieties. Ramachandhran says that exports have been impacted due to some of the key markets either turning protectionist or economy growing at a slower pace than anticipated earlier.

The company, which employs about 4,000 people, has two manufacturing plants at Madurai and at Pantnagar in Uttarakhand. It has also recently outlined a capital expenditure plan of nearly ₹160 crore to step up its manufacturing capacity from 2.3 million tyres a month to 2.5 million tyres a month.

Ramachandhran says that there are no plans to get into four-wheeler tyres, for now. "We intend to continue strengthening our operations where we already have a significant presence."

A growing two-wheeler market, stable raw material prices, changing market mix to emphasise better margins, and a management committed to improve operational efficiencies means that TVS Srichakra is likely to continue delivering good news to the market. ◆

@venkateshababu

THE CHAKRA OF TVS TYRES

STRENGTHS

Market leader in two- and three-wheeler OEM space

Extensive distribution network

WEAKNESSES

Relatively weak in after-market tyre sales

Brand recall in after-market can improve

OPPORTUNITIES

Aggressively push higher margin radial tyres in two-wheeler space

Better leverage of entire portfolio of speciality tyres within the country too

THREATS

Intense competition from local and multinational players

Any rise in rubber and crude oil prices

The Innovator

In the past eight years, Romesh Sobti used innovation to transform IndusInd Bank into a strong universal bank.

BY MAHESH NAYAK

When Prime Minister Narendra Modi announced the recall of 500 and 1,000 rupee currency notes at 8 pm on November 8, those working at One Indiabulls Centre in Mumbai's Lower Parel rushed to the ATM of one bank — IndusInd Bank. This despite the fact that the premises also have ATMs of three other banks. The reason: IndusInd is the only bank whose ATM machines allow you to choose currency denominations.

"The rush was due to our offering called Choice Money, introduced seven years ago. This came in handy for people who wanted only 100 rupee notes," says Romesh Sobti, Managing Director & CEO, IndusInd Bank. "That is why 80 per cent people who use our ATMs are customers of other banks," he says. This helps the bank attract customers. "Almost 5 per cent ATM users become our customers," he says.

Choice Money is one of the several unique services that IndusInd Bank is known for. "We come out with something new for customers almost every six months. This is because when you're not a high street bank and an unknown brand without presence across geographies, you have to ask — why should a person bank with me? So, we think very hard about ways to

make people bank with us. That is why we go beyond service and great conveniences that have never been asked for," says Sobti.

In the eight years that Sobti has been in the driver's seat, the bank has increased its profit from ₹75 crore in 2007/08 to ₹2,286 crore in 2015/16. Total income rose from ₹2,178.2 crore to ₹14,877.6 crore, while net non-performing assets, or NPAs, fell from 2.27 per cent to 0.36 per cent during the period. This made Sobti the jury's unanimous choice for the Best CEO in the BFSI category. BFSI stands for banking, financial services and insurance.

While Sobti has been hugely successful in transforming the bank, the job has been far from easy. "When we took over the management, the bank's loan book was badly impaired. So were capital, talent base and infrastructure. Growth had stagnated and no fresh investment was happening," he says. Sobti started off by bringing in fresh capital and addressing the problem of bad loans. "We built a business model. In the first 12 months, we brought in capital and talent, and put emphasis on loan recovery," he says. The bank did not open any new branch for two years. The efforts paid off. Within 10 months, it recovered a big loan given to one of India's largest conglomerates with interests in oil & gas, steel, shipping and information technology. "Suddenly, the profile of our loan book changed. Gross NPAs fell from 3.2 per cent to 1.3 per cent, and net NPAs from 2.27 per cent to 1 per cent."

Sobti started working on the bank's strong areas such as vehicle finance. He also started strengthening the branch network. To solve the problem of shortage of capital, he started focusing on earning more fee-based income. "If you look at the fee income-to-asset ratio, my guess is we would be at the top," he says, adding that with all the changes happening in the banking sector, be it digitisation or payments banks, what is going to work for everybody is collaboration. At the same time, he says, the bank will continue to focus on increasing revenue/market share and bringing down costs.

"He gave a sense of comfort to investors, particularly foreign investors, who weren't ready to touch the bank with a bargepole due to corporate gov-

BEST CEO
(BFSI)

TOTAL INCOME/3-YR CAGR
₹14,877.6 cr / 21.2%

PBT/ 3-YR CAGR
₹3,469.3 cr / 30.1%

PAT/ 3-YR CAGR
₹2,286.5 cr / 29.2 %

3-YR AVERAGE TSR
34.8%

AVERAGE MCAP YOY GROWTH*
32%

ROE/ ROA
16.6% / 1.9%

NET NPA
0.4%

NET INTEREST MARGIN
3.8%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBT & PAT net of extraordinary items; TSR: Total shareholder returns; PBT excludes provisions and contingencies
Source: ACE Equity

THE JOURNEY

2008-11

Focus on restoring financial health, lowering NPAs, and increasing profits

2011-14

Doubling of profitability, big focus on vehicle finance, fee-based income

2014-17

Doubling the business further by focusing on market share. Purchase of the diamond financing business of ABN Amro Bank. Plans to dominate diamond and MFI financing

2017-21

Rebalancing the book between retail and corporate by focusing on retail and reducing dependence on vehicle finance, digitisation, rural banking through MFI, cross-selling among customers

ernance issues. Second, he didn't upset the apple cart. He played on the strengths of the bank and built corporate and retail loan books," says a banking analyst from a foreign brokerage. He credits Sobti with making IndusInd the only Indian private sector bank that ate into the market share of foreign banks.

Sobti is not surprised. "Our top management was from an MNC bank. We knew where the money was. For instance, MNC banks used to dominate credit cards, but today the space has been taken over by private sector banks. Similarly, in trade and foreign exchange businesses, their market share was disproportionate to the size of their domestic balance sheets," he says.

But the biggest inflection point, he says, was the collapse of Lehman Brothers and the 2008 financial crisis within six months of his joining. "It taught us liquidity management, balance sheet management and, most important, how to price loan products," says Sobti, who turned IndusInd into a universal bank so that it could get more bandwidth to weather cyclical storms.

To connect with the employees, after the declaration of quarterly results, Sobti does a webcast with the entire staff to share with them the developments in the bank and innovations that are being worked upon. This also helps him get ideas for servicing customers better. One such innovation allows customers to talk to their branch manager. "Whoever uses this service deepens his/her relationship with the bank." Another innovation is 'My Account, My Number'. In this, customers can choose account numbers that they can remember easily. "This was introduced four years ago. Today, 20 per cent people who open an account with us do so because of My Account, My Number," he says. Although the bank has a think tank, most new ideas come from people who regularly interact with customers. The latest is fingerprint banking.

Sobti has a couple of years left to retire. While the years since 2008 have been spent on restoring the bank's health and increasing profit/market share, he has chalked out the next stage of the journey and sent the board a roadmap for the next three years. "Rebalancing the book between retail and corporate by focusing on retail and digitisation will hold the key. Even in retail, the focus will be on non-vehicle finance. Similarly, selling loans online can bring down costs. We are also looking at entering rural banking through microfinance," he says.

The next stage of the bank's journey, it seems, has started.◆

@maheshnayak

KEY INFLECTION POINTS

'Choice Money': One can select currency denominations at ATMs

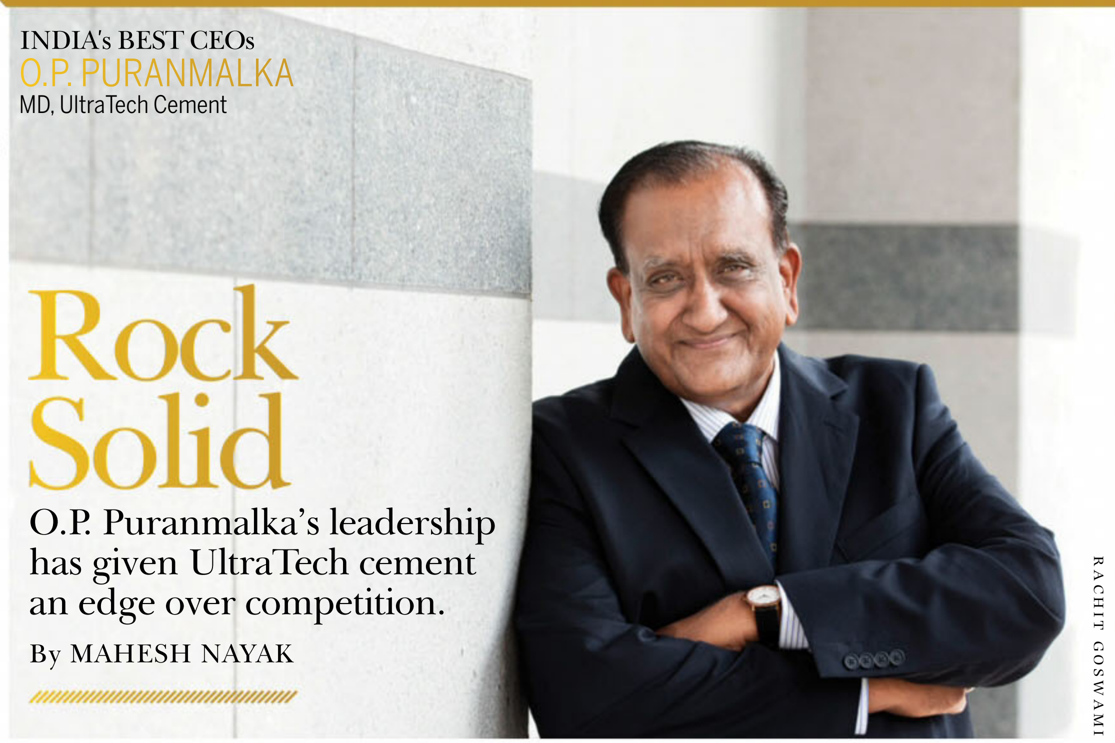
'My Account, My Number': One can choose one's account number

'Fingerprint Banking': Your fingerprint on the mobile phone acts as your password

'Video Branch': A service that connects you with your branch manager over the phone

O.P. PURANMALKA

MD, UltraTech Cement



RACHIT GOSWAMI

Rock Solid

O.P. Puranmalka's leadership has given UltraTech cement an edge over competition.

By MAHESH NAYAK

BEST CEO

(Cement)

TOTAL INCOME/ 3-YR CAGR	₹24,342.5 cr / 5.9%
PBIT/ 3-YR CAGR	₹3,562.3 cr / -4.1%
PAT/ 3-YR CAGR	₹2,174.7 cr / -6.4%
3-YR AVERAGE TSR	21.6%
AVERAGE MCAP YOY GROWTH*	11.5%
ROE/ ROCE	11% / 13%
CASH/ DEBT	₹2,235.2 cr / ₹7,660.7 cr
NET PROFIT MARGIN	8%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns; Source: ACE Equity

When the going gets tough, the tough get going. This stands true for O.P. Puranmalka, who retired as Managing Director of UltraTech Cement this March. During his tenure, the cement major went on a buying spree that ensured its growth in tough times. The company increased capacity through acquisitions, be it the 4.8-million tonne plant of Jaypee Cement in Gujarat or entry into the Middle-East through its acquisition of ETA Star's assets, or the acquisition of Jaiprakash Associates' cement factory in six states for ₹16,500 crore in February 2016, a month before his retirement. The idea was simple the bigger the plant, the better the economy of scale and operating performance. This also saw the company entering new markets in India, especially northern and central India. It also changed its portfolio mix by entering the retail segment.

Puranmalka's immense experience has seen the company retain him as a non-executive director of the company with a mandate to turn around the 21-22 million tonne cement factories of Jaiprakash Associates acquired by the company in February 2016. "The growth strategy adopted by UltraTech Cement has led to its stock being one of the most favoured cement stocks among investors, especially foreign investors," says Nitin Bhasin, Head of Research at Ambit Capital. "While Ultratech is improving its operating efficiency, especially the high freight cost, market likes the promise of growth as all have been expecting cyclical infra recovery. Therefore, the high interest in UltraTech Cement in the past few years. The stock used to trade at a discount to its peers like ACC and Ambuja, but its strategy of increasing capacity has seen the stock getting re-rated."

The company under Puranmalka has made the investment on capacity building. Hopefully, UltraTech will take advantage of his moves when the economy fires. ◆

@MaheshNayak

INDIA's BEST CEOs

H.M.BHARUKA MD, Kansai Nerolac

With Flying Colours

H.M. Bharuka's drive to take the staid Kansai Nerolac into the world of decorative paints has taken the company places.

BY NEVIN JOHN

H.M. Bharuka, the MD of Kansai Nerolac Paints (KNPL), puts things in black and white when asked about his struggles after he took up the top job 16 years ago. The company's wooden and worn-out units, he recalls, were in bad shape, the focus was on industrial paints (for automobiles and white goods) and margins a paltry 3 per cent. The best corporate leaders would have shuddered at the challenges. Bharuka took them head on.

In 2001, KNPL embarked upon Mission 2010 – the aim was to replace the sick units with environment-friendly plants powered by latest technology. Besides, Bharuka went about overhauling the product range to give the new generation what it wanted, and invested heavily in the more profitable decorative paints segments. The company's margins are a robust 19 per cent today. This, apart from several other successes, has made Bharuka the best CEO in the chemicals category in this edition of *BT Best CEO Awards.*

GIVING WAY TO NEW

KNPL, which started in 1920 as Gahagan Paints and Varnishes Company at Lower Parel, Mumbai, kicked off the first phase of Mission 2010 by shutting down all the old four plants, in Kanpur, Mumbai, Ahmedabad and Chennai. Before this, it built four factories — at Lote in Maharashtra, Bawal in Haryana, Jainpur in UP and Hosur in Tamil Nadu. It also built close to 100 depots across the country.

"The old factories were in the middle of cities. Their productivity was low. There were also safety and environmental challenges. In addition, there was no space for expansion. So, we bought bigger plots outside the big cities. We also offered employees VRS (voluntary retirement scheme). It was a difficult decision overall," says Bharuka. The promoter, Japan's $3-billion Kansai Group, stood by the local management. The results have been spectacular. In the last 10 years, the company's revenue has grown 200 per cent to ₹3,855 crore and net profit 231 per cent to ₹356 crore. In the past

BEST CEO
(CHEMICALS)

TOTAL INCOME/ 3-YR CAGR
₹3,855.1 cr/ 10.3%

PBIT/ 3-YR CAGR
₹1,064.7 cr/ 36.3%

PAT/ 3-YR CAGR
₹355.6 cr/ 26.1%

3-YR AVERAGE TSR
40.6%

AVERAGE MCAP YOY GROWTH*
31.8%

ROE/ ROCE
45.9%/ 53.7%

CASH/ DEBT
₹477.9 cr/ ₹41.6 cr

NET PROFIT MARGIN
19.4%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns; Source: ACE Equity

RACHIT GOSWAMI

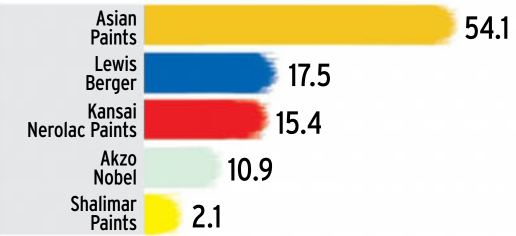
three-four years, the company has invested heavily in the high-margin decorative paints business, while also focusing on the traditional automobile paint business. It used periods of slack demand, especially after the 2008 global financial crisis, to set its house in order, invest in new plants, reduce costs and enter new geographies. This has stood it in good stead.

"We worked on improving profitability and introduced products in the lucrative emulsion category. In addition, we started doing a lot of value engineering, changing the product mix and introducing premium products. Value engineering reduced costs. We are the best in the industry in terms of overheads. Consolidation of factories, enhancement of productivity and use of advanced technology helped us improve profitability," says Bharuka. Fall in prices of raw materials, especially crude oil, too, helped.

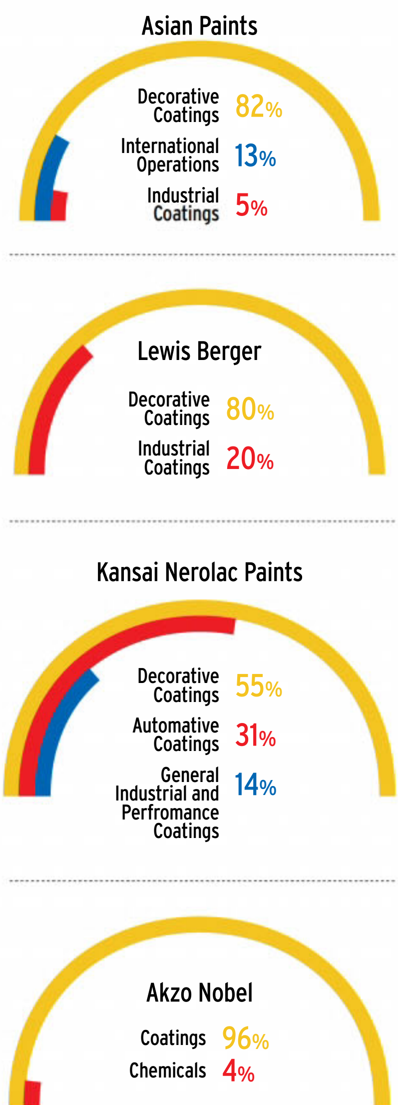
"Earlier, we were known as an industrial paints company. In the past 15 years, we have spent a lot of money on the decorative side, too. This has helped us increase profitability. We roped in celebrities such as Amitabh Bachchan and Shah Rukh Khan to lead our campaigns. The focus on decorative paints has paid us good dividend. At present, decorative accounts for 55 per cent revenue, while industrial accounts for the rest," says Bharuka.

KNPL is the country's largest industrial paints company with 35 per cent-plus market share. Overall, it is the third-largest, with 14 per cent market share. "With sustained growth in decorative paints and subdued industrial demand, the company has increased the revenue contribution from decorative paints from 50 per cent in 2018/09 to 55 per cent in 2014/15....KNPL continues to invest in brands, with 4-5 per

MARKET SHARE(%)



REVENUE SEGMENTATION



Source: CMR analysis and industry estimates

cent sales proceeds going towards advertisement and promotion," says an ICICI Securities report.

While Bharuka gets the latest technology for the factories, he also uses information technology extensively in strategy formulation and execution. The company works closely with SAP and uses its latest systems, including SAP HANA, an in-memory data platform for performing real-time analytics and developing and deploying real-time applications.

The company has announced a plan to build two new facilities in Gujarat and Punjab, and a research and development facility in Navi Mumbai. It does business outside India through joint ventures (JVs). It has a JV in Nepal with Kansai Nepal, apart from the one in Sri Lanka (with the Capital Holdings Maharaja group).

Bharuka is upbeat about the future. "The per capita consumption in India is low. Penetration is low. We have been growing in double digits for the past 25 years. This will continue for the next 20 years. The challenge will be to introduce new products. We should be driven by technology for capturing the opportunities available. We are, for instance, doing constant research to reduce energy consumption," he says.

The size of the paints industry was estimated to be around ₹39,000 crore in March. Slowdown in infrastructure and poor demand from major industry segments, such as automobile and consumer durables, affected its performance last fiscal. Factors such as poor monsoon, high interest rates and uncertainty due to geo-political events added to the underperformance. At the same time, the industry benefitted from lower crude oil prices. Bharuka says they will go ahead with both greenfield and brownfield expansions considering that the industry has been growing in double digits. "It was growing even during the downturn. The penetration level is low. The consumption in India is 2.5-2.8 kg per person, compared to the developing countries' average of 15-20 kg." This means the companies have a huge opportunity to grow.

On the impact of demonetisation, Bharuka says the slump in demand is temporary. "It is not going to hit the companies in the long run. However, it will benefit them in the long run due to shift in demand from the unorganised sector to the organised sector."

The company has strong brands in interior, exterior and metal paints such as Impressions, Excel, Suraksha, Satin Enamel, Lotus Touch, Beauty, Pearl and Little Master. "We believe decorative paints will continue to grow at a rapid pace due to limited number of players and strong repaint demand. We also expect revival in demand for industrial paints (75 per cent of this is automotive paints), led by a recovery in the automotive segment," says the ICICI Securities report.

Bharuka has been with Nerolac for 31 years. He is also a part of the executive committee of the Kansai board responsible for formulating the global business strategy. The Kansai group's target is to be among the top four paint companies in the world. Right now, it is at number nine. It is aggressively pursuing the inorganic route to achieve the target. This means a lot of work for Bharuka in times to come. ◆

@nevinjl

INDIA's BEST CEOs

RAMESH KUMAR DUA, Managing Director, Relaxo Footwears

SHEKHAR GHOSH

The Curious Entrepreneur

Ramesh Kumar Dua has taken Relaxo Footwears to great heights despite strong competition.

BY SONAL KHETARPAL

For Ramesh Kumar Dua, MD of Relaxo, learning never stops. The 62-year-old admits that he regularly visits his factories and meets distributors "to learn".

He joined the company, a very small enterprise back in 1976, at the behest of his father, while prepping for MBBS exams. At 17, he was helping his older brother run the manufacturing business of *hawai chappals*. From blue and white slippers in 1976 to 10 casual and semi-formal footwear brands, Relaxo has emerged as one of the largest manufacturers of footwear in the country, with a production capacity of more than 600,000 pairs a day, across its eight factories.

There's been a steady rise in its financials, too. Its income soared from ₹1214.6 crore in FY2014 to ₹1715.3 in FY2016. During this period, its net profit increased at a CAGR of 37.3 per cent to ₹116 crore. Interestingly, the proportionate increase in debt is quite low – it increased at a CAGR of 4.9 per cent to ₹236.4 crore.

Dua attributes the growth to "constant change and evolution". Forty years ago, the focus was on durable slippers for the working class that would last them a year. With disposable incomes rising and people becoming more fashion conscious, Relaxo has been focusing on premium footwear. Its product catalogue, which Dua displays with childlike enthusiasm, depicts quite a contrast – from the 90's monochromes to the new range of colourful flip-flops, with an emphasis on colours and screen prints. The company has brought in new screen printing technology with which 200 new designs were launched last year. As of

BEST CEO
(Consumer Goods)

TOTAL INCOME/ 3-YR CAGR
₹1,715.3 cr / 19.3%

PBIT/ 3-YR CAGR
₹200.5 cr / 32.9%

PAT/ 3-YR CAGR
₹116 cr / 37.3%

3-YR AVERAGE TSR
94.9%

AVERAGE MCAP YOY GROWTH*
22.2%

ROE/ ROCE
28.4% / 30.3%

CASH/ DEBT
₹2.4 cr / ₹236.4 cr

NET PROFIT MARGIN
6.9%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns;
Source: ACE Equity

today, Relaxo offers over 400 designs across its 10 brands.

Analysts say that in the ₹48,000-crore footwear market growing at 15 per cent per annum casual footwear and active wear categories are driving the growth. "Relaxo caters to both these categories in the value segment. Moreover, its focus on functional footwear, such as slippers and slip-ons, caters to the low -and high-value consumer," says Ankur Bisen, Senior VP, Retail & Consumer Products, Technopak.

Relaxo competes with unbranded trademarks and other value-focused footwear brands such as Action, Liberty, Lakhani, and regional brands. Recently, there has been a spurt of retailers, such as Big Bazaar, launching private footwear labels, too. "Even if the company is able to continue with its pace and protect its market share, it will grow due to the growing segment," adds Bisen.

STRIDING ON

Apart from its product portfolio, the company is expanding its production capacity, too, in line with the trends. To capitalise on the popularity of PU (polyurethane) footwear, the company installed a state-of-the art plant in Bahadurgarh, Haryana. It has 70 products in the PU range, and plans to add 30 more in the next few months.

Over the past two years, the company has taken initiatives to improve its supply chain efficiency. Relaxo has implemented lean manufacturing across all its eight manufacturing units to reduce raw material wastage, and encourage optimal manpower utilisation. Instead of buying electricity from state boards, it does so from electricity exchanges at differential prices. "This has considerably reduced the per-unit cost of electricity, and has had a significant impact on the company's bottom line," Dua informs.

Even as companies opt for asset-light models, Relaxo still does all of its production in-house, except for leather shoes. "We will continue to own everything – the land, machinery, factory, because it helps us keep a tight grip on quality. Also, we can bring in the best technology for our manufacturing units," Dua says. Till now, all of its 260 retail outlets have been company-owned and operated. Dua now plans to adopt the franchise model to accelerate the company's reach in untapped markets in India, "having established the company's best practices".

On the anvil is a 15-acre factory in Bhiwadi, Rajasthan – three times the average size of its current manufacturing units – to meet Relaxo's product expansion plans. The company also wants to consolidate its distributor base to tap unexplored markets, and improve its retail connect all over India. "In South India, for instance, Sparx is an established brand; so we will now focus on expanding in other categories," says Dua. The company currently has a network of 800 distributors with a reach of around 50,000 multi-branded outlets, accounting for more than 90 per cent of its sales.

EAR TO THE GROUND

Dua and his brother Mukand Lal are always listening – to their customers and distributors. The latter visits retail outlets twice or thrice a week to gather feedback from customers and spot trends. Mukand Lal Dua can be seen walking around with different shoes to experience their comfort level first hand. "Technical specifications can be tested in a lab, but to get the 'feel' one has to use it," Dua says, adding that it only makes them more confident about their products. Relaxo has a team of over 25 product development experts involved in renewing the product portfolio.

The company holds distributor meets regularly, where all its 800 distributors are invited. Dua makes it a point to meet some of the 'intelligent' ones for feedback, and to understand the challenges they face. It is this curiosity that frequently takes him to his company's eight manufacturing units. "I try to visit every factory twice in a quarter. But, if there is a new machine or some challenge, I may go every week."

Whether it is new technology or administrative issues – nothing is trivial for him. Every factory of Relaxo's has an MD's register in which he diligently notes his observations and suggestions for improvement – something as banal as changing the lights so as to spot product defects easily. "These little details often get missed when one works from air-conditioned offices, affecting the company's productivity," he says. ◆

@sonalkhetarpal7

THE JOURNEY

Brand Relaxo was incorporated in
1976

Started with one product; now has
12,000 SKUs

Has 14,000 employees

Reaches 50,000 retail outlets through 800 distributors

Manufactures in eight factories

Has ten brands – Relaxo, Flite, Bahamas, Sparx, Schoolmate, Elena, Casualz, Mary Jane, Boston and Kidsfun

Market size:
₹48,000 crore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INDIA's BEST CEOs

SUNIL DUGGAL

CEO, Dabur India

SHEKHAR GHOSH

When Sunil Duggal was offered the CEO's post at Dabur, one of India's largest fast moving consumer goods, or FMCG, companies, in mid-2002, it was not the most desirable of jobs. There was unprecedented competition and Dabur, despite strong brand recall, was struggling for growth. The first attempt at transforming the over 100-year-old company from promoter-driven to being led by professionals had not got off to a good start. The first professional CEO, Ninu Khanna, had quit due to differences with the top management. Dabur was going through one of its worst years. Sales had declined and the company, for the first time, reported a dip in profits. Duggal took up the challenge.

Within a short span of time, he managed to turn around the company's financial performance and set it up for exponential growth, mainly through acquisitions. Under him, Dabur's revenues have risen sevenfold, while profits have soared almost 20 times. While doing this, he has laid down a template for India Inc. on how to professionalise a family-run business.

CHALLENGING START

Duggal was not an outsider to the FMCG business, courtesy his stint at PepsiCo. Also, by 2002, he had been with Dabur for seven years. However, sailing was far from smooth. His appointment was followed by a churn in the workforce — some left on their

Dabur's Cinderella Man

A two-time Best CEO winner in the FMCG category, Sunil Duggal has transformed the family-run company into a professional corporate entity.

