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Business Today

April 17, 2022 ₹150

INDIA TODAY GROUP

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Promoter & MD,
InterGlobe Aviation

N. Chandrasekaran
Chairman,
Tata Sons

DOGFIGHT ALERT

THE BATTLE LINES ARE BEING REDRAWN AS NEW, OLD, AND COMEBACK AIRLINES GET INTO A JOSTLE FOR THEIR SHARE OF AN EXPANDING SKY

Central Bank Digital Currency: How is it Shaping Up?

Odd Trio: Reliance-Future-Amazon's M&A Saga Takes New Twists and Turns

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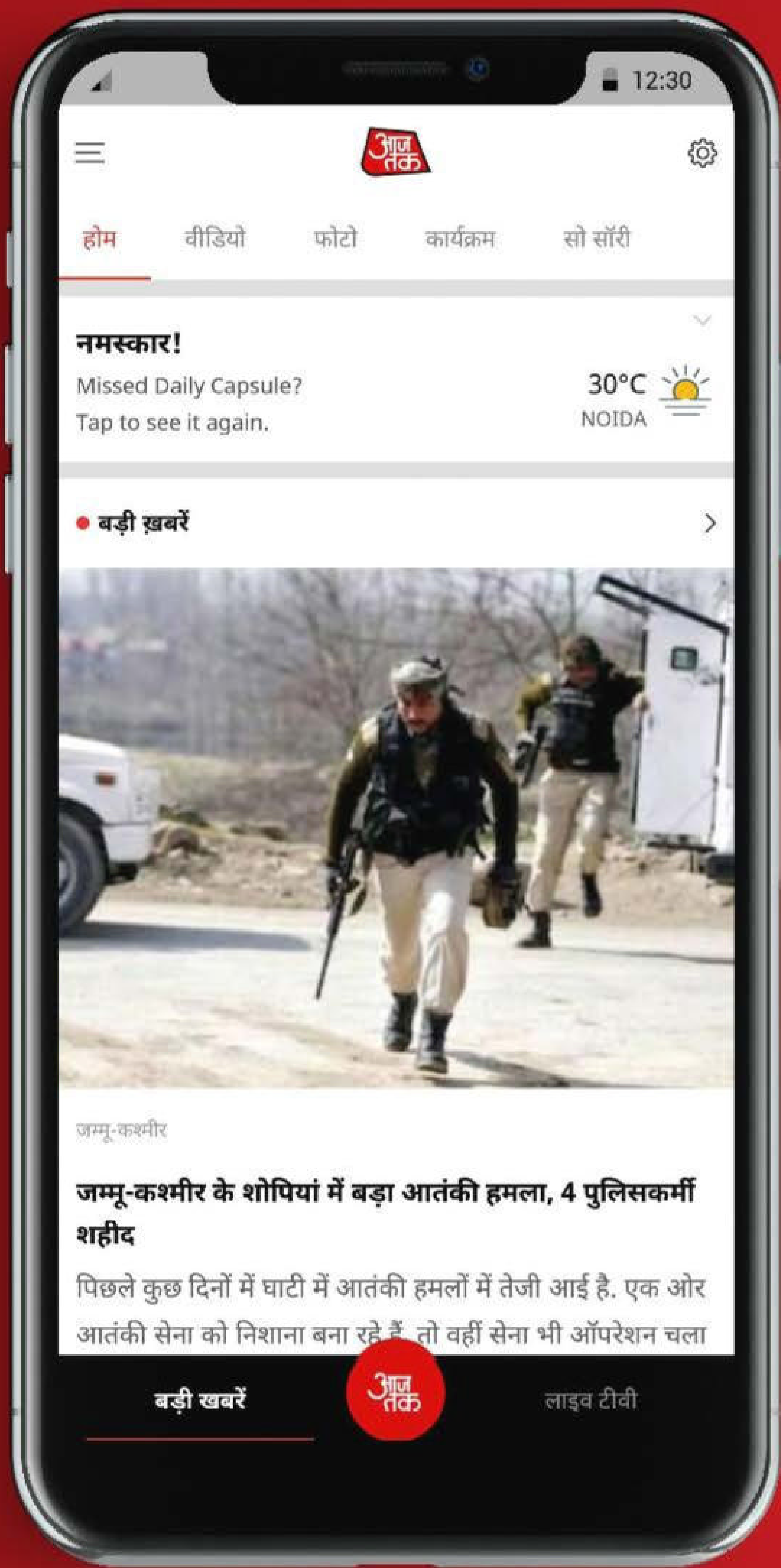

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नमस्कार!
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30°C
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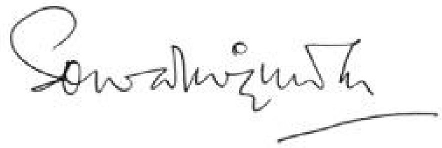
जम्मू-कश्मीर के शोपियां में बड़ा आतंकी हमला, 4 पुलिसकर्मी शहीद
पिछले कुछ दिनों में घाटी में आतंकी हमलों में तेजी आई है. एक ओर
बड़ी खबरें
लाइव टीवी

A Slice of the Sky

When the Tata group acquired ailing national carrier Air India last year, it was a seminal moment not just for privatisation in India but also for the Indian aviation industry. Here was one of the country's largest and storied business groups acquiring an airline that would, together with the existing airlines Tata owns—Vistara and AirAsia India—make it a formidable force in the Indian aviation market. The acquisition also paves the way for a bruising battle for market share between the Tata group and India's biggest airline company, IndiGo, at a time when the Indian skies are set to witness the entry of at least one new player, Akasa Air, funded by star investor Rakesh Jhunjhunwala, and the revival of the fallen Jet Airways, which is now controlled by the Kalrock-Jalan consortium.

By all accounts, it's going to be a most interesting contest, with IndiGo—which has a staggering 51 per cent market share—fighting to retain its stranglehold over the Indian aviation sector and Tata—counting low-cost carrier (LCC) Air India Express—now owning four airline brands: two full-service carriers and two LCCs, with a combined market share of a shade under 27 per cent. And that's exactly why IndiGo has also armed itself with the return of Promoter Rahul Bhatia as Managing Director to helm the company at this crucial juncture and get it 'future ready'. In our cover story, *Manish Pant* takes a close look at the emerging scenarios in the Indian aviation sector at a time when the Covid-19 pandemic is ebbing, air travel is back sharply, and Tier II and III cities are also showing sharp growth in passenger numbers. On the flip side, there is the big challenge of runaway fuel prices. Meanwhile, domestic air traffic improved sequentially to 7.69 million passengers in February 2022, against 6.41 million passengers in January, indicating that the battleground is now ready for IndiGo, Tata and the rest of the players. As IndiGo CEO Ronojoy Dutta tells us, there is a huge market waiting to be tapped and there's potential and space for everyone. Vistara's CEO Vinod Kannan echoes this sentiment when he says that the scale of the Indian aviation market is "second to none".

Elsewhere in this issue, *Krishna Gopalan* dives into yet another battle playing out, this time in India's retail sector, with Mukesh Ambani-owned Reliance taking charge of over 800 stores earlier run by Kishore Biyani's Future Retail, as the latter failed to pay up lease rentals. In doing so, Ambani has caught the mighty Amazon totally off guard, even as the Jeff Bezos-founded megacorp is locked in a bitter face-off with Biyani over the latter's deal to sell Future to Ambani. This intense battle for control of Future will be a determining factor in India's fast-growing retail story. Talking of retail, I would also urge you to read *Arnab Dutta*'s interview with Hindustan Unilever Ltd (HUL) boss Sanjiv Mehta, where he talks about the competitive landscape in the fast-moving consumer goods sector, and the importance of HUL in the Unilever ecosystem. BT



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Introducing the

Crypto Investment Plan

For regular auto-investments in cryptos.

Feb

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With CIP, you can now do disciplined investing in your favourite cryptos at weekly intervals.

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Building wealth is a marathon, not a sprint.
That's why we've brought the disciplined recurring investment approach of other asset classes to crypto assets.

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A feature like CIP helps you average out crypto buying prices in volatile markets by investing a small fixed amount (as low as ₹200) every week.

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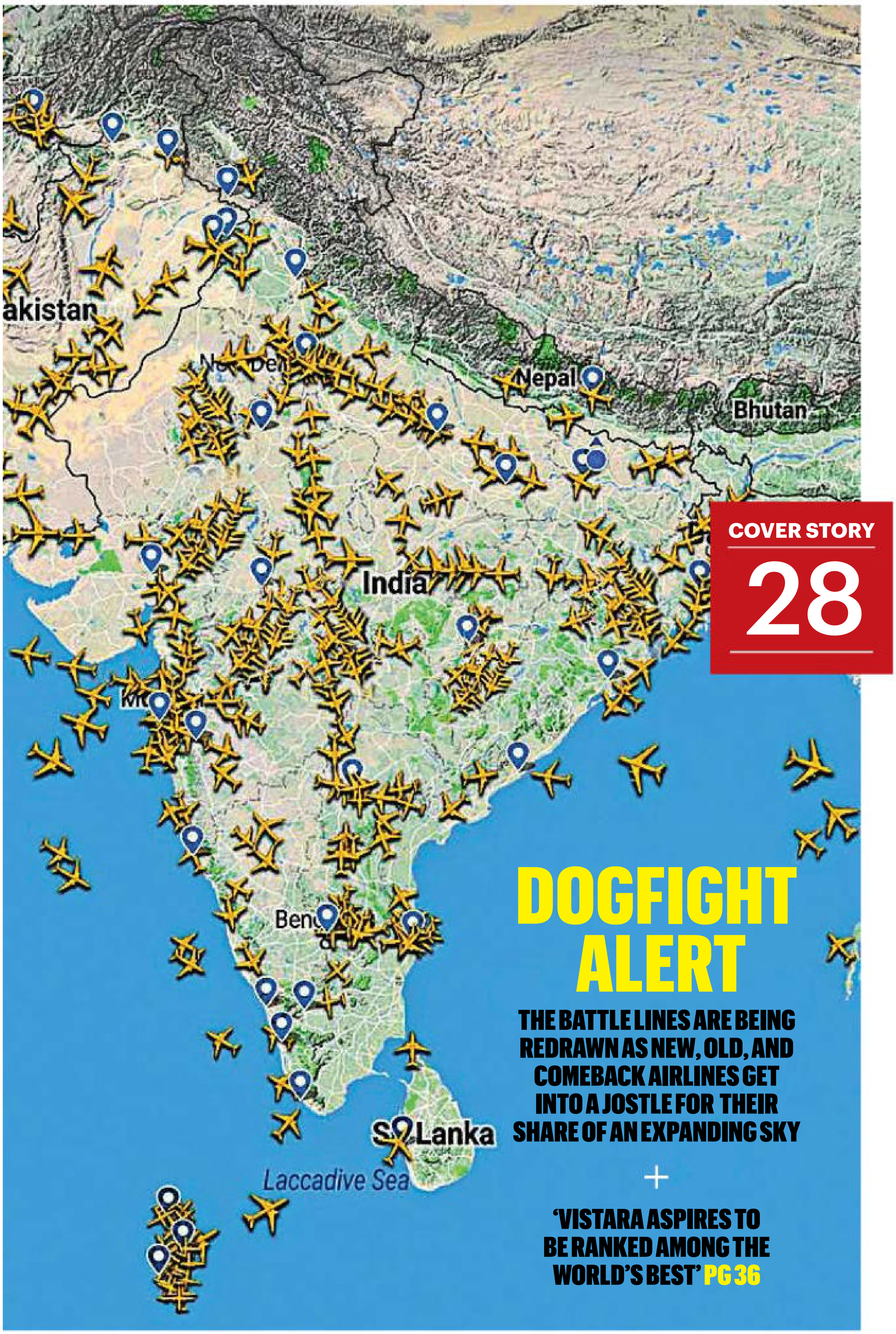
Choose coins & weekly amount → **Add funds to wallet** → **Start investing with CIP**

Crypto Investment Plan
The wisdom of disciplined regular investments now with Crypto assets

CONTENTS

April 17, 2022 | Volume 31 | Number 8



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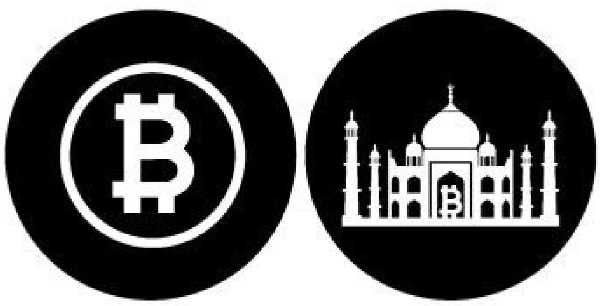
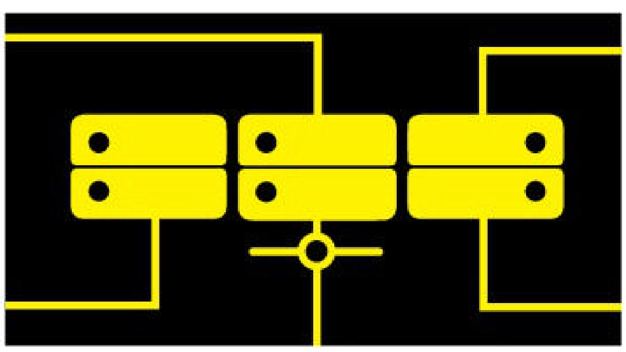
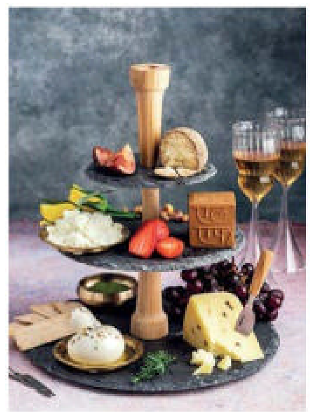






THE BUZZ

PHOTOGRAPHIK

Photo by **MANDAR DEODHAR**
Text by **RAHUL OBEROI**

Data till March 29, 2022
Source: BSE, ACE Equity

TOUCHING THE SKY

THE BULLS CONTINUED TO DOMINATE THE BEARS DESPITE UNCERTAINTIES IN THE EQUITY MARKET IN FY22. A LOOK AT THE NUMBERS THAT MATTER

17
PER CENT
The rise witnessed by the BSE Sensex from April 1, 2021 to March 29, 2022

67
PER CENT
of BSE 500 stocks delivered positive returns to investors

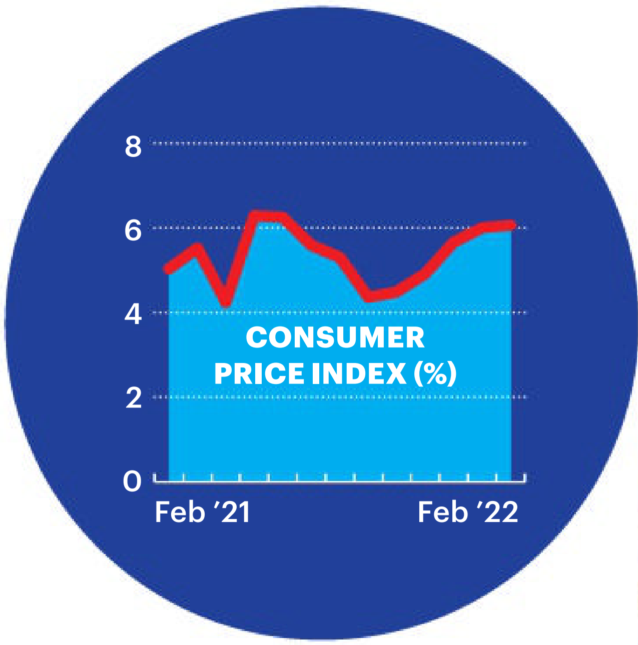
₹57.30
LAKH CRORE
was the addition in the market value of BSE-listed firms during the year

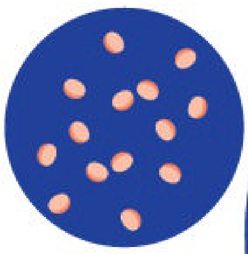
₹1.42
LAKH CRORE
Net outflows of foreign institutional investors (FII) in FY22 till March 29, 2022

KITCHEN ECONOMICS

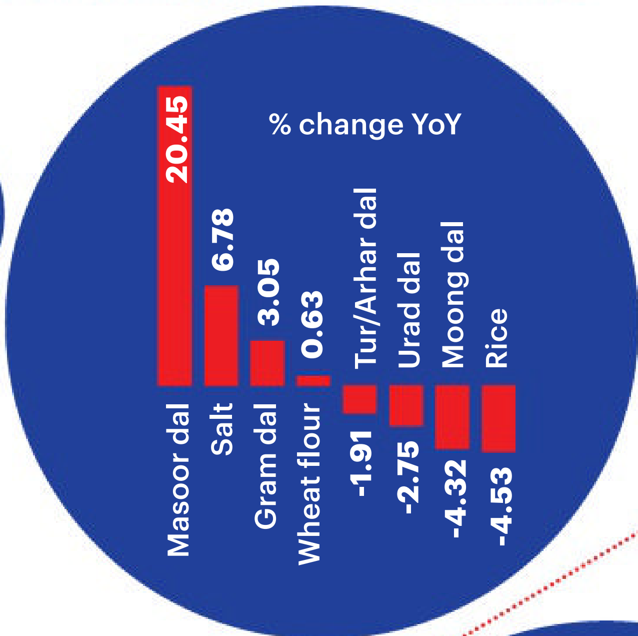
The demon of inflation is back. Retail inflation has seen an upward trend in recent times, hovering above the Reserve Bank of India's tolerance band of 6 per cent. Here's how it has affected your kitchen expenses in the past one year.

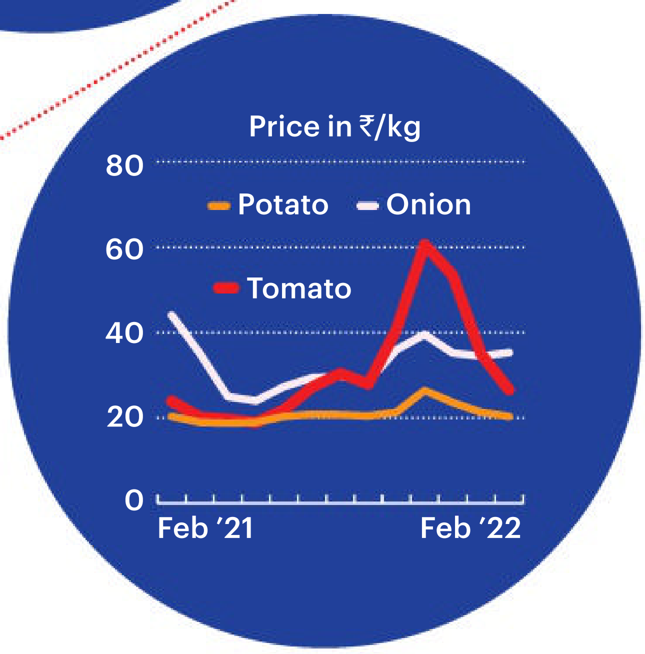
INFLATION HAS RISEN TO AN EIGHT-MONTH HIGH IN FEBRUARY...



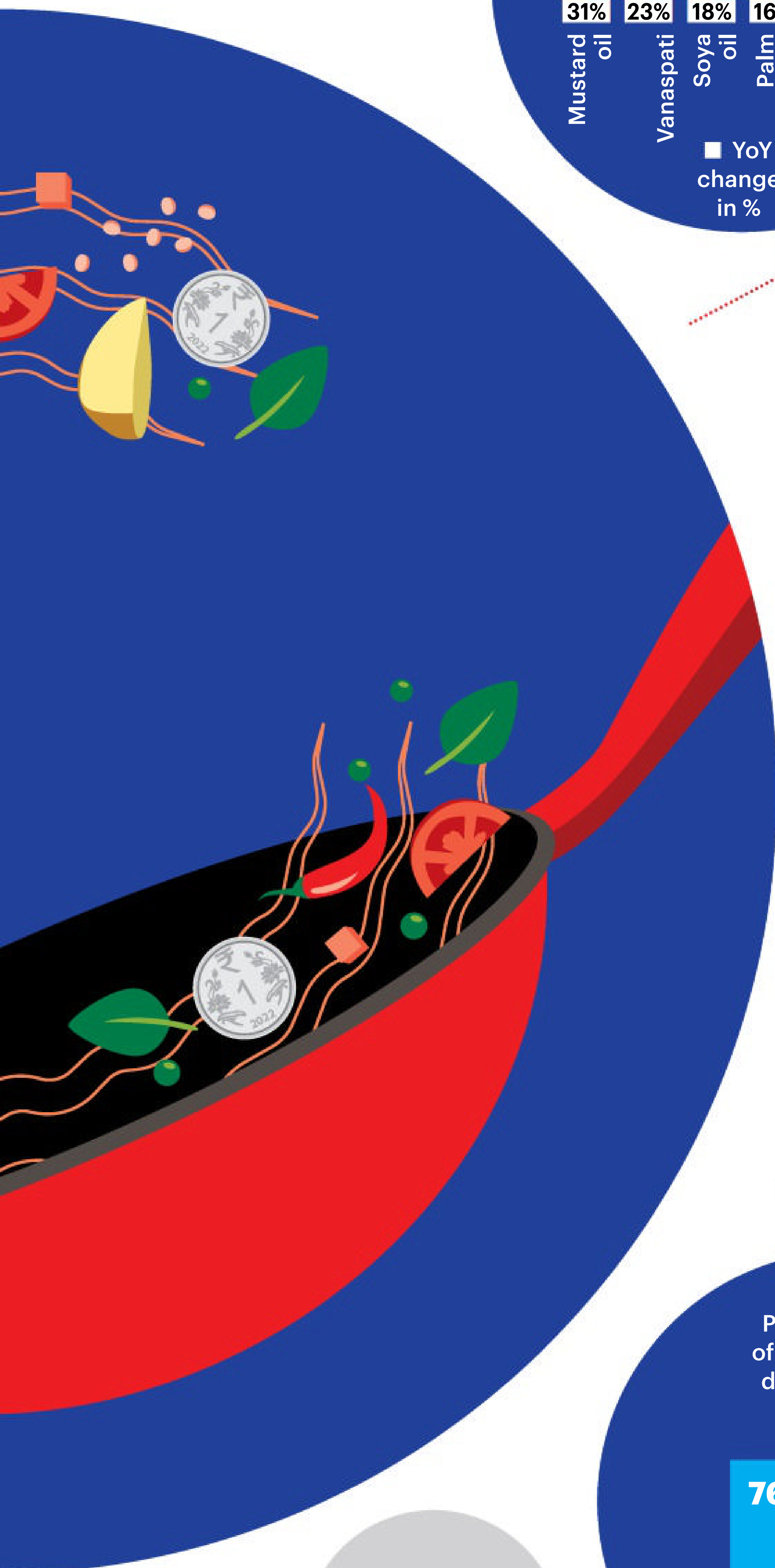


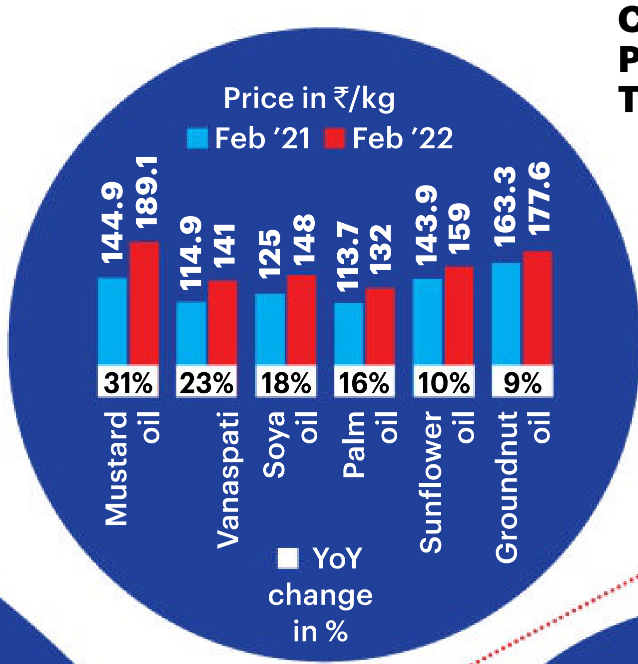
...THE SILVER LINING IS THAT THE PRICES OF MOST BASIC COMMODITIES ARE UNDER CONTROL



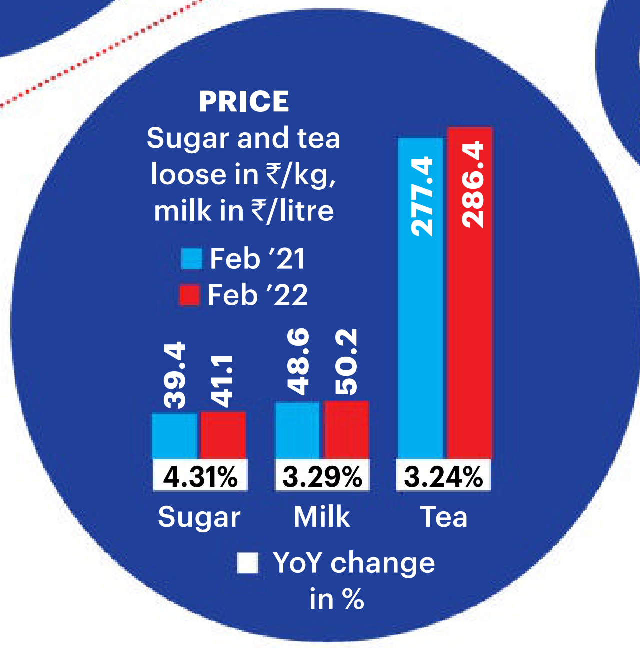


ONION PRICES HAVE FALLEN YEAR-ON-YEAR, TOMATO PRICES HAVE RISEN

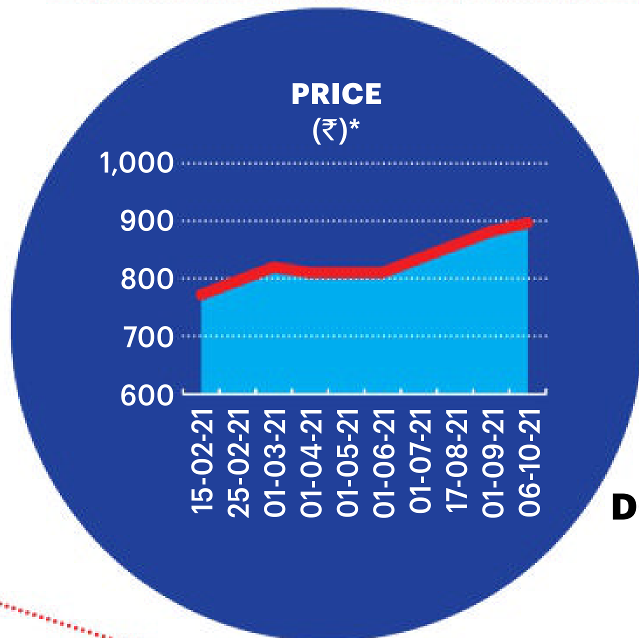




COOKING OIL PRICES ARE ON THE BOIL

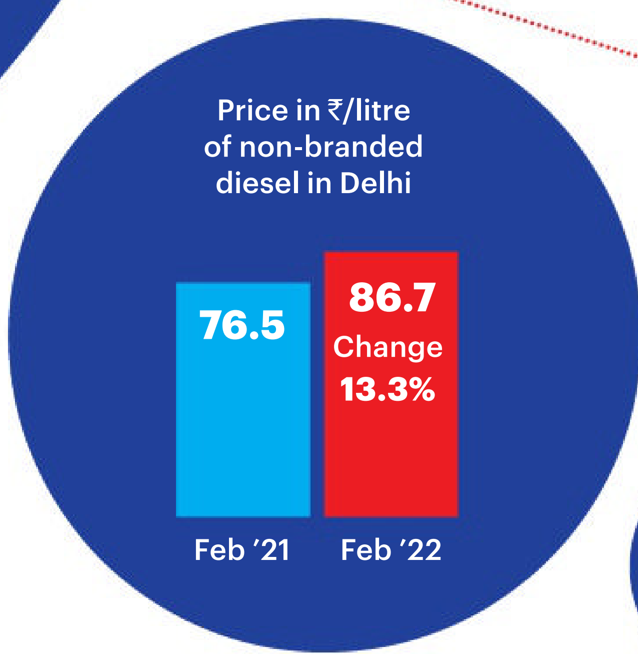


IT'S A STORM IN A TEACUP WITH PRICES GOING UP



PRICES OF NON-SUBSIDISED DOMESTIC LPG CYLINDERS HAVE ALSO GONE UP

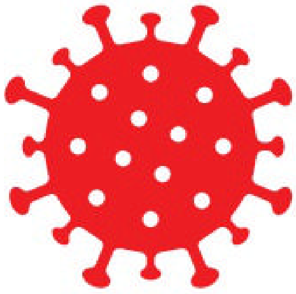
*Price of a non-subsidised 14.2 kg Indane gas cylinder in Delhi



WITH DIESEL PRICES RISING, ESSENTIAL COMMODITIES COULD BECOME DEARER

Text By **RAHUL OBEROI**
Graphics by **TANMOY CHAKRABORTY**

Source: CMIE



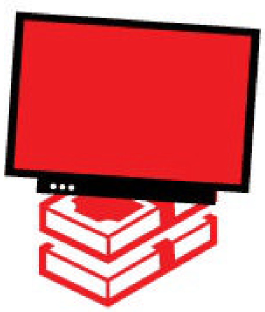
THE NEVER-ENDING COVID STORY

COVID-19 IS BACK with a vengeance in several countries with a new sub-variant of Omicron named BA.2 or Stealth. China has locked down Shenzhen and some other cities; South Korea's daily Covid tally has crossed 600,000; Hong Kong, too, is recording a sharp rise in cases. Worryingly, quite a few BA.2 variant cases have shown up in India, too, in Tamil Nadu. Time to beware.

—NEETU CHANDRA SHARMA

₹17 LAKH CRORE

AMOUNT PUMPED IN BY THE CENTRAL BANK SINCE THE COVID-19 PANDEMIC HIT THE ECONOMY IN MARCH 2020, SAID RESERVE BANK GOVERNOR SHAKTIKANTA DAS IN AN INDUSTRY MEET ORGANISED BY CII ON MARCH 21



TV SETS TO GET DEARER

The rising prices of raw materials, higher freight charges, weakening Indian currency, and the Russia-Ukraine conflict's ripple effect will stress India's TV industry, with TV sets likely to get dearer by 7-10 per cent. Arjun Bajaaj, Director, Videotex International Group, says stocks and shipments will last 1-1.5 months, and the Shenzhen lockdown could worsen things.

—NIDHI SINGAL

SUVs ON TOP

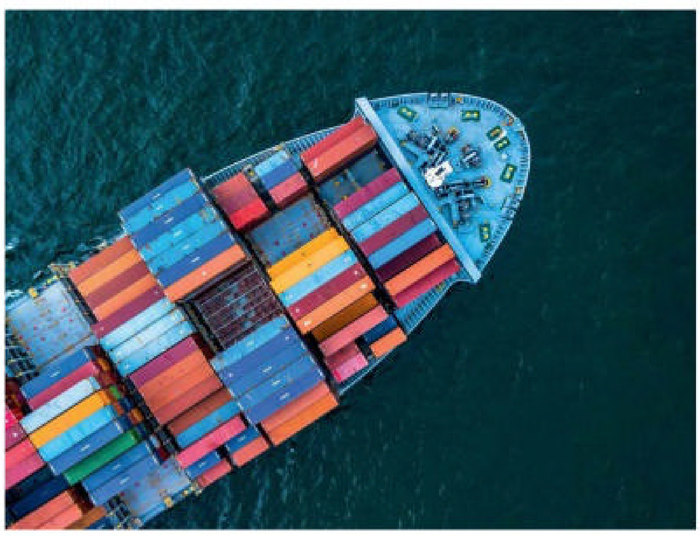
The Indian auto market's dynamics are not what they used to be for eons. In 2015, the small SUV segment sold a little over 100,000 units while 620,000 premium hatchbacks were sold, according to Jato Dynamics. Cut to FY22. Till February, the industry managed to sell 540,000 hatchbacks and, for the first time, the number of entry-level SUVs was a little short of 600,000. It was also the first time any segment had overtaken the hatchback, India's largest segment so far. India is now truly an SUV market.

—PRERNA LIDHOO

Exports Milestone

PRIME MINISTER Narendra Modi announced recently that India has achieved the target of $400 billion of exports for the first time. And now the government is targeting $500 billion of exports in FY23, which experts believe is achievable. "India's exports touching $400 billion is a miracle considering that they were stuck at $275-330 billion from 2010-11 to 2020-21," says Ram Singh, Professor, Trade and Operation at Indian Institute of Foreign Trade. Ajai Sahai, Chairman of Federation of Indian Exports Organisations, opines that the Russia-Ukraine conflict would not impact us, as our exports to these countries is puny. But as Singh points out, imports growth is much higher than exports growth, which is widening the trade deficit.

—RAJAT MISHRA



BIG SCREEN GETS BIGGER

PVR INOX, the merged entity born from PVR Ltd's merger with second largest multiplex chain INOX Leisure, will be the largest film exhibition company in India with 1,546 screens in 109 cities, pushing Carnival with 450-plus screens to a distant second. The new entity will hold 40-45 per cent of India's multiplex revenues, bringing it into the crosshairs of the Competition Commission of India. But with revenues less than ₹1,000 crore, the CCI's threshold for exemption, it might just pass muster.

—VIDYA S.

EVERYTHING YOU NEED TO KNOW ABOUT MARKET RISK

Does the term, Market Risk scare you? Does it make you feel that you could lose your hard-earned money if you try to invest? Thankfully, that does not have to be the case. While it is important to be aware that risk exists in investing, when you understand the how and why of market fluctuations, you can put some doubts to rest and approach investing with the right knowledge and frame of mind.