BY SUMANT BANERJI

BEST CEO
(FMCG)

TOTAL INCOME/ 3-YR CAGR
₹5,946.6 cr/ 10.2%

PBIT/ 3-YR CAGR
₹1,222.6 cr/ 16.8%

PAT/ 3-YR CAGR
₹939.5 cr/ 16.7%

3-YR AVERAGE TSR
21.6%

AVERAGE MCAP YOY GROWTH*
6.2%

ROE/ ROCE
37.1%/ 45.1%

CASH/ DEBT
₹54.2 cr / ₹86.5 cr

NET PROFIT MARGIN
16.1%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns; Source: ACE Equity

own, disappointed by his elevation, while others were asked to go. The other problem was the dated feel of the company's product portfolio.

"I brought in a lot of changes at the top, whether it was finance or human resources or operations. I brought in people who had passion and were committed to doing something much bigger than what they had been doing in their earlier jobs," says Duggal. "I found people at the next level, who were hungry for growth. They were willing to do anything to build their careers in a different environment. They were the people that made the difference."

Product changes were kept at a minimum. Some products nearing the end of their lifecycle were revived with cheeky innovations. One example is Dabur Lal *dant manjan*. "You had companies coming up with toothpastes with more and more offerings at lower price points. Consumer preference was obviously going to change," says Duggal. "So, I got the brand team to work on a toothpaste version of *dant manjan*. It was tempting to do something traditional such as launch a mint-flavoured toothpaste. But we decided take a brave step, to stay true to the DNA, while giving the product a contemporary look. The red toothpaste is one of our biggest successes."

Duggal was also instrumental in separation of FMCG and pharmaceutical businesses. The latter was sold to German company Fresenius' Singapore arm. Dabur also went global. At the same time, Duggal drove a series of acquisitions, starting with three Balsara group companies in 2005, followed by Fem Care Pharma in 2008. In 2011, it bought Ajanta Pharma's 30-Plus brand. It also bought Hobi Kozmetik Group in Turkey and Namaste Laboratories in the US in 2010. Today, overseas markets account for one-third revenues.

"The first thing I did was to terminate franchises and launch a subsidiary for international operations with its hub in Dubai. This laid the ground for overseas growth," says Duggal, adding, "We localised the supply chain and built factories in UAE, Egypt, Nepal, Sri Lanka, Bangladesh and Nigeria."

PATANJALI CHALLENGE

Over the past two years, Dabur has been fighting a strong challenge to its leadership in *ayurvedic* products from Patanjali Ayurved, which, say market watchers, is poised to overtake it in the *ayurveda* category in the not-too-distant future. Duggal concedes that Dabur may have missed a trick or two here. "The playing field for *ayurveda* has expanded tremendously after the entry of Patanjali. The back-to-the-roots mindset means Indian and *ayurvedic* products are preferred by a significant mass of people," he says. "A corporate will always find it a bit hard to play this theme directly, to brand itself into a *desi* kind of company. In hindsight, we think we, too, could have done that, but it probably requires somebody evangelical like Baba Ramdev rather than a corporate. I do feel we missed something, but it is hard to decipher these things."

Patanjali has hit out at foreign multinationals with a "with us or against us" campaign, and while it has been relatively soft on Dabur, it has questioned the company's pricing strategy. This is because one of the biggest strengths of Patanjali is the low prices of its products. Duggal says he does not wish to get into a direct fight with Patanjali but wants to cater to consumers who are more rational about their choices.

Patanjali, say experts, may have got everybody's attention, but Dabur's market penetration can still hold it in good stead against the upstart. According to the Rural Establishment Survey conducted by Chrome Data Analytics that claims to cover over 200,000 villages with over 300 million consumers, 93 per cent rural households are aware of Patanjali but more than half, 56 per cent, do not know about at least 30 per cent of its products. The survey found that Dabur is still the most popular choice for *chyawanprash*, honey and hair oil. In the past three years, Dabur's income has grown at a compounded annual growth rate, or CAGR, of 10.2 per cent, while net profit has grown at a CAGR of 16.7 per cent. This show Duggal has been up to the task of holding on to his own against Patanjali.

"Before Narendra Modi became prime minister, *ayurveda* was considered a dismal/archaic science. I would credit the current political establishment and Ramdev for changing this," he says. "But he is not the only one in town. We can actively participate by stressing the scientific aspects of ayurveda. This is something that will differentiate us from Baba Ramdev. Many people may not be swayed by emotions and want some rational underpinning to justify the choice of ayurvedic products."

THE DUGGAL EFFECT

618%

Dabur's consolidated revenues have grown over seven-fold under Duggal

1,856%

The company's profit has risen almost 20 times since 2002, when he became CEO

32%

Share of overseas market, as against less than 5 per cent when Duggal took over

BEYOND DABUR

With less than two years to go before he hangs up his boots, Duggal is overseeing something that will be extremely critical for Dabur's future — succession planning. For the sake of continuity, he wants his successor to be identified as early as possible, latest by mid-2018.

He has not thought about life after Dabur yet but is happy with what he has been able to achieve. The longest-serving CEO in the FMCG industry in India has already etched his name in corporate history. "We have done far more good things than wrong things. I get the most satisfaction from having built a large and profitable international business," he says. "Dabur is today a more robust company, insulated from cyclically bad events happening around the world. It is scary to think about what I will do once I retire, but my engagement will not end with just one stroke."

The owners may not want him to relinquish the corner office but a smooth handover will probably be another of Duggal's lasting legacies. ◆

@sumantbanerji

INDIA's BEST CEOs

C.P. GURNANI CEO & MD, Tech Mahindra

SHEKHAR GHOSH

Change Agent

C.P. Gurnani is leading Tech Mahindra's transformation to digital, its biggest change management project in recent times.

By GOUTAM DAS

A 30-hour train journey from the town of Chittorgarh in Rajasthan, where Chander Prakash Gurnani lived, to Rourkela in Odisha, where he studied chemical engineering, turned out to be life-changing. During that journey, Gurnani met a few Rotarians, a meeting that eventually led him to start a Rotaract Club (Rotary clubs sponsor them) in Rourkela around October 1976. He organised fund-raising campaigns, involved himself in community development, adopted villages, and ran health programmes.

"Being a people's man, that part of my personality firmed up during the five years at Regional Engineering College, Rourkela, and during my four years at Rotaract," says Gurnani, Chief Executive Officer and Managing Director of Tech Mahindra. "The discipline of running weekly meetings, working with the partner ecosystem, all came in."

It is not clear when the "People's CEO" adage came to be associated with Gurnani. Almost everyone, internally and outside the company, uses it. However, it is not counter intuitive to say that in a people's business – for the longest time, more people equalled more revenues in the IT services industry – a people-friendly CEO became a great asset. Much like N. Chandrasekaran, the CEO of India's largest software services exporter TCS, Gurnani, too, has an elephantine memory, his colleagues say. He has built a collaborative family culture. Gurnani knows the names of his leadership's family members and remembers every anecdote relating to their children. Conversations, in many cases, begin not with business but with family talk. Gurnani's people skills (the company employs 112,886 now) have played a role in how the company bulked up.

In 2010/11, *Dataquest*, an IT trade magazine, ranked Mahindra Satyam at No. 17 and Tech Mahindra at No. 18 in Indian IT's pecking order, by revenues. This year, it ranked Tech Mahindra at No. 6 with revenues of over $4 billion, after TCS, Cognizant, Infosys, Wipro, and HCL Technologies. What happened in between was a bout of heavy shopping. Tech Mahindra acquired a dozen companies, from the fraud-hit Satyam (Tech Mahindra announced completion of

BEST CEO
(IT & ITes)

TOTAL INCOME/3-YR CAGR
₹22,195.7 cr / 54.3%

PBIT/3-YR CAGR
₹3,976.6 cr / 62.5%

PAT/3-YR CAGR
₹3,220 cr / 70.3%

3-YR AVERAGE TSR
31.1%

AVERAGE MCAP YOY GROWTH*
-17.5%

ROE/ROCE
26.9% / 31.8%

CASH/DEBT
₹3,284 cr / ₹228.5 cr

NET PROFIT MARGIN
15.4%

*For Oct 2015-Sept 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns; Source: ACE Equity

Mahindra Satyam's merger in 2013, although it was bought in 2009) to Italian car design company Pininfarina S.p.A., which had designed vehicles for Ferrari, Peugeot, Fiat, GM, Maserati and Hyundai, among others. The acquisition spree has also helped the company de-risk. Almost 100 per cent of its revenues were generated from the communications (telecom) vertical before its merger with Mahindra Satyam the vertical remained its 'bread and butter' ever since the company was formed as a joint venture with British Telecom in 1986. Today, it counts AT&T, Verizon and Vodafone among its customers. Nevertheless, by 2015/16, communications had a revenue share of only 52 per cent of the total business.

KNOWING C.P.

LEADERSHIP STYLE
That of a coach; often called 'People's CEO'

TOUGHEST TEST OF LEADERSHIP
Acquiring and integrating the fraud-hit Satyam

CURRENT CHALLENGE
Running the biggest change management project, the company's transformation to digital

AS NASSCOM'S CHAIR, HIS ROLE IS
That of a futurist

LEADING THE PACK

While the top line was definitely considered by the jury that picked Gurnani as the 'Best CEO' for IT and ITeS sector Tech Mahindra's total income rose at a three years CAGR of 54 per cent, far higher than TCS's 20.9 per cent and Mindtree's 22.9 per cent there were other parameters where Gurnani's company came out tops. Profit before Interest and Taxes (PBIT) jumped at a three years CAGR of 62.5 per cent whereas TCS grew at 22.8 per cent and Mindtree at 22.2 per cent. Total shareholder returns for three years averaged 31.1 per cent for Tech Mahindra, again higher than TCS's 20.1 per cent.

Industry watchers say that without Gurnani leading the charge, things could have just flittered away, especially because it involved high-risk, bold acquisitions. "His best leadership mantra, as I remember, has been setting audacious goals and the self-belief he brings to all meetings. The Satyam acquisition required his solid people skills. He worked with former employees of Satyam and carried them as a team with a single goal: How do we come out of this and grow. That to me was a great leader," says T.R. Madan Mohan, Managing Partner of Browne and Mohan, a management consulting company.

And now, Gurnani says, he is leading one of his biggest change management projects. That of navigating Tech Mahindra's shift to the new paradigm of digital. It is widely cited that by 2020, 80 per cent of new investments in technology will be in digital, in services such as mobility, analytics, Internet of Things, and cloud. When the CEO began preparing for this change about three years ago, a lot of his issues were cultural.

"Every organisation deals with transformations in different ways. One guy can say I need to become a garage. The second way of dealing with the same challenge would be to set some lofty goals for becoming a digital workshop and then try and run hard to achieve it. Third, I will become digital by listening to the customer," says Gurnani. "The core of my company is people. So I first need to transform the core. But the transformation has happened because we listened to our customers as well," he adds. Gurnani, about three years ago, took 150 of the company's top leaders to Singularity University in the Silicon Valley. The university believes in 'exponential thinking'. "If I had just told my leaders that this is the future, they would have said, 'Thank You, but I have today's bread problem to solve'. But during the visit, they learnt from various professors the impact of digital on different industries. That worked out well," he says.

He has also managed to infuse a dose of Silicon Valley-style entrepreneurship DNA among the leadership. Jagdish Mitra, who heads Strategy for Tech Mahindra, says CP, as Gurnani is popularly called, made them more entrepreneurial in decision-making. "That has helped us grow because we could decide faster and move on. He is not too much of an analysis-to-paralysis type of a guy. He expects people to take action. There are numerous occasions when people like me have failed or got it wrong. He stands by you and says, 'So what?'."

Gurnani wears the futurist's hat even at industry body Nasscom, where he is the chair this year. His role is to predict what the workplace of the future will look like, and what could be the regulatory risks. The industry, and Tech Mahindra, could experience turbulent times ahead – there is a surge in protectionism around the developed word, from the United States to the United Kingdom, principal revenue geographies for Indian IT. How will he be navigating this?

"Healthy paranoia is good," Gurnani says. "We are all living in interesting times with multiple transformation triggers. All of them are very potent. We need to balance the various triggers, whether it is the Western economy or the geo-political challenges." ◆

@Goutam20

INDIA's BEST CEOs

PUNIT GOENKA MD & CEO, Zee Entertainment Enterprises

RACHIT GOSWAMI

It's Showtime, Folks!

Punit Goenka is leaving no stone unturned to ensure that Zee Entertainment becomes the largest media and entertainment company in emerging markets

BY AJITA SHASHIDHAR

The year 2016 has been action-packed for Zee Entertainment. During the year, not only did the ₹5,850-crore media giant expand its core broadcast business by acquiring Anil Ambani's Reliance Broadcast Network, it also expanded its international operations by entering the US Hispanic market with the launch of a Spanish channel. It also re-entered film production with movies such as *Jazbaa* and *Rustom*, both of which earned decent revenues. Besides, group company Zee Media Enterprises, which owns the TV news business, bought a 49 per cent stake in Reliance Entertainment's FM radio network, Big FM.

Punit Goenka, the 42-year-old MD & CEO, has an insatiable appetite for big bets, just like his father Subhash Chandra, Chairman, Essel Group, the holding company of Zee Entertainment. In one such bet, Zee is starting a theatre venture, called Zee Theatre, in January. The announcement was made in October 2015. The venture is already working on a series of plays, including *Piya Behrupiya, Rudaali* and *Janpath Kiss*, for which it has partnered with acclaimed playwrights such as Mahesh Dattani, Shafaat Khan and Vijay Tendulkar. "We are called Zee Entertainment, not 'broadcasting', and so I felt the need to look beyond broadcasting," says Goenka, under whom Zee has also forayed into live entertainment with Zee Live. "We are also developing intellectual property (IP) in the music and food festival

BEST CEO
(Media & Entertainment)

TOTAL INCOME/ 3-YR CAGR
₹4,452.7 cr / 18.4%

PBIT/ 3-YR CAGR
₹1,330.9 cr / 11.8%

PAT/ 3-YR CAGR
₹859.3 cr / 10.3%

3-YR AVERAGE TSR
22.4%

AVERAGE MCAP YOY GROWTH*
20.7%

ROE/ ROCE
30.7% / 27.6%

CASH/ DEBT
₹385.1 cr / ₹1.8 cr

NET PROFIT MARGIN
20.4%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns; Source: ACE Equity

space," he says.

Apart from this, after relaunching a linear digital venture, Ditto TV, and an advertising-dependent over-the-top, or OTT, platform, Ozee, earlier this year, Goenka is giving final touches to a global OTT platform. OTT involves delivery of content over the Internet without a multiple-system operator. A few months ago, it also launched a global news channel, WION (World Is One News).

In spite of a big risk appetite, Goenka is clear that all new businesses should have the capability of becoming profitable in the short to medium term. "We are answerable to our shareholders," he says.

"Punit has always been extremely focused on the bottom line. He has the ability to expand the business without compromising on margins," says Apurva Purohit, President, Jagran Group, who worked with Goenka in the early 2000s.

"I believe Zee doesn't need turnover. It needs businesses that are profitable," says Goenka. That is why, earlier this year, he sold the loss-making sports channels to Sony Pictures. "I couldn't afford my sports business hurting the rest of my business and shareholder value." Exits like these are nothing new for the group. Goenka says in the early 2000s, they had quit the movie business due to too many under-the-table cash transactions and lack of transparency. "Now, the music business is 100 per cent digital. Also, 95 per cent film distribution has been corporatised. With transparency, it has become easier for us to work."

Goenka's focus is clear – that Zee will invest in only those films where it gets to own the IP. "We don't give cash to other production houses. We usually don't acquire films. Even if we do, we are clear that we have to own the IP or co-production rights," he says. IP ownership enables the company to make money even after the movie is out of the box office, something that most Indian film studios have failed to cash in on.

Experts say without the IP rights, the opportunity for studios is limited to 8-10 per cent of the movie's collections. "When Punit talks about owning the IP of the films he produces, he is definitely approaching the business from a long-term perspective," says Vikram Malhotra, CEO of Abundantia Entertainment, which has produced blockbusters such as *Baby* and *Airlift*. Malhotra says Zee has also been smart in buying the music rights of films. "Despite being a late entrant, it has challenged the market leader," he says. T-Series had a monopoly on music labels till Zee entered the business in 2014.

BEYOND TELEVISION

Zee Entertainment has been on an aggressive expansion spree

OCT 2016
ZEE Live
(live entertainment)

JUN 2016
Ditto TV (Re-launched; it's a live TV platform)

FEB 2016
OZEE (OTT platform)

FEB 2016
Zee Studios
(film production)

OCT 2015
Zee Theatre

MAR 2014
Zee Music Company
(music label)

While the move to re-enter film and music labels has paid off, theatre and live businesses are unlikely to be a cakewalk considering that Walt Disney India's *Beauty and the Beast* — though successful — is nowhere close to breaking even. This is not surprising, as theatre in India has never worked as a business proposition. Goenka agrees. "But there is no reason why they shouldn't look at it as a business. As long as people are looking for this kind of entertainment, they will pay." His aim is to invest in the infrastructure and develop the ecosystem. He has set up a separate vertical for theatre and live entertainment businesses.

Goenka is also excited about the global broadcast foray. Under him, Zee has launched channels in Russia, Germany and South Africa. It has also entered the US Hispanic market. "We studied international markets and found several outside Asia that are similar to us in terms of culture and content consumption habits but without a local industry. They depend heavily on imported content. One example is West Asia. We identified pockets where we had the opportunity to create products in local languages."

Goenka is confident about making the new businesses profitable in three-five years. "In the next three years, we will be the largest media company in emerging markets and the largest media company in India," he says. ◆

@ajitashashidhar

INDIA's BEST CEOs
SAMIR MEHTA
Executive Chairman,
Torrent Pharmaceuticals

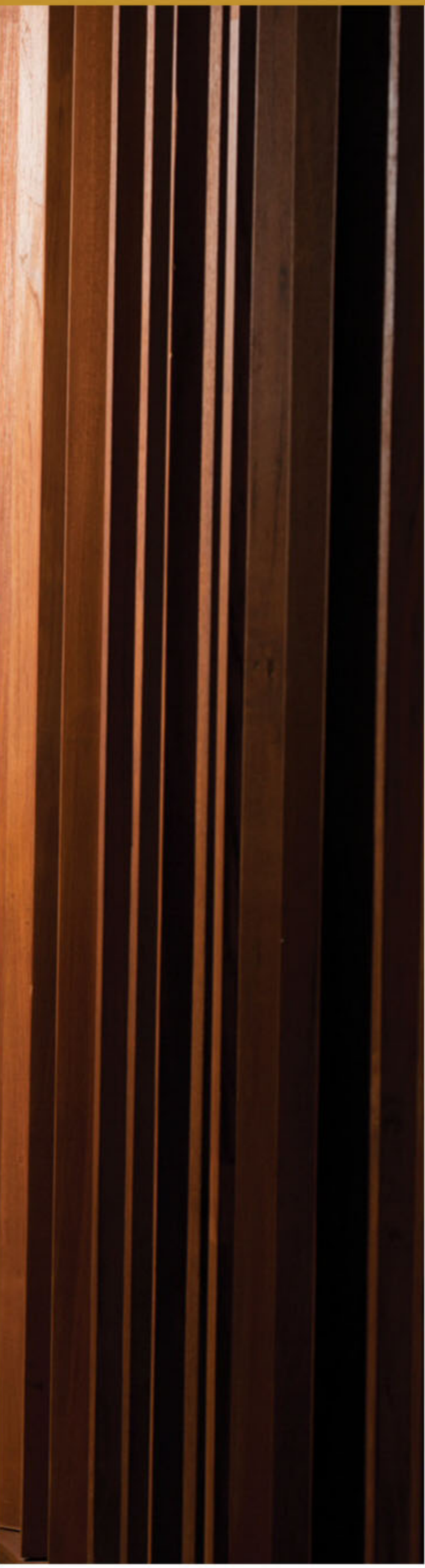
Torrent's Medicine Man

Torrent Pharmaceuticals was a late entrant to the US, but Samir Mehta has led it to fast-paced growth in that market.

By P.B. JAYAKUMAR

India's leading drug companies like Sun Pharmaceuticals, Lupin, Cipla, Wockhardt and Dr. Reddy's Laboratories had forayed into the US, the world's biggest generic drug market, many years ago – some in the early 1990s and others in the early 2000s. Compared to them, Ahmedabad-based Torrent Pharmaceuticals was a late entrant in 2008. Today, Torrent is one of the leading generic companies in the US. It has netted over $400 million in 2015/16 from the sale of its generic drugs in the US market.

A couple of recent acquisitions – one for a branded



RACHIT GOSWAMI

formulation footprint in India and another for dermatological products for global markets – and business backed by aggressive research-based product development helped Torrent Pharmaceuticals Chairman Samir Mehta earn the 'Best CEO' award for the pharma sector in our study this year. Its US business, in particular, is on a tear – revenues have soared to ₹2,671 crore in 2015/16, from ₹832 crore in the previous year, a growth of 221 per cent. This was primarily on account of the launch of a new product in the US market, Aripiprazole, which is used to treat certain mental/mood disorders. The drug had limited competition and Torrent could gain over $250 millon from this drug in a year. A year before, it had exceptional gains of $80 million from Duloxetine, another depression and anxiety drug generic with limited competition.

AHEAD OF THE CURVE

Torrent has remained ahead of the curve in terms of strategic decision-making when compared to peers, observe analysts. "In domestic formulations, it concentrated on high-yielding chronic therapies such as cardiovascular and neuropathy when most of the Indian players were growing in anti-infectives (acute). It was one of the early entrants in the Brazilian market and acquired a marketing company in Germany in 2005, and struck a contract manufacturing deal with Novo-Nordisk in the Indian market for Insulin. And just when it was witnessing slowdown in domestic formulations, it acquired Elder's lucrative formulations business," note Siddhant Khandekar, Mitesh Shah and Nandan Kamat, pharma analysts with brokerage ICICI Securities, in a report.

"The delay in the US foray was not intentional. We were assessing the US market and launching products that require big investments. When all others were investing in that market, we were trying to stabilise our domestic and other overseas markets," says Sudhir Mehta,

BEST CEO

(Pharma & Healthcare)

TOTAL INCOME/ 3-YR CAGR
₹5,706.6 cr / 25.3%

PBIT/ 3-YR CAGR
₹2,542.4 cr / 53.6%

PAT/ 3-YR CAGR
₹1,902.8 cr / 48.3%

3-YR AVERAGE TSR
63.2%

AVERAGE MCAP YOY GROWTH*
19.5%

ROE/ ROCE
55.2% / 45.5%

CASH/ DEBT
₹ 82.4 cr / ₹2,262.5cr

NET PROFIT MARGIN
32.4%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns;
Source: ACE Equity

Chariman Emeritus of the company and elder brother of Samir Mehta. Torrent started off with four neurological disorder drugs for that market and slowly over the years expanded the portfolio. Now Torrent has about 61 approved drugs in the US and another 22 are awaiting the nod of the US drug regulator, Food and Drug Administration (FDA). "Of these, we think some are first to file (FTF) limited competition products and going forward, we will be filing 15-16 products every year in limited competition, complex to make generics for the US market like oncology drugs, oral solids, creams and ointment", says Samir Mehta, Chairman of Torrent Pharma for the past three years.

When Mehta (53) joined Torrent in 1986 after his commerce graduation and an MBA from an Ahmedabad college, his father and his elder brother Sudhir had stabilised the company after a roller-coaster start. The company was founded by his father, late Uttambhai Nathalal Mehta, a medical representative who worked with Sandoz for about 15 years. At the time, Torrent pioneered the concept of niche marketing – it started with TrinicamPlus, a combination of three drugs for mental disorders. It was a success and Torrent soon forayed into selling cardiovascular drugs.

The biggest break came when Torrent expanded business to the erstwhile Soviet Union (USSR) in the early 1980s. The company had the first-mover advantage and in the first year of business clocked ₹8 crore in that geography out of a total revenue of ₹14 crore. As the business in USSR flourished, the overall business rapidly grew to over ₹170 crore within two-three years. But the disintegration of USSR in 1991 dealt a big blow to Torrent. "All our expansion plans to other geographies and diversification into power were affected by the USSR disintegration and it took years for us to stablise," remembers Sudhir, who manages the company along with his brother.

From the 2000s, the company again started to explore new geographies, US and Brazil among them. Today, it is the largest Indian generic company in Brazil. In 2005, Torrent did its first acquisition, Heumann Pharma of Germany, a generic business unit of Pfizer.

While Torrent's Brazilian business showed a degrowth of 17 per cent to ₹506 crore in 2015/16, its domestic formulation business had revenues of ₹1,825 crore in 2015/16, 13 per cent higher than the previous year. This was mainly powered by its acquisition of Elder Pharma's branded domestic formulations business in India and Nepal in 2014 for ₹2,004 crore. Torrent is planning to launch another 160 products in the domestic market over the next five years. "We have been investing 4-6 per cent of revenues in R&D, which will increase to 6-8 per cent in the coming years," says Samir.

Torrent is also working on new chemical entity (NCE) projects and at present has seven products in the pipeline, of which one is in the third phase of trials. While most other companies are trying to develop generics of biologic drugs, Torrent followed a different strategy and inlicensed three products from Mukesh Ambani-controlled Reliance Life Sciences (two are in the market).

With a cash consolidated balance of ₹2,000 crore, Torrent is dreaming more. "We have been looking for an acquisition in the US market and are yet to zero in on a suitable target," asserts Samir. ◆

@pb_pbjayan

TORRENT'S GROWTH STRATEGY

INDIA BUSINESS

PAST 40 years in market; started the concept of niche marketing and growth through neuro and cardiac therapies in the early years

PRESENT Features among the top 15 companies in India by revenue

FUTURE Aiming for best-in-class margins driven by specialty focus, entry into new therapies in nephrology, respiratory, etc., and strengthening presence in cosmetic dermatology and biosimilars

US BUSINESS

PAST Late entry into the US market through generics

PRESENT Among the top 10 Indian companies in the US and wide product portfolio across therapies

FUTURE Ramping up ANDA (product marketing applications) filings, inorganic opportunities and complex generics in dermatology and oncology

EUROPE & LATIN AMERICA

PAST One of the early entrants to Europe with an acquisition in Germany

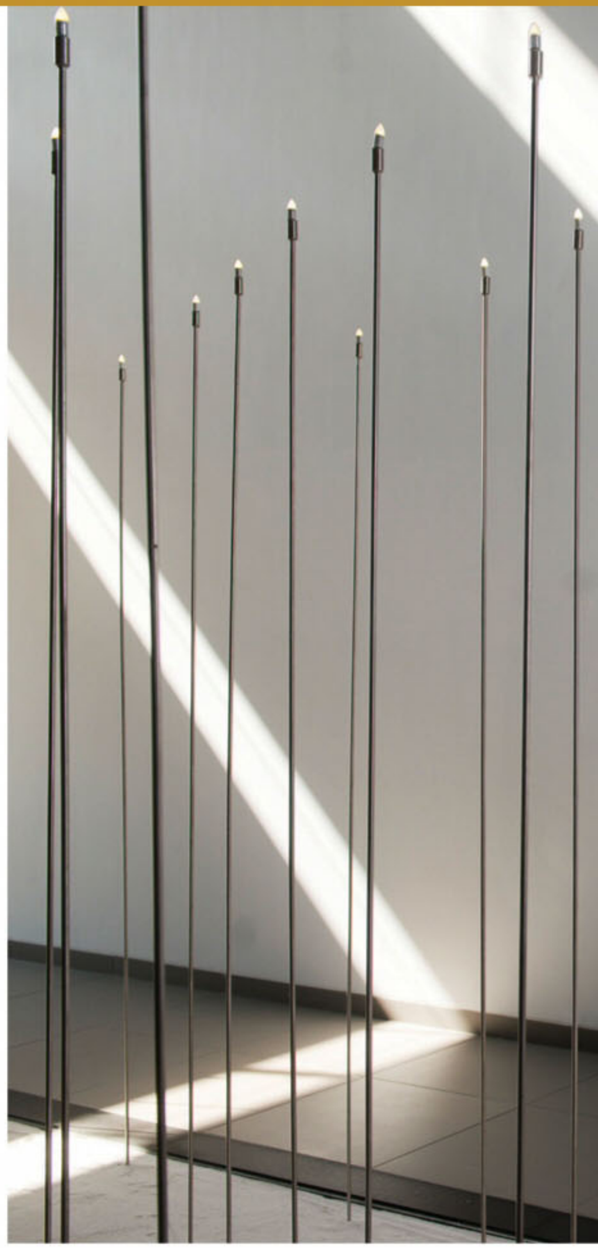
PRESENT Currently the biggest Indian company in German tender market; elaborate presence in Europe, Brazil and Philippines

FUTURE Priority areas – UK, Germany; commissioning of Dahej facility to help larger German play, more complex products

INDIA's BEST CEOs

SUDHIR MEHTA

Executive Chairman, Torrent Power



Powering Ahead

Torrent Power is present in power production, transmission and distribution, and is now investing in renewable energy in a big way.

BY P.B. JAYAKUMAR

Ahmedabad-based Torrent Power's solid performance in the past three years, despite the turbulence in India's energy sector, helped Chairman Sudhir Mehta, 62, bag the 'Business Today Best CEO 2016' award for the power sector.

Analysis of the integrated power company's key figures indicate efficient running of its generation plants, better cost control and profitability. The company generates 3,400 MW – a mix of coal, gas and renewable energy – and distributes power to more than three million customers in Ahmadabad, Gandhinagar, Surat, Bhiwandi, Agra and Dahej SEZ distribution circles.

Between 2009/10 and 2014/15, the company had commissioned 2,347.5 MW, besides a brownfield expansion in Surat. It has also added 350 MW wind and solar capacity. Besides capacity additions, cooling of prices helped the company

RACHIT GOSWAMI

BEST CEO
(Power)

TOTAL INCOME/ 3-YR CAGR
₹11,906 cr / 12.9%

PBIT/ 3-YR CAGR
₹2,283.4 cr / 30.3%

PAT/ 3-YR CAGR
₹823.4 cr / 28.8%

3-YR AVERAGE TSR
29.8%

AVERAGE MCAP YOY GROWTH*
25.9%

ROE/ ROCE
11.3% / 16.1%

CASH/ DEBT
₹778 cr / ₹8,443 cr

NET PROFIT MARGIN
7%

*For Oct 2015-Sep 2016
Standalone data;
Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns;
Source: ACE Equity

post higher margins in recent years, says Mehta. In 2015/16, the management's decision to regroup its gas-based power plants under Torrent Power a couple of years ago for better cost management, administration and supply chain efficiencies also paid dividends.

The move saw its consolidated income jump from ₹8,681 crore in 2013/14 to ₹11,687 crore in 2015/16, while total expenses rose at a comparatively slower pace from ₹7,397 crore to ₹8,696 crore. Its earnings before interest, taxes, depreciation, and amortisation (EBITDA) jumped from ₹1,283 crore to ₹2,106 crore, while operating margins jumped from 14.78 per cent to 25.59 per cent during the same period. Its net profit margin ratio also jumped from 1.24 per cent to 7.42 per cent, and return on capital employed (ROCE), which measures profitability from overall operations, increased from 8.57 per cent to 18.91 per cent, according to an analyst report by Sana Securities.

The company has also gained substantially from reducing transmission and distribution losses. In India, average T&D losses stand at 23 per cent of the electricity generated, while some sample studies by independent agencies estimate it to be as high as 50 per cent in some states. "In the initial years, Aggregate Technical &Commercial losses in the Bhiwandi region were as high as 58 percent mainly due to power theft and this has come down to around 23 per cent. In Agra, it was 61 per cent and has come down to around 28 per cent," says Mehta.

It was, however, not a smooth ride for Mehta and for Torrent Power. In 1998, when Mehta took over the reins of the pharma business of the now ₹18,500-crore Torrent Group after the demise of his father U.N. Mehta, he was just 34. His brother, Samir, almost 10 yen years younger, was just out of college. However, what helped them both was the rich experience they had already gained under the watchful eyes of their father.

Mehta not only succeeded in making the pharma business one of India's top drug companies, he was also instrumental in diversifying into the power sector through the acquisition of ailing power cable company Mahendra Cables in 1989-90. Six years later, Torrent gained management control of Surat Electricity Company, one of the oldest power utilities in the country. Soon after, Gujarat Torrent Energy Corporation (GTEC) was planned as a 655-MW dual fuel-fired power station, in partnership with PowerGen of UK and the state government. This was one of the first private sector power plants in India. Subsequently, Torrent also acquired management control of The Ahmadabad Electricity Company.

The group also diversified into banking and had floated a non-banking financial company with Gujarat Lease Finance, but had to down the shutters after an initial good run. Another investment in Torrent Gujarat Biotech had turned sour as price realisation from penicillin had dropped sharply. The Torrent Group had also run up a huge debt due to its fast expansion plans and had to sell its 46 per cent stake in GTEC to PowerGen for about £159 million, or $250 million, in 1999. The proceeds were used to pay back its debts and used as equity in new projects.

"We are looking to acquire stressed coal assets and more investments in coal and renewables. In the next five years, we will be investing about ₹15,000 crore in renewable," says Samir Mehta, Vice Chairman, Torrent Group.

The company had carried out a debt restructuring exercise in March for a term loan of ₹7,930 crore and the repayment is spread across 16 years starting December 2016. "Our leverage is at a healthy level and we have about ₹ 2,000 crore cash in hand that can be used for further expansion," says Mehta, adding that he is confident of powering Torrent's to new heights. ◆

@pb_pbjayan

THE JOURNEY

1989/90
Torrent forays into power sector by taking over Mahendra Electricals; renames it Torrent Cables – (now merged with Torrent Power)

1996/97
Acquires management control of Surat Electricity Company

1997/98
Acquires The Ahmedabad Electricity Company and starts combined cycle operations of GTEC

1999/2000
Sells equity stake in GTEC to Powergen India

2004/05
Brings together three group companies – Torrent Power AEC, Torrent Power SEC and Torrent Power Generation – under a single, unified brand, Torrent Power

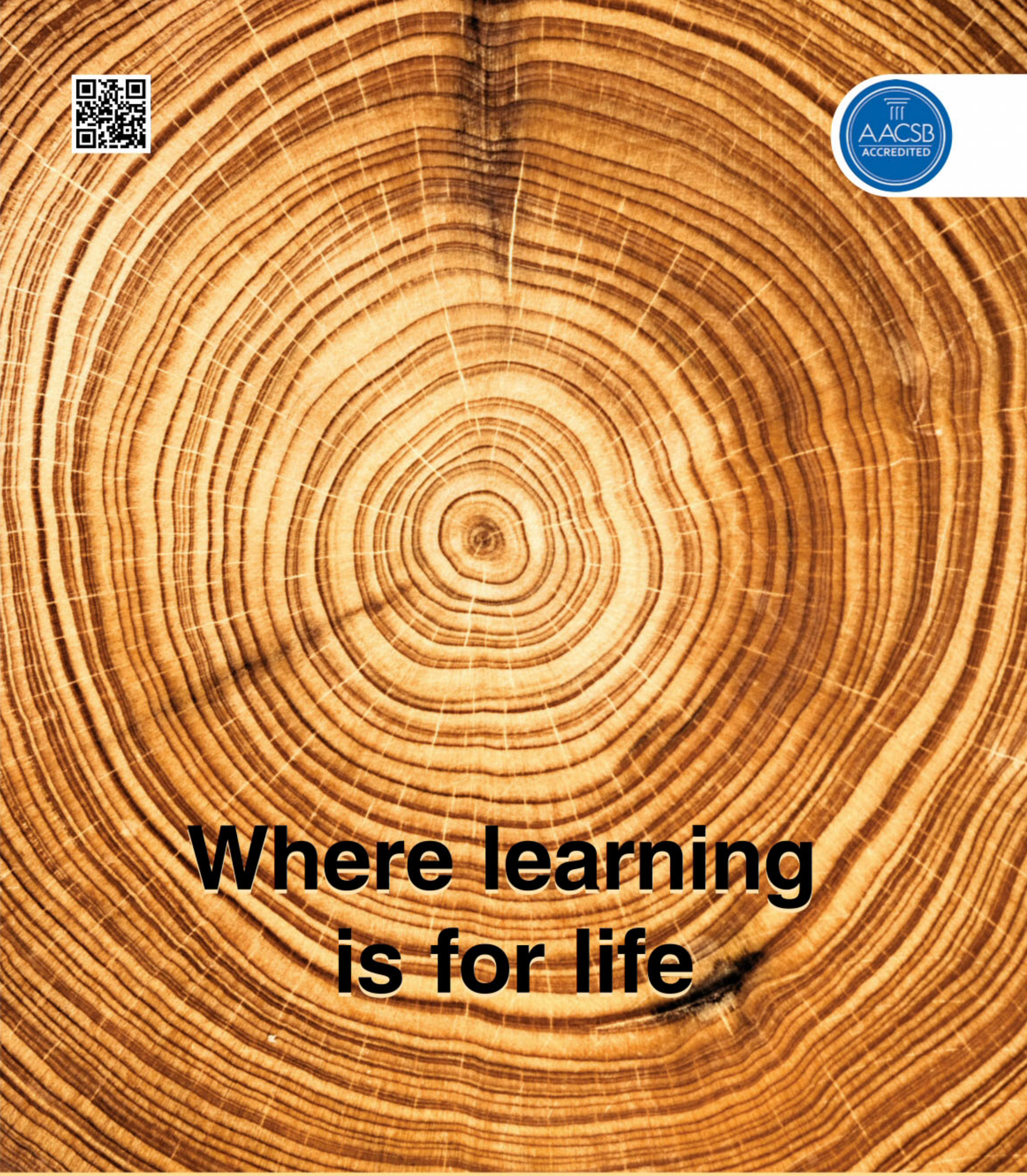
2005/06
Torrent Power becomes a distribution franchise for Bhiwandi Circle of Maharashtra State Electricity Distribution Company and the first private sector distributor of electricity in India

2008/09
Was awarded the distribution franchisee for Agra distribution circle and Kanpur distribution circle for 20 years

2009/10
Commissions 1,147.5-MW SUGEN power project

2014/15
Commissions 1,200-MW DGEN power project at Dahej SEZ in Gujarat

2015/16
Torrent Energy and Torrent Cables merged with Torrent Power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INDIA's BEST CEOs
IRFAN RAZACK, Chairman & MD, Prestige Estate Projects

Dream Merchant

How Irfan Razack and his brothers parlayed a small-time haberdashery in Bangalore to become one of India's largest real estate companies.

BY VENKATESHA BABU

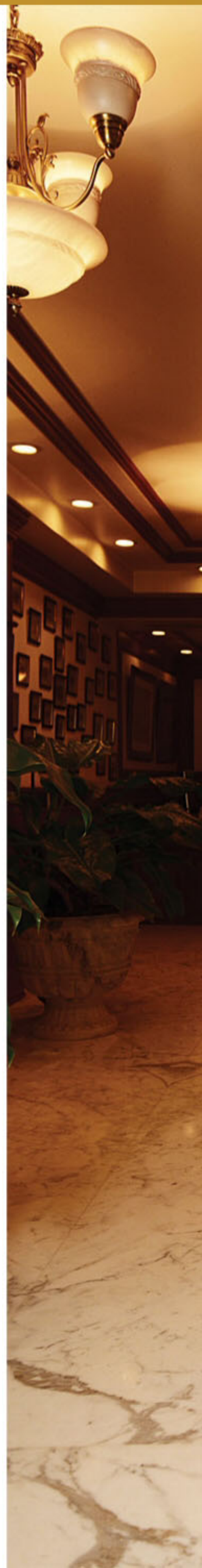
Post demonetisation, the prognostications from experts have been coming in thick and fast. One uniform forecast seems to be this move is likely to lead to a 20-30 per cent fall in real estate prices. So, one would expect the head of India's third-largest listed real-estate company to be worried. However, when *Business Today* met with the nattily dressed, 63-year-old Irfan Razack, CMD of Prestige Estates Projects, he was dismissive of even short-term, forget medium-term or long-term impact on the sector.

At best, he says, there might be chatter for a few weeks. When buyers realise there is hardly any downward momentum, things will settle down to business as usual, claims Razack. He outlines three reasons why prices will not crash. "Real estate is a cost-plus business. Net profit margins of most listed companies in the sector are in single digits. Nobody will sell at a loss. With RERA (Real Estate Regulation Act), I expect supplies to go down as all developers will not be able to meet compliances and requirements, which means actually prices are likely to go up, not down, as supply contracts. Third, real estate is not a perishable commodity and it is not as if more land is being created."

One could, of course, dismiss his comments as partisan commentary from an industry player. But over the past three decades, Razack has shown an uncanny knack to see beyond corners. Few would bet against a player who started in his father's small clothing shop and leveraged his relationships to become one of India's most powerful real estate barons.

RISE OF THE RAZACKS

The Prestige Group's headquarters in the heart of old Bangalore, from where Razack operates, is aptly named 'Falcon House' – based on the group's emblem. The Falcon is a fearsome bird of



NILOTPAL BARUAH

BEST CEO

(Real estate & Construction)

TOTAL INCOME/ 3-YR CAGR
₹2,770.5 cr / 19.9%

PBIT/ 3-YR CAGR
₹613.3 cr / 8.6%

PAT/ 3-YR CAGR
₹361.8 cr / 9.4%

3-YR AVERAGE TSR
8.8%

AVERAGE MCAP YOY GROWTH*
-24.3%

ROE/ ROCE
8.9% / 8.7%

CASH/ DEBT
₹250.8 cr / ₹3,629.7 cr

NET PROFIT MARGIN
13.6%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns; Source: ACE Equity

prey known for its ability to fly at high speeds, change directions rapidly, and spot small things from great heights – traits that the group has displayed over the years.

A short distance from the opulent headquarters is the 'Prestige Shop for Men' set up by Irfan's father Razack Sattar in 1950 to sell fabric and offer tailoring services. Even today, the group retains the shop – though much bigger at 20,000 sq. ft now – which is run by his youngest brother Noaman. The prominent location of the shop meant that some of Bangalore's movers and shakers of an earlier era dropped in and were regular customers. Sattar's three sons – Irfan, Rezwan and Noaman – helped their father at the shop, and some of the relationships they developed eventually helped them.

Starting off as middlemen helping broker deals between buyers and sellers, they graduated by the mid-1980s to constructing buildings and selling them. It helped that margins were higher in this segment of the market. A reputation for delivering on time, emphasis on quality and a great ability to spot choice locations helped. They also played up their image of being 'local boys' – unlike others like Puravankara, Brigade or Sobha whose promoters originated from places like Pune, Kerala and other parts of Karnataka – when competing for joint ventures, which is where the old relationships helped.

For instance, when the now beleaguered Vijay Mallya was looking to redevelop a landmark parcel of real estate into 'UB City', what swung the project in Prestige's favour was their 'local boys' reputation, admits Irfan Razack. Over the past three decades of Prestige's existence, it has executed nearly 200 projects.

THE JOURNEY

Group traces origin to Prestige House for Men, a haberdashery set up in 1950

Real estate group established in 1986

Raised Rs 1,200 crore from its IPO in 2010

Post IPO, expanded operations to eight markets across the country

Operates in residential, commercial, retail and hospitality segments

Built Bangalore's first full-fledged mall – The Forum

Promoters own 70 per cent of the listed company

A REALTY CHECK

For a long period of time, Prestige was a major player in Bangalore but virtually unknown elsewhere. Two things helped scale up the company – serendipity, and a carefully planned IPO. In the first decade of the 21st century, Bangalore emerged as the country's technology hub with local and multinational companies rushing in to set up operations. This meant influx of a large number of white-collared workers. Between 1991 and 2011, the city's population more than doubled.

All this activity meant that these tech companies needed good quality commercial office space and the workers in those companies needed homes/flats to stay. Also, with their high disposable incomes, these employees needed shopping malls to spend, which meant a retail opportunity. Prestige seized the opportunity with both hands. This was the serendipitous part. The company became a big fish in a growing market.

However, what gave it real momentum was a bet it made in 2010 to raise money through an IPO. Prestige's CFO Venkat K. Narayana remembers that the markets weren't very buoyant at that time, but they decided to go ahead. The Rs 1,200 crore it raised from the market helped the company take substantial bets.

For instance, in the past three years, revenue and net profit have grown at a CAGR of 20 per cent and 9.4 per cent over this period. Prestige has entered not only several adjacent markets like Mangalore, Mysore, Kochi, Hyderabad and Chennai, but even distant ones like Ahmedabad and Pune. Brokerage house Axis Direct pointed out in September that "management has been prudent in launching projects only after securing all requisite approvals, complying with RERA regulations".

Although it has widened its footprint and improved revenue mix (today it gets 80 per cent revenue from residential, 13.6 per cent from commercial, 4.5 per cent from retail, and the rest from hospitality), Prestige continues to bank on its core Bangalore market for growth.

A competitor with a more 'national' footprint who did not want to be identified says: "Prestige has also been lucky in the sense that the Southern markets in general and Bangalore realty market in particular has held up well. At least it is better than, say, a Mumbai or NCR market." Irfan Razack, though, admits that FY15 was exceptional, "but increasingly, we are also trying not to sell but lease our commercial assets so as to benefit from annual revenues". Securities trading house Motilal Oswal in a report pointed out that Prestige is likely to end up with annuity revenues of ₹650 crore this year compared to ₹520 crore in the previous year.

Even as the third generation of Razacks enters the business, the second generation intends to be in charge for the foreseeable future. Irfan's daughter Uzma is already a director in the company and Rezwan, the Joint Managing Director, also has his son working in the company. The promoters collectively own 70 per cent of the company's shares, and the family has spoken about moving all promoter shares to a holding company to ensure disconnect between ownership and management. For now, though, Irfan Razack is keen on continuing to build his legacy. ◆

@venkateshababu

INDIA's BEST CEOs

SUNIL MITTAL

Chairman, Bharti Airtel

The Fighter

Sunil Mittal has fought many a battle, and emerged on top every time. He's now readying for the biggest scrap of them all.

BY MANU KAUSHIK

VIVAN MEHRA

Life comes full circle. Nearly 40 years after starting his entrepreneurial journey, Sunil Bharti Mittal, Chairman of the $14.3-billion Bharti Airtel, is standing at the crossroads. The business that he has built from the ground up is under attack from Reliance Jio, the $20-billion venture of Reliance Industries. For Airtel, the most unsettling aspect of Jio's launch in September is the free voice calls that the start-up is offering to its customers for a lifetime. Other major telecom companies, such as Airtel, Vodafone India and Idea Cellular, derive nearly 70 per cent of revenues from voice.

Airtel's revenues from non-voice segments – data and value-added services – have grown recently, rising from 27.4 per cent in the September 2015 quarter to 30 per cent in the September 2016 quarter. But the dominance of voice revenues is still overwhelming. Any dent to voice revenues will have a big impact on overall earnings. IDFC Securities, for instance, expects Airtel's net sales to fall by 0.4 per cent and EBITDA (earnings before interest, taxes, depreciation and amortisation) to slide by 5.2 per cent in 2017/18.

Over the past 22 years, Mittal has fought his way through to become market leader with a subscriber base of 262.67 million (as on October 31, 2016). Every few years, he has to chalk out a new strategy to take on aggressive newcomers. For instance, in 2003, Reliance Infocomm, controlled by brothers Mukesh Ambani and Anil Ambani, forged a war against Mittal by offering handsets and services at a discounted price of ₹500 per month. Mittal patiently allowed the buzz created by

BEST CEO
(Telecom)

TOTAL INCOME/ 3-YR CAGR
₹ 61,785.8 cr/ 9.7%

PBIT/ 3-YR CAGR
₹ 13,598.8 cr/ 18.8%

PAT/ 3-YR CAGR
₹ 8,226.4 cr/ 17.3%

3-YR AVERAGE TSR
7.7%

AVERAGE MCAP YOY GROWTH*
-11.8%

ROE/ ROCE
9.3%/ 11.8%

CASH/ DEBT
₹ 52.1 cr/ ₹ 45,743.5 cr

NET PROFIT MARGIN
12.5%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns; Source: ACE Equity

Infocomm to die down.

Then, in 2005, a fight broke out between Mittal and Tata Group Chairman Ratan Tata over spectrum auctions. Tata said that spectrum should be sold through auction process but Mittal opposed it saying that it would make business unviable for telcos. Taking a potshot at Tata, Mittal said that anyone who wanted to donate money can do so by contributing to the Prime Minister's Relief Fund.

Mittal has also fought other battles with Birlas, Modis and Goenkas. His sharp business sense, strong political links across party lines, and a thorough understanding of the sector has ensured the top slot for him in the telecom pecking order. Gopal Vittal, Managing Director and CEO (India and South Asia) of Bharti Airtel says that Mittal is a forward thinking entrepreneur who's built a strong team to look after the operations. Vittal recalls that it took him less than five minutes to convince Mittal to invest an additional $1 billion to build the 4G network early last year. Investment decisions of that magnitude typically require more discussion.

Some analysts believe that the situation is likely to be different this time. Tanu Sharma, telecom analyst at India Ratings, says that the nature of competition has changed. "The competitive landscape has changed for the telecom sector with the disruptive launch of Reliance Jio, which has extended free usage period for one more quarter to gain its targeted subscriber base. To retain their customers, other telcos have also launched promotional offers including bundled plans with free calling. However, the actual churn in customers, especially high ARPU postpaid, once the free offering ends remains to be seen," she says.

The entry of Jio and the recent spectrum auction is likely to intensify the 4G war. Airtel has more than doubled its 4G subscribers to 61 million over the past three years. In addition, the amount of data usage on Airtel has jumped 132 per cent in three years to an average of 1 gigabyte (GB) per user. However, its data ARPU (average revenue per user), now at ₹200 per user, is likely to come down further when competition rises. "The key challenge for Airtel is to protect ARPU in order to keep bottom line intact. With the rise of 4G subscribers, there will be pressure on Airtel's network from quality of services standpoint. This is where Airtel needs to watch out. Growing 4G subscriber base is great but, at the same time, servicing their ever increasing needs will put pressure on ARPU," says Neil Shah, Research Director (Devices & Ecosystems) at Counterpoint Research.

STIFF COMPETITION

Meanwhile, Jio is posing stiff competition for Airtel. It has already crossed 50 million subscribers within a record 83 days, and is projected to touch 80 million users by March next year. "Even if 70 per cent of these subscribers remain active Jio subscribers by next April, it would mean that the company will have some 60 million high-value 4G users. That will be almost similar to Airtel's current 60 million-odd mobile broadband users.... If Jio's coverage and network quality is even on par with Airtel, it can seriously arrest the 4G subscriber growth at Airtel," says Shah.

Some experts believe that Airtel's market share will continue to rise despite heightened competition. In its October report, HSBC Global Research predicts that Airtel's market share will increase from 29 per cent in 2015/16 to 33.1 per cent in 2020/21. "We are not obsessed with competition, we are obsessed with servicing our customers well. We want to strip out every possible failure such as call drops, incorrect billing or issues with our data network," says Vittal.

In the past three years, when analysts were blaming Airtel for falling ARPUs and slow growth of data subscribers, the company's performance has, in fact, improved. Take subscriber base. Between 2014 and 2016, the subscriber base has swelled 20.7 per cent across its operations in 18 countries in India, South Asia and Africa. Revenues have jumped 12.57 per cent while net income has gone up 119 per cent in three years to 2015/16.

The company is now busy rolling out its 4G footprint, and extending 'open network' campaign to crowdsource feedback and suggestions to identify the coverage gaps. Airtel is sitting on a large chunk of spectrum across different bands 2G, 3G and 4G which gives it advantage over newcomer Jio, which has just 4G spectrum. Multiple bands give better coverage for voice and data services.

In 1994, when the government awarded telecom licence for mobile services to Airtel in Delhi NCR, Mittal found his fortune in telecom business. Before that, Mittal had some bit of success in unrelated businesses – push-button phones, portable generators, stainless steel and cycle parts. And no doubt, the battle with Jio will test his business prowess to the hilt.◆

@manukaushik

THE JOURNEY

1994
Mittal wins GSM licences for mobile service in Delhi NCR

1995
Launches services under the Airtel brand name

1997
Becomes the first mobile service provider in India to cross 100,000 customer mark

2002
Airtel goes public, completes India's first 100 per cent book building issue

2005
Airtel becomes first private telecom operator in the country to have an all-India telecom footprint

2009
Airtel crosses 100 million customer mark; starts operations in Sri Lanka

2010
Expands operations to Africa with the acquisition of Zain Telecom

2011
Launches 3G services and Airtel Money

2012
Becomes the first Indian operator to launch 4G services

2016
Mittal is elected as head of International Chamber of Commerce

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around technology and skill

Growth in Coffee consumption offers

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INDIA's BEST CEOs

ANIL KUMAR JAIN

Executive Chairman, Indo Count Industries

RACHIT GOSWAMI

Business of Brands

After exporting bed linen for almost three decades, Anil Jain of Indo Count is now creating his own brands.

By AJITA SHASHIDHAR

If you have shopped at Walmart, Macy or JC Penny in the US, chances are that the bed linen you bought were manufactured at the ₹2,200-crore Indian textile major Indo Count's Kagal plant at Kolhapur in Maharashtra.

The manufacturing unit, which churns out 68 million metres of bed linen per year, ships over 90 per cent of those to retailers, big and small, across the US. "For every Black Friday sale, for instance, we ship 530,000 bedsheets to a large US retailer that are invariably sold in just two hours. We are one of the preferred suppliers of the retailer," says Anil Kumar Jain, the 63-year-old Executive Chairman of Indo Count. He started off as a cotton yarn manufacturer in 1991 after getting ousted from his family's beer business when the extended family parted ways.

Almost 49 per cent of the bed linen of the $4.5-billion retail bed linen market in the US is imported from India. Out of that, 17 per cent of the bed linen are manufactured by Indo Count, claims Jain. The rest are by Welspun and Bombay Dyeing, among others.

Jain says that Indo Count is the most sought after supplier in the export market not just because of the impeccable quality it offers, but it also has a lot to do with his cotton yarn background. "Since the organisation came from a spinning background, most of our innovation started at the grassroot level. While our competitors were doing backward integration, we moved forward. Whenever we met customers, we were able to show differentiated products."

"We develop 18-20 products every year. We do a lot of consumer research studies, we interview our customers and then our product development team comes up with a tailor-made solution. Because of this, we have been able to grow the business faster than competition," says Mohit, Jain's son and the Managing Director of Indo Count, adding that despite being a company that manufactures for other brands, they

BEST CEO
(Textiles & Apparel)

TOTAL INCOME/3-YR CAGR
₹2,070.8 cr/ 21%

PBIT/ 3-YR CAGR
₹434.7 cr/ 75.4%

PAT/ 3-YR CAGR
₹250.7 cr/ 80.3%

3-YR AVERAGE TSR
428%

AVERAGE MCAP YOY GROWTH*
83.7%

ROE/ ROCE
58.2%/ 58.6%

CASH/ DEBT
₹19.4 cr/ ₹288.3 cr

NET PROFIT MARGIN
12.3%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns; Source: ACE Equity

BRAND PLAY

In March 2016, Indo Count forayed into the fashion, utility and institutional bedding categories with brands such as Boutique Living, Revival and Pure

It also acquired licences to sell British furnishing and wallpaper brands such as Harlequin and Sanderson across the globe

Entry into the B2C segment with fashion bedding and furnishings has helped Indo Count further grow its B2B business, as its customers have started looking at it as a serious player in the $10-billion fashion bedding market

Fashion bedding in the US alone has a $5-billion retail market

have always approached it as a consumer-facing business, rather than having a purely manufacturing mindset. In fact, earlier this year, the company set up a 9,200 sq.ft experiential store at New York just to get their customers to touch and feel the array of products on offer.