What is Market Risk? Why does is exist?

Market risk can also be referred to as market volatility or market fluctuations and has been around for as long as investing itself. Market risk is an inevitable part of the investment journey and it is important to remember that it is not always a bad thing.

Market risk can be defined as the possibility of losses due to fluctuations in the financial market. Let us look at this with an example: Mr. Kumar invests in Company X which is a tech start up. Everything about the company's products looks like they will sell well and earn a profit. Unfortunately, just before Company X can launch its first product range, Company A+, a well-established tech brand launches a similar range of products. As you can imagine, Company A+ has been around for a while, has built a good reputation and has loyal customers, and its products sell much better than Company X.

Therefore, Company X does not make a big profit on its products and Mr. Kumar does not receive the return on investment that he hoped for. In fact, if Company X is forced to shut down, Mr. Kumar might not even get his investment capital back. However, this was a risk that Mr. Kumar was aware that he was taking when he first invested. There was always the possibility that Company X's products could have been the first of their kind on the market and made a huge profit which would have benefitted Mr. Kumar, but because the future in unpredictable, there will always be risks. It is important to note here that higher risk are typically associated with higher returns as could have been the case if Company X had in fact caused a disruption in the tech market.

Similarly, when investing in an instrument like mutual funds, there is always an exposure to risk. Investors are indirectly investing in equity of various companies and returns therefore depend on how those companies are performing in the market. During a bear market or growth phase, most companies show profits and the investors benefit. However, during a bear phase or market downturn, companies could suffer losses which in turn affects the investors.

Levels of Risk

What exactly then are investors supposed to do to protect their investments from risk? First, it is important to remember that risk levels are not uniform across companies or mutual fund schemes. There are companies that can withstand risk better than others, while some fold under extreme loss.

Returning to our example above; in a situation where both Company A+ and Company X are faced with a market recession, Company A+ which is a large, well-established company is likely to be much less affected than start-up Company X. This is because Company A+ already has a large market share and losing some profit will not badly affect its ability to continue manufacturing its products. Company X on the other hand, that was depending on the profits of its first sales to finance production of its second range of products, might have to halt operations until it finds another way to raise capital.

Similarly, in the markets there are companies with a range of market shares. These can be broadly classified as large-cap, mid-cap, and small-cap companies based on market capitalisation. Large-cap companies are least affected by market risk while small-cap are affected the most, with mid-cap falling in the middle. What this means for investors, is that they get to choose where and how they want to invest in order to mitigate some of the inherent risk. For example, an investor could choose to invest across market caps to capitalise on the larger growing potential of small-cap companies, while gaining some capital protection from the less risky large-cap companies.

Understanding Risk Appetite

Risk appetite is the flip side of market risk. It is directly related to the investors and their ability to tolerate risk. Let us consider Mr. Kumar from our earlier example, because he invested in a high-risk company, we can say that Mr. Kumar has a high risk appetite. Another person might have chosen instead to invest in Company A+ because they could not tolerate the idea of losing money if things didn't work out for Company X.

Risk appetite is a personal aspect and something that each investor needs to decide for him/herself. Factors that could affect your risk appetite include your age, income, financial responsibilities, and the duration for which you plan to stay invested. In fact, assessing your own risk appetite is one of the first things each investor should do before you choose an investment instrument. Risk appetites could range from aggressive (high) to moderate (medium) and conservative (low). According to your own assessment, you can then proceed to choose investment options that suit you best.

TIMELY LIFELINE

The DPIIT has extended the five-year timeline to 10 years for start-ups to convert debt investment into equity shares, providing a breather to early-stage firms who require longer gestation and higher investments to build products and generate revenue. It gives them time to establish their business before starting to pay back debt.

—BINU PAUL

RESILIENT MARKETS

The Indian stock market is proving to be a resilient one if one looks at the correlation between the fall in the Nifty—or even the broader indices—and selling by foreign portfolio investors (FPIs). An analysis by ICICI Securities shows FPIs sold over $36 billion in the past one year—more than the $28 billion during the 2008 Global Financial Crisis. Yet, the indices dipped around 15-20 per cent, compared to 70 per cent in 2008. Reason: strong inflows from domestic institutional investors.

—ASHISH RUKHAIYAR

PHOTO BY **PANKAJ NANGIA**

The hotter, the better

AFTER SUFFERING from subdued demand in the past two years, the country's air conditioner makers are gearing up for a bumper sale in 2022. With the Indian Meteorological Department forecasting an early summer and heat waves across north India, AC sales are set to surge by healthy double digits. Typically, the March-June period accounts for 65 per cent of annual AC sales. Industry veteran and Godrej Appliances' Executive Vice-President Kamal Nandi expects the AC market to get a boost despite imminent price hikes, as the Covid-19 fear recedes and summer temperatures rise.

—ARNAB DUTTA

RATE CUT

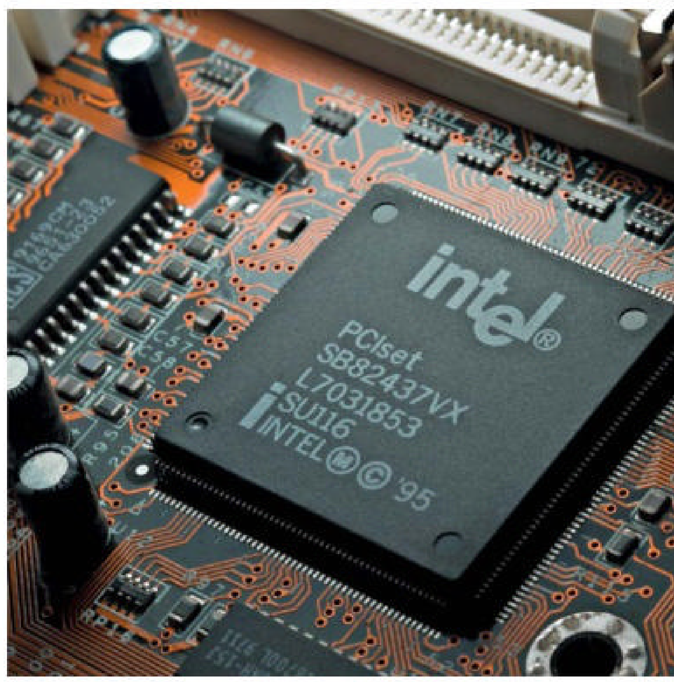
The Employees' Provident Fund Organisation (EPFO) has reduced the interest rate on provident fund deposits to 8.1 per cent for 2021-22, the lowest in 40 years—it was at 8 per cent in 1977-78. The decline in rates will hit 60 million subscribers of EPFO. Will the interest rates for other small savings schemes also be slashed? Rates do tend to change in tandem. Sukanya Samriddhi Account has an interest rate of 7.6 per cent, Senior Citizens Savings Scheme has 7.4 per cent, and Public Provident Fund (PPF) 7.1 per cent.

—TEENA JAIN KAUSHAL

INTEL GOES TO EUROPE

India proposes, Intel disposes. Three months after India announced its ambitious semiconductor scheme and Union Minister Ashwani Vaishnaw invited Intel to India (on Twitter), the US chip giant has announced it would invest €80 billion in the European Union over the next decade. This includes a semiconductor fab mega-site in Germany, an R&D and design hub in France; and R&D, manufacturing and foundry services in Ireland, Italy, Poland and Spain. Intel says this will address the need for a balanced and resilient supply chain.

—NIDHI SINGAL



₹248 crore

NET OUTFLOWS FROM GOLD ETFs IN FEBRUARY, MAKING IT THE SECOND CONSECUTIVE MONTH OF WITHDRAWALS AS INVESTORS PREFERRED EQUITIES OVER OTHER SEGMENTS ON ROBUST SIP FLOWS. NET OUTFLOWS FROM GOLD ETFs WERE AT ₹452 CRORE IN JANUARY

OILMAN ON THE LOOKOUT

OIL & GAS MINISTER Hardeep Singh Puri must be partially relieved after state-owned oil marketing firms raised fuel prices for the first time in four months. Crude oil prices have steadily risen since the start of Russian military action in Ukraine, eroding the margins of players like IOCL, HPCL and BPCL. The 70-year-old former diplomat also told the Rajya Sabha that he was weighing in on potential investment opportunities in Russian oil and gas assets if western oil majors exited the country.

—MANISH PANT

COVID KILLER

FINALLY, CHILDREN aged 12 to 15 years can get their own vaccine for Covid-19. And that is thanks to *Mahima Datla*, whose company Biological E. has already produced 300 million vaccine doses for the central government. Datla, MD of the company, says Biological E. will also partner with state governments, hospitals and medical institutions to facilitate the supply of Corbevax, and the company has installed capacity to produce over 100 million doses per month.

—NEETU CHANDRA SHARMA

WHERE THERE IS A YOGI...

Baba Ramdev has an opinion on practically all things, and these days, especially on matters FMCG. The trait was on full display when he faced media queries during the launch of Ruchi Soya's follow-on public offering (FPO). Asked about the recently-listed Adani Wilmar, Ramdev was quick to say that Adani Wilmar is just an oil company while Ruchi Soya has a strong presence in FMCG, food and nutraceuticals. Wherever there is a yogi, everything is possible, he quipped.

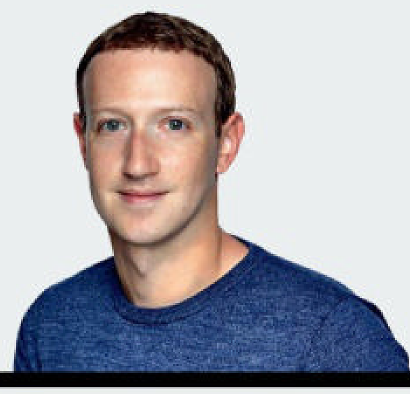
—ASHISH RUKHAIYAR

Baba Ramdev has called Adani Wilmar just an oil company, while explaining that Ruchi Soya is present in FMCG, food and nutraceuticals

Family Strife

TOUGH TIMES have befallen **Analjit Singh**. An astute investor who made a pile of money in telecom, the Max Group founder is in the midst of a legal battle with his wife Neelu. In a petition filed with NCLT, Neelu has alleged fund diversions through sham transactions, in addition to being ousted from the business. Looks like a long haul.

—KRISHNA GOPALAN



META, INSTA, NFT

Good news for Insta influencers! Meta (Facebook) Founder **Mark Zuckerberg** at a conference in Texas, US, confirmed that Instagram would soon introduce non-fungible tokens (NFTs). The photo-sharing app is also likely to allow users to trade NFT profile pictures on the platform. This is in line with Zuckerberg's ambitions of building a metaverse that will be more like an extension of our current virtual avatars, but only more interactive. Instagram's entry into NFTs could mean anything from allowing users to mint their own tokens to selling a viral post as an NFT, and a lot of other cool stuff in between.

—PRERNA LIDHOO

Goel Stays

BY REAPPOINTING Jawahar Goel as MD till March 2025, Dish TV's board has sent a clear message that it is in no mood to relent to pressure from its largest shareholder YES Bank to replace Goel—Subhash Chandra's brother; he has 5.93 per cent promoter shareholding in the company—and four directors. This comes after the reappointment of non-executive and non-independent director Ashok Kurien was shot down at its AGM. What next for the company?

—VIDYA S.

HARDEEP SINGH PURI AND **BABA RAMDEV** PHOTOS BY BANDEEP SINGH; **MAHIMA DATLA** PHOTO BY KRISHNENDU HALDER

Payments Pain

The RBI's regulatory action on Paytm Payments Bank is the latest in a series of challenges the group has been facing since it listed late last year

BY **ANAND ADHIKARI**

▶ **PAYTM IS** facing torrid times. Paytm Payments Bank, part of the Vijay Shekhar Sharma-founded financial services group, was recently directed by the Reserve Bank of India (RBI) to stop on-boarding new customers because of supervisory concerns. This comes as the group's holding company—One97 Communications—battles falling prices since being listed.

Sharma, who has been frustrated by substantial value erosion, recently remarked that his business model hasn't been understood by the market. Paytm is building a financial services model on top of a low-margin payments business. But there hasn't been much progress or scale in the non-payments side, which comprises businesses like lending, insurance and investments, among others. In fact, the latest regulatory action will come in the way of the group getting a small finance bank (SFB) licence and entering the lucrative lending business. The current RBI guidelines allow a payments bank to convert into an SFB after the completion of the first 5 years. Paytm completes 5 years in June and was keen on an SFB licence. ICICI Securities, in a recent report, cited the recent instance of an embargo on HDFC Bank. "It took 8 months to partially lift the restrictions and almost 15 months to wholly lift the same," says ICICI Securities. Clearly, the RBI isn't likely to entertain Paytm's application anytime soon. The SFB licence would have allowed Paytm to offer small-ticket loans and would have removed limits on the savings bank account balance.

LONG PATH TO PROFITABILITY
PAYTM IS TRYING TO BUILD A FINANCIAL SERVICES MODEL ON TOP OF ITS PAYMENTS BUSINESS

The RBI has also directed Paytm Payments Bank to appoint an IT audit firm to conduct a comprehensive audit of its IT systems. The payments bank is one of the contributors to revenues and profits of the holding company; One97 Communications offers a payments gateway, marketing and distribution services to the payments bank, whose instruments like the Paytm Wallet and Paytm FASTag are offered on the holding company's super app. The parent holds 49 per cent in the payments bank, while Sharma holds 51 per cent. In response to the regulatory action, Paytm has said that it is fully compliant with the data localisation rules of the regulator.

The group is yet to get the nod from the insurance regulator for the acquisition of private insurer Raheja QBE General Insurance Company, a deal it had announced in 2020. Paytm's road to profitability is only getting longer. **BT**

@anandadhikari

PHOTO BY **GETTY IMAGES**

REPORT CARD: PAYTM PAYMENTS BANK

Particulars	Mar '19	Mar '20	Mar '21
Sales	1,668.1	2,110.6	1,987.4
Net profit	64.93	2.7	17.8

(in ₹ crore) Source: *Annual reports*

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*The source of the data is Microsoft Work Trend Index (https://news.microsoft.com/en-in/microsoft-work-trend-index-reveals-urgent-trends-as-hybrid-work-unfolds-in-india)

Eveready Burmans

With the Competition Commission of India's nod, Dabur's Burman family is set to take over the Kolkata-based dry cell battery maker that has been under stress for years

BY **ARNAB DUTTA**

CHARGED UP-Mohit Burman, Executive Vice Chairman of Dabur India and the man behind the Eveready deal, believes the brand has significant potential

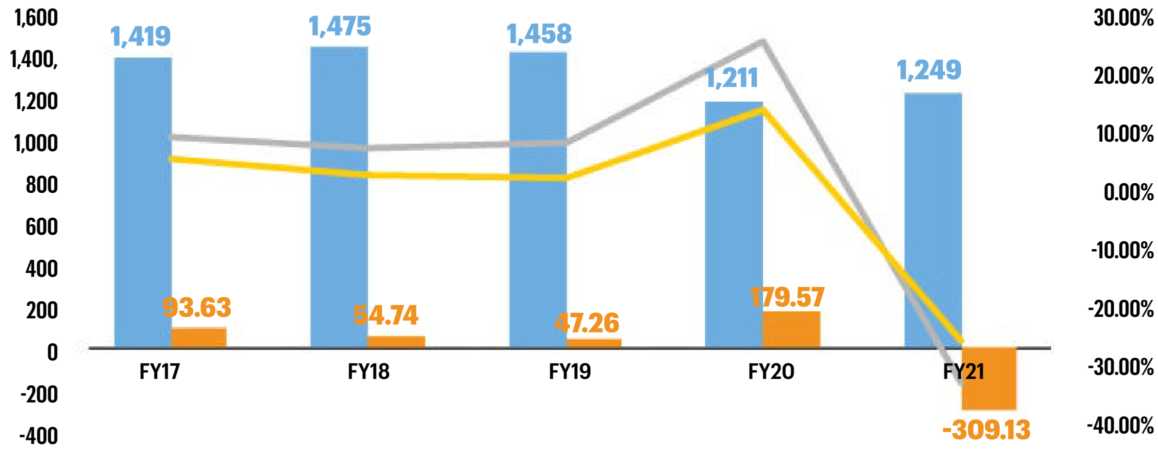
PHOTO BY **SHEKHAR GHOSH**

AFTER FAILING TO REVIVE the business for years, the Kolkata-based Khaitan family may finally have to part ways with Eveready Industries, the maker of eponymous batteries that are pretty much ubiquitous in India, and which once used to be the crown jewel for the diversified group. With the Competition Commission of India clearing the takeover bid by the Burman family, the beleaguered dry cell battery maker is now closer to having a new owner.

The Delhi-based Burman family, which already has interests across fast moving consumer goods (FMCG), quick service restaurant chains and financial services, has lined up five group companies and a financial advisory firm to take control of Eveready. While the Burmans already own 19.85 per cent of the company, three of their group entities Puran Associates Private Limited, VIC Enterprises Private Limited and M.B. Finmart Private Limited have been placed at the forefront of this deal as acquirers. Additionally, Gyan Enterprises Private Limited and Chowdry Associates are the persons acting in concert (PAC). These five together are expected to take 26 per cent shares of Eveready against ₹605 crore. Further, JM Financial, which is managing the proposed deal, is also planning to take 5.26 per cent ownership on behalf of the Burman group.