Getting into creating their brands has been a natural progression for a company that has always been consumer-focused, says Jain. In March this year Indo Count launched three brands, all in the fashion and utility bedding spaces, under the brand names Boutique Living, Revival and Pure. From anti-microbial and aloe vera-treated bedsheets that promise to reduce stress levels to temperature control sheets and mattress covers and liners, the Indo Count brands offer everything that a high-end homemaker in the US would aspire for. The company has also launched licensed UK-based home furnishing and wallpaper brands such as Harlequin, Sanderson and Scion. The Indo Count brands are available across 1,000 stores in the US and, come March 2017, they would be entering other European markets.

Before launching its own brands, the company did what it is best at it forayed into the $10-billion fashion, utility and institutional bedding market in the US. This enabled them to get an idea of what the consumer needs were, says Jain. The company caters to the bedding needs of over 35 hotels in the US, and the fashion and institution segment is already contributing 10 per cent of the company's revenues. "The fashion bedding market in the US is $10 billion, out of which only 7 per cent of the imports happen from India. Therefore, we see it as a huge growth opportunity," explains Jain, who expects this segment along with his branded business to contribute close to 35 per cent to his overall revenue over the next three to four years.

The company has also launched Boutique Living in India this October. In the domestic market, the company has chosen to play only in the premium segment. The pricing of the brand is between ₹3,000 and ₹8,000. The domestic home textiles market, according to Jain, is a ₹40,000-crore market, out of which organised segment comprises just 10 per cent. But then, will a high-end home textile brand be able to sustain, especially when there is such a huge unorganised market? Jain is confident that it will work. "We need to prove to the end consumer that what he or she is buying is good value for money. This may take time, but it will work."

In the past three years, Indo Count has had a good run. The company's market cap has grown 87.3 per cent in the past one year, surging by ₹1,700 crore. However, the success run came after years of pain.

Even though Jain had managed to become a debt-free company by 2004 and had leveraged his balance sheet to borrow and forward integrate, after he got into bed linen manufacturing in 2007, his company faced a ₹150-crore derivative loss. "We were into CDR. However, we knew that we were not driving a cash loss. The losses were there only because of derivative and forward cover. So that gave us a lot of confidence."

Considering his debt-free past, Jain says that banks were willing to bet on him. "We were to come out of CDR in 2018, but we came out in 2015. Year after year our EBITDA percentage was increasing, which gave bankers confidence in us."

In fact, Union Bank of India Chairman and Managing Director, Arun Tiwari, says the grit and determination with which Jain handled the derivative crisis, made sure that his customers did not face the brunt of it and brought to the fore his leadership qualities. "There is hardly any company that comes out of CDR and does much better. Indo Count has not only paid off all the dues, but has also been doing exceedingly well."

With the branded business taking off, the company is well into the next phase of growth. Jain has set himself a revenue growth target of 15-18 per cent, year-on-year. Come December, the company plans to increase its capacity to 90 million metres per year. ◆

@AjitaShashidhar

INDIA's BEST CEOs
GAUTAM ADANI
Chairman, Adani Ports and SEZ

King of Ports

India's biggest private sector port infrastructure company is on an expansion spree.

BY P.B. JAYAKUMAR

The busiest executive in Adani Group's flagship business, Adani Ports and SEZ (APSEZ), is promoter Gautam Adani's elder son Karan. He is in constant travel mode, visiting the operational ports, looking out for new locations and talking to government representatives. The mission is to redesign and transform their traditional port business in India as a global business. Karan Adani, a management graduate from Purdue

PHOTOGRAPHS BY SHAILESH RAVAL

University in the US, was elevated from Executive Director to CEO of APSEZ in January and is trying to realise his father's plans.

Aggressive domestic and global expansion has been APSEZ's strategy for the past three to four years and it has helped Gautam Adani, Executive Chairman of the company, get the *Business Today* Best CEO – Transportation and Logistics award for this year.

"We have grown from a single port infrastructure company to a multiple port infrastructure company in the past five years and the strategic locations of our ports and high-tech infrastructure have helped us capture the growth and capitalise on our model of integrated business. We have also seen the investments made by us four to five years ago in ports   Dahej, Hazira, Goa, Vizag and Dhamra   are generating extra volumes and revenue at a premium for the group," says Karan Adani.

The company's consolidated total income increased by 16 per cent to ₹7,941 crore in 2015/16 from the year-ago period. EBITDA (operating income) surged by 19 per cent to ₹4,651 crore   the first time it has crossed the $1-billion mark. Its profit went up by 24 per cent to ₹2,867 crore. In the previous year, revenues and profits had risen by 24 per cent and 33 per cent, respectively, year-on-year. The company was consistently maintaining above 70 per cent EBITDA margins and 35 per cent PAT margins for the past three to four years. According to a report by brokerage firm Firstcall Research, the company will post over ₹3,000 crore profits in 2016/17.

Gautam Adani also plans to develop more industrial clusters and full-service logistics with the goal of becoming a fully integrated logistics player of significant scale. Besides, he is aiming to build a 200 million metric tonnes (MMT) cargo business by 2020 from the current 152 MMT across all its ports in 2015/16, and to subsequently scale it up to 300 MMT. In comparison, the company was handling 90.71 MMT cargo in 2012/13.

Starting with the takeover of a single jetty at Mundra, in Gujarat, in 1994, APSEZ now operates 14 terminals across 10 ports in six Indian states with a capacity of 11 million TEU. Mundra is the largest with 2.77 million TEU. "We are India's first port-based SEZ and have a very unique model at Mundra compared to any other SEZ business. Our strategy has been very clear   to target only those companies in our SEZ whose survival in the market is purely on reducing logistics cost," says Karan Adani.

The company has two single-point mooring (SPM) facilities in Mundra to evacuate crude oil on the high seas. The Adanis are also building a new container terminal in Mundra in partnership with French shipping giant CMA Terminals and another in Tuticorin, in alliance with agri-infrastructure major National Collateral Management Services.

In May 2015, APSEZ bought Dhamra Port Company in Orissa from Tata Steel for an enterprise value of ₹5,500 crore. "We anticipate Dhamra to have 35 berths with 315 million-tonne capacity. This will make it the largest port in India that has an industrial cluster. "We

BEST CEO

(Transportation & logistics)

TOTAL INCOME/ 3-YR CAGR
₹5,603.8 cr/ 16.3%

PBIT/ 3-YR CAGR
₹3,745.8 cr/ 17.1%

PAT/ 3-YR CAGR
₹2,841.6 cr/ 17.4%

3-YR AVERAGE TSR
26.3%

AVERAGE MCAP YOY GROWTH*
-23.9%

ROE/ ROCE
22.9%/ 14.4%

CASH/ DEBT
₹937.6 cr/ ₹15,509.4 cr

NET PROFIT MARGIN
61.4%

*For Oct 2015-Sep 2016
Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns; Source: ACE Equity

"We want to enhance our asset utilisation through technology-leveraged operational efficiency, besides adding new capacities"
KARAN ADANI/ CEO, Adani Ports and SEZ

have added a massive 15-million-tonne berth, and as a result, our cargo handling has increased by 52 per cent last year and, by March, we are adding another berth, which will translate into adding 50 million tonnes in three years," says Karan Adani.

The company is building a port at Vizhinjam in Kerala at a cost of ₹7,525-crore. The 3.5 million TEU port is expected to be commissioned by 2020. It is expandable to 4.3 million TEU and allows for a draft (the maximum a ship can sink into the water on loading) of 18.5 metres. Karan wants Vizhinjam to cut India's dependence on facilities in Colombo and Singapore, which handle majority of trans shipment of Indian containers, apart from Jebel Ali. "We are looking to compete with Colombo purely on operational efficiency and on cost. Today, in Vizhinjam, we have the flexibility to charge rates that will be as competitive as the Colombo port." They are also planning to have trans-shipment terminals in South East Asia, especially in Myanmar and Bangladesh, and also in East Africa to feed the upcoming Vizhinjam facility.

The Indian government's plan to build a port of similar capacity at Colachel in Tamil Nadu, 50 km from Vizhinjam, does not, however, bother the Adanis.

The other plan is to tap the inland cargo movement. APSEZ has created two million tonnes of coal movement capacity through National Waterway 5 (NW-5). The company is also investing ₹5,200 crore for a five-million-tonne LNG terminal, and another ₹2,300 crore for an LPG terminal of 2.5 million tonnes at Dhamra. "Given Dhamra Port's strategic location, this will be a game changer for transportation of coal across Brahmani River from Talcher to Dhamra and, consequently, this will allow coastal movement of coal along the entire Indian coastline," says Karan.

Overseas expansions are also on a war-footing. In September, it acquired Australian firm APB, which operates and maintains Abbot Point Coal Terminal in Queensland, having a pay contract for 50 million tonnes per annum (MTPA) cargo, for ₹100 crore.

The medium- to long-term focus is to have a presence in Maharashtra, Karnataka and Andhra Pradesh, so that the 10 existing ports are better served. "We plan to achieve this through a multi-pronged strategy by not compromising with the profitability of the business. We also want to enhance our asset utilisation through technology-leveraged operational efficiency. Further, addition of new capacities at existing ports, including Dhamra and Mundra, as well as new ports under development such as Ennore, Kattupalli and Vizhinjam, will provide a solid platform for further growth in the ports business," says Karan.

However, despite being the leader in the ports sector, the company is facing the challenge of shrinking margins and rising costs with the rates remaining constant. To tide over this, it has started offering additional logistics solutions to customers to command a premium in comparison to competition. The other challenge is talent shortage and, to address this, it has developed internal talent development programmes and multi-functional training workshops to push its executives into development roles to help them develop into all round leaders. ◆

@pb_pbjayan

How We Did It

MILIND SHELTE

The Jury (R-L): Nimesh Kampani, Founder & Chairman, JM Financial Group; Kalpana Morparia, CEO, JP Morgan India; Sri Rajan, Chairman, Bain & Co. India and Haigreve Khaitan, Senior Partner, Khaitan & Co. with Prosenjit Datta, Editor, *Business Today*

This is *Business Today*'s fifth annual ranking of India's best CEOs. We published our first edition in partnership with INSEAD and *Harvard Business Review* in 2012. Since, *BT* has joined forces with Pricewaterhouse-Coopers (PwC) India for the study.

Last year, we took into account total income, net profits, market capitalisation and return on equity for our calculations. This year, we focused on the operational performance of companies and their shareholders' returns. For better comparability, the companies were split into four categories based on their total income – super large, large, mid-sized and small. Companies with total income of ₹1 lakh crore and above were in the super large group, while those between ₹50,000 crore and ₹1 lakh crore were considered large. Mid-sized companies were between ₹10,000 crore and ₹50,000 crore and small companies had total income of ₹1,000 crore-10,000 crore. The study universe was the *BT*500 ranking of India's most valuable companies. We used Ace Equity for our calculations for the period 2013/14 -2015/16. Companies reporting net loss in any of the three fiscals were eliminated from our list. We also did not consider companies whose latest audited financial year results were unavailable. Then, companies whose accounting periods were between nine and 15 months in these periods were considered. For private firms, a CEO had to be in the saddle for the complete study period to qualify; for PSUs, the tenure was a minimum of one fiscal.

Finally, 246 companies qualified for the study. To arrive at the rankings, growth in total income, profit before interest and tax (PBIT), and total shareholders' returns were considered. These parameters were taken net of extraordinary incomes and expenses. And only standalone numbers were used for our calculations.

Companies were assigned a score on the average of year-on-year absolute change and three-year compounded annual growth rate (CAGR) in total income and PBIT. For banking, financial services and insurance (BFSI) companies, profit before tax was considered in place of PBIT, which is a more appropriate operating profit measure for the sector. Both absolute growth and CAGR carried an equal weight of 16.6 per cent.

Total shareholders' returns (TSR) of companies were calculated by taking into account the net price change plus dividends paid for each year during the study period. Companies were scored on three-year TSR average and were given a weightage of 33.3 per cent. All three scores were added to arrive at the final score. Non-BFSI and BFSI companies were assigned a separate score.

Our knowledge support partner, PwC India, reviewed and validated the process. Names of three top CEOs in each group – overall, and sector-wise – were placed before the jury, comprising Nimesh Kampani, Founder and Chairman, JM Financial Group; Kalpana Morparia, CEO of JP Morgan India; Haigreve Khaitan, Senior Partner, Khaitan & Co. and Sri Rajan, Chairman, Bain & Co. India. The jury decided on 22 award categories and 19 winners. ◆

INDIA's BEST CEOs

THE TOP 100 CEOs

Despite decent GDP growth and associated numbers, the economic situation and its undercurrents have not changed much. Some leaders of corporate India, however, have taken the storm in their stride and posted exceptional results. Presenting the BT-PwC list of India's Top 100 CEOs (in alphabetical order)

A

A.A.V. Ranga Raju
Managing Director
NCC

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
8,526.4/ 13.4%	803.6/ 16.8%	114.7%

Abhijit Roy
Managing Director & CEO
Berger Paints India

4,167.3/ 10.9%	554.2/ 20%	39.5%

Aditi Kare Panandikar
Managing Director
Indoco Remedies

1,001.6/ 16.6%	113.2/ 17.2%	91.5%

Ajay Bijli
Chairman & Managing Director
PVR

1,774.7/ 37.6%	222.5/ 47.3%	32.2%

Akhil Gupta
Executive Chairman
Bharti Infratel

6,235.2/ 6.6%	1,984.8/ 14.5%	36.1%

Alluri Indra Kumar
Chairman & Managing Director
Avanti Feeds

2,036.3/ 46.3%	235.9/ 70%	229.4%

Alok Tandon
CEO
Inox Leisure

1,337/ 20.3%	109.1/ 24.8%	42.3%

Anand Deshpande
Chairman & Managing Director
Persistent Systems

1,541.4/ 14.5%	365.9/ 14.1%	46.2%

Anant Goenka
Managing Director
Ceat

5,541.3/ 4.2%	731.4/ 29.3%	162.5%

This is a list of top 100 CEOs of non-BFSI companies. Standalone data; PBIT: Profit before interest & taxes; TSR: Total shareholders' return; Total Income and PBIT figures in ₹ crore; Total income & PBIT (profit before interest & tax): Net of extraordinary income and expenses for the latest financial year. Source: Ace Equity

Anil Kumar Jain
Executive Chairman
Indo Count Industries

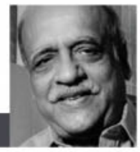
TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
2,070.8/ 21%	434.7/ 75.4%	428%

Anil Kumar Mittal
Chairman & Managing Director
KRBL

3,451.4/ 17.8%	527.3/ 23.2%	131.5%

Anoop Kumar Mittal
Chairman & Managing Director
NBCC India

5,956.2/ 21.2%	474.3/ 16.1%	189.8%



Arun Bharat Ram
Chairman
SRF

3,683.2/ 3%	591/ 10.6%	109.8%

Arvind Uppal
Chairman & Executive Director
Whirlpool of India

3,542.3/ 8.2%	365.7/ 26.1%	76%

Ashok Kajaria
Chairman & Managing Director
Kajaria Ceramics

2,465.7/ 15.7%	360.8/ 25.2%	80.9%

Azim Premji
Chairman
Wipro

47,457.3/ 11.2%	11,009.9/ 13.4%	10.7%

B

B.N. Kalyani
Chairman & Managing Director
Bharat Forge

4,405.3/ 10.8%	1,117.3/ 23.5%	94.5%

Balram Garg
Managing Director
PC Jeweller

7,308.6/ 21.9%	759.4/ 15.6%	75.2%

Bhadresh K. Shah
Managing Director
AIA Engineering

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
2,167.3/ 10.5%	767.6/ 45.2%	61.8%

C

C.P. Gurnani
Managing Director & CEO
Tech Mahindra

22,195.7/ 54.3%	3,976.6/ 62.5%	31.1%

Chirayu Amin
Chairman & Managing Director
Alembic Pharmaceuticals

3,032.4/ 26.3%	915.8/ 60.3%	84.5%

D

D.K. Chhabria
Executive Chairman
Finolex Cables

2,525.2/ 3.2%	345.9/ 23.4%	93.2%

D.K. Himatsingka
Executive Chairman
Himatsingka Seide

1,062.2/ 13.4%	245.8/ 46%	92.4%

Deepak Amitabh
Chairman & Managing Director
PTC India

12,882.2/ 13.2%	348.5/ 24.6%	8.1%

Dinesh Nandwana
Managing Director and CEO
Vakrangee

3,180.6/ 26.7%	660.3/ 41.3%	46.9%

G

Gautam Adani
Chairman
Adani Ports & SEZ

5,603.8/ 16.3%	3,745.8/ 17.1%	26.3%

Glenn Saldanha
Chairman & Managing Director
Glenmark Pharmaceuticals

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
6,390.5/ 44%	1,760.8/ 60.8%	19.5%

H

H.M. Bharuka
Managing Director
Kansai Nerolac Paints

3,855.1/ 10.3%	1,064.7/ 36.3%	40.6%

Himanshu Kapania
Managing Director
Idea Cellular

36,000/ 17.6%	5,832.6/ 38.8%	4.2%

J

J.M. Gupta
Chairman cum Managing Director
J Kumar Infraproject

1,426.3/ 12.2%	214.8/ 12.3%	88.7%

Jayadev Galla
Vice Chairman and Managing Director
Amara Raja Batteries

4,736.8/ 16.4%	722.7/ 19.6%	53.8%

Jyotindra Mody
Chairman & Managing Director
JB Chemicals & Pharmaceuticals

1,201.1/ 12.6%	236.3/ 27.9%	53.3%

K

K.B.S. Anand
Managing Director & CEO
Asian Paints

12,871.2/ 12.3%	2,404.8/ 15.8%	23.4%

K. Nityananda Reddy
Whole-time Director& Vice Chairman
Aurobindo Pharma

9,349.5/ 19.7%	2,369.4/ 42.8%	130.1%

K. Ramaswami
Managing Director
Mahindra CIE Automotive

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,208.7/ 39.6%	52.7/ 6.8%	97.1%

K.P. Ramasamy
Chairman
KPR Mill

1,994.9/ 10%	265.8/ 6.3%	134.2%

Kenichi Ayukawa
Managing Director & CEO
Maruti Suzuki India

58,268.4/ 9.4%	6,616.5/ 27.7%	50.2%

Kiran Mazumdar-Shaw
Chairman & Managing Director
Biocon

2,512/ 8%	1,015.4/ 42.9%	21.4%

Krishna Prasad Chigurupati
Chairman & Managing Director
Granules India

1,334.8/ 25.1%	217.5/ 53.1%	150.2%

Krishnakumar Natarajan
Executive Chairman
Mindtree

4,450.4/ 22.9%	773.8/ 22.1%	50.9%

M

M.R. Jaishankar
Chairman & Managing Director
Brigade Enterprises

1,301.3/ 18.2%	357.1/ 35.7%	47.9%

M.B. Parekh
Chairman
Pidilite Industries

4,778.3/ 12%	1,019.1/ 17.5%	37.7%

This is a list of top 100 CEOs of non-BFSI companies. Standalone data; PBIT: Profit before interest & taxes; TSR: Total shareholders' return; Total Income and PBIT figures in ₹ crore; Total income & PBIT (profit before interest & tax): Net of extraordinary income and expenses for the latest financial year. Source: Ace Equity

Madhukar Dev
Managing Director
Tata Elxsi

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,087.1/ 21.2%	237/ 86.9%	113.6%

Mahendra Nahata
Managing Director
Himachal Futuristic Communications

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
2,591.9/ 59.8%	164.4/ 25.9%	24%

Murali K. Divi
Chairman & Managing Director
Divis Laboratories

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
3,815.7/ 20.6%	1,375.1/ 20.1%	29.2%

N

N. Chandrasekaran
CEO & Managing Director
Tata Consultancy Services

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
89,604.1/ 20.9%	29,130.2/ 22.8%	20.1%

Nishi Vasudeva$$
Chairman & Managing Director
Hindustan Petroleum Corporation

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,82,516.8/ -4.5%	6,378.2/ 30.2%	66.9%

P

P.D. Mundhra
Co-founder & Executive Director
eClerx Services

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,142.4/ 25.4%	391.2/ 27.1%	44.7%

P. Kaniappan
Managing Director
Wabco India

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,872.9/ 24.2%	271.3/ 13.6%	78.4%

Pankaj R. Patel
Chairman & Managing Director
Cadila Healthcare

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
7,169.4 / 26%	2,455.9/ 56.4%	36.6%

Pawan Munjal
Chairman, Managing Director & CEO
Hero MotoCorp

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
29,076/ 6.2%	4,396.7/ 20.1%	28.7%

Prakash M. Sanghvi
Chairman & Managing Director
Ratnamani Metals & Tubes

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,736.1/ 12.5%	244.7/ 4.6%	78%

Prasan Firodia
Managing Director
Force Motors

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
3,131.2/ 15.8%	253.6/ 110%	136.9%

Punit Goenka
Managing Director and CEO
Zee Entertainment Enterprises

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
4,452.7/ 18.4%	1,330.9/ 11.8%	22.4%

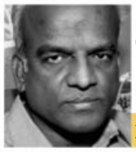
P.P. Gupta
Managing Director
Techno Electric & Eng. Company

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,060.8/ 22.9%	174.2/ 19.9%	89.9%

Pankaj Mital
Whole-time Director & COO
Motherson Sumi Systems

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
5,520.3/ 7.9%	967.7/ 11.2%	63.7%

R



R.G. Chandramogan
Chairman & Managing Director
Hatsun Agro Products

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
3,449.2/ 16.7%	202.2/ 25.9%	82.5%

Rahul A. Patel
Group Managing Director
Sintex Industries

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
4,941.8/ 17.4%	926.4/ 26.6%	46.3%

Rajendra V. Gogri
Chairman & Managing Director
Aarti Industries

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
2,726.7/ 9.1%	447.2/ 17%	101.1%

Rajesh Mandawewala
Managing Director
Welspun India

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
4,961.6/ 17.1%	1,002.1/ 41%	202.1%

$$ Retired on March 31, 2016.
This is a list of top 100 CEOs of non-BFSI companies. Standalone data; PBIT: Profit before interest & taxes; TSR: Total shareholders' return; Total Income and PBIT figures in ₹ crore; Total income & PBIT (profit before interest & tax): Net of extraordinary income and expenses for the latest financial year. Source: Ace Equity

Rajesh Mehta
Chairman
Rajesh Exports

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
38,622.7/ 7.3%	818/ 1.2%	92.3%

Ramesh Narain Misra
Chairman cum Managing Director
SJVN

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
3,036.6/ 14.9%	1,923.6/ 15.8%	17.9%

Ramesh Kumar Dua
Managing Director
Relaxo Footwears

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,715.3/ 19.3%	200.5/ 32.9%	94.9%

R. D. Shroff
Chairman & Managing Director
UPL

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
6,441.3/ 16.5%	1,038.9/ 37.6%	66.2%

R.S. Aggarwal
Founder & Executive Chairman
Emami

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
2,491.5/ 13.9%	435.5/ 4.4%	46%

Raghupati Singhania
Chairman & Managing Director
JK Tyre & Industries

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
5,895.4/ 2.7%	819.3/ 31.9%	87.8%

Rehan A. Khan*#
Managing Director
Abbott India

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
2,679.5/ 16.9%	402.5/ 23.2%	57.7%

S

S.K. Sharma***
Chairman & Managing Director
Bharat Electronics

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
7,890.6/ 5.4%	1,817.1/ 17.5%	71.9%

S.P. Oswal
Chairman
Vardhman Textiles

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
5,869.7/ 11.7%	1,006.7/ 17%	44.7%

Sajjan Bhajanka
Chairman
Century Plyboards India

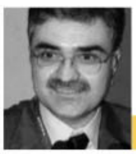
TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,664.7/ 13.5%	244.5/ 37.8%	231%

Salil Singhal^^^
Chairman & Managing Director
PI Industries

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
2,319.7/ 22.8%	415.4/ 35.3%	81.4%

Samir Mehta
Executive Chairman
Torrent Pharmaceuticals

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
5,706.6/ 25.3%	2,542.4/ 53.6%	63.2%



Sandeep Engineer
Managing Director
Astral Poly Technik

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,334.4/ 17.5%	130.2/ 10.7%	96.4%

Sanjay Dhingra
Managing Director
Kwality

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
5,753.6/ 15.9%	358/ 21.1%	72%

Sanjay Gupta
Executive Chairman
APL Apollo Tubes

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
3,017.2/ 23.3%	90.5/ 1.5%	62.1%

Sanjay S. Lalbhai
Chairman & Managing Director
Arvind

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
5,522.2/ 11.6%	781.1/ 13.8%	57.6%

Sanjay Jayavarthanavelu
Chairman & Managing Director
Lakshmi Machine Works

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
2,626.6/ 9.6%	329.1/ 24.2%	26.4%

Satish Jamdar$#
Managing Director
Blue Star

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
3,547.4 / 8.16%	184.3 / 21.6%	36.3%

Satyanarayan Nandlal Nuwal
Chairman & Executive Director
Solar Industries India

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,099.7/ 6.7%	174.8/ 22%	101.2%

Shailesh Ayyangar
Managing Director
Sanofi India

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
2,368.4/ 11.7%	481.3/ 22.3%	24.7%

Sharad V. Parekh
Managing Director
Nilkamal

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,879.5/ 5.2%	173.7/ 26.1%	97.8%

Shiv Nadar
Founder & Chairman
HCL Technologies

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
14,402.5/ 3.7%	5,813.4/ 8.7%	38.2%

*# Resigned as Managing Director and Director effective April 30, 2016; *** Retired on September 30, 2016; ^^^ CMD till August 2016; $# MD up to March 31, 2016.
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Sanjay Koul
Managing Director
Timken India

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,067.6/ 15.4%	142.7/ 29.9%	77.9%

Shobhana Ramachandhran
Managing Director
TVS Srichakra

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
2,082.1/ 11.1%	303.8/ 42.7%	182.2%

Shreekant Somany
Chairman & Managing Director
Somany Ceramics

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,739.9/ 18.3%	107.2/ 17.2%	94%

Siddhartha Lal
Managing Director & CEO
Eicher Motors

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
6,366.3 / 79.8%	1,771/ 116.7%	100.3%

Steffen Berns
Managing Director
Bosch

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
10,995.4/ 6.8%	1,863.3/ 11.3%	48.1%

Sudhir Mehta
Executive Chairman
Torrent Power

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
11,906.1/ 12.9%	2,283.4/ 30.3%	29.8%

Sunder Genomal
Managing Director
Page Industries

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,789.7/ 26.5%	360.6/ 26.6%	66.1%

Sunil Bharti Mittal
Chairman
Bharti Airtel

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
61,785.8/ 9.7%	13,598.8/ 18.8%	7.7%

Sunil Duggal
Chief Executive officer
Dabur India

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
5,946.6/ 10.2%	1,222.6/ 16.8%	21.6%

Sunil Lalbhai
Chairman & Managing Director
Atul

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
2,504.6/ 7.4%	418.9/ 23.2%	79.6%

Suresh Krishna
Chairman & Managing Director
Sundram Fasteners

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
2,641/ 8%	282.1/ 9.8%	76.6%

Sutirtha Bhattacharya
Chairman & Managing Director
Coal India

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
17,374.1/ 14.6%	16,623.9/ 15.7%	8%

V

V.C. Nannapaneni
Chairman & Managing Director
Natco Pharma

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,035.5/ 22%	241.4/ 20.7%	93.2%

Venu Srinivasan
Chairman & Managing Director
TVS Motor Company

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
11,296.9/ 16.2%	613.9/ 41.8%	137.3%