According to Mohit Burman, Executive Vice Chairman of Dabur India and the man behind the deal, expansion of Eveready's portfolio by leveraging the brand would be the key focus of the new management. "The brand Eveready is very strong and is a clear leader in the dry cell market. It's also a very well-known consumer brand and we do like to

EVEREADY'S BUSINESS HAS SUFFERED IN THE PAST FIVE YEARS



Source BSE

invest in businesses like these. We believe that the brand has significant potential. We plan to focus on its existing businesses in the immediate future and then look at new businesses in the medium to long term," he says, adding that with the right thrust and focus, the current business could be scaled up and new businesses explored. "The dry cell market today is around ₹1,500 crore in size, but then there are segments within the industry like alkaline batteries that are growing very fast. We plan to go after that for sure, besides upgrading our range and focussing on lighting, too," says Burman.

While the Burmans' open offer for Eveready came only in late February, over the past few years, the family's interest in the firm has grown steadily. It also coincides with the Khaitan family's declining holding. Since the Kolkata-based family empire's patriarch Brij Mohan Khaitan's demise in mid-2019, the promoter holding in Eveready has dwindled from 44 per cent in March, 2019 to 4.84 per cent in December, 2021.

Burman, however, denies that the acquisition was planned or it was in understanding with the Khaitans, whom they know for decades. According to him, they "never intended to own or control the company initially. We only invested because we thought the business was cheap. There is no such understanding [with the Khaitans]. This is not a structured deal".

While Aditya Khaitan and Amritanshu Khaitan, the former chairman and managing director of Eveready, respectively, who stepped down immediately after the Burmans' open offer to acquire the company, declined to comment, people closely associated with its management told *Business Today* that the root of the problem lies in the Khaitans' ambitious McNally Bharat deal. Acquired in 1980, the Khaitans owned 35 per cent of the infrastructure and mining solutions firm in FY14, but most of its shares were pledged against debt that it raised over the years. With its inability to realise revenue, the promoters had to initiate share sale to maintain liquidity.

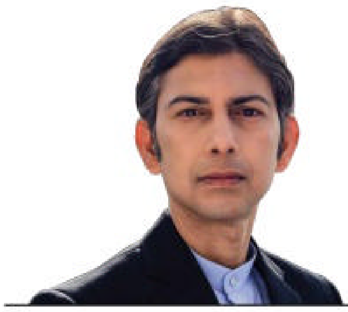
Rising debt turned out to be a major concern for the owners, who eventually had to start selling assets to manage finances as sales in the battery business stagnated. Eveready, which used to contribute over 55 per cent towards the group's revenue, has posted negative growth both in its top line and bottom line at least since FY17 (*see chart*). By 2018, analysts such as Kotak Securities started pinning their hopes on sale of key assets such as industrial land by Eveready.

Meanwhile, lenders' intervention resulted in steady fall in the shareholding of the promoters. Take IndusInd Bank, for instance. In 2020, it invoked pledged shares—7.82 per cent in Eveready and 7.5 per cent in McLeod Russel. "Equity shares of Eveready Industries and McLeod Russel, held by Williamson Magor and Co (Khaitan Group entity), were pledged with the bank for securing the outstanding dues of Seajuli Developers & Finance Limited. The bank has invoked the pledge held on the aforesaid shares for recovery of its dues from Seajuli," the bank said in a regulatory filing.

With the Burmans in charge, company insiders are now hopeful that Eveready has a fair chance of survival. "We have known them for years and, given the current circumstances when the Khaitan family can no more keep the control, it's better that Eveready stays with the Burmans," says a Khaitan loyalist.

Burman sounds confident too. Instead of running the business directly like the Khaitans, the family plans to scale up the business through seasoned professionals. "We like our companies to be run professionally. So, the Burman family is not going to be on the Eveready board in any executive capacity. We generally run our businesses professionally and our intent is to run this, too, in a similar fashion," he says. That should be reassuring for Eveready's stakeholders, considering the Burmans' good track record with Dabur India. **BT**

@arndutt



The Unreliable Promoter

While the government is happy to sell shares of its companies in the public market to raise money when required, it has nothing but rank disrespect for the rights of other shareholders. For decades, it has run roughshod over them in listed PSUs

BY **UDAYAN MUKHERJEE**

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EVERY YEAR, the Finance Minister lays out an annual target for receipts from divestment of PSU shares, a number missed by a wide margin by the end of year, nearly every time. This is regardless of market conditions, buoyant or sluggish. Among many contributing factors, a paramount one is that most investors, and indeed businessmen, regard the Government of India (GoI) as an unreliable promoter, capable of utterly capricious behaviour to the detriment of minority shareholders. In this, the GoI has been remarkably consistent, regardless of which dispensation is in power. It is this tendency that has resulted in the sustained underperformance of PSU stocks over the decades and made global and local businessmen wary of buying state-owned assets.

The latest, and glaring, example of this is the ongoing saga of fuel prices and the proposed disinvestment of BPCL. Global crude prices have shot through the roof in response to the crisis in Ukraine, yet retail prices of fuel had not been raised since November 2021, till recently. State-owned oil companies have bled billions in this period and some private oil retailers were on the verge of shutting shop. When asked why prices had not been raised, the Finance Minister scoffs at the question saying she couldn't possibly think only about the fate of BPCL or oil marketing companies while deciding on such matters, having loftier issues such as inflation to keep in mind. This churlish response was both surprising—as it was her predecessor Arun Jaitley who had announced the deregulation of diesel prices to rapturous applause from the business community in October 2014—and disingenuous, as the real reason is obviously the key state elections which held the government back from raising fuel prices.

The stock of BPCL is down a quarter since fuel prices were frozen but that is at best a side issue as minority shareholders are by now used to the vagaries of owning PSU oil companies. The bigger problem is that any prospective buyer of BPCL would probably think several times before buying an asset where it has no control on product pricing, potentially standing to lose millions of dollars every time an important election comes around, if the price of crude were to misbehave for some reason. For decades, the government has run roughshod over other shareholders in publicly listed PSUs, sometimes taking arbitrary decisions totally inimical to their interests, often even forcing them to run down their balance sheets by buying stakes in other PSU companies to serve its own interests. No business in its right mind could bid for BPCL in such a scenario.

Similar questions plague the prospects of India's largest IPO, the upcoming one of LIC. The country's largest insurer has often been used as a pawn by the finance ministry to bail itself out of sticky situations. When the public issues of struggling insurance companies New India Assurance and General Insurance Corporation needed bailing out, it was inevitably LIC which was called upon to do the honours. Likewise, when the ailing IDBI Bank needed a lifeline, it was again LIC that was called upon to fork out thousands of crores, regardless of whether it made any financial sense. Examples of such forced investments are numerous, most ending up as disastrous bets. It is also an open secret that LIC is used as a market stabiliser by the finance ministry during times of crisis and panic, even if it is at the cost of sacrificing its own interests. And therefore, while the franchise

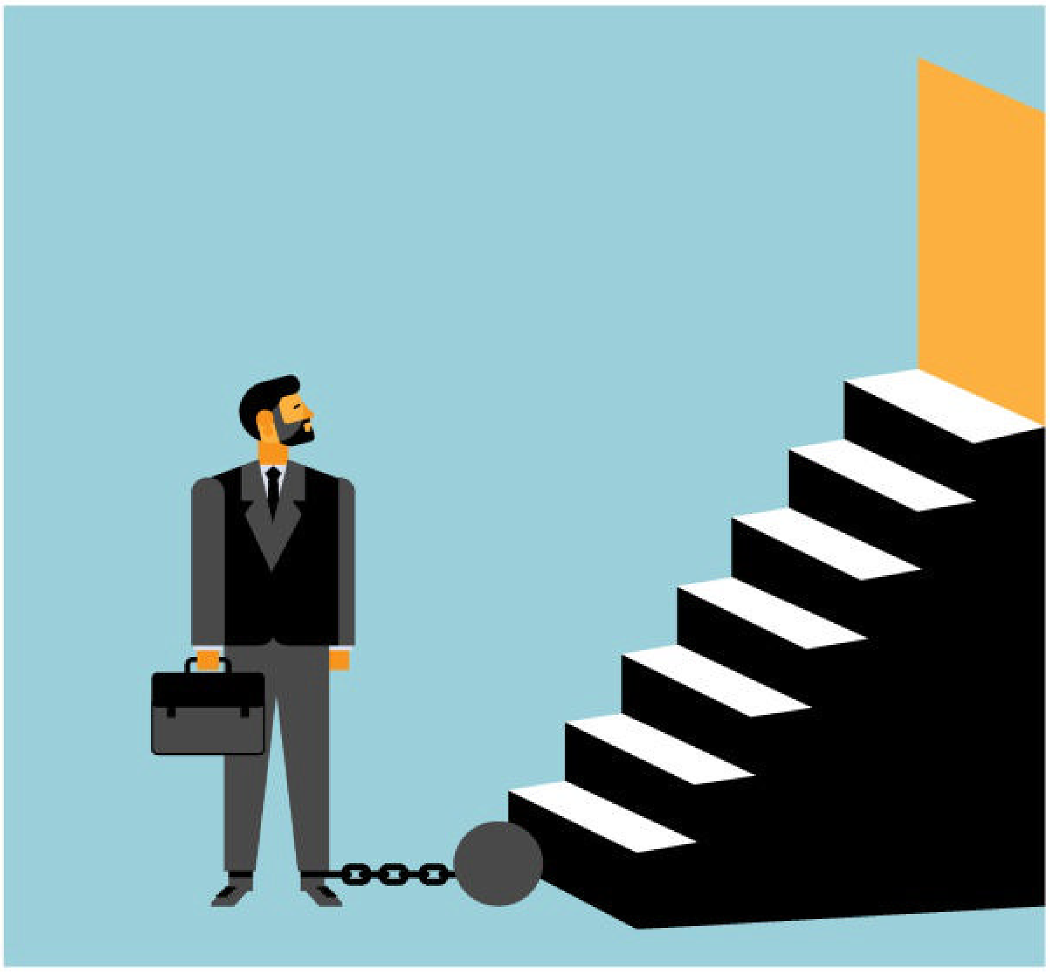


ILLUSTRATION BY **RAJ VERMA**

With its shoddy track record, the government cannot go about asking investors to partake in its newfound divestment zeal, unless it can demonstrate that it is about to change its spots. After all, you can't have your cake, and eat it too

is indeed valuable, it is questionable if LIC should be regarded as a clean insurance play, or an extension of the finance ministry which can be pressed into the service of 'national interest' at any time. Prospective investors of LIC need to be cognisant of such risks before getting too excited.

The same issues are likely to crop up in the proposed sale of stakes in two government-owned banks. Would they truly be allowed to operate as freely as their private sector counterparts? The issue is that while the government is happy to sell shares of its companies in the public market to raise money when required, it has nothing but rank disrespect for the rights of other shareholders. Almost as if minority shareholders ought to feel privileged about being conferred the right to own a slice of these jewels and dare not ask questions when their value is eroded serially by poor decision making. Unless this changes, and the government realises that it can do whatever it wants with 100 per cent owned PSUs—even if that risks running them to the ground like BSNL—it cannot take such liberties where the companies have other non-government shareholders. And with its shoddy track record, it certainly cannot go about asking suitors and investors to partake in its newfound divestment zeal, unless it can demonstrate that it is about to change its spots. After all, you can't have your cake, and eat it too.

The central problem is one of trust, and it isn't a new one. A decade ago, the government did an offer for sale of shares of the upstream oil company ONGC. Before the issue, there were global roadshows where ministers and bureaucrats announced, with great fanfare, how policies with regard to the company would be scrupulously aligned to the interests of all shareholders. What followed over the years was a series of missteps such as loss/subsidy sharing with oil marketing companies and then the purchase of a majority stake in HPCL. Ten years out, the stock still trades way below the price at which the shares were sold back in 2012. There, hangs a cautionary tale.

Should bidders or investors believe *assurances* from the government that such decisions will not be taken in future with regard to BPCL or LIC? After all, diesel deregulation was just such a promise from the same government, which lay in tatters for over four months till the government deigned to concede enough was enough.

Having dealt in broken promises and high-handed arrogance over the years, the government should now realise that, powerful as it may be, it is still not above the old dictum that actions speak louder than words. **BT**

BATTLE FOR THE SKIES

BY **MANISH PANT**

INDIA'S AVIATION SECTOR IS BRACING FOR ANOTHER FIGHT FOR MARKET SHARE. AND THE PRIMARY PROTAGONISTS ARE MARKET LEADER INDIGO AND THE TATA GROUP

ILLUSTRATION BY **ANIRBAN GHOSH**

IT IS THE best of times, it is the worst of times. It is the age of a rally in air travel, it is the age of runaway fuel prices. It is the era of growth returning to Indian aviation, it is the era of high operational costs delaying recovery. In short, we'll know if India's airline sector—which contributes an estimated $72 billion to the country's GDP—flies high again even as the great battle for the skies unfolds in the months ahead.

What's the big deal? Only 4 per cent of India's 1.38 billion people have taken a flight to date, so there's much room for growth. "We believe there is a huge market waiting to be tapped. It has a lot of potential and space for everyone," says Ronojoy Dutta, CEO of IndiGo, India's largest carrier. Avers Vinod Kannan, CEO of full-service carrier (FSC) Vistara, a joint venture between Tata Sons and Singapore Airlines (SIA): "The potential it has is very different from most countries in Southeast Asia. The closest perhaps is Indonesia, which is a market of about 250-300 million people, with a lot of young people wanting to travel. But the scale of the Indian aviation market is second to none."

The father of Indian low-cost aviation, Air Deccan Founder G.R. Gopinath, feels the government should bring in reforms and incentives to make travel affordable and thereby boost the industry: "These incentives and reforms and lowering barriers will have to be done comprehensively across the entire sector—aviation fuel, GST and lease taxes, customs, airports and so forth."

FY21 was a particularly challenging period for the industry. Amid the pandemic, the financial loss to Indian carriers was approximately ₹19,000 crore, while for Indian airports, it was around ₹3,400 crore. Domestic air passenger traffic declined by 61.7 per cent in 2021.

As the impact of the pandemic ebbs, one of the world's most competitive airline markets is gearing up for another dogfight. And the two biggest protagonists in this battle are IndiGo, with 51.3 per cent market share, and the Tatas, with a combined 26.6 per cent share across four airlines.

Market leader IndiGo sounded the bugle in right earnest in February, by appointing Promoter Rahul Bhatia to the role of Managing Director to make the airline "future ready" for competition.

In 2006, Bhatia and aviation industry veteran Rakesh Gangwal had set up what has since become India's most successful low-cost carrier (LCC). With more than three decades in the travel industry, Bhatia is known to be very thorough with all aspects of the aviation business. People know him as an astute businessman who believes in getting the best talent to work with IndiGo. Aviation industry insiders point out how he firmly supported Gangwal in laying a rock-solid foundation for the company, while he himself managed the policy environment to ensure a smooth take-off for the carrier. The teamwork eventually resulted in the airline placing an order for 100 A320 aircraft with Airbus a year ahead of the launch. A few years ago, when an acquaintance texted Bhatia to congratulate him for making it to the list of the top Indian billionaires, he called back to say: "Wealth comes and goes... It's far more important to build a sustainable brand based on sound work ethics."

This isn't the first time Bhatia has returned to the cockpit. In 2018, when then CEO Aditya Ghosh abruptly quit, he took charge as interim CEO. As MD, he will focus on piloting the airline's domestic and international business strategies as well as retaining its leadership position.

IndiGo operates an all-Airbus fleet of 276 aircraft. The airline's 35 ATR 72-600 turboprops are again manufactured by a JV between Airbus of France and Leonardo of Italy. One of IndiGo's key traits has been to buy Airbus

IN FY21, INDIAN CARRIERS SUFFERED LOSSES OF AROUND ₹19,000 CRORE WHILE AIRPORTS LOST ₹3,400 CRORE

aircraft at prices that are amongst the lowest in the world, which should stand them in good stead as competition intensifies. Since its inception, the airline has always focussed on connecting large-, mid-size- and small cities. "We are closely monitoring the current trends across air traffic, train passengers as well as the economic situation. Based on all these factors and various demand estimates, we are working on new routes and flights," says Dutta.

With the lifting of curbs on international flights, IndiGo is looking at restarting operations on those routes. "We will take every opportunity we can to return to the previous 24 destinations we were operating before the pandemic, and expand our network to other destinations within the six-to-seven-hour range with our narrow-body aircraft," Dutta adds.

Attributes like slots on all metro routes, a high aircraft-to-destination ratio, a steady schedule resulting in good on-time performance, massive profits from sale and leaseback, adept cost optimisation, and a strong eco-system of travel and aviation services have all helped IndiGo consolidate its position in the market. "It is also very important for a market like ours to have stable players like IndiGo, an Indian operator that is sought out globally for transacting and leasing aircraft into India. There is no doubt that they have successfully managed a budget airline despite all the odds, and in doing so have also created a level playing field for all Indian operators," says Neha Singh, Associate Partner at law firm Link Legal.