Vinita Gupta
CEO
Lupin

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
11,465.7/ 17.1%	3,920.3/ 30.7%	45.1%

Virendra D. Mhaiskar
Chairman & Managing Director
IRB Infrastructure Developers

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
3,166.6/ 12.1%	628.9/ 13.7%	42.5%

Vishnubhai M. Patel
Chairman & Managing Director
Sadbhav Engineering

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
3,276.8/ 21.6%	312.3/ 16.9%	72.9%

Y

Yogesh M. Agrawal
Managing Director
Ajanta Pharma

TOTAL INCOME/ 3-YR CAGR	PBIT/ 3-YR CAGR	3-YEAR AVG TSR
1,634.1/ 24.5%	555.5/ 45.1%	119.8%

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INDIA's BEST CEOs

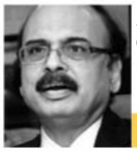
BFSI
THE TOP 40 CEOs

Asset quality continues to remain a cause for concern for the banking sector, among myriad other challenges. But these honchos managed to sail through with flair. Presenting the BT-PwC list of India's Top 40 CEOs from the BFSI sector

A

Aditya Puri
Managing Director
HDFC Bank

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
70,973.2/ 19.2%	18,637.9/ 24.1%	21.8%



Arun Tiwari
Chairman & Managing Director
Union Bank of India

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
35,830.5/ 9%	1,765.4/ -16.8%	-11%

Arundhati Bhattacharya
Chairman
State Bank of India

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
1,91,843.7/ 12.2%	13,774.1/ -11.6%	7%

C

C. Ilango*
Managing Director
Can Fin Homes

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
1,083.5/ 39.3%	253.9/ 50.1%	122.7%

Chanda Kochhar
Managing Director & CEO
ICICI Bank

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
68,062.5/ 12%	12,195.7/ 2.3%	11.7%

D

Duruvasan Ramachandra
Managing Director
Shriram City Union Finance

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
3,856/ 7.7%	806.8/ 6.6%	19.6%

H

Hemant Kanoria
Chairman & Managing Director
SREI Infrastructure Finance

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
1,896.3/ 4.4%	81.4/ -15.6%	24.9%

J

Jatinderbir Singh
Chairman & Managing Director
Punjab & Sind Bank

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
9,222.8/ 5.9%	670.1/ 11.3%	-13.4%

Jeevandas Narayan#
Managing Director
State Bank of Travancore

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
10,757.1/ 5%	497.1/ -17.8%	-6.1%

Jyoti Ghosh**
Managing Director
State Bank of Bikaner and Jaipur

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
10,649.5/ 9%	1,295.5/ 9.7%	18.3%

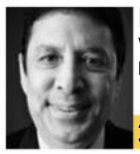
K

K. Venkataraman
Managing Director & CEO
Karur Vysya Bank

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
6,150.2/ 9.4%	911.6/ 7.9%	6.4%

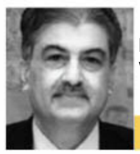
Kapil Wadhawan
Chairman & Managing Director
Dewan Housing Finance Corporation

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
7,338.8/ 21.5%	1,102.2/ 21.8%	49%



Keki Mistry
Vice Chairman & CEO
HDFC

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
30,956.6/ 13.5%	10,108.1/ 15.4%	14.2%



Kishore Sansi
Managing Director & CEO
Vijaya Bank

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
12,957.4/ 10.3%	158.4/ -35%	-8.1%

M

M.R. Rao
CEO & Managing Director
Bharat Financial Inclusion

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
1,320.7/ 54.5%	393.9/ 210%	63.4%

M.G. George Muthoot
Chairman
Muthoot Finance

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
4,875/ -3.3%	1,316.8/ -4.5%	5.5%

*Managing Director till May 18, 2016; #MD till April 30, 2016; **MD till October 31, 2016; ^CMD till September 2016; $CMD till September 2016; ^^MD till April 2016; Standalone data; TSR: Total shareholders' return; Total Income and PBT (excludes provisions & contingencies) figures in ₹ crore; Total income & profit before tax (PBT): Net of extraordinary income and expenses for the latest financial year; Source: Ace Equity

Malay Mukherjee
CEO & Managing Director
IFCI

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
4,558.2/ 10.5%	443.5/ -12.6%	2.6%

Mayank Poddar
Chairman
Magma Fincorp

2,139.2/ 10%	266/ 14.1%	-0.8%

Mukesh Kumar Goel^
Chairman & Managing Director
Power Finance Corporation

27,566.5/ 16.8%	9,060.7/ 14.9%	12.7%

Murali M. Natrajan
Managing Director & CEO
DCB Bank

1,918.9/ 22.9%	261.1/ 36.8%	31.7%

N

N. Kamakodi
Managing Director & CEO
City Union Bank

3,354.2/ 10.9%	602.7/ 14.4%	28%

P

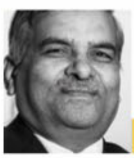
P. Jayarama Bhat
Managing Director & CEO
Karnataka Bank

5,535.1/ 10%	528/ 4.4%	-4.7%

R

Rajeev Jain
Managing Director
Bajaj Finance

7,612.2 / 33.7%	1,964.6 / 31.1%	93.4%



Rajeev Sharma$
Chairman & Managing Director
Rural Electrification Corporation

23,756.3/ 20.4%	8,045.2/ 15.9%	11.2%

Ramesh Iyer
Vice Chairman & Managing Director
Mahindra & Mahindra Financial Services

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
5,905.1/ 14.9%	1,038.2/ -6.7%	8.2%

Rana Kapoor
Founder, Managing Director & CEO
YES Bank

16,245.6/ 19.4%	3,766.2/ 25.1%	34%

Romesh Sobti
Managing Director & CEO
IndusInd Bank

14,877.6 / 21.2%	3,469.3 / 30.1%	34.8%

S

Sanjiv Bajaj
Managing Director
Bajaj Holdings & Investment

1,401.3/ 23%	1,358.6/ 23%	20.6%

Sharad Sharma^^
Managing Director
State Bank of Mysore

7,937.8/ 6.6%	485.9/ -11.2%	-11.1%

Shikha Sharma
Managing Director & CEO
Axis Bank

50,359.5/ 14.3%	12,393.7/ 17.9%	30%

Shyam Srinivasan
Managing Director & CEO
Federal Bank

8,531.1/ 7.7%	719.6/ -15.5%	5.9%

Soumen Ghosh
Executive Director & Group CEO
Reliance Capital

4,197/ 2.6%	1,176/ 18.7%	8.2%

Sudhin Choksey
Managing Director
Gruh Finance

TOTAL INCOME/ 3-YR CAGR	PBT/ 3-YR CAGR	3-YEAR AVG TSR
1,275.4/ 25.2%	361.7/ 22.5%	36%

Sunita Sharma
Managing Director & CEO
LIC Housing Finance

12,592.7/ 17.6%	2,563.6/ 23.1%	34.7%

T

T.T. Srinivasaraghavan
Managing Director
Sundaram Finance

2,475.2/ 5%	683.2/ 4.9%	51.8%

U

Uday Kotak
Exe. Vice Chairman & Managing Director
Kotak Mahindra Bank

18,996.4/ 27.3%	3,123.7/ 16.6%	30.5%

Umesh Revankar
Managing Director & CEO
Shriram Transport Finance Company

10,245.3/ 16%	1,781.4/ -4%	13.5%

V

V. Vaidyanathan
Executive Chairman
Capital First

1,848.3/ 32.1%	238.6/ 44.9%	44.4%

V.P. Nandakumar
Managing Director & CEO
Manappuram Finance

2,217.5/ -0.7%	518.9/ 19.2%	25.5%

Vellayan Subbiah
Managing Director
Cholamandalam Investmt & Fin. Company

4,326.5/ 18.7%	870.8/ 24.5%	45.1%

DANESH JASSAWALA

By SHASHANK TRIPATHI
Partner PwC, Strategy& Leader India

Growth in a Time of Protectionism

From the surprise Brexit vote to the recent anti-trade flavour in the US elections, battle lines are being drawn in a world that was seen as intimately interconnected. Going forward, will international business be more connected by free flow of ideas, people and trade; or will we see the drawbridges of protectionism being erected afresh? In recent months, national narratives are fiercely critical of large companies and individuals who benefit from globalisation. The upswing in the blue collar rust belt vote that swept Trump to power is only one indication of this trend. Other economies like Russia, Turkey and Philippines are also scripting similar narratives that highlight national interests and give pause to the international flows of goods and s ervices we have been used to.

Against this backdrop, Indian businesses are faced with a choice: to continue to globalise or to focus on the Indian market. India is one of the few economies where the emerging middle class and the benefits of a young demography provide a strong internal growth engine. On the other hand, the lesson from Japan and Korea is that only through international expansion will strong globally competitive companies emerge in India. Many global commentators assert that the only alphabet in the BRICS that has lived up to the acronym is I. The question for Indian companies is: Should I stand for 'International' Indian business or should it denote an 'Internal' Indian focus?

Despite national political boundaries hardening, at a people and ideas level the world has never been more interconnected than now. Digital connectivity is providing the human race and its seven billion population a degree of interdependence that is unprecedented. This is being aided by improving physical connectivity, as global supply chains and global infrastructure projects come into play – China's One Belt One Road being just one such example. With rural penetration of digital within India and other countries, this is no longer confined to those living in large urban conurbations. With the number of people using internet being higher than those with a 10th class degree in India, this is also no longer confined to the highly educated. The global movement of data, connections and experiences has skyrocketed over the past decade. The flow of cross-border data has expanded 45 times over the past decade. The percentage of global GDP that is traded across border has increased from 20 per cent to 30 per cent over the past two decades, an unprecedented jump. Cross-border issues like climate change have also rallied private, government and civil society unmindful of borders. The world was flat. Till recently.

President Trump is expected to drive a continuing engagement of the US with the rest of the world. While regional trade treaties like the TPP could be jettisoned, even if the new administration takes an inward focus, the largest economy of the world will continue to play a central role in the global flow of trade and ideas. Repatriating factories from China in today's day and age of automation may not produce the jobs that are being sought by the US. The real job creation engine for countries is constant refreshment, and for this global forces of innovation and economic growth will continue to play a critical role.

'International' India can aid a continued effort towards globalisation. We are the largest democracy of the world with a well-functioning private sector. The capabilities our private sector continues to hone in a large home market allows us to step out from behind the US and China and play a role in creating global impact. This is particularly relevant in emerging market democracies, be it Myanmar and Indonesia in South-East Asia, Nigeria and Kenya in Africa or the Pacific Alliance countries in Latin America. This is the time when Indian corporates should venture out to fill the gap that may be created by a US withdrawal, albeit selectively. Using a 'capability driven strategy' approach in the broadest sense, this international expansion should be in those industries like pharma, retail and consumer, and other industries where the consumer is at the centre of growth. Large infrastructure projects may go more naturally to China but then we have so much to do and prove within India that on the infrastructure front this may not be a bad thing.

Which brings me to the 'Internal' I. Indian companies that address the needs of the large and growing emerging middle class and the middle class in the country are being built. In the manufacturing sector, a slightly more protected environment may offer shelter to our national champions at this critical stage of re-set with the Make in India programme. This was similar to what Japan, Korea and China enjoyed in their phase of hectic industrialisation. In infrastructure there is much to do internally and here the capabilities of the government need to be strengthened if public-private partnerships have to play a meaningful role. The push to do more in Tier II and Tier III districts is just picking up speed. These 214 Tier II and Tier III districts, 33 per cent of the 640 districts in our country, have approximately 60 per cent of our population and are on the radar of companies looking to grow within India. The growth of Indian companies in this segment is throwing up new business models, and new approaches to technology that are unique not just in India, but across emerging markets. This provides domestic companies capabilities to compete in other economies with the ability honed by servicing the Indian emerging middle customer who is aspirational but not rich.

> The question is not whether to go global but which segments to focus on and what strategies to apply to give Indian companies a right to win

The question then is not whether to go global, but which segments to focus on and what strategies to apply to give Indian companies a right to win. The 'internal' capability we are building should be the pivot for international growth in these times of protection, particularly in emerging markets where similar business models apply. A number of consumer facing companies in India, pharma companies born out of India, light manufacturing companies are ready for international expansion in other emerging markets. The telecom sector, which has also spawned a number of digital and ecommerce companies, is similarly equipped to venture out. Information technology companies, which lived on the back of servicing the US and Europe, should also pivot their gaze to look at other emerging markets. Even if the drawbridge of protection is pulled up, many of these IT companies will pass through the multiple fibre optic nodes that have elegantly riddled national boundaries of the world.

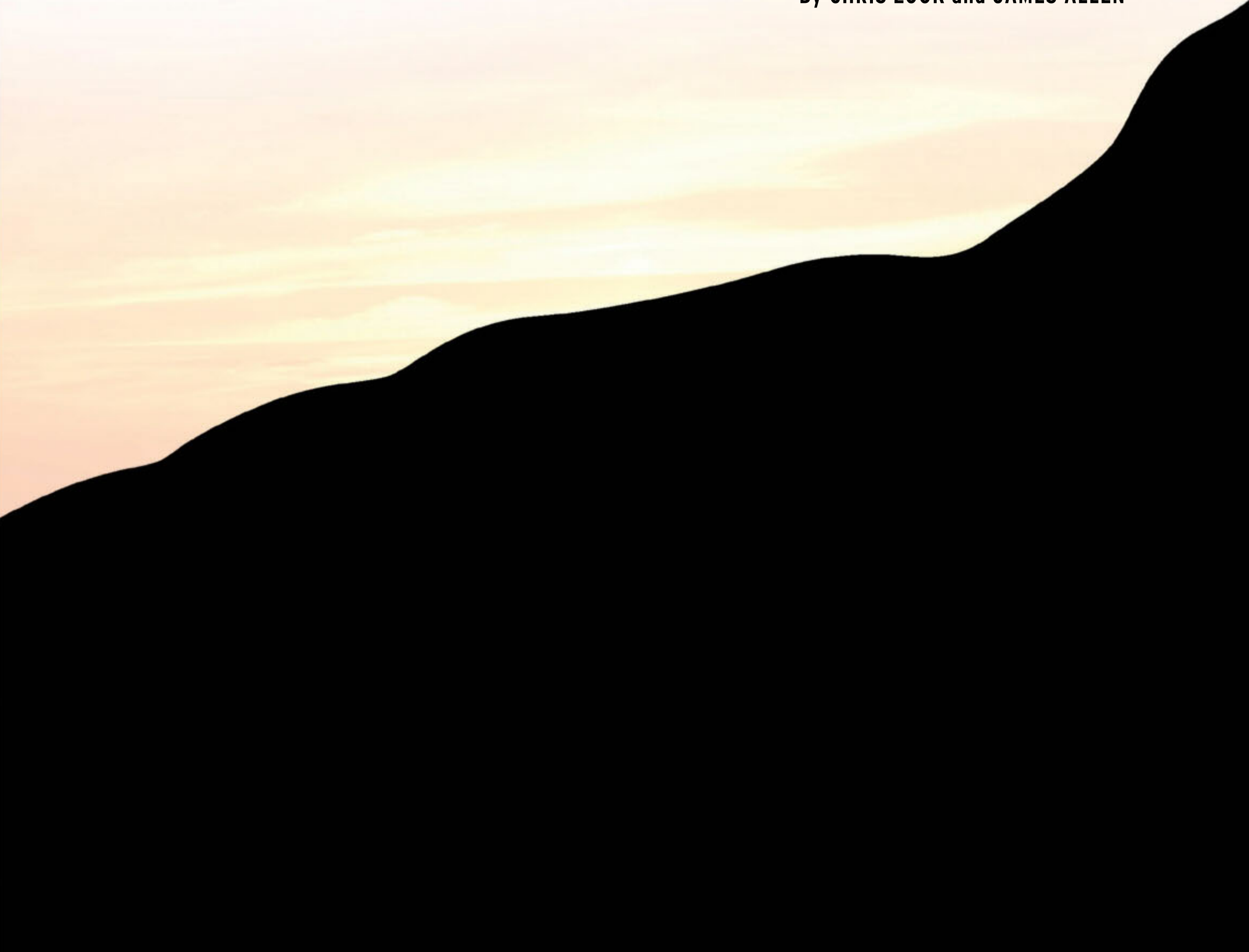
The recent spate of protectionism and the collective inward gaze of the world, led by the election promises of the US elections and Brexit, are likely to be short-lived. This phenomenon was triggered by the stresses inherent in many of these economies: slower growth rates and an ageing demography. In contrast, India has a growing middle class, a young demography, a penchant for technology and a bold prime minister to boot. India as a nation and Indian companies and sectoral leaders in particular have an opportunity to step out on the international stage when other democracies are vacating it. However, in that drama we need to choose our characters wisely. We should selectively play in those areas where our large and growing middle class has helped us build capabilities that give us the right to win internationally. ◆

South Asia Harvard Business Review

Reigniting Growth

How to reverse a sudden slowdown.

By CHRIS ZOOK and JAMES ALLEN



Most successful companies eventually face a predictable crisis that we call *stall-out* – a sudden large drop in revenue and profit growth or a collapse of once high shareholder returns to well below the cost of capital. Stall-out occurs when the growth engine that powered a company to success stops working. This rarely happens because the business model has suddenly become obsolete – a common misconception. Rather, our research shows that the business has almost always become too complex, most often owing to bureaucracy that slows the company's metabolism, or internal dysfunction that distorts information and hampers managers' ability to make rapid decisions and take swift action on them. When we talk to executives about the symptoms of stall-out, their words vary, but

ILLUSTRATIONS BY RAJ VERMA

the reasons remain the same. *We've lost touch with customers. We're drowning in process and PowerPoint. We have no shortage of opportunities, but somehow we can no longer act decisively. What was once such a high-energy ride now feels like trying to pilot a plane with no thrust and unresponsive controls.*

they used to be, more easily copied, and of shorter duration. The roots of success or failure increasingly lie in the ability of companies to remain fast, perceptive, innovative, and adaptable. Internally thriving companies can respond to shifts in their competitive environments, identifying – and executing – strategies that sustain their dominance. When we polled 377 business leaders, 94 per cent of those in companies with revenue of more than $5 billion told us that internal dysfunction – not lack of opportunity or unmatchable competitor capabilities – was now the main barrier to their continued profitable growth.

Yes, stall-out may be predictable, but it can be overcome. We argue in

When stall-out occurs, it is almost always connected to creeping complexity

In an analysis of 8,000 global companies, we found that two-thirds of those successful enough to reach $500 million in revenue faced stall-out over the 15 years ending in 2013 including notables such as Panasonic, Time Warner, Carrefour, Bristol-Myers Squibb, Alcatel-Lucent, Philips, Sony, and Mazda. More alarming still, for 50 large companies in prolonged stall-out, we found that the onset had usually been sudden: Momentum fell sharply over just a year or two, with growth rates dropping from double digits to low single digits or even negative numbers a finding consistent with past research (see "When Growth Stalls," *HBR*, March 2008).

To be sure, external forces put pressure on incumbent companies. Strategy the external chessboard of business still matters. Yet competitive strategies are more similar than a forthcoming book that most companies with sustainable growth share attitudes and behaviours: (1) They view themselves as business insurgents, fighting on behalf of underserved customers; (2) they have an obsession with the front line, where the business meets the customer; and (3) they foster a mindset that includes a deep sense of responsibility for how resources are used and for long-term results. Because these qualities are most vibrant in companies led by bold, ambitious founders, we call them "the founder's mentality". Since 2000, returns to shareholders in large public companies where the founder is still involved have been three times those for other companies. But any leadership team can harness the revitalising effects of the founder's mentality. In some cases, a once-dominant mindset has been lost over time and may need to be rebuilt from a few vestiges. But these three qualities can help any company restart its growth engine by removing gunk and complexity that has built up over the years, inhibiting the clean execution of strategy.

1 REDISCOVER YOUR INSURGENT MISSION

When stall-out occurs, it is almost always connected to creeping complexity. "No single bad decision or tactic or person was to blame," Howard Schultz said after returning to the CEO position at Starbucks in 2008 amid shrinking revenue, collapsing margins, and a decline in stock price of more than 75 per cent. Starbucks's stall-out was sudden and dramatic, he acknowledged, but it resulted from damage that had been "slow and quiet, incremental, like a single loose thread that unravels a sweater inch by inch".

To begin tackling stall-out, companies need to strip away complexity and excess cost in order to liberate resources, narrow focus, and harness the vigour that drove the company's early growth. We studied 10 successful rescue-and-rebirth operations and found that all of them involved reducing operating costs by at least 8 per cent and sometimes more than 25 per cent.

Successful attacks on complexity are led from the top down and proceed in a sequence. First the company must shed non-core assets and businesses. Next it must develop a simpler strategy for the remaining businesses. Then it can attack complexity in the core processes. Finally, it can focus on reducing product complexity in design, variations, and customisation. We've seen leadership teams attempt transformation in the reverse order, only to become trapped in details and wear down the organisation before getting to what really makes most transformations successful: reducing high-level complexity and cost.

We have found that as companies grow in size, internal budget processes become democratic, spreading resources evenly across businesses and opportunities. But democratic investment in the face of crisis is a sure path to mediocrity. The opposite is needed to reverse stall-out. At companies where it was avoided, leaders had made bold investment decisions to redifferentiate the company, usually establishing a major new capability that set off waves of growth.

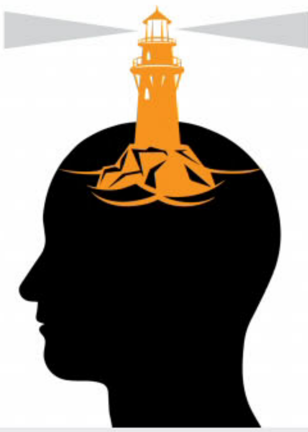
Once back in shape, companies must renew their view of themselves as business insurgents. This does not require promoting a martial culture or abusing the metaphor of "waging war" on competitors. Rather, companies should view their customers as underserved and their industries as setting insufficient standards, and should constantly emphasise what is special about themselves. Bold goals – not just the aim of living to fight another day – will sustain growth. As they become very large, organisations may find maintaining an insurgent mission hard, but it's not impossible. Google's mission to "organise the world's information," for example, is at once specific to Google and nearly infinite in its ambition.

A company should even be prepared to shrink significantly if that's what is needed to regroup, redeploy, and restart profitable growth. Consider the case of Perpetual, the oldest trust company in Australia, which recovered from stall-out by reducing its operating costs by 20 per cent, stripping away non-core businesses, and rejuvenating around its founder's original mission.

Established in 1886 to manage trusts and estates for Australia's scions, Perpetual led the market for most of its history. But as it grew, it diversified into 11 new business areas, and by 2011 the company was struggling. Its share price had fallen from a high of $84 to $24 in only four years. Profits were down by nearly 70 per cent, with no bottom in sight. Shareholders were calling publicly for a major overhaul, and the company had hired its third CEO in 12 months, Geoff Lloyd.

When he arrived, he "found an organisation that was internally competitive and externally cooperative," Lloyd told us. "We had grown incredibly complex over time by entering more businesses, and we were not the leader in most of them." Lloyd concluded that to save Perpetual, he would have to return the company to its core mission: the protection of Australia's wealth. That, he realised, meant making the company "faster, more confident, and, above all, simpler".

Lloyd began by replacing 10 of the 11 members of the management team with people who had no vested interest in past decisions. With his new staff in place, he launched Transformation 2015, five initiatives designed to bring about swift complexity reduction at all levels. One was the "portfolio" initiative, which reduced the number of businesses from 11 to three (just two businesses were responsible for about 95 per cent of profits), cut real estate holdings by half, and eliminated more than 100 legacy funding structures. Another, the "operating model" initiative, reduced the staff at headquarters by more than 50 per cent. Lloyd and his team found that back-office support, staff functions, and redundant controls accounted for 60 per cent of total costs. In other words, the company was putting only 40 per cent of its money towards sales, customer service, and investment – its core activities. Furthermore, it was relying on more than 3,000 computer systems and applications.



The owner's mindset focuses on the long term and has a strong bias towards speed and action

Cutting back – on businesses, staff, computer systems, and more – was central to the transformation plan. But Lloyd and his team also crafted a plan to gain market share by investing in the company's core. He convened town hall meetings, which had never before been held at Perpetual, to discuss the company's situation and its future and to reignite enthusiasm for its core values. "We laboured over the wording of our mission and strategy," Lloyd told us, explaining that he felt it was essential for employees to refocus on the founding principles of the company. In the process, he learned a remarkable thing: Perpetual's original trust business was so strong that it still had its first customer 125 years later.

His strategies brought about a stunning turnaround. Perpetual's stock price has more than doubled since Lloyd took over; employee engagement has measurably increased; the company is gaining share in its core markets; and net profits have tripled.

2 OBSESS OVER YOUR BUSINESS'S FRONT LINE

Companies that sustain growth live and breathe the front line of their business. This obsession, which can often be traced back to a strong founder, shows up in three ways: an elevated status for front-line employees, a preoccupation with individual customers at all levels of the company, and an institutional curiosity about the details of the business. A front-line obsession is most obvious in "high-touch" consumer businesses such as luxury hospitality. But the trait can exist in subtler ways in a range of industries: Consider the product obsession of Steve Jobs and the legendary attention to detail of the wine pioneer Robert Mondavi, who believed in the saying "The best fertiliser for a vineyard is the owner's footsteps".

The Home Depot, the largest home-improvement retailer in the world, provides an example of how losing a front-line obsession can lead to stall-out and how renewing it can reignite growth. The company's initial success could be traced to its remarkable founders, Bernard Marcus and Arthur Blank, who devoted themselves to building a close advisory relationship with customers. Their corporate mantra was "Whatever it takes". The founders even trained store employees in customer service themselves. Employees, in turn, offered clinics on home improvement projects for customers and were always available in stores to provide knowledgeable advice. The strategy set the company apart and generated powerful customer loyalty, and for years The Home Depot was a major success story. From its founding, in 1978, until 2000, it consistently eclipsed its 20 per cent annual earnings growth targets. But in December 2000, after missing an earnings target and having become increasingly concerned about antiquated systems especially IT in a company that was approaching $50 billion in revenue, the board of directors hired Robert Nardelli, a senior executive from GE, to introduce some big-company discipline as CEO.

How to Get Started

Here are some ways to prepare your team to reignite growth

Create a "founder's mentality" scorecard. Manage it as a strategic asset. Does your mission keep you fighting on behalf of your customers? Does your company focus on the front line of the business? Do employees embrace an owner's mindset that eschews bureaucracy, is focused on speed, and demands personal accountability?

Benchmark against your most successful upstart competitors. Are they winning on speed and cost? Commit as a leadership team to closing the gap.

Launch a campaign against bureaucracy. Look for management layers and processes that have outlived their usefulness. Eliminate them.

Get the leadership team out of the office. The front line is where the answer to a growth stall-out is most likely to reside.

Re-examine the precepts and practices of your founders or early leaders. When was the company at its best? What has been lost along the way that needs to be restored?

Look outside for help inside. You might reach out to retired founders or acquire fast-growing, founder-led young companies.

Nardelli created a command-and-control environment. By early 2006, 98 per cent of the company's top 170 executives were new to their jobs, and 56 per cent of the new managers at headquarters had come from the outside. Fresh leadership, especially in the area of systems, was probably needed, but this changing of the guard failed to build on the deep strengths that had once made the company special and beloved by its customers. Nardelli and his team neglected customer relationships and front-line enthusiasm in favour of boosting quarterly profits. Many long-serving full-time employees were replaced by lower-paid part-time workers, and customer service collapsed. "Do it yourself," some people joked, was now "Find it yourself". When the University of Michigan released its 2006 American Customer Satisfaction Index, The Home Depot had slipped to last among major US retailers. The board held meetings in the field and found a consistent pattern: concern for the future, disempowerment of longtime store employees, and a feeling that the social contract between the company, its employees, and its customers was being breached.