After posting losses for several straight quarters, the carrier reported a profit of ₹130 crore for October-December 2021. "As the market leader, IndiGo will need to protect and maintain market share and profitability amid new competition," says a senior executive at an aviation advisory firm.

"Amongst the present airlines, IndiGo has enough cash balance—approximately ₹17,300 crore in December—to cover over 18 months of cash burn, much higher than less than six months for peers," says Karan Khanna, Aviation Analyst at Ambit Capital. Thus, the airline could prioritise defending market share over profitability in the near to medium term.

READY TO SOAR AGAIN

India's aviation sector is in comeback mode, with recovery in passenger traffic and the entry of new carriers

1. Domestic passenger traffic continued to recover with 7.7 million people travelling in February compared to 6.4 million in January, a rise of 20 per cent
2. Regional routes connecting Tier II and III cities are said to be the new engines of growth
3. But rising ATF prices continue to worry airline operators; ATF contributes up to 45 per cent of total operating costs
4. The high fuel costs and losses suffered since March 2020 may prevent airlines from offering deep discounts on fares
5. A strong framework is needed to prevent the rise of monopolies that may scuttle new companies from emerging

₹130 CRORE

INDIGO'S PROFIT IN OCT-DEC 2021

₹17.3K CRORE

THE AIRLINE'S CASH BALANCE IN DECEMBER 2021

As the initial euphoria following the successful return of Air India to the Tata group subsides, speculation has begun on how the $103-billion salt-to-software conglomerate would turn around the national flag carrier. Experts say much will depend on the seamless integration of the group's existing carriers with the formerly government-owned airline. The Tata group's management control of Air India Ltd includes the FSC Air India, and its low-cost unit Air India Express. Other than Vistara, it operates AirAsia India, a JV between Tata Sons and Malaysia's AirAsia.

To be competitive, the Tatas need to look beyond just turning around Air India. "The Tata group now effectively manages four airline brands, each with a distinct profile, culture and cost base. The integration will involve looking at common systems, redundant capacity and costs, all done keeping in mind competition policy. The jury is out on whether the group will integrate all brands or follow a 'house of brands' strategy," says Satyendra Pandey, Managing Partner at aviation advisory AT-TV. If the fleets of the four carriers—Air India, Air India Express, Vistara and AirAsia India—are consolidated, it comes to 233 Boeing and Airbus aircraft in varying configurations. This is the second-largest fleet of civil aircraft in the country.

"Integration of the four airlines will need to be a well thought out strategy. The full-service airlines and the LCCs can individually be merged. A lot of synergies can be tapped by merging Vistara with Air India, and AirAsia

MIXED RETURNS

Airline stocks have displayed a mixed trend in FY22. With a rally of 20 per cent since April 1, 2021, shares of Inter-Globe Aviation (IndiGo) jumped to ₹1,962.85 on March 28, 2022. On the other hand, Jet Airways (India) and SpiceJet declined 10.27 per cent and 18.92 per cent, respectively, during the same period. Meanwhile, the benchmark BSE Sensex has advanced 16.33 per cent in FY22 so far. These same stocks had delivered handsome returns to investors in FY21, on the back of robust liquidity in the market. Jet Airways, SpiceJet and InterGlobe had surged 600 per cent, 88 per cent and 53 per cent, respectively, in FY21, while the 30-share Sensex gained 68 per cent during the period.

—RAHUL OBEROI

[India] with Air India Express, but all of this is expected to happen only in the medium term," says Jagannarayan Padmanabhan, Practice Leader & Director, Transport and Logistics, CRISIL Infrastructure Advisory. "With the privatisation of Air India, their balance sheet is expected to improve hereon," says Ambit's Khanna.

The tie-up with SIA for Vistara has given the Tatas the experience of offering a premium product. This will likely come in handy once an integrated Air India starts connecting rural and upcountry services to its metro and international routes. Currently, Air India and Vistara are the only Indian carriers with the capability to operate long and ultra-long-haul flights, though others such as IndiGo and SpiceJet also fly international. Vistara has placed orders for six Boeing 787 aircraft, which can fly for 20 hours non-stop, and is examining the possibility of offering such flights from India. "There are potential opportunities. We are doing some studies and reviews to see whether that makes sense. The routes that we currently operate with the B787s in Europe have been doing phenomenally well," says Kannan.

Following former Turkish Airlines Chairperson Ilker Ayci turning down the CEO's position at Air India, Tata Sons Chairman N. Chandrasekaran has been made chairman of the airline. "The Tatas will have to sooner or later appoint a full-time CEO for the airline. The earlier the appointment is done the better, as Air India requires not just a full-time CEO to provide able leadership, but also a new management team to revive and transform it into a world-class airline," says Jitendra Bhargava, industry veteran and former ED at Air India.

Experts separately told *Business Today* that the delay in the appointment of the CEO might have already set back restructuring plans at Air India by a few months.

PERHAPS NO airline since the launch of the country's first LCC, Air Deccan, in 2004 has evinced as much interest as stock market bull Rakesh Jhunjhunwala-promoted Akasa Air, which will start operations in June. "There are many people in India who have never taken a flight, and we will cater to such travellers, but we will also focus on the frequent flyer," says Vinay Dube, CEO, Akasa Air.

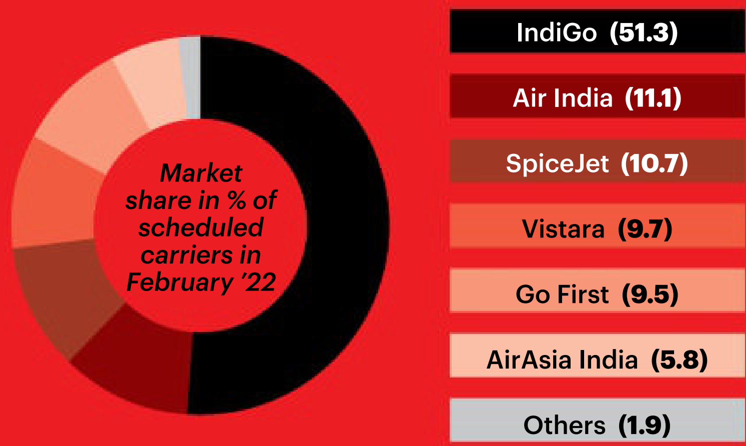
"The entry of new carriers bodes well for the sector in the medium to long term as it adds more passenger-kilometres capacity to cater to growing demand and also adds a touch of fresh competition," says Sumit Singhania, Partner, Deloitte India. Indian carriers currently have about 700 aircraft in their fleets, including parked or stored aircraft. India is projected to need 2,380 new commercial airplanes by 2038 to meet rising demand, said a 2019 Boeing forecast. "With the growth of airport infrastructure across India, coupled with the growth of the Indian economy in the long term, it is safe to assume that the Indian market can absorb more than three times the current fleet over the next 10-15 years," says Rohit Tomar, Partner at aviation advisory Caladrius Aero.

Last November, Akasa placed an order for 72 Boeing 737 MAX aircraft valued at $9 billion. The airline will be leveraging these to offer new routes. "The key factors for success would entail a proper value proposition, focussing on sectors other than the trunk routes, consistency in delivery, and being cost-competitive," summarises CRISIL Infrastructure Advisory's Padmanabhan. "Our initial network focus will be to serve metros to Tier II and III cities. So, in that respect, Bengaluru, Delhi, Mumbai, etc., will be important focus cities for us. We expect to have clarity in the coming months as our discussions with the airport operators mature," says Dube.

Meanwhile, nearly three years after it went bankrupt, Jet Airways' new

ROOM FOR MORE

IndiGo, by far, has the largest market share in India. But there is room for more airlines as only 4 per cent of the country's population currently travels by air

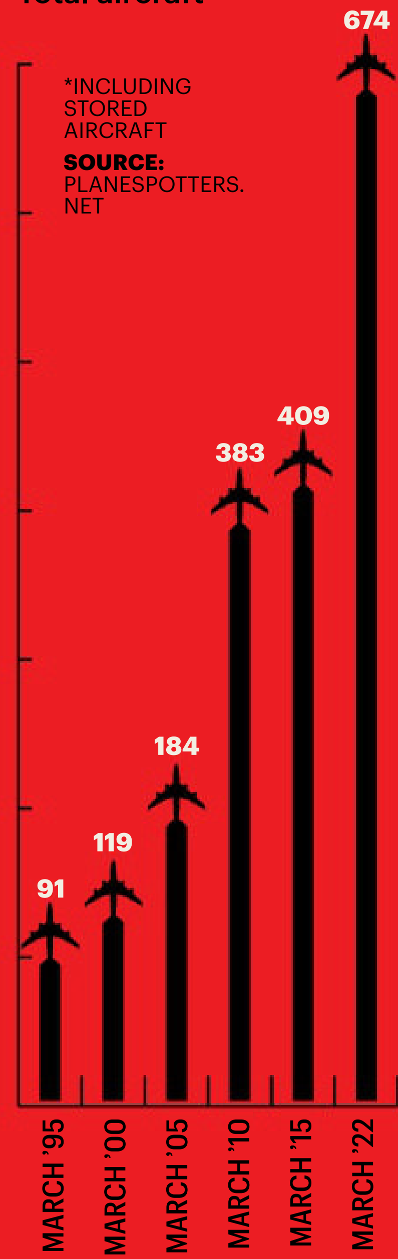


(AIR INDIA INCLUDES THE PARENT FULL-SERVICE CARRIER AND ITS LOW-COST SUBSIDIARY AIR INDIA EXPRESS)

SOURCE: DGCA

FLYING HIGH

Total aircraft*

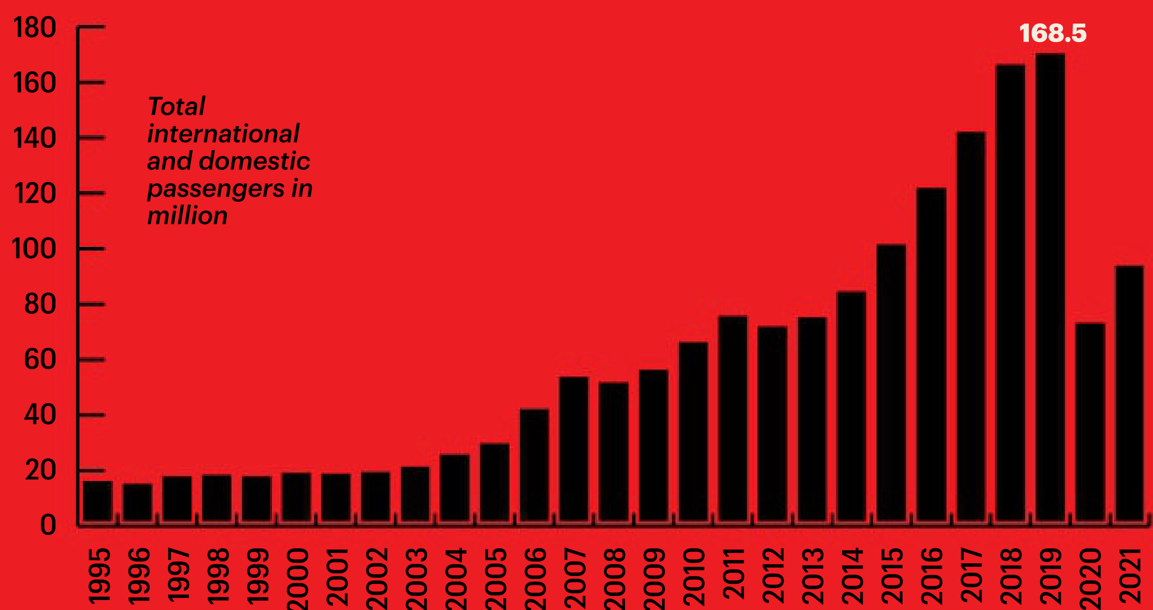


*INCLUDING STORED AIRCRAFT

SOURCE: PLANESPOTTERS.NET

PASSENGER TRAFFIC GOING UP AGAIN

After growing incrementally from 2013, passenger numbers declined sharply in 2020 because of the Covid-19 pandemic



SOURCE: INDUSTRY

SOARING ATF PRICES

In FY22 alone, the cost of refuelling for domestic airlines has risen by about 90 per cent

APRIL 1, '21	**₹58,374**
MARCH 18, '22	**₹1,10,666**
CHANGE	**90%**

PRICE IN ₹/KL **SOURCE:** IOC & PETROLDIESELPRICE.COM

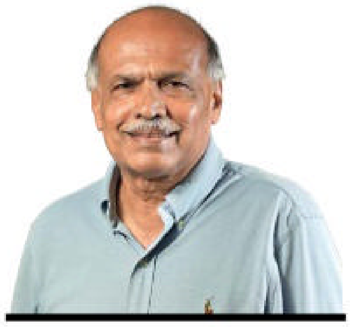
GRAPHICS BY **RAHUL SHARMA**

We are closely monitoring the current trends across air traffic, train passengers as well as the economic situation. Based on all these factors and various demand estimates, we are working on new routes and flights

RONOJOY DUTTA
CEO, INDIGO

The potential it [India] has is very different from most countries in Southeast Asia. The closest perhaps is Indonesia, which is a market of about 250-300 million people, with a lot of young people wanting to travel

VINOD KANNAN
CEO, VISTARA



Incentives and reforms [from the government for the sector] and lowering barriers will have to be done comprehensively across the entire sector—aviation fuel, GST and lease taxes, customs, airports and so forth

G.R. GOPINATH
FOUNDER, AIR DECCAN

Our initial network focus will be to serve metros to Tier II and III cities. So, in that respect, Bengaluru, Delhi, Mumbai, etc., will be important focus cities for us. We expect to have clarity in the coming months...

VINAY DUBE
CEO, AKASA AIR

owner—the Kalrock-Jalan consortium—has recently appointed former Vistara Chief Strategy and Commercial Officer Sanjiv Kapoor as CEO, and former Sri Lankan Airlines CEO Vipula Gunatilleka as CFO. “A successful transition [of Jet] would also be an important milestone in showcasing the effectiveness of the Indian Insolvency & Bankruptcy Code (IBC),” observes Link Legal’s Singh. The airline is looking at returning as a premium FSC, retaining its original branding, livery and logo. According to market sources, the airline may be looking at acquiring up to 100 narrow-body jets.

“Once these two airlines see a smooth take-off and passengers start evaluating and comparing them with existing players, we could see the competitive heat rising,” says Deepak Jasani, Head of Retail Research, HDFC Securities. The market is also expecting Go First (formerly GoAir) to finally list on the bourses this year. Last December, the Nusli Wadia-backed LCC’s plans to raise ₹3,600 crore were put in abeyance due to the Omicron wave of the coronavirus pandemic. “Whilst demand is reviving, increasing competitive intensity, apart from high ATF, would [reflect on] profitability, implying requirement of funds to sail through the situation,” says Ambit’s Khanna. Having postponed listing a couple of times in the past, Go First is thus expected to firm up a date only after carefully assessing the market sentiment.

T**IER II AND III** cities are expected to contribute to the next round of growth in aviation. Among scheduled airlines, IndiGo and SpiceJet are already among the country’s largest regional players, operating 72 daily flights each under the UDAN scheme.

Then there are the small regional carriers. Founded in 2020, Indore-headquartered FlyBig currently serves 15 destinations in Tier II cities in West, Central, South and North-East India with ATR 72-500 turboprop aircraft. “There is a tremendous shift happening in passenger profile, with a lot of middle-and-working-class people taking flights due to the time factor, affordable UDAN fares and Covid-19, where a lot of people wish to avoid other modes of public transport,” says FlyBig’s MD Sanjay Mandavia. “Also, increased reliance on the internet economy means that people no longer need to be in big cities to earn a living. They can use their savings to travel by air.”

Ahmedabad-based regional carrier IndiaOne Air will launch operations in a few weeks from Odisha with a fleet of 14-seater Cessna Grand Caravan EX. “All airports in Tier I cities are operating at maximum capacity whereas airports in Tier II and III cities are either underserved or unserved,” remarks Arun Singh, CEO. “In April 2015, on average 99,600 passengers travelled exclusively between Tier I cities. Traffic involving at least one leg with Tier II or III city was 118,300, daily. In December

2021, this grew to 109,000 and 251,000 at a CAGR of 1.9 and 12.5 per cent, respectively. Growth in Tier II and III cities has already started to outperform that in Tier I cities," he says, adding that 15 per cent aircraft operated by all airlines are regional aircraft, and this count is expected to increase fivefold in the next two decades.

IN A HIGHLY price-sensitive market with cutthroat competition, airlines have to carefully manoeuvre the high input costs in terms of aviation turbine fuel (ATF), maintenance and leasing, which can exceed 60 per cent of total operating costs. Point to note: more than 30 airlines have shut down since India liberalised its aviation sector in 1990.

The biggest concern is the high cost of ATF for domestic operations, which can vary from 25 per cent of total operational costs for a single-engine aircraft to up to 45 per cent for a large passenger jet. In FY2021-22, the cost of refuelling for domestic airlines has gone up by up to 90 per cent, increasing overall costs of airline operations. Varying levels of state taxes and the value-added tax (VAT) result in ATF being priced steeply.

All carriers that *Business Today* approached for this story said that the current volatility in global crude oil prices may be a good time for the government to bring jet fuel under GST. "Rationalisation of taxes will result in high growth for the sector, effecting a multiplier effect throughout the economy," says IndiGo's Dutta. Concurs a SpiceJet spokesperson: "It's a long-standing demand that's critical for our industry. You can't have the highest costs and the lowest fares."

"A flat uniform tax rate on ATF—VAT or GST—given the volatility in global fuel prices, will certainly provide immediate relief for carriers on cash outflows. Rupee depreciation and increase in crude prices can hurt the Indian carriers just as they are building back capacity and international air spaces are opening up," warns S. Vasudevan, Partner and Global Airports Lead, Aerospace & Defence, KPMG. Further, the 15-day cap by the government on pricing limits airlines' ability to offer dynamic fares. "If the government is regulating airfares—thereby restricting revenues—should it then also not cap input costs of the airline?" asks an airline CEO. "Pricing should be and must be driven by a free-market economy and consumer demand, and not superficially through external regulations."

"Due to impending competition from new players and more capacity coming into the domestic market, there may be small bouts of low fares, which may be used by airlines to create demand," says K.G. Vishwanath, Founder & Partner, Trinity Aviation Consultants. Industry insiders feel that established players like IndiGo, SpiceJet and Go First may yet resort to aggressive pricing to smoke out new competition.

Domestic air traffic improved sequentially to 7.69 million passengers in February 2022 as against 6.41 million passengers in January 2022, according to data from India's aviation regulator—Directorate General of Civil Aviation (DGCA). Bookings at the country's leading online travel aggregators have already revived significantly. "Overall travel sentiment is rising on a week-on-week basis and will hopefully surpass previously recorded numbers in the coming months. Within the airline segment, we have already touched 100 per cent recovery in comparison to pre-Covid-19 levels," says Vipul Prakash, COO at India's largest online travel agency, MakeMyTrip.

Together with passenger traffic, the market for aviation jobs is also seen to be reviving steadily since last October. "In the past 3-4 months, around 1,200 Frankfinn students have been placed in various domestic and international airlines. This number is bound to go up exponentially in the coming months," informs Kulwinder Singh Kohli, Founder & Non-Executive Chairman, Frankfinn Institute of Air Hostess Training. On March 24, Minister of State for Civil Aviation, General V.K. Singh, told the Lok Sabha in a written reply: "It is estimated that India has a requirement of around 1,000 fresh commercial pilots per annum over the next 5-6 years."

Gopinath, meanwhile, believes that India can easily sustain 30-40 airlines. "Those carriers needn't be large-sized but must be given ample opportunity for growth," he says. That would surely bring in many more flyers into Indian planes. It would also intensify the dogfight for market share in the Indian skies. BT

@manishpant22

INDIA CAN SUSTAIN 30-40 SMALLER AIRLINES, PROVIDED THEY ARE ALLOWED TO GROW, SAYS GOPINATH

'VISTARA ASPIRES TO BE RANKED AMONG THE WORLD'S BEST'

CEO Vinod Kannan reveals the airline's plans for a post-pandemic world, the relevance of a full-service carrier now, and how Vistara plans to expand operations

BY **MANISH PANT**
AND **KRISHNA GOPALAN**

PANDEMIC EFFECT Vinod Kannan, CEO of Vistara, says the pandemic has delayed the full-service airline's expansion plans

HE HAS BEEN amply exposed to both full-service and low-cost formats of the airline industry, has first-hand knowledge of all the business functions, and has served in important markets in Southeast Asia, Europe and the Middle-East. Meet Vinod Kannan, the young CEO of full-service carrier Vistara, a 51:49 joint venture between Tata Sons and Singapore Airlines. Elevated to the role in the New Year, Kannan, who is in his early forties and joined Singapore Airlines in 2001, throws light on his strategy for Vistara amid the recovery in passenger traffic in a post-Covid-19 world and the current geopolitical uncertainties. Edited excerpts:

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Where is the place for a full-service carrier in the Indian market? Not just in terms of positioning, but also in terms of the slots since it's just you and Air India today.

There used to be Jet Airways and Kingfisher Airlines in the past. But the fact remains [that] if you look at India as a market and the tremendous double-digit growth—putting aside the Covid-19 pandemic—that we've had over the last 10-15 years, [it] has led to an increase in disposable incomes. There are people who are getting a little bit richer, who have travelled the world and want to experience something along similar lines while flying within India. That proportion of people is willing to be value-conscious and pay a little bit more for a slightly more comfortable flight. That group of people is expanding and will continue to expand. Our association both with the Tatas and Singapore Airlines puts us in a good position because people know there is a certain standing and there's a quality associated with that. But of course, the other side of the coin is that it also raises expectations. And maintaining them [expectations] and excelling every time is not easy.

How do you see the Tata group's acquisition of Air India impacting market dynamics and your own operations?
Vistara continues to operate as an independent entity and both our parent companies, the Tata group and Singapore Airlines, remain invested in our growth and expansion plans. We are committed to our long-term vision of becoming one of the best airlines in the world.

Since Vistara emerged from the Singapore Airlines school, doesn't that make you old school?
These days, there is no old and new school. It's all one big school with aviation morphing into this situation. There are two different business models to a certain extent, which are low-cost and full-service. If you look at our product proposition and what we offer today, there is a group of people or a set of people who value add-ons more than what a normal low-cost carrier provides. That is the reason why we even introduced a premium economy, which is quite common in other countries. We thought that it is something that would also resonate here. Especially in Covid-19 times, there are people who want a little bit more privacy as compared to an economy class product. What we have seen is that the occupancy in the front end, whether it's business or premium economy, did actually see a slight boost as compared to what you would expect otherwise. Usually, business class and premium economy seats are occupied by business travellers. But just after we restarted flights, we saw a lot of families also travelling in them because they felt those seats provided a cocoon and a safe experience.

Did the success of premium economy surprise you?
No, I wouldn't say it was a surprise. We did know [that] there was a market for this particular product. Again, it also depends on the route. If you look at the other big carriers in India, for example IndiGo or SpiceJet, they do fly to a lot of secondary and tertiary cities where we don't have as much of a big demand to deploy premium economy or business, which is the reason why we also have some all-economy aircraft flying on some of those routes. But if you look at the popular metro routes like Delhi-Mumbai, Delhi-Bengaluru or Mumbai-Bengaluru, there is enough potential for us to fill the premium economy and business [class] seats.

With India lifting the embargo on scheduled international operations, what kind of growth are you looking at deriving from international flights in the new fiscal?
International expansion is one of the most important aspects of our long-term growth strategy. Despite the challenges of the pandemic, we managed to introduce our services to seven new international destinations under air bubble agreements, including London Heathrow, Dhaka, Doha, Frankfurt, Sharjah, Malé and Paris, besides resuming operations to Dubai, Singapore, Kathmandu and Colombo. These operations not only helped us to introduce Vistara in markets that were already part of our expansion plans but also made inroads into new geographies, paving the way for a strong foothold for the brand in global aviation. We strongly feel that there is great potential for long-haul direct flights from India, with travellers increasingly displaying a strong preference for non-stop travel, and we are uniquely positioned to cater to this growing demand, especially as more wide-body aircraft are expected to join our fleet soon. The resumption of scheduled international operations is expected to stimulate demand. However, a lot would depend on the country-specific travel requirements. We are evaluating all options and working on additional flights.

THERE IS GREAT POTENTIAL FOR LONG-HAUL DIRECT FLIGHTS FROM INDIA, WITH TRAVELLERS HAVING A PREFERENCE FOR NON-STOP TRAVEL, AND VISTARA IS UNIQUELY POSITIONED TO CATER TO THIS GROWING DEMAND

To what extent did the pandemic affect your expansion plans?
In 2018-19, we had placed an order for about 56 aircraft, including Airbus 320 Neos, Boeing 787s and

a few Airbus 321s. That order book is still intact. When Covid-19 hit us in early 2020, we had a fleet of 40 aircraft. Right now, we are at about 51 aircraft. We would probably [have been] closer to 60 if Covid-19 was not there and would have hit the 70-aircraft number sometime in early 2023. Now that gets pushed by maybe a year. What we would say is that the pandemic has delayed plans, rather than saying that we have cancelled plans.

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The introduction of Boeing 787s will probably throw up a situation where a non-stop flight to the US or Australia is a reality at some point...
It's something we are looking at. We had ordered six Boeing 787s, of which two are already with us. An ultra-long-haul flight requires certain things such as a thrust rating for the engine and a crew bunk, which the current aircraft don't come equipped with. But yes, there are definitely potential opportunities. We are doing some studies and reviews to see whether that makes sense. The routes that we currently operate with the Boeing 787s in Europe have been doing phenomenally well. The cargo carried on the routes has been equally supportive.

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How do you see your expansion story in the domestic sector playing out?
Currently, we cover about 30 cities within India, which is decent. The frequency or the proportion changes because there is a lot more capacity deployed on Category I or metro routes as compared to the others. Most of the major cities or catchments in the country have been covered. There will be an increase in frequencies on some existing points, plus a little bit more expansion into certain other white spaces, which we think are important. A lot of this is also to facilitate and feed into our international market. The fact that we have international flights requires feeders from different parts of the country.

PEOPLE WHO HAVE TRAVELLED THE WORLD ARE WILLING TO PAY A LITTLE BIT MORE FOR A SLIGHTLY MORE COMFORTABLE FLIGHT

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Amid all the bullish forecasts of growth returning to India's civil aviation space in the months ahead, do you see geopolitical uncertainties and high fuel prices impacting ticket sales in the near- and medium-term?
Today, we are operating in a very dynamic market, and it is difficult to predict the consequences of various external factors like the current geopolitical situation in Ukraine. As an airline, we can only stay agile and cope with their direct and indirect impact on the aviation ecosystem.

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What is the component of ATF in your overall operational costs?
Fuel for any airline in India is between 35-40 per cent [of the operational costs]. We are very thankful that the civil aviation minister has persuaded some of the states to bring down taxes on ATF. And that's a very welcome move. But of course, more needs to be done with fuel prices running rampant at the moment.

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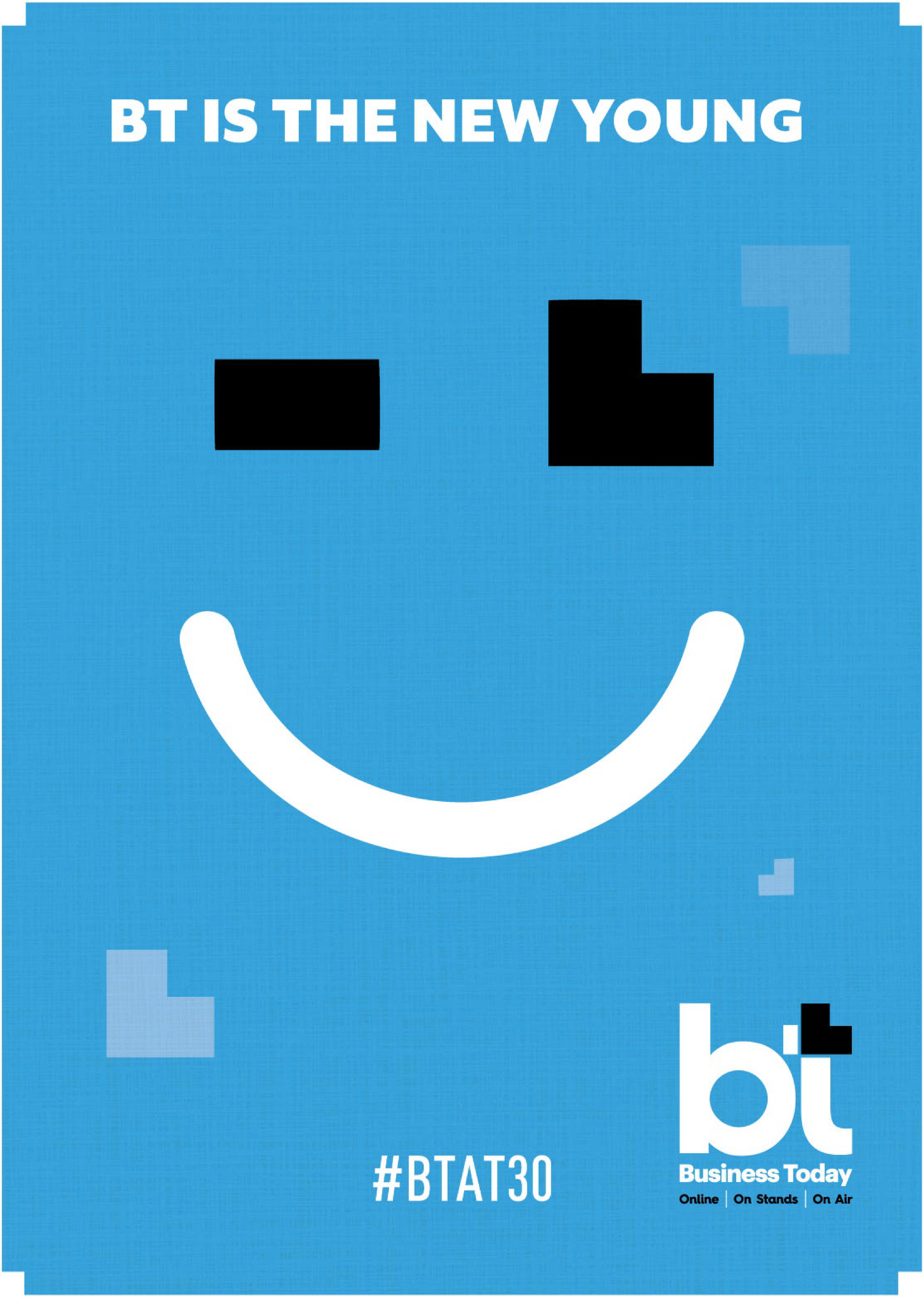
The post-pandemic period has witnessed several companies across sectors imbibing technology in a big way. Tell us something about your initiatives.
In the good old days of pre-Covid-19, we used to have situations where people would just walk in one hour before the flight to check in. Those days are gone. The percentage of people checking in through the website or mobile before the pandemic was between 20-30 per cent. Now it's about 95 per cent. So essentially, everyone has embraced technology. Technology has helped in facilitating some of these decisions and user behaviours. Secondly, unlike in the past, checking in bags has also become electronic. When you drop your bags, you get an SMS on your registered [mobile] number for reference. There has been a lot of investment in many of these automation technologies in streamlining human resources, procurement and finance. Ultimately, what we need is a situation where the customer does not need to call us. This can be achieved either through mobile or the website. For example, we have a chatbot now on our website. **BT**

@manishpant22, @krishnagopalan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THE COOLING INDUSTRY IS MORE ENTERPRISING, INNOVATIVE AND GREEN!

India offers one of the most vibrant markets in the world for the air conditioning brands, which is emerging as a structured sector focused on sustainable cooling options. This commitment towards green cooling is spurred by innovation that aims for zero emission. Fringed by a long sultry coastline and in the north and central regions of the country where summers peak to as high as 50 Celsius, the demand for air conditioners is increasing rapidly. According to Tech Scientific data, the Indian AC industry is sized at INR 180–200 billion and is estimated to grow at a CAGR of more than 17%, to surpass $ 11 billion by 2023.

The mercury levels are rising sharply with the summer sun turning harsher by the day. The Indian population, most of whom belong to the middle-income category, are looking for affordable air conditions that give value for money. A cool home and office not only improves the quality of life, but also keep efficiency capacity of the occupants at peak level. If one has noticed, climate change and depleting ozone layer is increasing the heat to abnormal levels proving fatal with people dying of heat strokes. The air condition is here to stay and grow exponentially despite the fact that is comes with costs more the unique green features embedded in them. Therefore, one has to be think twice before investing in an air conditioner and place one's bet on the best brands as it guarantees quality and after sales services. You would never regret investing your hard-earned money in purchasing from a credible manufacturer that is particular about quality of its products.

With focus on achieving Sustainable Development Goals (SDG) keeping environmental safeguards in perspective, air condition brands are in a race to address and incorporate features of energy consumption and are also eco-friendly. This not only helps in market strategies and positioning of the air condition brands, but also projects them as being eco-sensitive who are truly concerned in protecting the planet earth, besides the energy efficiency features of their products are meant to reduce your utility bill.

The Indian market is flooded with several air conditioning brands. Amongst the most popular of them are LG, Daikin, Blue Star, Hitachi, Panasonic, Godrej, Samsung, Whirlpool, Voltas, Haier. An established credibility when it comes to product quality, having features of energy efficiency enabling low power consumption, affordability without compromising on quality, ACs that fit the required size and budget, control and features on the remote, energy savers that in no way lessen performance of the products makes the purchase worth the money. Some of the AC brands are extremely feature-laden offering an immersive experience such as Alexa and Google Assistant compatibility i.e., Wi Fi controlled. Others come with anti-bacterial filter, dust filter, an active carbon filter or have anti-bacterial coating and shield Blu that enhance functionality, versatility and durability to withstand even the corrosive weather conditions of coastal areas. Turbo cool, auto-clean, sleep functionality, HEPA filter media, auto air swing, high-durability copper condenser, inverter compressor and the extended warranty period with prompt after sales service are other features that ensure a good buy. Features such as high ambient cooling and stabilizer free operation, advanced air purification and multi-stage purification process to make your living space safe and hygienic, besides quieter functionality of the air conditioner ensure ultimate quality and satisfaction and a good night's sleep!