Greg Brenneman, the longest-serving board member and a global turnaround expert, told us, "You could see the serious trouble bubbling up under the surface. Store managers were feeling shackled by dozens of financial templates and metrics that took time away from customers and running the stores. The most experienced store employees, the real experts on plumbing or electricity, had been let go and replaced with less experienced and cheaper part-time store workers. Foot traffic, the lifeblood of any retailer, was dropping. New stores were not generating good returns, leading to further staff cuts. We were stalling out and needed to change course."

The deterioration of the customer experience was at the root of the company's woes, and thus it illuminated a path back to sustainable growth. In 2007, the board replaced Nardelli with Frank Blake. On his very first day on the job, Blake spoke to all employees using The Home Depot's internal television station and quoted extensively from Marcus and Blank's book, *Built from Scratch*. In particular, he highlighted two of their charts. One listed their core values, and the other gave pride of place, at the top of an inverted triangle, to the company's front line: its stores, where customers and employees interact.

Many of Blake's first initiatives focused on restoring the "orange-apron cult": knowledgeable store employees, easily identifiable by their aprons, who focused on high levels of customer service. Taking advice from Marcus, Blake also began anonymously visiting stores on "undercover missions," as he called them. These proved so valuable that he instructed his senior executives to adopt a "management by walking about" approach, something most had never done before.

Like Lloyd at Perpetual, Blake then set out to reduce complexity, restructuring the businesses and closing money-losing stores essentially, shrinking to grow. He also increased the employee bonus pool by a factor of seven, rehired some veterans, and asked store managers to return to the pre-Nardelli policy of giving out honour badges to employees who had been exceptionally attentive to customers.

Eight years ago The Home Depot had stalled out and was facing the prospect of free fall. But as of the end of 2015, thanks to Blake's renewal of the founders' mentality, the company has re-energised its employees and re-personalised its customer experience a return to core principles that has driven the company's stock from about $25 a share in 2009 to more than $130 by December 2015.

3 INSTILL AN OWNER'S MINDSET

The third factor in reversing stall-out involves a management idea that first came into vogue 40 years ago: the owner's mindset. Designed to instill balance-sheet discipline and accountability by aligning employees and shareholders, this concept is frequently misunderstood. Too often, it implies an incumbent's mindset: a concern with hunkering down and extracting value from the existing business, and a loss of interest in innovating, serving customers uniquely, and fully valuing front-line employees.

At its best, the owner's mindset focuses on the long term, has a strong bias towards speed and action, and embraces personal responsibility for employees' actions and for how resources are used. The power of the owner's mindset is central to the rise of the private equity industry – a reaction against the bureaucracy, poor cost management, and complexity that beset many large companies. When we analysed the returns of deals within several private equity funds, we found that businesses sold by large public companies in which management had seemingly lost the incentives of ownership subsequently earned nearly 50 per cent more than the others. After private equity firms had restored the owner's mindset, these companies benefited from increased speed, reduced bureaucracy, a more critical evaluation of non-core businesses, and an improved management of costs.

Some of the biggest stock upturns occur when a company has to return to its core

A case in point is Dell, the best-performing large company of the 1990s. It began to stall out a decade later, when some of the advantages of its legendary direct sales model began to narrow, and the company saw its market value decline from $107 billion in 1999 to just under $25 billion in 2013 – a 77 per cent drop. When Michael Dell returned as CEO to renew the company he'd founded, he concluded that he could more effectively make the changes he wanted if he took the company private, which he did in partnership with Silver Lake in 2013.

"In going private," he told us, "it's amazing how we have been able to speed things up. We simplified meeting structures, went to a board of directors with just three members, and increased our appetite for risk. When big committees talk about risk, they talk about risk committees, how risk is bad, the mitigation procedures of risk, and the reaction of the analysts. For us risk is now about innovation and success. It has been very energising to our 100,000 employees to feel the long-term focus coming back into the company."

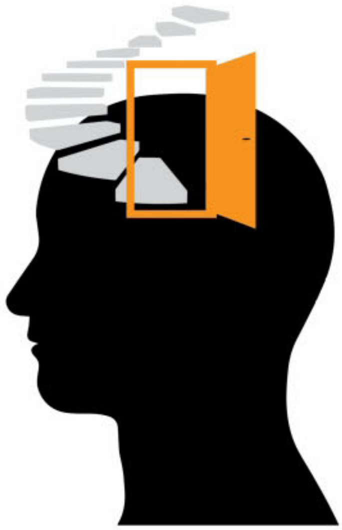
Customer satisfaction scores have rebounded, and Dell's employee satisfaction scores are the highest in the company's history. Its core businesses are outgrowing their industry peers again, and Dell is investing heavily to redefine its model for the long term.

Going private is not for all, of course. An owner's mindset can be instilled without taking the business off the market. Companies can generate "mini-founder" experiences by, for example, creating franchises with direct ownership stakes or encouraging employees to create internal startups that might later be spun off. They can encourage investors with a more long-term focus and link executive pay more closely to long-term performance measures. They can change the timing of internal meetings to increase the speed of decision making. (Some leadership teams, for instance, hold Monday meetings and Tuesday follow-ups with the aim of removing blockages to important decisions and actions.) They can reach outside the company to partner with insurgents and perhaps eventually acquire them. Or they can bring founders into the company through acquisition and work to retain them and their entrepreneurial energy. This has been the approach of companies such as Cisco, Google, and eBay.

Initially a huge success story, and one of the first dot-coms to radically scale up, eBay stalled out in the late 2000s – a victim of Amazon and other online retail competitors and of its own diversification, which included acquiring Skype. Its aging e-commerce auction model seemed vulnerable to competitors, and its share price had fallen from $59 in 2004 to a low of $10 in 2009.

When John Donahoe became the CEO at eBay, he recognised that to get the company moving again, he would have to divest non-core businesses, revamp eBay's e-commerce platform, and, most important, shift its focus to a hotbed of innovation: mobile commerce. To successfully enter the mobile space, however, he would have to turbocharge the company's innovation pipeline and capabilities – and the only way he could manage that, he told us, would be "to fill eBay with young entrepreneurs". In doing so, he was guided by a general truth about transforming stalled-out companies: Often, outside forces need to be brought in.

Not long after he took over, Donahoe began to acquire small, founder-led companies at a rate of



about one every three months. He wasn't interested solely in acquisitions and technological innovations. He wanted to retain the founders and their teams, frequently so that he could move them into core-business positions. "Many of these founders like our approach," Donahoe told us, "because they can innovate at scale in eBay, and they get to expose their innovations to 130 million customers globally."

One of them was Jack Abraham, the 25-year-old founder of Milo, a shopping engine that searched stores for the best-priced merchandise. At one of the regular Friday meetings that Donahoe held with company leaders under 30, Abraham raised his hand and proposed a major innovation for the home page. Donahoe told him to go figure out what resources he needed to explore the idea. Immediately after the meeting, Abraham found five of the best developers in the company, went out for drinks with them that night, and persuaded them to leave with him the next morning for two weeks in Australia, where they would be as isolated from California headquarters as possible and could work on developing a prototype.

What they came up with blew Donahoe away. "Had we asked a normal product team," he said, "I would have gotten back hundreds of PowerPoint slides and a two-year time frame and a budget of $40 million. Yet these guys went away, worked 24/7, and built a prototype. These guys build. They do no PowerPoint. They just build."

Obviously, Donahoe's approach is best suited to fast-moving markets where incumbents need to constantly add technologies and build new capabilities. Not all these initiatives have been lasting successes. The fivefold increase in eBay's stock price during Donahoe's tenure was driven by many things, including the success and spin-off of PayPal (whose independent status has enhanced its founder's mentality), yet it is a clear example of the power of pulling in business owners from the outside and harnessing their energy and entrepreneurialism.

STALL-OUTS ARE frightening for companies – if ignored or mishandled, they can lead to lasting reversals of fortune. But like any other daunting challenge, they can also be viewed as an opportunity. When we analysed value swings on the stock market, we found that some of the biggest upturns occur when a company is forced to return to its core and redefine it in the process. Managers need not panic when stall-out occurs. Companies that reignite their mission, renew their obsession with the front line, and instill an owner's mentality throughout the organisation can reach new heights. ◆

Chris Zook *is a partner in Bain & Company's Boston office and a co-leader of its global strategy practice.* **James Allen** *is a senior partner in Bain's London office and a co-leader of its global strategy practice. They are the co-authors of several books, including* The Founder's Mentality: How to Overcome the Predictable Crises of Growth *(Harvard Business Review Press, forthcoming).*

Tech on Four

HERE ARE SOME OF THE MUST-HAVE ACCESSORIES AND TECH HACKS WHILE DRIVING ON THE ROAD.

JSB HF23 BACK & NECK MASSAGER

Forget the discomforts of driving by investing in this car massager. JSB HF23 has two kneading neck massage heads and four kneading infrared massage heads to ease backaches and cervical aches. It claims to improve blood circulation and relieve stress. It comes with a full-function remote control that can be used to adjust the settings of the massager and customise it. The highlight of this massager is its four massage section modes — upper, middle, lower and full back. If you are tired after a long drive, a five-to-ten-minute massage can help you de-stress.

PRICE: ₹8,900

Wheels

There will always be bad roads, rash drivers and wrong turns. But you can keep your cool with these innovative gadgets and accessories at hand. From keeping you awake at the wheels to soothing your sore back, these accessories will help make your rides more comfortable.

By NIDHI SINGAL

NAP ZAPPER

This is a life saver for late-night drivers. If you tend to fall asleep when at the wheel, get your hands on this compact gadget (approximately the size of a hearing aid). Nap Zapper, when worn in the right ear, delivers a high-pitch alarm whenever the driver dozes off. This is an anti-drowsiness alarm that gets activated when the driver's head tilts below a preset angle (which is usually 30 degrees), to alert the driver. The head angle can be adjusted. The device weighs 16 gm and is priced at ₹299.

HONEYWELL MOVE PURE CAR AIR PURIFIER

Travelling in the car with the windows rolled up does not fully protect you from the pollution outside. Investing in a car air purifier can be a good idea. Honeywell's Move has a compound filter (active carbon + HEPA) that can remove VOC (volatile organic compounds), cigarette smoke, bacteria, virus, odours and PM2.5 particles. It is easy to use — all you need to do is plug the purifier into a standard 12-volt socket. It has a flexible connecting cable so you can place the purifier on the dashboard or the rear parcel tray. This purifier can clean air at the delivery rate (CADR) of 12 cubic metres per hour. **PRICE: ₹6,700**

TURN YOUR SMARTPHONE INTO A SMART GADGET

If you have an old smartphone lying around, you can insert a memory card into it and use it as a dashboard camera through the phone's camera app. Just mount it on a holder, plug in the car charge and it's ready. There's no need to invest in a navigation device either. Connect your old smartphone to the Internet by creating a hotspot on your existing smartphone, and use Google Maps for navigation and real-time traffic updates.

MAPMYINDIA DRIVE MATE

This next-generation connected plug-and-play GPS tracking device can offer real-time monitoring of your car. When connected to the car's OBD (on-board diagnostics) port, the device will alert you about missing service dates, insurance renewals and provide the location of your car directly on the smartphone app. This is a subscription-based service, which comprises app service and SIM charges worth ₹2,400 for the first year, including in the purchase cost.
PRICE: ₹9,990

DASHBOARD CAMERA

If you are a cautious driver, this device will be your alibi. These dash cam driving recorders sit on the car's dashboard and record whatever is happening on the road — useful in case you get into an accident. Most of them capture 720p or higher resolution videos with sound. The internal storage is limited, but can be expanded. While you can get one for as low as **₹800** on e-commerce portals, the cost can go up to a few thousands depending upon the brand and features. For example, the Blaupunkt DVR20 surveillance camera that has a 10-inch display, retailing at **₹4,200**, is capable of surveillance through motion detection when away from the vehicle.

PUNCTURE REPAIR KIT WITH TYRE INFLATOR AIR COMPRESSOR PUMP

This essential kit comes handy to maintain tyre pressure and also repair punctures. The electric car tyre air pump compressor along with the tyre puncture kit is a saviour, especially for long-distance drives. The Coido 6081 Tubeless Tyre Puncture Repair Kit comprises a rasper tool, a needle tool, a pair of pliers, and five rubber strips for repairing. Using the other tools along with the rubber strips, one can repair punctures or any other fault in tyres. The Coido 6312D car tyre inflator and air compressor has a pressure gauge control with on-off switch, and a motor that can pump air. The digital pressure indicator helps track the pressure systems, and cuts the power automatically on reaching the set pressure. The machine can be powered using a car charger. **PRICE: ₹1,099 + ₹2,999**

Back with a Bang

BLACKBERRY BRINGS THE DTEK 50, A SLEEK NEW MID-SEGMENT SMARTPHONE THAT RUNS ON ANDROID. **By NIDHI SINGAL**

Never give up’ is an adage that BlackBerry has taken seriously. After a long struggle, trying its luck with BB OS 10, and finally embracing Android OS, BlackBerry has now launched DTEK 50. This mid-segment smartphone follows the launch of the flagship Priv last year. Will BlackBerry be able to win back its loyal customers?

Unlike the Priv, the DTEK 50 is an all-touch device with a 5.2-inch full HD display dominating the front. The company claims to have used a scratch resistant glass with oleophobic coating. The power key sits on the left edge, while the convenience key, along with the volume keys and the SIM tray, are on the right edge; the 3.5-mm jack rests at the top. The camera module and the lens are on the top left of the rear. The DTEK 50 is sleek and light 7.4-mm thickness, weighing 135 gm. I was able to conveniently operate this smartphone with one hand, but while typing long messages and emails, I had to use both my hands. The convenience key on the right is customisable use it to speed dial, turn on the flashlight or open an app. It can be confused with the power key, due to its placement.

BlackBerry aims to offer the best of both worlds a pure Android UI with a BlackBerry layer on top. The much appreciated BlackBerry Hub brings communication and incoming notifications under one hood including emails, messages, WhatsApp, etc. One can multitask with ease just like on the BB 10 OS. It is a no-nonsense device that can launch multiple apps at the same time. It is powered by Qualcomm Snapdragon 617 octa-core processor, and is paired with 3 GB of RAM. Its 16-GB internal storage is expandable by up to 2 TB.

Over the past couple of years, BlackBerry has improved its camera optics significantly. It may not compare with Xiaomi Mi 5 and OnePlus 3, but the images captured with its 13-MP rear camera are impressive.

While BlackBerry has adopted the Android ecosystem prone to security threats it hasn’t compromised on the security aspect. The DTEK app keeps a close watch on all the apps in use and the information they access. One can review the permissions that apps are seeking within the DTEK app. ◆

@nidhisingal

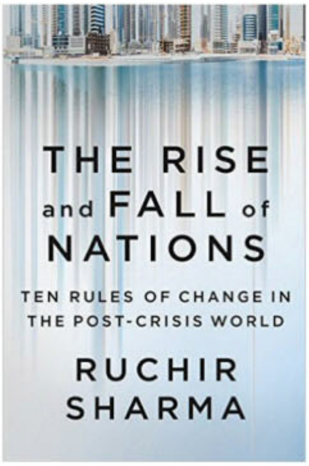
BAG IT OR JUNK IT:
Great hardware and security software make it a compelling buy

PRICE: ₹21,900

RATING: 4.5/5

Worldly Wisdom

The book equips the reader to look at the world economy more pragmatically, and draw the right inferences. By Anilesh S. Mahajan



The Rise and Fall of Nations: Ten Rules of Change in the Post-Crisis World

By Ruchir Sharma

PAGES: 464

PRICE: ₹799

Penguin UK

Over the past year, several befuddling developments have occurred globally. We are seeing a surge in anti-globalisation or de-globalisation forces, a rise in anti-immigrant sentiments and fear of losing jobs. Events such as England exiting the European Union and Americans voting for Donald Trump have perplexed the world. *The Rise and Fall of Nations*, by Ruchir Sharma, weaves a pattern by piecing together these extraordinary events.

In his earlier book, titled *The Breakout Nations,* he had predicted a slowdown in the emerging markets – Brazil, Russia, India, and China – after years of high growth. He had argued that sustained economic success is a rare phenomenon. His new book not only takes the argument further, but also reinforces it with examples and anecdotes – from his Safaris in Africa to his ancestral home in India, and from his encounters from Rio to Beijing with business tycoons and nation heads. Sharma is Chief Global Strategist at Morgan Stanley Investment Management and its head of emerging market businesses. His understanding of these countries is evident in the book which, he says, is a byproduct of his 25 years of travel across the globe. He says that there are 'small' events that reshape the history of a nation's economy, and can also impact the global discourse. He educates about identifying ways to spot these turners – political headlines, black markets, onion prices, and billionaire rankings – and gauge the mood of the market for impending booms, busts, distress, or protests.

The book is set in the post-2008 crisis when most economic thoughts of yesteryears and beyond failed to materialise on the ground, the growth pace slowed, and the political calm gave way to revolts. The best part about the book is that it does not merely put forth theories, but presents solid examples, allowing readers to piece together events, and imbibe some great learning, especially about seeing developments from the economic prism. For example, in the chapter where Sharma explains the impact of onion prices – we have seen state governments in India losing elections on this issue – on the economy, he explains the difference between good and bad inflation.

Former Prime Minister Manmohan Singh and his associates during those days advocated that inflation is good for the growing economy, citing examples of South Korea and China. These two countries started out with economic progress along with high inflation in the 1970s. Sharma offers a contrarian view. By giving examples of vegetable price rise, Sharma deftly explains how young economies, such as India's, are more vulnerable to demand-driven inflation if they have invested too little in supply networks. The supply channels include warehouses, freer logistics movement, road and railway net-

The book does not merely put forth theories, but presents solid examples

works, and communications, along with power plants and factories. "The country was expecting to become the next China, but his regime made it another Brazil," Sharma says, summarising Singh's regime.

For journalists and keen observers of the world economy, the chapter titled 'The Hype Watch' will be of great interest. It urges you to take analyst reports and papers on various events unfolding across the world – whether it is Italy's probable exit from the EU or India becoming an open market – with a pinch of salt. These reports, according to him, are either the result of or give rise to stories in the international media. Sharma goes deeper to unveil the unsaid. He says that the international media orchestrates the growth model that shows some results, and then dumps it once it loses steam. He talks about how the international media went overboard to describe Japan in the early 1990s as the next big story. It lasted a full decade, only to be followed by the currency crisis in South-East Asian economies. Thereafter, the media turned its back and remained indifferent. He also highlights similar situations when the media romanticised about the growth models in the emerging countries, commodity countries or African economies, but most of them could not stand the test of time.

Mainstream opinion about which nations are rising or falling typically gets the future wrong

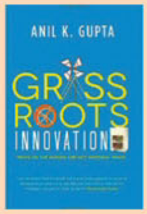
In the words of Sharma, who has seen the world as a columnist as well as an investor, the mainstream opinion about which nations are rising or falling typically gets the future wrong, because it extrapolates recent trends and grows more enamoured of a country, the longer the growth story lasts. In the past 25 years, the storytelling has improved to bring in the challenges much upfront. His antidote to this misleading romance is to check the media's affection against all the rules. Longer the growth spurt lasts, less likely it is to continue, he says.

The book is an on-the-ground guide to get accustomed to the changes and challenges in this era, or any other era. One may disagree with Sharma's analysis, but he builds a good case for himself. It is a fantastic read, and serves as a great reference material, too. ◆

@anileshmahajan

Grassroots Innovation

THE FORTNIGHTLY PICK



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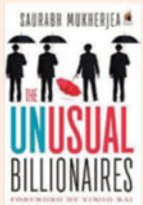

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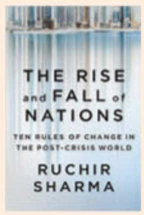

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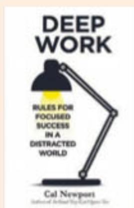

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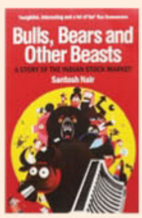

Bulls, Bears and Other Beasts
By Santosh Nair
Pan Macmillan India
Price: ₹499

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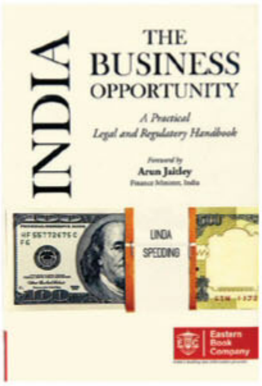
Rules of Engagement

The book attempts to elucidate the complex regulatory environment in India when doing business. By Dipak Mondal



India: The Business Opportunity

A Practical Legal and Regulatory Handbook

By Linda Spedding

Eastern Book Company

At the core of the ongoing Tata-NTT DoCoMo legal tussle is a Reserve Bank of India (RBI) rule that forbids a foreign direct investor in an Indian company to make an exit at a pre-determined share price. The case with NTT DoCoMo approaching international arbitrator has assumed such significance that insiders cite its mishandling as one of the reasons for the ouster of Tata Sons Chairman Cyrus Mistry. However, many legal experts blame it (the Tata-DoCoMo row) on unclear and unsettled buyback rules when the two parties entered into a contract.

It is always difficult for a foreign entity to start a business in a country like India that has a maze of (sometime loosely worded and ambiguous) laws and a very slow (and often corrupt) bureaucracy. The Tata-DoCoMo legal battle is a reminder that entities entering India should have a better understanding of different rules and regulations guiding businesses in India, and that they should not depend only on Indian partners (if any) for the understanding of local laws. They need a ready reckoner on different Indian laws to begin with. Probably that was the objective of international lawyer Linda Spedding for compiling and editing *India: The Business Opportunity, A practical Legal and Regulatory Handbook.*

Aimed mainly at foreign businesses and entrepreneurs, the book is a compilation of articles written by 27 legal and tax experts from India on foreign investment regulations, competition laws, merger and acquisition, direct and indirect tax laws. Each write-up follows a similar format an overview, a historical perspective, and existing rules and regulations. Given the mandate of the book, and the complexities of the issues discussed in all 16 different rules and regulations the 700-page tome is a handy guide for the legal fraternity, but certainly not an easy read for starters.

The overview and historical perspectives (and the case studies) help in explaining how laws have evolved over the years, and the 'logic' behind the evaluation (or absence of it). They also give a peep into the present corporate landscape in the country. The use of case studies is not very consistent. Some have even used quotes and ancient proverbs (check the chapter on 'Reputation Risk Management When Doing Business') to make their point.

Typically, with books on law and regulations, the most difficult part is to keep track of the abbreviations. This book, too, is interspersed with abbreviations – some of them hardly known (SOEs, for example) – expanded maybe in one chapter/page, but not in most other places, and they have been mentioned repeatedly. Many of the foreign enterprises and their legal experts may not readily know that SOEs stands for State-owned Enterprises. An index on abbreviations would have made reading a lot easier.

The language is largely simple (a big relief for starters, like this reviewer), though some parts of the overview and historical perspective chapters could have been crisper. The chapter on merger and acquisition is the most comprehensive, but the ones on direct and indirect taxes could have been more in-depth. A few case studies on tax disputes could have been helpful (I found none) in understanding the complexities of tax rules in India.

In its foreword, the Union Finance Minister, Arun Jaitley, has said that the book "will serve as a reference book for understanding legal and regulatory environment in India". But for a few minor glitches in the book, he is spot on. ◆

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Job ID: 19162673
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Vitasta Consulting Private Limited
Accounts Manager
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Job ID: 19778877
Description: Monthly GL analysis and reconciliation, Responsible for internal and external auditing.

Tesco Bengaluru Private Limited
Manager- Internal Audit
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Job ID: 19681547
Description: Having full accountability for financial and/or operational audit each from planning to reporting and follow up on agreed actions.

2COMS Consulting Private Limited
Book Keeper/ Accounts Assistant
Location: Chennai
Job ID: 19592888
Description: Candidates should have good knowledge in Accounts & Finance.

Orcapod Consulting Services Private Limited
Financial/ Business Analyst
Location: Gurgaon
Job ID: 19781404
Description: To research and to prepare statistical reports using data from court computer systems and internal surveys.

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CYRUS MISTRY
Director, Tata Sons

RATAN TATA
Interim Chairman of Tata Sons

War of Words

The feud between **Ratan Tata** and **Cyrus Mistry** is escalating by the day. In a letter, recently, Mistry alleged that no prior notice was given before he was "purported to have been replaced by Mr. Ratan Tata", whereas a Selection Committee is mandatory for removal and replacement of the Chairman. Mistry further claimed in the letter that the special notice for his removal as director "does not contain even a whisper of a reason for my replacement". Meanwhile, in his letter addressed to the company's shareholders, seeking their support for removing Mistry from the post of director, Tata called Mistry's presence a "disruptive influence" which can make the company dysfunctional. Tata also stated that Mistry was given a chance to "step down voluntarily". In response, Mistry issued a statement saying Tata's letter was a combination of "misrepresentation and convenient mischaracterization". He declared that the veteran industrialist was lying, and that he had not been given a chance to step down voluntarily.

Digital Crusader

Former Infosys chief **Nandan Nilekani** has been roped in by the government to head a committee that will help find solutions to make India a cashless economy. Nilekani, along with 13 other members, is working to get more Indians to adopt digital payments. This is a significant step from the government in light of the demonetisation drive, which has led to a cash crunch across the country. Earlier, Nilekani commended the government for it, saying demonetisation would trigger digitisation of financial services in the country. Nilekani has also served as the Chairman of Unique Identification Authority of India (UIDAI).

NILOTPAL BARUAH

NANDAN NILEKANI
Former Chairman, UIDAI and Co-founder, Infosys

Rooting for India

Flipkart's **Sachin Bansal** and Ola Cabs' **Bhavish Aggarwal** want the government to form policies that will favour home-grown companies and protect them from overseas companies. "What we need to do is what China did, and tell the world 'we need your capital, but we don't need your companies'," Bansal said at the Carnegie India Global Technology Summit, held recently. Backing him at the event, Aggarwal said that in both the industries, there is a narrative of innovation that non-Indian companies espouse, but the real fight is on capital, not innovation. While Flipkart competes with Amazon, Aggarwal's Ola faces competition from Uber.

VIVAN MEHRA

SACHIN BANSAL
Executive Chairman and Co-founder of Flipkart

NILOTPAL BARUAH

BHAVISH AGGARWAL
CEO of Ola Cabs

RACHIT GOSWAMI

CHITRA RAMKRISHNA
Former MD & CEO, NSE

Unexpected Exit

Chitra Ramkrishna has resigned as the MD & CEO of the National Stock Exchange (NSE). The move was unexpected. Speculation is rife that differences with board members triggered her exit. However, the NSE has issued a press release which states that Ramkrishna quit due to personal reasons. She had taken over as the CEO of NSE in 2013, and her term was due to end in 2018. NSE has appointed J. Ravichandran, its Group President, as the interim chief.

Mystery Continues

Ahmedabad-based businessman **Mahesh Shah's** 'black money' tale took an interesting turn when he said in a TV interview that he has been used as a pawn by businessmen and politicians, and that the unaccounted wealth he declared in September is actually theirs. Shah came into the limelight after he disclosed ₹13,860 crore in unaccounted assets under the Income Declaration Scheme (IDS). However, he was absconding on the due date of his payment, and instead resurfaced on a news channel. The Income Tax Department took Shah in for questioning, but is still waiting for him to reveal names.

MAHESH SHAH
Businessman

COMPILED BY DEVIKA SINGH

Full interview at
businesstoday.in/RichardChapman

Norwegian Business Association India (NBAI) Chairman, **Richard Chapman**, speaks to **Joe C. Mathew** about the business landscape in India.

What does your business climate survey among Norwegian companies in India say?

It captures the slowdown in the heavy industries sector. Companies across renewable energy to hydropower to the oil and gas sectors, and big maritime businesses, have been talking about the slowdown – 62 per cent consider the present business climate as favourable, and 75 per cent believe it will become better in the years to come. And one reason for that is India's huge population. We believe in India; it is a long-term game.