Many air conditioning brands, as responsible green brigade, continue to explore innovative green features for incorporating them in their products to keep you and the earth safe.

Cruise
AIR CONDITIONERS

TRANSFORMING THE AC INDUSTRY SINCE 3 DECADES

Cruise has been innovating air conditioning products since its inception in 1992 with European quality standards designed to meet scorching summer temperatures of more than 60C in India.

Roshan Sirohia, Director, Cruise

It has launched many cooling innovations, like India's 1st dual-throw Window AC with double the cooling capacity of standard units. It also launched a portable air conditioner on wheels for the Bollywood and Tollywood industry back in 2005 that allowed stars to shoot comfortably outdoors for long hours. In 2009 the advanced AI inverter AC was launched. And now in 2022, they are ready with their newest innovations - launching India's longest Split air conditioners with FlusoJet 60ft Long turbo airflow for cooling within seconds. The range includes 3 models from 11 to 15 HP capacities.

Roshan Sirohia, Director Cruise Appliances Pvt. Ltd., has been at the forefront of pushing the limits of design and quality to meet changing needs of customers which range from celebrities, business personalities and homeowners.

He adds "Cruise was one of the first AC companies in India to introduce the use of nano-paint protection to increase AC life by 3x backed by a Lifetime commitment warranty program to provide hassle free ownership. We will always continue to innovate our services to stay ahead of the curve."

For Cruise, the focus has always been to provide premium air conditioning solutions that are reliable, affordable and packed with advanced technology, backed by strong customer support, and THE AIR EXPERT signifies their contribution to evolving the aircon industry.

Cruise awarded the 'Most Promising Brand of the Year' and 'Young CEO of the Year' by Silver Feather International.

For more details: www.cruiseac.com

POWER EFFICIENT AC'S FROM DAIKIN

Daikin recently launched a new range of split room ACs indigenously conceptualised & manufactured for the discerning Indian consumers. This new Series range boasts of future ready technologies that empowers the customers to manage the quality of air conditioning across their premises.

Our research indicates heavy customer emphasis on air quality and health, so we have now extendedour patented streamer discharge technology to 4 star segment in addition to offering an upgrade to products with WiFi. Our commitment to deliver goodness via product innovations continues with our dew clean technology that enables indoor units (IDU) to self-clean itself with atmospheric water ensuring hygienic and efficient operations. With this new 2022 range, Daikin took the leadership position to launch ACs as per new star rating 6 months before than the implementation date of 1st July, 2022.

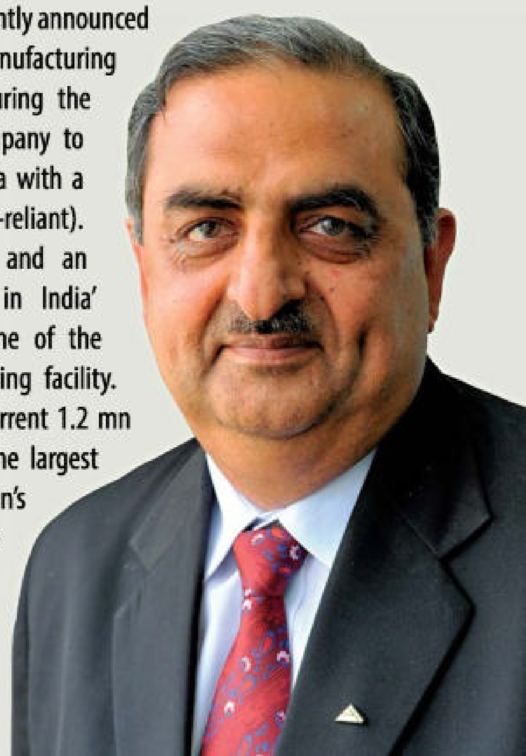
Daikin New Range Features

- New Range is 15 % more Power Efficient
- Dew Clean Technology for Clog free operation
- Streamer Discharge Technology for Air Quality
- Triple IDU Display for monitoring
- Wifi Options available for convenient handling
- Low- Cost Heat Pump for hot & cold operation

Mr. K J Jawa, Chairman & Managing Director, Daikin India, said "At Daikin we have a Vision for – 'Make in India' products that is designed to serve the needs of every Indian. With ACs, now becoming a necessity, there was a need for a radical change in product innovation & standards in order to serve the emerging consumer aspirations.

The new range of Daikin AC's will empower the growing Indian population to upgrade from outdated & older technologies without any impact of high energy consumption charges."

Daikin India recently signed the land purchase deal at Sri City, Andhra Pradesh, for manufacturing of ACs & components as part of the recently announced PLI scheme by the Government of India in the AC manufacturing space, entailing an investment of INR 1000 Crore during the first phase. Daikin India is the first Japanese AC company to take this pioneering & leadership step to invest in India with a view to give prominence to – 'Atmanirbhar' India (self-reliant). Sensing a big manufacturing opportunity in India and an endorsement for the Indian government's 'Make in India' vision, Daikin chose Sri City in Southern India as one of the hottest next destination to set up its 3rd manufacturing facility. This new facility will augment our capacity from the current 1.2 mn RA units to 2.5 mn units, classifying Daikin India as the largest producer of HVAC equipment's from India. In line with Daikin's aspirations to achieve Net Zero CO2 emission by 2050, the company will continue to work on developing climate friendly ACs for India & other global markets.



B E Y
T E L E V

OND
ISION

WITH TWIN ATTACKS COMING FROM FREE DISH AND OTT, WILL MARKET LEADER TATA PLAY BE ABLE TO SURVIVE ON THE BACK OF ITS REFORMED IDENTITY?

BY **PRERNA LIDHOO**

ILLUSTRATION BY **RAJ VERMA**

I

IN A FAST-CHANGING digital-first world, even nostalgia has a shorter time frame. It was only a few years ago that Indians had started warming up to the idea of giving up on the age-old and unreliable cable TV connections and terrestrial TV that came with a cumbersome antenna setup, in favour of direct-to home (DTH) satellite TV service. In 2006, when Tata Sky launched its DTH service, the company had a clear motive: give Indians a taste of premium viewing with services such as 24x7 customer support, digital video recording (DVR), high-definition picture quality, etc. Today, at least for a few, even pay TV is fast becoming nostalgia because of the onslaught of OTT and a looming bugbear called DD Free Dish.

To counter that, India's largest DTH operator, which is a joint venture between the Tata group and Sky TV (then owned by Rupert Murdoch and now owned globally by The Walt Disney Company), has donned a new name—Tata Play—and a new look. Its brand colours blue and red are now white and pink. But the brand's basic ethos remains unchanged. "We have the same philosophy, same ethos and same obsession for the customer which is what got us here," says Harit Nagpal, MD & CEO, Tata Play. "The only thing that changed a couple of years back was that people started watching beyond television, and we thought since we're distributors of content, we should be medium-agnostic and become aggregators for OTT (over-the-top) content as well." Tata Sky acted as a distributor/aggregator of just television content while Tata Play offers bundled packs where as a family, someone can watch TV content, someone can watch OTT content and someone can watch the same content on their phone. They will be billed as a family for their entertainment needs from the same vendor instead of 10 different individual subscriptions to keep track of.

In 2019, the company made a foray into OTT with the launch of 'Tata Sky Binge', a platform that brings digital content from multiple apps into TV, but because of its strong DTH brand recall, people would still associate it with just TV. "We realised we needed to do a refresh for the brand so that people start believing that we're distributors of content and not just distributors of TV content," Nagpal explains. In FY19, the company's consolidated profit after tax (PAT) grew 463 per cent to ₹364 crore from ₹64 crore in FY18. Partially offset by the pandemic, the growth couldn't sustain for too long. In FY21, it reported ₹69 crore PAT—marginally crossing its 2017-18 numbers. That's why the name change was probably more survivalist than symbolic.

THE FREE DISH ONSLAUGHT

India's DTH industry is facing a two-pronged attack from DD Free Dish on one side and OTT on the other, and the challenge is bigger from Free Dish, which is a free-to-air DTH service owned by public service broadcaster Prasar Bharati with around 52 million users in India, according to Media Partners Asia, a research, advisory and consulting firm. With more than 100 TV channels on board, Free Dish, launched in 2004, has a growing presence in rural households despite a massive shift towards online streaming platforms. During the pandemic, millions of DTH customers dropped their subscriptions. But Nagpal believes that was not because of OTT's surge. "Our data shows that it's not the person subscribing to Netflix who has switched off his TV subscription. Service-sector employees from villages who had lower-end plans were intermittently switching on during the pandemic to economise on their expenses," says Nagpal.

Free Dish has long been a growth deterrent for DTH players like Tata Sky and Airtel, but many believe that it is an important tool for people at the lower end of the spectrum to start with free TV, get into the content-watching habit, and then upgrade to better quality pay TV. "There are around 125 million households that don't even have a TV today. It's a very nice pool for us to poach from and get 3-5 million subscribers every year. The bigger this pool gets, the better it is for us. Free-to-air does the job of making people buy TVs. It's a step-wise transition. It's not competition but a source of customers for us," says Nagpal.

Utkarsh Sinha, Managing Director of advisory firm Bexley Advisors, says India is a leapfrog nation and might not evolve linearly like it's been expected. "One of the biggest manifestations of this is in the OTT space. Given the fact that India became a mobile-first country, the entertainment wallet is limited. There are a lot of content companies vying for the same audience. Mil-

$10.5 BILLION

ESTIMATED SIZE OF THE TELEVISION MARKET IN INDIA IN 2022, ACCORDING TO IBEF

Harit Nagpal,
MD & CEO, Tata Play

PHOTO BY **MANDAR DEODHAR**

lions who still don't have access to TV might go straight to mobile. Tata Play's DTH and OTT bundle is good, but it totally depends on how it is priced," says Sinha.

Tata Play offers a 50-mbps speed plan at ₹850 per month. However, users can bring the effective price below ₹500 per month by choosing to pay for 12 months together. Rival JioFiber, Reliance Jio's broadband service, comes with a base plan of ₹399 per month, which offers 30-mbps speeds with a FUP (fair usage policy) limit of up to 3.3 TB. On the other hand, Airtel's Xstream Fiber connection offers a 'basic' pack of 40 mbps at ₹499 per month.

"In the DTH business, we have a presence in 18 million homes with an ARPU (average revenue per user) of ₹146... Free Dish continues to disrupt the business model as good content continues to be offered for free in vast waves of the country. At the same time, the irony is that the opportunity to convert and upgrade from cable is massive. There is also a huge opportunity to monetise OTT content and deliver a unified connected experience through Airtel Xstream," Gopal Vittal, CEO, Bharti Airtel, said in a recent investor call.

According to Media Partners Asia, the growth of pay TV and DTH has been hampered by Free Dish, which is outside the purview of the New Tariff Order. No fee needs to be paid for a free-to-air (FTA) channel by a distributor such as DD Free Dish while private DTH operators have to pay maximum retail price to the broadcasters to distribute these channels to subscribers. DTH players have called it discriminatory and unfair. "We're not questioning licence fees. We're basically asking not to tax a technology if a cable operator is distributing the same technology at the same price with the same margin.

HARIT NAGPAL-LED TATA PLAY OFFERS BUNDLED PACKS WHERE AS A FAMILY, SOMEONE CAN WATCH TV CONTENT, SOMEONE CAN WATCH OTT CONTENT AND SOMEONE CAN WATCH THE SAME CONTENT ON THEIR PHONE

Regulated by the same regulator, why am I paying 8 per cent and he's paying zero per cent?" asks Nagpal. Mihir Shah, Vice President, Media Partners Asia, agrees. "Over the years, migration of increasing number of pay channels to FTA has strengthened the consumer proposition of Free Dish, making it challenging for private DPOs (distribution platform operators) to grow at the same pace," he says, adding that the biggest challenge for DTH is the regulation itself. "There has to be a level playing field on regulations for traditional and new alternative modes of video distribution."

TELEVISION STILL RULES

According to IBEF (Indian Brand Equity Foundation), television is one of the largest and fastest-growing segments. In 2020, the television market size stood at ₹77,800 crore ($10.66 billion) and is estimated to stand at ₹76,900 crore ($10.53 billion) by 2022. India's television industry still has 120 million paying subscribers including cable, and players such as Tata Play are banking on nearly half of those who pay for cable TV to upgrade to pay TV at some point. "TV is not a written off industry. It's our bread and butter. TV and OTT are the two industries that will grow. That's why we're distributors of both," says Nagpal.

According to a recent report by CII-BCG, India grew to 70-80 million paid subscribers of OTT platforms at the end of 2021 from just 0.5 million in 2014-15. During the pandemic, OTT became the online avenue for new movie releases and the industry has seen a 4x jump in the number of OTT services in the past six years.

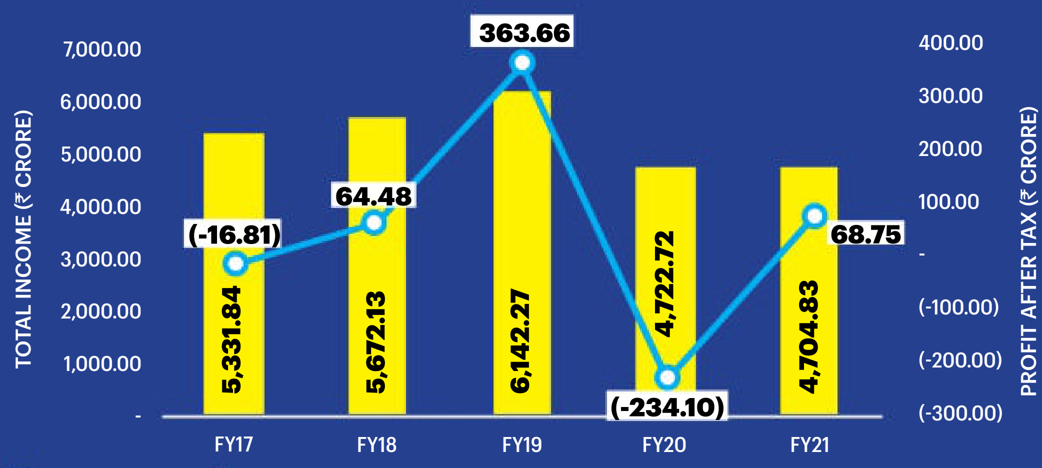
Seeing the massive growth potential of the OTT industry, Tata Play, which is known to be one of the first to introduce innovations like Hindi language EPG (electronic programme guide), DVRs, HD STBs (set-top boxes), etc., sees a customer need while growing its current business as a result of the spillover from Free Dish and cable TV users. "Our differentiation is not on pricing but on process. We won't throw apps at people. When people sit down to watch TV, they don't watch to watch Hotstar, or Zee5 or [Amazon] Prime [Video]. They're looking for content in a particular genre or a show that everybody's talking about," says Nagpal.