Is the slowdown due to demonetisation?

The slowdown is happening for the past six months across port development and big energy projects. We don't quite understand why, but it's probably because of the NPAs of banks. There could be a credit issue for these B2B companies. Some of them had also invested a bit heavily in the past in Indonesia and Australia, at the wrong time, and the result is now showing. Businesses in the B2C segment – companies in the construction and automobile sectors – were doing well, reflecting the strong GDP growth, but have been affected because it is a cash business. We will have to extend credit and see if we can get over with it. But demonetisation is definitely going to have an impact.

Norway has identified marine/ maritime as a key sector. Any developments here?

Shipping is going through a global slowdown. But there are a lot of opportunities coming up in the maritime sector in the medium and long term. Modi is trying to do a lot of port expansion, and that is where Norwegian companies can help. He wants to do something similar in coastal shipping, too.

Have things improved under the current government's regime?

Modi is very active in getting FDI. More investments have come; we have added more members. There is more interest, but I would not call it a trend. ◆

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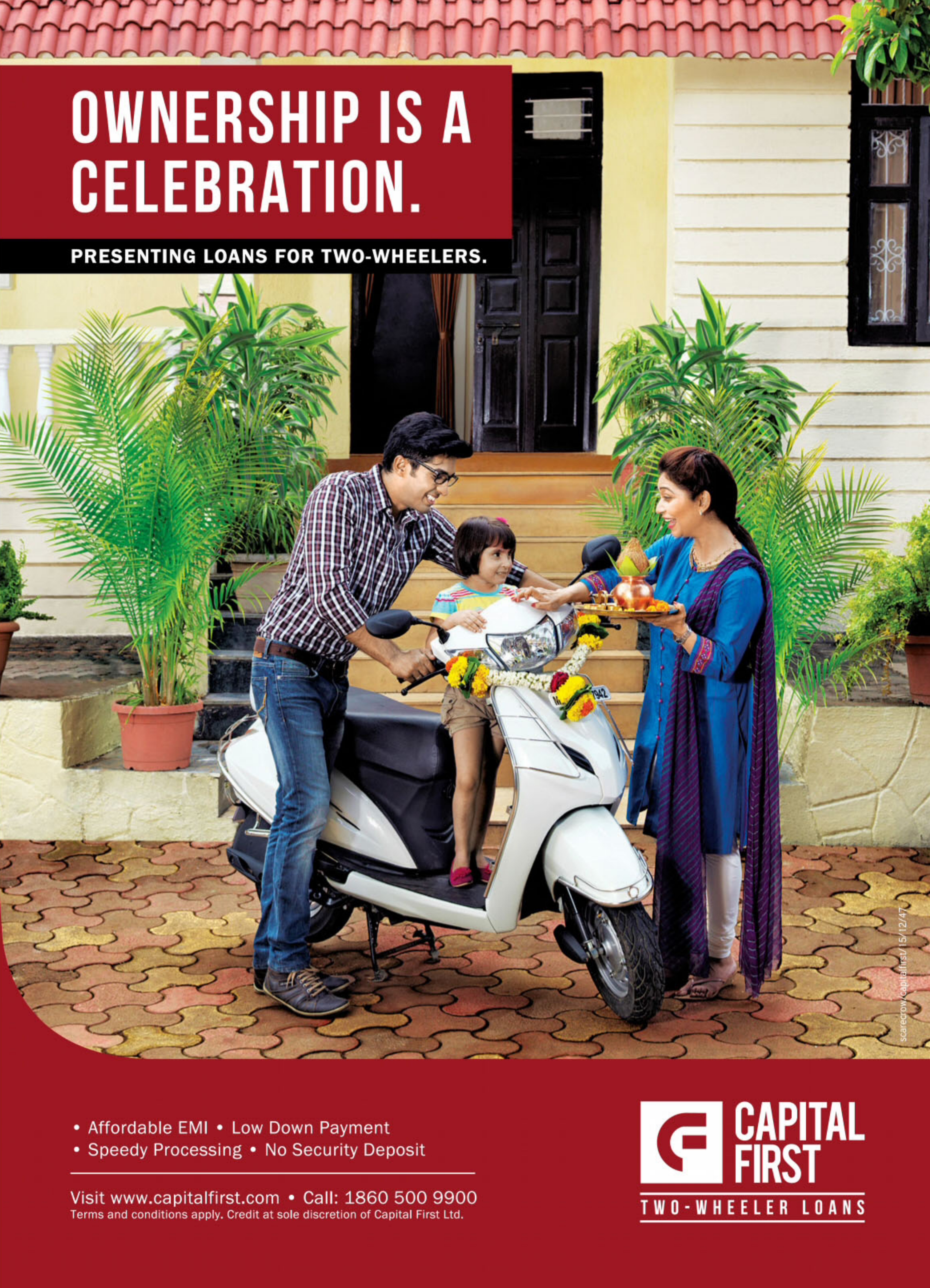
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Volume 11, Number 12, December 2016

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Cover by AJAY THAKURI

The Big Shift

With government cracking down on the cash economy, it makes sense to invest in financial, and not physical, assets

BY TEENA JAIN KAUSHAL

Illustration: RAJ VERMA

Indians adore gold and real estate. For some reason, their interest in these traditional assets has always been higher than in financial assets. India is the world's largest consumer of gold. It imports around 1,000 tonnes gold every year. This is one of the reasons for its traditionally high current account deficits. This also explains India's low market cap-to-GDP ratio of 68 per cent. In the US, it is as high as 138 per cent. However, after demonetisation, tighter norms for gold and real estate transactions are expected to encourage people to invest in financial assets. Also, given the low yields on physical assets, especially gold, Indians stand to gain by shifting to financial assets.

If you are one of those who wish to make a start this year and look at financial investments to secure you future, the best place to start is a systematic investment plan, or SIP, in a mutual fund, preferably an equity mutual fund, as equities outperform other assets in the long run. For proof, just look at the Sensex, which first touched 10,000 in February 2006, rising 100 times in 27 years. Again, in March 2014, the Sensex was at 22,400, from 224 in 1984. This amounts to average growth of 17 per cent every year. If India continues to grow at a pace it has set for itself in the past one decade, there is a very high chance that equities will outperform other assets in long term.

Of course, the coming year will also bring a lot of surprises, just like 2016, when debt funds and gold funds outperformed equities and other assets due to falling interest rates. While debt (gilt medium and long term) funds returned 18 per cent and gold funds 15 per cent (as on November 30, 2016), the real estate sector, for long considered a defensive bet, struggled. Experts say 2017 looks promising for stock markets and debt funds. Gold, however, might not see much upside.

If you wish to make a start this year and look at financial investments to secure your future, the best place to start is a mutual fund SIP

In spite of all this, it is difficult for even the best experts to predict which way the markets will go. That is why financial planners insist that you build a well-rounded portfolio that can withstand most, if not all, market shocks. For this, you need to do a few things. For example, it is always good to diversify your portfolio. Do not invest more than 15 per cent money in gold. Sovereign gold bonds is one of the best ways to invest in gold, as over and above the prevailing prices, you will also be paid a fixed rate of 2.75-2.5 per cent per year on the initial investment.

Remember to use SIPs to invest in mutual funds if you are a beginner in stock markets. As you grow old, start transferring money from equities to debt so that your portfolio does not take a big hit if markets correct. Last, but not the least, buy insurance, both life and health. This will give a strong foundation to your portfolio.

Read on to find out how different asset classes are expected to perform in 2017 to achieve the best results for your portfolio. ◆

@teena_kaushal

Illustration: AJAY THAKURI

Tightrope Walk

Stock markets to be under pressure for a few quarters, but buy now for decent gains in the long run BY TRIPTI KEDIA

In the past few weeks, equity markets have been struggling to keep pace with the big changes around the world – be it Donald Trump's election as United States President or the clampdown on black money by the Central government.

Both these developments have thrown stock markets off-guard. Both the Sensex and the Nifty fell 6.8 per cent and 7.34 per cent, respectively, in just weeks in November after the news of demonetisation and Trump's victory hit the headlines on November 9. The demonetisation is expected to hit businesses, especially the consumption-driven sectors, and affect economic growth for at least one-two quarters. Trump's win, say experts, means a lot of uncertainty for global markets, as he is expected to change a lot of policies of the earlier administration. He has also been talking against immigration; any action on this front will hit a lot of Indian IT companies. His win also increases the chances of a rate hike by the Fed in December. This will lead to exodus of a lot of foreign money from Indian markets.

Does this mean that the bears are going to tighten their grip on markets over the next few quarters? Is the huge selloff by foreign investors an indication that the India story is not attractive anymore?

TOUGH CALL

Both demonetisation and Trump's victory have brought in volatility, price swings and fear. Equity investors are worried about the likelihood of sudden policy changes and their impact. Foreign institutional investors, or FIIs, sold shares worth Rs 18,103 crore between November 9, the first day of demonetisation, and November 30.

"Fundamentally, there has been a significant change at the macro level. India Inc.'s balance sheet will see a dramatic change due to demonetisation and rollout of GST (goods and services tax) and their subsequent impact on GDP," says Shilpa Kumar, MD, ICICI Securities.

The move to control the parallel economy has put immense pressure on stock markets. Most experts say many sectors will face disruption but the move will set the stage for a robust economy in the medium to long term.

SHORT-TERM IMPACT

So far, the move has been bad for stock markets and may continue to be so until the end of the financial year. Former Prime Minister Dr. Manmohan Singh said in a parliamentary debate that the move would hit GDP growth by 2 per cent. He added that this was

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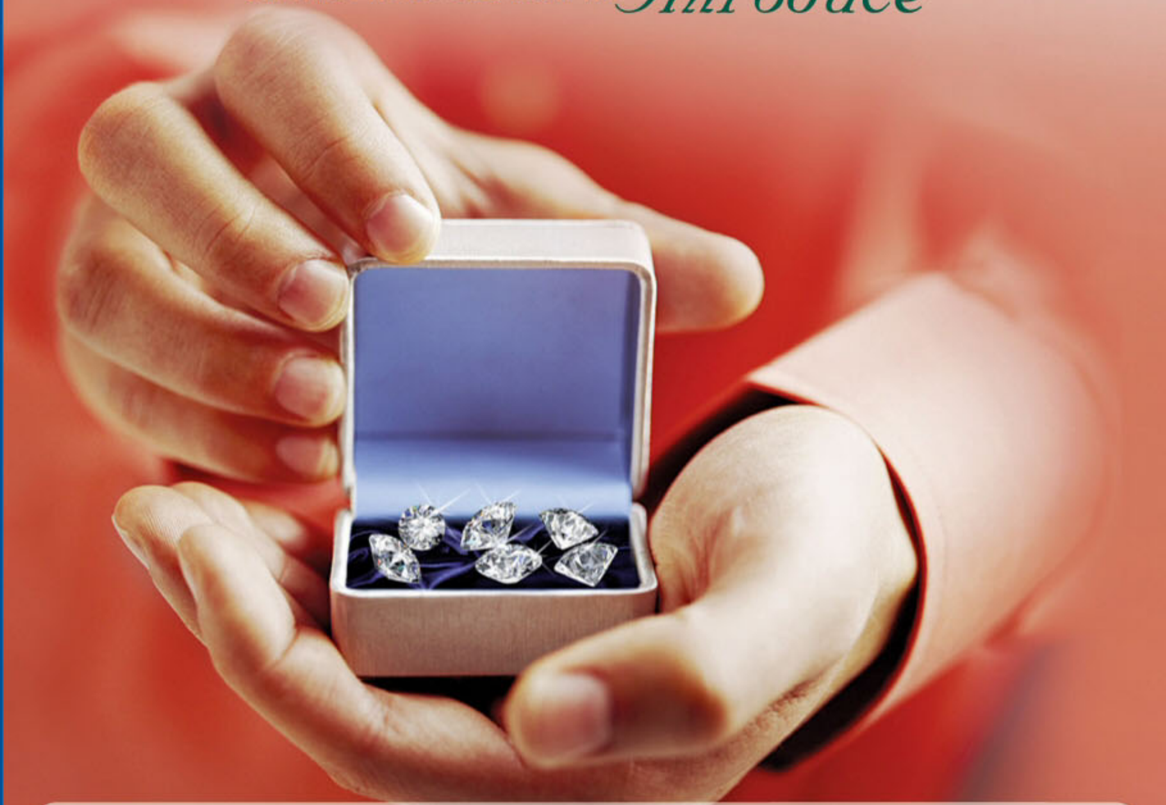

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an underestimate. This is bound to hurt companies as well as the agricultural economy.

However, some say this is a short-term trend. Dipen Sheth, Head, Institutional Research, HDFC Securities, says the cash shortage is a "temporary shock and barring a bad rabi crop and poor monsoon in 2017, we should see rural India continue to do well. Besides, the government is likely to unleash a fiscal stimulus directed at rural India."

Most agree that, in the immediate term, some large sections of India Inc, such as fast moving consumer goods, or FMCG, companies, will be hit badly as people struggle to get cash to spend. "There may be selective shrinking in the October-December quarter. In any case, many of them (FMCG companies) are trading at multiples of 30-40-plus and are unattractive, with ITC being an exception," says Sheth.

The effect of this crackdown on black money can also be felt in sectors such as real estate and jewellery (where cash use is high), apart from automobile and consumer durables (which people can afford to postpone spending on).

While real estate and jewellery are undergoing maximum pressure, Ramdeo Agarwal, Joint MD, Motilal Oswal Financial Securities, says the automobile sector should bounce back by the quarter ending March. It is only in the October-December quarter that a little impact may be felt. Many others say that more than the demonetisation, it is the uncertainty related to the impact of the GST on vehicle prices that is a cause of worry for the industry.

LONG-TERM BENEFITS

The crackdown on black money may improve the government's fiscal position as the cash economy shrinks and more people come into the tax net.

The sudden flush of money into banks may make its way to bond markets. So, yields might fall further, lowering borrowing costs for companies and individuals and helping stock markets recover. But the inflow of cash into people's bank accounts will translate into a spike in the deposit base and this may compel banks, especially large PSU banks, to reduce lending rates. Kumar of ICICI Securities says GDP will show sharp growth with the implementation of GST.

EQUITY BOOM?

The push towards making India a digital economy has begun. Dalal Street analysts say this makes the financial sector attractive. U.R. Bhat, Managing Director, Dalton Capital Advisors (India), says, "Demonetisation is not as alarming as it appears. Banks have got a window to write off some past losses. This may also help the Reserve Bank of India extinguish a part of its liability."

The effect of the crackdown on black money can be felt in sectors such as real estate and jewellery

With stock indices plunging, market cap erosion across sectors is real. But market experts say this is a great opportunity to shop aggressively. Ramdeo Agarwal is hopeful that with a lot of money coming into the formal financial system, equity allocations will improve in the near future.

So, what should small investors do? Sheth of HDFC Securities says, "Run your SIPs (systematic investment plans) from your monthly savings. Don't stop them. Don't try to time the market. Be selective, park money in large-cap funds, and keep equity exposure at less than 50 per cent."

One must also factor in the global uncertainties. After Trump's election, there are concerns about the damage his protectionist policies will cause, strengthening the greenback and increasing bond yields. However, Dipen Sheth of HDFC Securities says Trumponomics may not harm IT and pharmaceutical sectors, as is being feared. They, therefore, look like good bets, especially after their recent underperformance, he says. A few on Dalal Street, such as Ramdeo Agarwal, say with Trump's victory the global corporate tax rate could fall, triggering a cut in tax rates back home.

WATCH OUT FOR

The key event would be the Union Budget on February 1. A lot of stringent measures to curb black money are on the cards, be it on *benami* properties, foreign wealth, money laundering or corruption in government tenders, say experts. Other than this, UP elections will be crucial, as it will be the first litmus test for the government after the recent move to end the parallel economy.

Shilpa Kumar is confident that India will remain attractive for both debt and equity investors. These positive disruptions in emerging markets mean the country will outperform.

The banking sector, a consistent laggard, is finally seeing some light due to falling interest rates and possible lowering of non-performing assets. "Low inflation, better compliance, improved tax collections and energised bureaucracy are set to change the way we think and execute," says Ramdeo Agarwal.

So, while until March, policies will be clouded and plans undefined, investors should look at the silver lining and buy quality stocks in finance, IT and pharmaceutical sectors. ◆

The writer is a freelance journalist based in Mumbai


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It is impossible to predict markets but foundation has been laid for strong corporate profitability

Indian equity markets went through a volatile phase in 2016. Aggressive guidance by the US Fed spooked them in January and February. Commitment to fiscal prudence provided support from March 16 onwards. Good monsoon, GST rollout and lower interest rates also helped. US elections and demonetisation triggered a correction in the last quarter of 2016.

In 2017, stock markets are unlikely to behave differently than in 2016. They will be influenced by the following events:

■ Impact of demonetisation on corporate earnings: The market is factoring in a return to normalcy in three-six months and will correct in case of a delay. If Indians adopt to the cash-less economy, earnings will recover fast. The RBI is likely to get a windfall gain on April 1,2017, if a big chunk of black money doesn't return to the system. If the government uses that amount to spur growth through infrastructure spending, the earnings recovery will be faster.

■ Globally, interest rates are bottoming out. The market has not factored in a steep rate hike by the US Fed. Rapid rise in US yields will result in capital flowing out of emerging markets. But we don't believe that global/ US economy are strong enough to sustain a rapid rise in rates. Hopefully, FII allocations to India will be positive in 2017.

■ Equity markets made a bottom on February 29, 2016, as the finance minister pursued the path of fiscal prudence in the Budget. On February 1, 2017, he has to again pass that *agnipariksha*. If the fiscal deficit for 2017/18 is capped at 3 per cent, markets will take a positive cue. Increased tax collections due to demonetisation should lead to fiscal prudence.

■ The market is pricing in continuity of economic policies past 2019. UP election trends/results will be an influence here. A resounding BJP victory will positively impact markets.

INCREASED TAX MOP-UP DUE TO DEMONETISATION SHOULD LEAD TO FISCAL PRUDENCE

■ In 2017, we are likely to see the Italian banking crisis impacting the risk appetite. Our markets will gyrate based on the global risk appetite.

■ market has priced in smooth rollout of GST. Timely rollout with containment of disruptions can support market sentiment.

■ China has excess capacity in many industries such as metal and capital goods. Their dumping can impact Indian companies. China is also lobbying for an increase its weight in benchmark indices like MSCI EM indices. This will mean a reduction in India's weight and FII outflows.

It is impossible to predict all events that will impact markets in 2017. Foundation has been laid for strong corporate profitability. Interest rates have fallen. The RBI is likely to manage liquidity at a neutral level rather than at a deficiency level to support economic growth. Rupee is depreciating, which will support exports. Government policies across states have been pro-business. Rollout of GST & demonetisation will increase tax revenue and efficiency. The government is spending money on infrastructure while staying on the path of fiscal prudence. Bumper *rabi* crop is likely to support the rural economy.

Our recommendation to investors will be to invest systematically rather than in lump sum without worrying about short-term volatility. It is time for people who have not joined the SIP movement to do so as the yearly return from bank fixed deposits will be lower than a good week's return from an equity mutual fund.

Since we don't know which week that will be, invest for a longer term.◆

Illustration: AJAY THAKURI

Expand to Grow

Why you should look beyond fixed deposits in the New Year.

BY RENU YADAV

Investors in debt mutual funds emerged winners in 2016 as many of the funds posted equity-like returns for the year – thanks to demonetisation. As on November 21, 2016, the one-year trailing returns of various categories of debt funds (debt: gilt and medium-term and debt dynamic funds) were in the range of 12-17 per cent as per data available on Value Research.

After the government banned high denomination notes in order to tighten the noose around black money, banks received massive deposits of around Rs. 5 lakh crore in the first 10 days of the announcement, as people rushed to deposit their old currency notes. Slowdown in credit offtake led banks to deploy the money in government securities. The sudden surge in demand for government securities pushed their prices higher, leading to a fall in the yield (coupon rate divided by price of the bond), which is inversely related to price.

The yield of 10-year benchmark government bonds declined sharply to 6.3 per cent from 6.8 per cent during November 8 - 21. The category of debt: gilt and medium-term and debt dynamic funds delivered 2-3 per cent in around 10 days post demonetisation, when it usually takes them three to four months to deliver such returns.

WHAT'S IN STORE

The yields are likely to go down further, but the decline may not be as sharp. A. Balasubramanian, CEO of Birla Sun Life Mutual Fund, says, "As it is, we have seen the yield dropping by more than 50 bps in the last few days since the announcement of demonetisation, and it would further keep rates low as banks have cut deposit rates."

In the short term, comforted by inflation numbers, it is expected that the Reserve Bank of India (RBI) may cut the interest rate by more than (25 basis points) what is widely anticipated. This will also put downward pressure on the bond yields. "With the Monetary Policy Committee's reference to 125 basis points as neutral real rate, we expect RBI to cut rates by 50 to 75 bps to take the repo rate to 5.50-5.75 per cent," says Pankaj Sharma, Head, Fixed Income, DSP BlackRock Mutual Fund.

Experts believe that inflation is going to remain suppressed at least in the near future, given the fall in demand due to demonetisation making


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room for a higher rate cut by RBI.

"In the short term, the demand for goods and services will remain sluggish as people are short of cash due to withdrawal limits put in by banks. With poor demand, inflation is going to remain under control at least for the short term. But once the money comes back in circulation, people will start spending; inflation may go up," says S.P. Prabhu, Vice President and Head, Fixed Income, IDBI Federal Life.

A.K. Sridhar, Director and Chief Investment Officer, IndiaFirst Life Insurance, concurs. "Inflation will start going up once GST (goods and services tax) is implemented in April next year, as services which were not getting billed will start getting accounted for," he adds. However, what could be a possible threat to the rally in bond prices is the rate hike by the US Federal Reserve and RBI's liquidity management steps.

"Liquidity, we believe, will stay easy for a while until the government brings down restrictions on cash withdrawals. Also, the RBI has adopted a liquidity-neutral stance, and has already begun siphoning out excess liquidity by issuance of bonds. These two measures will keep bond yields from slipping further," says Dharmakirti Joshi, Chief Economist, Crisil. The RBI announced incremental CRR of 100 per cent for banks to suck out excess liquidity from the system.

Joshi foresees some upside pressure on yields if the US Federal Reserve raises its policy rate in December. "For now, Crisil expects the 10-year G-sec yield to settle at around ~7, with a downward bias, by fiscal 2017-end," he said.

HOW FDs AND SMALL SAVINGS SCHEMES WILL SHAPE UP

Those who invested in fixed deposits in 2016 earned almost negligible returns after considering inflation and tax. As banks have slashed their fixed deposit rates post demonetisation, the effective interest rates have gone down further.

Experts believe that with credit yet to pick up, higher deposits will put pressure on fixed deposit rates, and they may fall further. "The bank fixed deposit rates may fall down to 6 per cent," Sharma of DSP BlackRock says. Currently, SBI offers 7.05 per on a one-year fixed deposit.

The fall in bond yields may also trigger a cut in the interest rates of small savings schemes such as public provident fund (PPF) and Kisan Vikas Patra (KVP), as the rates are now market linked. The interest rates on PPF are pegged to the yield of government securities of the same maturity with a mark-up of 25 basis points.

Debt funds that invest in government securities are expected to benefit the most in the falling interest rate scenario

WHERE YOU SHOULD INVEST

If you are a conservative investor who relies on bank fixed deposits for regular income, it is better to lock-in money in FDs now, as the rates will fall further. Also, senior citizens who invest in senior citizen small savings schemes – because they offer higher interest than FDs – should lock-in their money before the interest rates are revised (decreased).

However, experts believe that the younger generation, which has the ability to take some risk for better tax-efficient returns, should consider debt funds. "Existing investors in debt mutual funds should continue to hold their investment. Also, those who have idle cash in bank accounts should look at debt funds as one of the investment alternatives to deposits. In a falling or stable interest rate scenario, debt mutual funds create a better experience, given the fact that it creates capital gain as the interest falls," says Balasubramanian of Birla Sun Life Mutual Fund.

"We expect 25 bps rate-cut in December and 25-50 bps next year. In this backdrop, we believe investors may find debt mutual funds to be an attractive investment option as compared to traditional savings products," Sharma adds.

HOW TO GO ABOUT IT

The investment environment is perfect for debt funds. Debt funds that invest in government securities are expected to benefit the most in the falling interest rate scenario. However, these funds are most volatile in nature – the decline is as sharp as the rise in case of change in interest rate. Therefore, knowing when to exit is very important when it comes to these funds.

"Given the fact that debt mutual fund offers products that take different types of interest rate and credit risk, the investor should choose funds in a manner that it ties with the time horizon of his investment," said Balasubramanian.

Therefore, long-term investors should go for dynamic bond funds which invest in a variety of debt papers, including government securities, corporate debt, certificate of deposits, commercial papers, etc. The fund manager has the flexibility to churn the portfolio as per the changing interest rate scenario. ◆

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What to Expect From the Bond Market in 2017

In the near term, it is likely that rates and bond yields will remain low.

The outlook for interest rates for the next year is shaping up to be a slugfest between the forces of macroeconomic growth and the impact of the demonetisation of high-value notes. On the economic front, there was good news to be expected. After two failed monsoons, we had a normal rainy season. Agriculture output and consumption was expected to rise in the coming quarters. On a broader level, consumers were spending again, as low inflation since 2014 allowed real incomes to rise. Even government spending was looking up, thanks to infrastructure spending in sectors such as roads, railways and defence. All this pointed to the end of the rate-cut cycle as stronger growth would eventually reduce the need for monetary policy accommodation. We should also note that the global outlook for interest rates points to higher rates, with the US Federal Reserve poised to resume hiking rates.

Demonetisation is likely to have a significant impact on the outlook for rates through three channels. First, it is likely to change the outlook for the fiscal deficit for the better. It is expected that a significant part of the 14 trillion rupees in high denomination notes would have been unaccounted money and, thus, would come into the tax net. To the extent that some of this cash would not be returned to the banking system, it would add to the Reserve Bank's profits (through a reduction in liabilities), and get remitted to the government as dividend.

The return of cash to the banking system also improves the liquidity of banks. This has resulted in banks reducing deposit and lending rates. To the extent that the cash drain from banks gets reduced in the medium term, we should expect rates to remain low for an extended period. Both the fiscal and banking impact of demonetisation points to lower interest rates. This is evident in yields in the bond and money market – they have fallen by 30 to 40 basis points since November 8. Lower yields imply higher prices, and bond markets have risen sharply during this time.

DEMONETISATION LIKELY TO CHANGE FISCAL DEFICIT OUTLOOK FOR BETTER

However, there is a risk involved as cash replacement is slow, leading to a drop in economic activity. India remains a predominantly cash economy with estimates that about 90 per cent of all transactions settled in cash. In the first 10 days, banks have taken in about Rs. 6.5 trillion, while only about Rs. 1.3 trillion of new notes have been distributed. If the cash crunch persists, normal economic transactions can be affected for several months, leading to a break in the growth we were expecting. As yet, the expectation is that, substantially, the cash needs of the economy will be met. Only those sectors which are heavily dependent on unaccounted cash – such as real estate – will be impaired for the long term.

As we look to the New Year, we would have to judge the relative impacts of the three forces – fiscal, banking and macro – on the direction for rates. In the near term, it is likely that rates and bond yields will remain low as the near term forces fiscal and banking are strongly suggesting lower rates. Four quarters from today, the impact of demonetisation should be well behind us, and we should look to a more normal trajectory for growth and inflation. On balance, we expect RBI to continue cutting rates and bond markets to continue to benefit from the outlook on fiscal deficit and macro-economic outlook. ◆

Fresh Start for Realty

A slew of reform measures is not only expected to even out builder-buyer differences, but also build a better future.

BY TEENA JAIN KAUSHAL

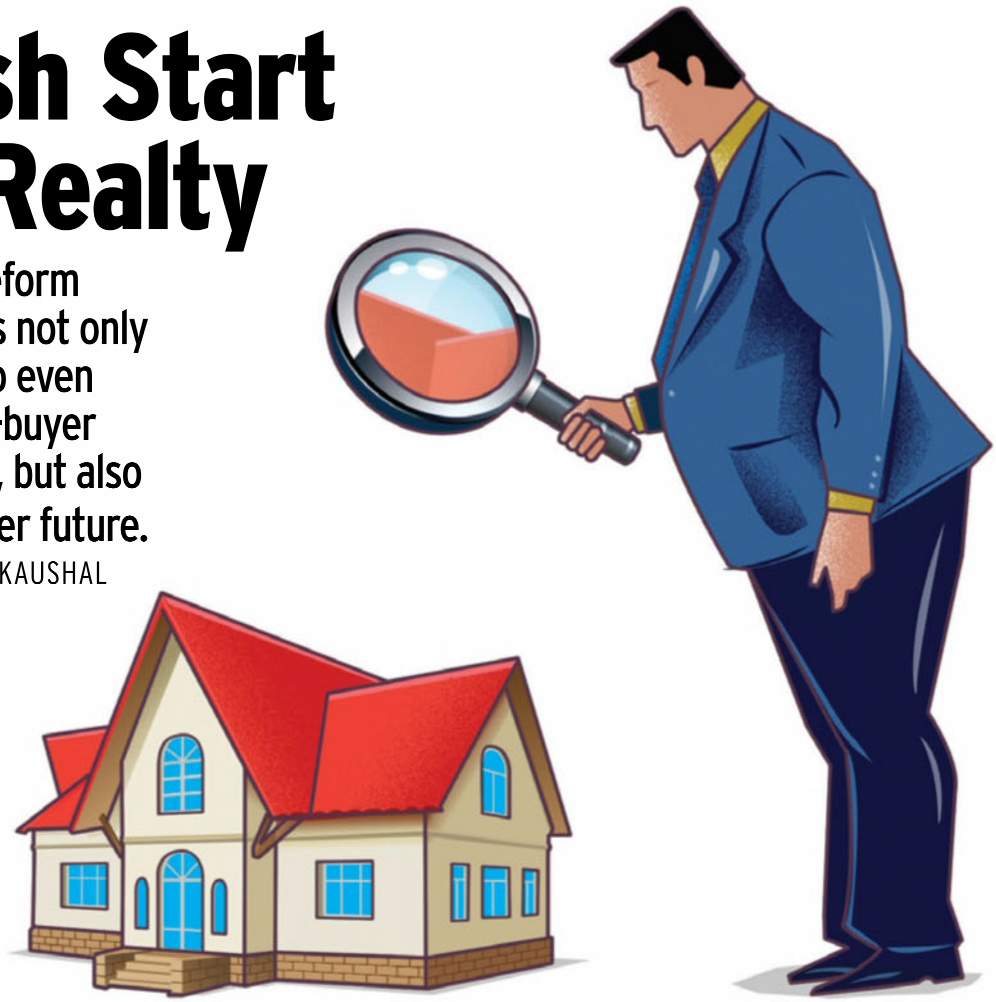

Illustration: RAJ VERMA

Four or five year ago, when demand and supply was at its peak, property prices were rising on a daily basis. In fact, a weekly jump of 10-15 per cent had become the new normal. The fear of losing a good deal saw investors lapping up every offer that came their way with the hope of earning double-digit returns.

Cut to 2016. The property market has come to a grinding halt. Developers are sitting on unsold inventory – catering primarily to the middle and upper class segments – of about five years, new launches are few and far between, and end-users are still waiting for a price correction. This, despite the fact that India currently faces a housing shortage of 1.8 crore units, of which 98 per cent of the demand is from the economically weaker sections (EWS) and low income groups (LIG). Experts, however, believe that schemes under the Pradhan Mantri Awas Yojana could bridge the gap between supply and demand in the low income category.

The sector is also expected to benefit from the government's recent reforms initiatives, including demonetisation, Real Estate (Regulation and Development) Act, 2016, Goods and Services Tax (GST) and Benami Property Act. Says Brotin Banerjee, MD and CEO, Tata Housing Development Company: "With the multiple policy and regulatory changes, 2017 will pave the way for faster growth."

DEMONETISATION

The government's decision to pull high currency notes of Rs 500 and Rs 1,000 out of circulation came as a rude shock to the real estate sector, striking at the roots of black money. Experts says this will bring down prices further, especially for land and luxury homes, as unaccounted money constitutes 30-50 per cent of total transactions. Says Mudassir Zaidi, Managing Partner, SNZ Essentials: Money in transit has got stuck and this will stop generation of black

money for a while. It might start accumulating again, if (follow-up) measures are not taken."

The affordable housing segment, however, is not likely to suffer a major blow. According to real estate services company Colliers International, price corrections will be more in cities dominated by the business community. "The market will take six to eight months to stabilise," says Manish Aggarwal, Managing Director, North Operations, India, Cushman and Wakefield. Moreover, demonetisation is also expected to bring down interest rates of housing loans. Harshil Mehta CEO, DHFL, says, "We expect home loan rates to further soften in 2017, as liquidity flush post de-monetisation will encourage banks to increase their retail portfolio. This trend will be further supported by HFCs."

RERA

Over the years, complaints had been pouring in before the consumer courts against builders and real estate agents for delayed possession, incomplete paperwork and poor quality of construction. To counter such issues the Centre passed the Real Estate Regulation and Amendment Act in 2016. Once it is implemented from April 30, 2017, it is expected to bring sea changes in the otherwise unregulated industry.

Under the Act, builders have to deposit 70 per cent of the collected amount in an escrow account to ensure that money is not diverted from one project to another. There will be fines and penalties if the developer does not adhere to delivery guidelines. Moreover, regulatory bodies and appellate tribunals have to be set up in each state to solve builder-buyer disputes within 120 days. Besides, promoters will not be able to change a project's design without buyers' consent, and carpet area will carry a uniform definition – a common reason for builder-buyer disputes.

"Buying and selling is going to become transparent post demonetisation. People have to start transacting based on circle rates," says, Aggarwal. Circle rates are decided by the revenue departments of state governments and is the minimum value at which one can buy or sale property.

But will property prices increase after the implementation of RERA? Says Pankaj Kapoor, MD, Liases Foras: "Property prices are not connected to RERA. It is determined by demand and supply in the market. Given the scenario right now, I do not think prices will see a correction after the implementation of RERA. However, margins are expected to increase because of lower cost of construction and developers will be in a position to pass the benefits to customers."

The affordable housing segment is not likely to suffer a major blow due to demonetisation. Besides, the move may bring down interest rates on housing loans

Though RERA promises to bring transparency in the real estate sector, dilution of the Act at the state level is a cause for concern. A few state governments have done away with application of the Act on under-construction properties, while the Central Act clearly states it has to apply to both under-construction and new projects. "I believe the government made their intention very clear when RERA was passed, as they (state government) can only increase but not reduce provisions from here," says Kapoor. Dilution of RERA Act can make the central government intervene and correct the discrepancies. Says Uday B. Wavikar, a consumer court lawyer: "Infrastructure of RERA courts is not ready. How are they going to monitor everything is another issue. One needs to have a special cell for it. Even if a declaration has been made by a builder about the 70 per cent (in escrow account), how will the government check that companies are complying with it."

GOOD AND SERVICES TAX

The government has set a deadline of April 2017 for the implementation of GST. Under the new tax regime, all indirect taxes will be clubbed together and put under one head. It will benefit the sector by ensuring a uniform tax structure and improve tax compliance by developers. While experts say GST will have no impact on the resale market as indirect taxes are not levied in this category, under-construction properties are, however, likely to become costlier.

GST will streamline taxes, enabling developers to translate these into better offerings for the consumers. "GST will have a cascading effect for the homebuyers, as developers with more margins in their hands will be able to restructure the cost of the products in favour of the consumers," says Banerjee of Tata Housing.

Finally, the Benami Property Act passed by the government in November, will legitimatise the property market. Under the act the government can confiscate properties bought in the name of a person other than the actual owner. Therefore, experts believe the real estate sector should get its swagger back in 2017, bringing the Indian market in sync with global standards. ◆

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Realty On Track

There might be liquidity concerns in the near term, but the long-term outlook for realty is positive.

The government's recent move to promote transparency and fight corruption, along with a host of other policy and regulatory initiatives, will have a positive impact on the real estate sector, otherwise notorious for lack of trust and credibility.

In the near-term, land prices are likely to be hit the most by the government's demonetisation drive, as the cash component had, so far, dominated such transactions, especially in the unorganised sector. Transactions in the secondary market may also be impacted negatively. There might also be liquidity concerns, especially for smaller developers, which may result in delays in construction. It is, however, expected to result in increased affordability, particularly for the housing sector, in the long run.

The long-term outlook for the real estate industry looks positive. A dip in capital values and fall in interest rates will be beneficial for property sales, and the overall sector.

While immediate liquidity is a concern, windfall deposits following the demonitisation move may provide the banking sector with greater liquidity to lend, and at lower interest rates. Several other steps taken by the Centre in recent times – from the Real Estate Regulatory Act and the Goods and Services Tax, to Real Estate Investment Trusts – will further improve transparency and increase investor confidence in the sector.

While a changing regulatory landscape has ushered in policies related to smart cities, transit oriented development, Model Tenancy Act, Model Building Bye-laws, the RERA, and GST, among many more, the real estate marketplace too has responded with transformations of its own.

REFORMS INITIATIVES BY THE GOVERNMENT WILL IMPROVE TRANSPARENCY

The property market, in fact, has been evolving continuously, shaped by changing business practices, global trends, advancements in technology and the proliferation of big data. The rise of e-commerce, shared workspaces, incubation spaces for start-ups, crowd funding and automated valuation models are just some of the new and innovative ways real estate businesses are run today. As a result of these dual sets of change drivers, the focus has increasingly been on areas such as the value of land and real estate, a diversified talent pool, and technology.

Technology, however, could be the key driver to improve the way real estate works in India. Hyperconnectivity and instant delivery of information will have profound impact on real estate markets, and will lead to more viable choices for global investors. For instance, corporate real estate (CRE) analytics around employment and skill sets may affect the location and position strategy of organisations. Macro drivers of change in the region's CRE arena will likely to remain consistent in 2017 – economic uncertainty, cost stewardship and the increasing importance of technology within the workplace.

Paying heed to what our millennials have to say will be a major way forward for the industry. A recent CBRE survey says millennials are set to shape the future of real estate in the Asia Pacific region and the influence of the millennial dollar on commercial real estate, workplace environment and consumption habits. ◆


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Gold May Lose Sheen!

Buy the yellow metal at dips or as a long-term investment option, besides keeping a close watch on global factors.

BY TANVI VARMA

Over the past one year, gold has regained its lost shimmer. Between November 18, 2015, and November 17, 2016, gold exchange traded funds (ETFs) returned 16 per cent, outperforming other asset classes. In comparison, gold ETFs witnessed a negative return of 1 per cent over three-year and five-year periods.

In the domestic market, gold prices moved up from Rs 25,000 per 10 gm to Rs 31,000 during the period. In dollar terms the prices moved up from \$1,100 to \$1,300 per ounce. There were a variety of factors contributing to the rise – from a fall in global equities and concerns over economic growth to inflows in bullion funds that led to buyers' interest for gold on dips. For the uninitiated, the yellow metal's bull-run ended in 2013, after a 12-year rally. Since then, it has lost 28 per cent of its value. And, experts believe gold prices could fall further in 2017.

GLOBAL CONCERNS

Spot prices of gold, globally, have already corrected by about \$100 from \$1,337 on November 9 to \$1,230 per ounce at present. In India, MCX gold futures have fallen from Rs 31,400 per 10 gm to Rs 29,300 during the period.

"Following the recent rise in global bond yields, especially in the US, and some unwinding of the carry trade (where people borrowed at a low interest rates in the US and invested in high-yielding assets), we are seeing corrections in gold prices," says Lakshmi Iyer, Chief Investment Officer, Debt, and Head of Products, Kotak Mahindra AMC.

According to Prathamesh Mallya, Senior Research Analyst, Commodities and Currencies, Angel Broking, US President-elect Donald Trump's policy initiatives through higher infrastructure spending and tax cuts will not only boost economic growth in the US but will also result in a stronger dollar. This will lead to further correction in prices. The US dollar and gold tend to move in opposite directions – a stronger dollar implies lower gold prices, and vice versa. Says Iyer: "We could see flattish gold prices till markets get a sense on the policy stance of the new President."

IMPACT OF DEMONETISATION

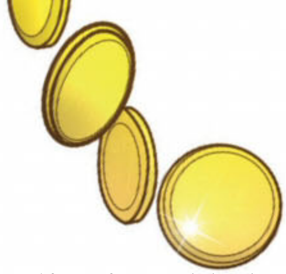
According to market estimates, India has imported $1 billion worth of gold, or about 30 tonnes, in the seven-day period following the demonetisation of high-value legal tenders (Rs 500 and Rs 1,000) on November 8, compared to the average monthly import of 30 tonnes since February. High demand also resulted in a surge in gold prices. Mallya says a big chunk of black money finds its way into gold, and demonetisation ensured this money was routed through proper channels. According to Iyer, gold is a global commodity and price movements are determined by global events. "The surge in price due to demonitisation will be temporary," she adds. Gold prices have, in fact, fallen in dollar terms during the same period after the US Fed hinted at a hike in interest rates in December.

WAIT AND WATCH

Investing in gold at current levels may not be advisable, given the recent sell-off in international markets, more so, as the US Dollar Index is trading at a 11-month high. "We may see a correction in gold prices in the near-term," says Mallya. Since Indian markets follow global trade, it will have a cascading effect in the domestic market as well. Besides, the demonetisation move is expected to be a drag on gold demand with the government coming down hard on illegal gold purchases.

RANGE-BOUND MARKET

According to Iyer, gold prices in 2017 will depend on US Fed action. "If the pace (of hike in interest rates) is less than anticipated, gold rally could have more wings, else it would be difficult to gather momentum." Also, considering India is the biggest importer of gold, imports would be a key determinant following the recent demonetisation move. Mallya expects



Investing in gold at current levels may not be advisable, given the recent sell-off in international markets, more so, as the US Dollar Index is trading at an 11-month high

spot gold prices, which are trading at $1,226 per ounce, to touch $1,080, while the MCX could see gold prices falling from Rs 29,320 per 10 gm to Rs 26,000 levels in 2017.

Kishore Narne, Associate Director, Motilal Oswal Commodity and Currency, is, however, less bearish on gold's outlook and expects a return of 15-20 per cent by 2017-end. Contrary to popular belief, he is of the opinion that Trump will be an inflation booster and, therefore, the US Fed will not be able to raise interest rates as much as it could have. "Most developed and emerging market equities have stretched valuations, leading to some consolidation of equity markets. This, in turn, opens up the place for gold as an investment." Narne believes gold could trade closer to $1,400 by the end of 2017. "In the domestic market, the rupee is likely to be weaker as fund flows slow down due to lower GDP owing to demonetisation. A weaker rupee will give a cushion for domestic prices, which could trade at Rs 32,000-odd levels," he says.

LONG-TERM WEALTH CREATOR

The key, believes Iyer, is to have a diversified portfolio, where gold acts as a pure 'risk cover'. In the present scenario, gold investments should be perceived as the 'last man standing'.

For some time, we may witness a period of low and negative interest rates, geo-political and economic uncertainty and low inflation. "Demand for gold in the long-run will continue to remain intact, given the traditional aspect of demand attached to it, especially in India. Therefore, people should remain invested in gold, at least, for the next five years," says Mallya, adding that one can invest in sovereign gold bonds, which are government securities denominated in grams of gold, and a substitute for physical gold.

You can buy as little as 1 gm of the yellow metal through sovereign gold bonds and earn an annual interest of 2.5-2.7 per cent, besides benefiting from the appreciation in gold prices. Further, the recent tranche set its purchase price at a discount of Rs 50 per gm. The other convenient and economical option is to invest in gold ETFs.

GOLD ETFs

Gold ETFs are passive investment instruments based on gold prices. They invest in bullion, and offer flexibility of stock investments and the simplicity of gold investments. They trade on the cash market of the stock exchange, like any other company stock, and can be bought and sold at market prices. Because of the direct gold pricing, there is complete transparency on the holdings of an ETF. They also have much lower expenses compared to gold jewellery, which are more expensive.

"For those who desire to hold the physical metal, you should accumulate on every dip rather than concentrating all the purchases at one go and take the benefit of value-cost averaging," says Mallya. An allocation of 8-10 per cent of the portfolio in gold is advisable. ◆

Gold Outlook 2017

There are a lot of factors that will help predict the likely price trajectory of gold in 2017. Here's the lowdown.

Historically, gold has been a safe-haven, and any turmoil – natural, economic or political – drives gold demand not just in India but across the world. The US Presidential elections, for instance, led to wild gold price swings as campaigns progressed. It is only in relatively uneventful times that gold stagnates. There are a lot of factors that will help predict the likely price trajectory of gold in 2017.

The primary driver of gold prices is the relative strength of the US dollar. A weak dollar makes for higher gold prices, and vice versa. The benchmark US dollar Index is at a 14-year high at 101.27 and indicates weak gold prices. However, this gets a new angle in India because a strong dollar also leads to a weakening rupee and, therefore, the price of gold, all of which we import, increases. Taxes, such as customs duty, skew this even further.

The second major factor is the US Fed rate. Since the US economy is doing well, interest rates will be hiked leading to investments moving from gold into bonds in the quest for a better risk-reward ratio. However, this is a moving target and interest rates can be reversed as easily. So, tracking this is important. Allied with this, is US inflation, which is directly related to the interest rate decision, as well as the value of the US dollar vis-à-vis other currencies.

The third key influencer is physical demand. This is why India and China's gold demand is keenly watched for any significant changes, including festival or wedding seasons, which create demand to spike. Since exchange traded funds (ETFs) and gold mutual funds buy physical gold, it is also an important data to track. The top two gold ETFs globally, SPDR and iShares, hold more than $40 billion worth of gold on behalf of investors.

GOLD WILL GIVE POSITIVE RETURNS IN INDIA OVER A FEW YEARS

Finally, geo-political uncertainty and other unknowns, such as the security situation in West Asia, Brexit, or devaluation of the Chinese currency, can temporarily drive gold prices down. In this basket falls India's current demonetisation drive. More than the price of gold, it will impact the industry because overall gold demand will fall with the government making a sustained effort to drive down gold consumption through a series of steps, including the introduction of sovereign gold bonds and the gold monetisation scheme.

Importantly, the depreciation of the rupee against the dollar may be the defining element in predicting gold prices in India. Given our inflation and interest rate differential with the US, gold will give positive returns in India over a few years.

Current gold prices are hovering around $1,190 per ounce, which at the current exchange rate (including import duty) is at Rs 28,700 per 10 gram. Considering that we started the year at $1,118 per ounce, or Rs 26,638 per 10 gram, gold has fared well as an investment. Global uncertainty and a weakening rupee will likely ensure gold prices close above Rs 31,000 per 10 gram by 2017-end.

But gold has a life beyond the US elections, Fed interest rates, Brexit and demonetisation. It is globally accepted as a currency and no government has a fiat over it. You can invest through commodity or equity exchanges, ETFs or gold mutual funds. One can also buy sovereign gold bonds issued by the government. ◆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Nurturing relationships.
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LOAN AGAINST RENT RECEIVABLES | APNA OFFICE FOR PROFESSIONALS
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As regards deposit taking activity of the company, the viewers may refer to the advertisement in the newspaper/information furnished in the application form for soliciting public deposits. The company is having valid Certificate of Registration No.01.0008.01 dated 31st July 2001 issued by the National Housing Bank under Section 29A of the National Housing Bank Act, 1987. However, the National Housing Bank does not accept any responsibility or guarantee about the present position as to the financial soundness of the company or for the correctness of any of the statements or representations made or opinions expressed by the company and for repayment of deposits/discharge of the liabilities by the company.

Illustration: RAJ VERMA

Tech Insurance

A host of digital initiatives promise to make your life easier in 2017.

BY TEENA JAIN KAUSHAL

The year 2016 was eventful for the insurance industry with many firsts. ICICI Prudential Life Insurance came out with the first initial public offer, or IPO, of the sector. Also, two big players, HDFC Life Insurance and Max Life, announced a merger. Experts say 2017 will be equally action-packed and promising for customers. Insurers, they say, will come up with one innovation after another, especially in the areas of technology, product and distribution.

In 2016, among the positives, the industry started reporting an increase in the persistency ratio.

"With growing competition, consumer retention took priority. Also, consumers' mindset towards life insurance is changing. They are no longer buying a policy for saving tax but for the larger goal of financial safety," says Yashish Dahiya, Co-founder and Chief Executive Officer, *PolicyBazaar.com*.

The industry also plans to cash in on demonetisation considering that the government's move will make people prefer financial savings over physical assets such as gold and real estate. V. Viswanand, Senior Director and Chief Operating Officer, Max Life Insurance, says, "The share of financial savings in household savings will go up. The life insurance industry is expected to get a fair share of this."

Another positive impact of demonetisation and shift to a cashless economy will be growth in retail health insurance policies. Nikhil Apte, Chief Product Officer - Product Factory (Accident and Health), Royal Sundaram General Insurance, says, "Several self-employed people who were not paying taxes were not buying health insurance as they had cash for emergencies. But with stricter monitoring of black money, most of the money should remain in bank accounts. "

Here are some ways 2017 is going to be different from 2016 for the insurance industry.

TAPAN SINGHEL, MD & CEO, Bajaj Allianz General Insurance

Health Insurance 2.0

Health has been one of the fastest growing categories in the general insurance industry. During 2015-16, the gross health insurance premium collected by non-life insurance companies was Rs. 24,784 crore, an increase of 22 per cent from 2014-15. Over the past five years, there has been a marked increase in the share of individual health insurance premium collected. While many who did not have a health insurance cover have started purchasing them, those with existing health insurance plans are moving beyond just 'hospitalisation covers' to more comprehensive covers that include benefits such as expenses related to OPD treatments, physiotherapy, dental care, maternity covers, and alternative treatments.

Today, higher sum insured, disease-specific covers for ailments such as dengue and cancer, and significant emphasis on wellness and health maintenance are offered. In the coming year, we could also see the inclusion of more disease-specific covers for lifestyle diseases with inbuilt wellness features. In future, we may even see inclusion of psychiatric disorders. Insurers are trying to reduce the gap between the medical spends in the country and what is covered under health insurance.

The game changer, given the rising awareness of health insurance, will be the value proposition and the enabling ecosystem that insurers create while using the right distribution channels. What will enable insurers to provide personalised health solutions to its customers is the tremendous technological development in the healthcare industry, and the increasing adoption of connected devices. Insurers will be able to launch more personalised health insurance policies, provide incentives for preventive care such as discounts on premiums based on fitness and wellness.

In future, underwriting and claims will become more commoditised, and the relationship with customers will move from beyond-the-bill to adding more value, and will involve continuous engagement with customers. The recent health insurance regulations released by the regulator also place great emphasis on the wellness front.

We will also see significant improvement in the existing health insurance architecture with better technological integration with hospitals to facilitate better claim servicing, health inspections, etc. Insurers are also negotiating health packages with hospitals for defined treatments to control out-of-pocket spends on healthcare and further broaden the reach in terms of adding more hospitals to the cashless network.

On the distribution front, the explosion of technology backed with the increase in internet and mobile telephony provides a low-cost opportunity, which will see insurers leverage some of the success of online banking and e-commerce to build an online product bouquet that engages the customer and enables him/her to buy. ◆

TECH TIME

Technology will play a more vital role with companies shifting focus to profitability. Rakesh Wadhwa, Executive Vice President, Strategy and Special Projects at Future Generali Life Insurance, says, "Initiatives such as paperless proposal form, digital signature, e-KYC, e-policy and iris scanning will significantly improve customer experience and help insurers improve efficiency and productivity. A large number of customers is already buying online and a much larger number is using the net to decide what to buy."

Technology will also play a role in data science and analytics. Insurers collect a large amount of data over time. It can be used to bring more efficiency in claims, persistency and risk management. For instance, gamification has already started in general insurance, where telematics is being used to calculate premium rates. For example, your motor insurance premium was earlier determined by four factors — make, model, location and year of manufacturing. But now, one more has been added — driving skills. For example, Bajaj Allianz General's Drive Smart feature allows you to save up to 30 per cent premium on the basis of your driving skills.

Product innovations supported by data and technology will change the health insurance market too. Antony Jacob, Chief Executive Officer, Apollo Munich Health Insurance, says, "Mobile telephony will play a big role as

PANKAJ RAZDAN, MD & CEO, Birla Sun Life Insurance

The Big Digital Push

India's life insurance sector is at the cusp of a major transformation, led by digitisation, factors like multi-distribution, product innovation, innovations in claims management and regulatory reforms. Amid growing uncertainties about life and emerging risk factors like lifestyle disorders and rising incidence of accidents, not having an insurance cover is not an option, especially for those with dependents. Yet, when it comes to insurance penetration, India ranks way lower compared to its global counterparts – the deficit of trust between insurers and consumers being the chief reason. But things are changing for better.

There has been a conspicuous shift towards digital and customer-focused strategies amongst insurers. They are focusing on the customer-facing elements of their processes, like faster, intuitive websites, and user-friendly apps. Insurers are also leveraging technology to strengthen their internal operations, leading to improvements in turnaround time for superior claim settlements. With digitisation, insurers have new tools for increasing the quality of customer interactions while improving operational efficiencies.

The growing insurance market offers scope for better penetration through multiple and diversified channels such as the Internet, direct and tele-marketing, and NGOs. Insurers can differentiate themselves through the depth of their distribution channels. Looking ahead, individual insurer's ability to offer an integrated multi-channel experience will be the key to customer satisfaction and profitable growth.

Meanwhile, a significant amount of resources is being channelised towards product innovation to design and distribute products to meet the needs of a larger ecosystem. Customers will benefit from higher-quality offerings in under-penetrated product segments like long-term savings and annuities. Increased levels of customisation will also be possible through product innovation.

Timely and efficient management of claims to prevent delays is another key focus area for insurers. The single-most important factor for superior claims management is providing peace of mind to policyholders that their dependents will not be unduly burdened with their funeral/ related expenses, and that the payouts will reach them in the shortest possible time. Particularly, the sensitivity around processing death claims mandates that insurers provide the utmost flexibility to process a claim. Using the digital channel allows family members to complete the claim online, and avoid talking to an insurance executive if they prefer not to.

Meanwhile, the regulatory environment is getting conducive for the growth of insurance sector. With passing of the Insurance Laws (Amendment) Act 2015, Indian insurance sector's long-time demand of having better access to foreign capital has been met. Access to fresh capital could lift the fortunes of insurance industry. ◆

features such as fitness tracking will help them reward customers who make efforts to remain fit. Web- and mobile-based solutions for health records will also catch on."

TIME FOR ULIPs

Debt unit-linked plans may become popular as interest rates are falling. "With interest rates falling, debt-based Ulips may take off. With market volatility and forecast for a tough 2017, traditional products are likely to see traction," says Dahiya.

"In health insurance, you will see more product designs that will allow you to pay less on the basis of how well you take care of your health. Health and wellness will get a bigger role," says Jacob. The launch of a universal health insurance scheme is also expected. "It will result in a big boost in penetration levels," he says.

DISTRIBUTION

With open architecture in place, insurers will be able to reach out to a larger customer base. V. Viswanand, Senior Director & COO, Max Life Insurance, says, "The open architecture in bancassurance may cause some disruption in the short term as new relationships evolve. But it is expected to be positive for all stakeholders in the long run." Under open architecture, banks are allowed to sell insurance policies of more than one insurer. ◆

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