Tata Play took two years to build a front end that allows users to differentiate based on tastes rather than platforms. Nagpal is targeting this new offering towards families. "The household subscribes for TV like it subscribes to electricity. Now, when one person has started

GRAPHICS BY **RAHUL SHARMA**

CHOPPY NUMBERS

Both income and profits have been erratic for Tata Play



Total income **PAT**

Source: *ACE Equity*

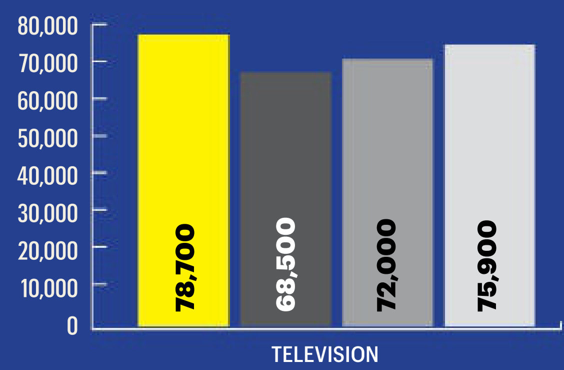
THE M&E SPACE

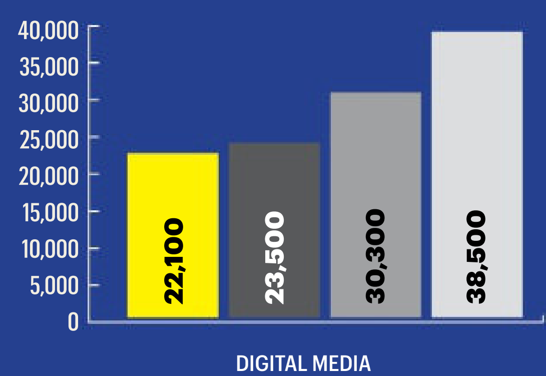
Digital media and online gaming are gaining ground

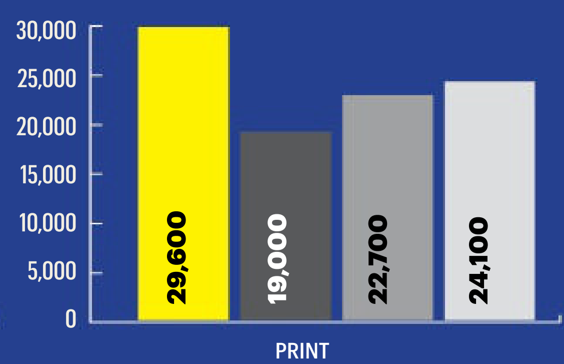
2019 2020 2021 2022E

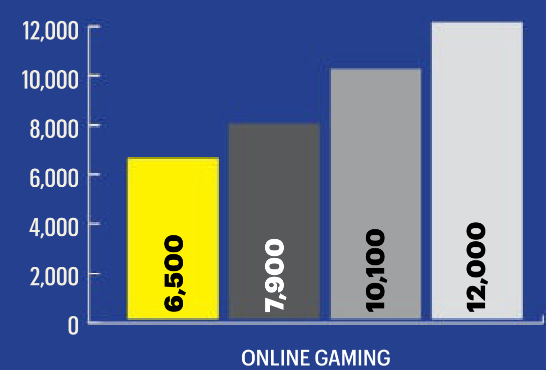
E: Estimated; all figures are market size in ₹ crore

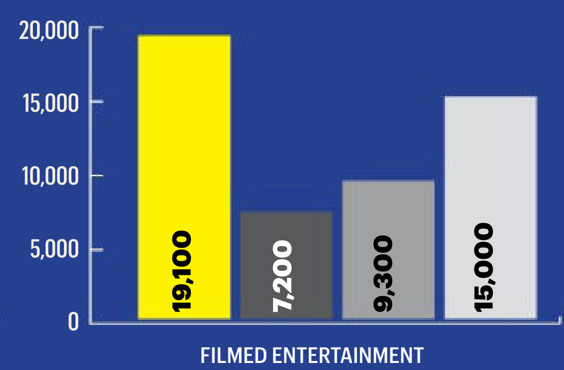
Source: *EY estimates*





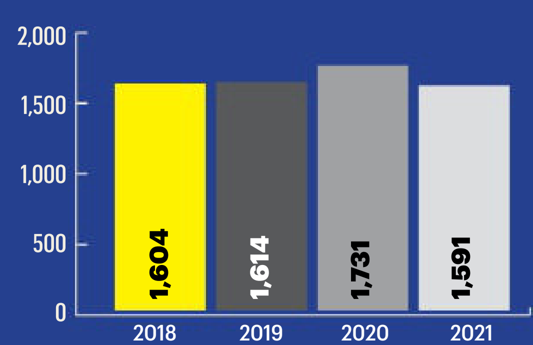






TRACKING TELEVISION TIME

Time spent on TV decreased 8 per cent in 2021 over 2020

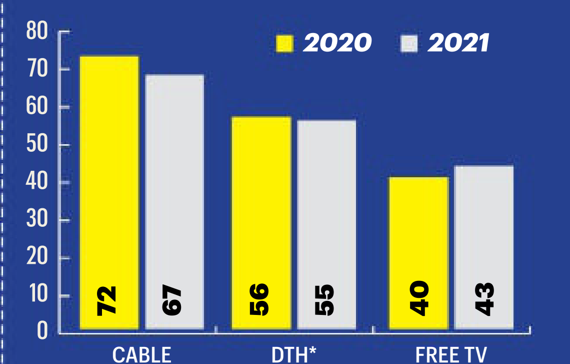


Sum of weekly average monthly audience in billion

Source: *BARC*

THE AUDIENCE MIX

The number of television subscriptions in million



***Net of temporarily suspended subscribers**

Source: *Industry discussions, billing reports, TRAI data, EY analysis* watching OTT, why should that subscription be individual?" he argues. "You have only one electricity connection in the house. You don't pay by room. Then why should content not be a shared cost for the family?" he asks.

Tata Play wants to turn an STB into an OTT box. "Tata is well-positioned to compete in that space. As far as entertainment consumption goes, the next generation will be cord-cutters. But there's a lot of life left in TV especially because news is such a big deal in India. That's the biggest thing that keeps DTH sticky," says Sinha of Bexley Advisors.

The Indian market has four major pay DTH providers—Videocon d2h, Tata Play, Airtel, and Sun Direct. According to a FICCI-EY report, pay TV will continue to grow as states such as Uttar Pradesh, Bihar, Rajasthan and West Bengal get electrified. However, more new users will enter the free TV market as the Free Dish channel count increases to around 200 by 2022 (from 164 in 2021), providing a low-cost advertising opportunity to marketers, despite the decision of large broadcasters to take their content off the platform in February 2022.

Tata Play's closest competitor, Airtel, also offers the Xstream Premium box with over 5,000

A FICCI-EY REPORT SAYS PAY TV WILL CONTINUE TO GROW AS STATES SUCH AS UP, BIHAR, RAJASTHAN AND WEST BENGAL GET ELECTRIFIED

pre-loaded apps at ₹4,798. While large telecom companies like Jio have launched a similar product portfolio at a much more aggressive price point, players like Tata Play and Airtel have used product innovation such as bundling OTT with television to differentiate themselves. "These product innovations will not only keep churn under check but also enable the platforms to expand their ARPU in the long run. Tata Play caters to those discerning urban audiences who want to watch the best of both worlds," says Shah.

He believes that India might skip the multi-TV stage that was seen in several mature markets. "Several developed markets had the time to evolve and see the growth and maturity of pay TV. While India just attained its TV digitalisation objectives, the simultaneous mobile data boom in the country will make it skip the multi-TV monetisation phase. Today 95 per cent of the homes in India are single TV. Many members of the family may prefer moving to mobile or tablets for more personalised viewing," says Shah.

He argues that Tata Play's new proposition will work well in urban centres with many of them adopting connected TV solutions. Many of these DTH players that aim for growth from multiple streams see India more like a continent than a country. "There are many Indias within India. Thus, for a national player, you need to have horses for courses catering to varied audience cohorts having a wide range of viewing preferences," adds Shah.

THE INDIA WAY

India is at about 55 per cent TV household penetration versus the Asian average of around 85 per cent. With the western markets such as the UK and the US having had a good breathing time for TV to evolve, Indian media are at different stages of evolution, affordability, and consumer choice, where every form of media seems to be growing manifold. KPMG says DTH broadcasting accounts for 37 per cent of the total television subscribers in India and is estimated at approximately ₹22,000 crore ($3 billion) in 2020-21 as against 34 per cent in 2018-19.

Even digital subscriptions, on the back of growing user adoption, continued to rise strongly at 47 per cent in 2020-21, although there was some resistance due to the combined factors of OTT video players increasing their package prices and the sales impact of a slowing economy, according to a KPMG report.

Experts point out that since India has been at the rock bottom in terms of data pricing and internet bandwidth costs, Tata Play's aggregated proposition will make much more sense in the OTT market as it matures further.

But why launch now? "We've realised that there's a need in the market. How many subscriptions will people keep a tab on? There's a need gap," Nagpal says.

He makes his point on the viability of multiple media in a unique way. "The purpose of any transport mechanism is to transfer you from point A to B. Now, convenience costs more money. TV is like the bus or the train. It's by appointment. OTT is like the car. Just because a car has been invented doesn't mean people will stop travelling on buses or trains," he says.

Well said, but over time, whether or not the cars outpace the trains and buses because of their convenience, remains to be seen. **BT**

@PLidhoo

THERE ARE MANY INDIAS WITHIN INDIA... A NATIONAL PLAYER... [NEEDS] TO CATER TO VARIED AUDIENCE COHORTS HAVING A WIDE RANGE OF VIEWING PREFERENCES

MIHIR SHAH
VICE PRESIDENT, MEDIA PARTNERS ASIA

THE NEXT GENERATION WILL BE CORD-CUTTERS. BUT THERE'S A LOT OF LIFE LEFT IN TV ESPECIALLY BECAUSE NEWS IS SUCH A BIG DEAL IN INDIA. THAT'S THE BIGGEST THING THAT KEEPS DTH STICKY

UTKARSH SINHA
MD, BEXLEY ADVISORS

'Our vision is to be the **most intelligent** consumer goods firm'

Sanjiv Mehta, Chairman and Managing Director of Hindustan Unilever, talks about how the FMCG major is re-imagining itself in a changing market

PHOTOS BY **MANDAR DEODHAR**

Sanjiv Mehta, 61, took charge of Hindustan Unilever (HUL) a decade ago. Since then the FMCG major has grown nearly five times, but with competition getting fierce amid unprecedented levels of inflation and a slowdown in consumer demand, it faces fresh challenges. The Chairman and MD, however, is confident about the future. In an interview with *Business Today*'s *Arnab Dutta,* Mehta says HUL is being re-imagined and this would keep it future-ready. Edited excerpts:

Q: High inflation has been a major concern and has led to repeated price hikes. Amid faltering demand, what is the outlook for the next two-three quarters?

A: From the macroeconomic point of view, there are two other factors at play. One is private consumption or expenditure is still lower than the pre-pandemic levels. The second... is private capital expenditure. Private capex kicks in when you have your capacity utilised by over 75 per cent on an average. We are pleased that the government is not reducing the Budget deficit and is willing to continue with capital expenditure until private capex starts in a big way. The massive capital expenditure allocation by the government for the year should reflect in improving consumption.

There is a stress on demand and it is more acute in rural areas. We are witnessing that through off-take trends for small packs—priced between ₹1 and ₹10. This clearly indicates the stress, which worsened due to inflation, especially for households whose budgets are limited. Disruptions in the supply chain have a role in the ongoing inflation. I am hoping that in the second half of 2022, we shall start seeing some tapering off [of] prices and then gradually inflation coming down.

Q: The government's capex for FY23 is significantly higher. But such measures usually take time to change the downward trend in private consumption.....

A: We did highlight this during our representations with the government secretaries and the good bit is that the government is very cognisant that if the need arises, they would be agile with spending. I hope that the Omicron variant is the beginning of an end [to the Covid-19 pandemic]. However, in case more variants arrive, I think the government is very clear that it would not hesitate to spend... That gives me comfort. If the government is open to spending more and meanwhile private capex kicks in, then we will witness demand coming back.

Q: What would be the impact on margins?

A: This stress will remain for a few quarters. This is cyclical. During these times, our focus is on two areas: gaining market share so that we do not lose the consumer franchise; and, second, we keep the business model intact. We have a very healthy Ebitda margin at 25 per cent. Thus, as long as I can keep that within the band and our market share intact, I'd be ready to play even harder when commodity prices cool off. From that perspective, I am confident that we'd be able to navigate this crisis.

Q: Since you took charge in 2013, there have been significant changes in the dynamics of the FMCG market in India. While HUL is still the largest player, companies like ITC, Adani Wilmar and Tata Consumer have expanded aggressively in segments like personal and home care and branded commodities. How does HUL plan to hold on to its position?

A: In the past 10 years we have grown at about 9 per cent CAGR, despite the rural slowdown, demonetisation, implementation of GST and the Covid-19

"I think the government is clear that it wouldn't hesitate to spend... If the government is open to spending more and meanwhile private capex kicks in, then we shall witness demand coming back"

pandemic... Our operating margin improved by about 800 basis points. That is why, since I came in, HUL's market cap has grown from about $16 billion to $70 billion. It has been a quantum shift. There are two key parameters to judge it. Today, our market share is one of the strongest we have enjoyed in many years. And second, the increase in turnover [we] managed in the last 10 years is greater than the total turnover of any other FMCG company in the country.

India is such an attractive consumer market that new players will come in. I believe, competitors are good for the consumers and they are good for a company like HUL too—because they bring the best out of us. If we did not have good competition, we would have become complacent. Competitors keep us on our toes.

Q: How will HUL survive the onslaught, given that competitors are getting more aggressive?

A: The per capita consumption of FMCG products in India is about 40 tonnes, which is half of the average for Asia, one-third of China's and in comparison to the Philippines it, is one-fourth. Therefore, the headroom to grow in this market continues to be massive. However, apart from the potential of the India market, what keeps me optimistic about a brighter future for HUL are three key factors. First is our portfolio. We have done a lot of work to make our portfolio future-ready by expanding into newer categories, segments and adjacencies and investing significantly in growing the pie through market development. The second factor is talent. We are still the employer of choice in this country... when we go to the IIMs, we recruit the best possible talent. Then we have the most rigorous programmes to sharpen them. We get the best and we make them better. That is the reason why we still maintain the tag of being 'the CEO factory'.

Third is our capability. We have invested significant amounts of money and talent in re-imagining HUL. Our vision is very clear: we want to be the most intelligent consumer goods enterprise. We started re-imagining HUL six years back. We are working across the value chain, by further digitising it, bringing in robots, by implementing AI tools. The HUL of tomorrow is going to be significantly different from the HUL of the past.

India is not a zero-sum game. If some company is making an additional say ₹300 crore, that does not mean it is going to cost HUL ₹300 crore. This year, we are adding ₹5,000 crore to our top line. These together make me confident that HUL has an amazing future ahead.

Q: What do you envisage as the HUL of tomorrow?

A: The business of FMCG is undergoing a major transformation. Earlier, we used to procure raw materials, produce goods at scale to keep the costs down, reach as many outlets as possible and create market pull through promotions. That is how the FMCG system used to work. Now we are in the process of being an intelligent enterprise, creating ecosystems involving consumers and operations where data and technology take centre stage. Today, our Shikhar app that we benchmark has over 700,000 customers (retail partners). So even when a sales representative does not visit stores, retailers can place orders any time they choose... Our tie-up with State Bank of India ensures that retailers get paperless credit from the lender, using the app.

There was a time, when we used to do a huge amount of consumer research (physically) to gauge what the consumer needs, following which our R&D teams would create prototypes, then we [would] test them out and do commercial runs, etc. Today, at our innovation hub, most of the work we do is simulations. From designing to testing and dry runs—everything is simulated. During the lockdowns we had engaged with consumers to get a sense of their changing behaviour, provided the info to [our] innovation funnel and have come up with products based [on] their needs. So the entire process of getting a sense of the consumer's mind, changing behaviour and emerging demands to placing the products on the shelf—we are creating a very intelligent ecosystem. This also helps decision-making. Be it our pricing strategy across SKUs [stock-keeping units], whether to invest in channel distribution or promotion and in which media, [all this is] based on machine learning.

Q: Now, one of the hottest FMCG segments is branded kitchen commodities, where HUL does not have much influence. Why is it so?

A: We would not like to play everywhere. We prefer business segments where we can create more value for our customers and for ourselves. We would like to play in value-added products rather than in commodities. Yes, our commodities business is very small but that's not an area of focus for us. I would rather spend my resources in improving our nutrition portfolio—on the different product ranges in the segment, analysing and solving problems of nutritional needs and vitamin deficiency—than trying to sell packaged commodities.

Q: Does HUL want to ramp up its game with the Horlicks brand?

A: There are categories we play in, like detergents or oral care, [which] are universally penetrated. But in a category like health food drinks, which is represented by Horlicks, the penetration level is only 25 per cent. We have got massive room to increase penetration of these products; and sustainably grow those at a very high rate for the years to come.

Q: What are the value-added segments you are focussing on?

A: In highly penetrated categories like basic home care and hygiene, the game is all about upgrading the consumer. In categories like dish-wash bars and liquids or surface cleaners, massive opportunities lie ahead. In beauty, which is a very big segment, we are by far the largest player and our nearest competitor is probably a fifth of us. Be it skin or hair care, all these are massive business opportunities, where we dominate. In refreshments—tea and coffee for us—converting consumers from unbranded to branded and higher value products will drive growth. Apart from health food drinks, we are focussing on packaged foods through brands like Kissan, Hellmann's and have launched several products in the ready-to-eat segment. That is where, I believe, we can move further up the value chain.

Q: HUL is a major revenue contributor for parent Unilever. What are the expectations and pressure you face?

A: We are part of one of the fastest growing major economies, where we are the largest FMCG player. Therefore, the expectations are always very high. HUL is very unique in that sense. We are a provider of talent to the global unit and we have a large market cap. For Unilever, we are the largest company in volume terms and the second largest in value terms. I will not be surprised if in a few years we become the largest in terms of value for the global entity. So, we are the crown jewel of Unilever. While we are a major provider for them, we take a lot—in terms of R&D, global brands and technology—from them.

In the past 10 years, we have managed to live up to those high expectations. With size, with stature come responsibilities. I think, we have always ensured that we don't let Unilever down.

Q: Are you interested in taking advantage of the government's PLI scheme that calls for creating global food processing giants out of India?

A: Yes, we are. The PLI scheme is a very good initiative because it helps you to compete on the most critical dimension—that is cost—by mitigating it through scale. We have already applied under the scheme and we are on to it. I hope that the government extents the PLI scheme into health food drinks. **BT**

Following a restructuring, Mehta will be CEO & MD, HUL, from March 31.

@arndutt

ON COMPETITION

Competitors are good for consumers and they are good for a company like HUL—because they bring the best out of us. Competitors keep us on our toes.

ON TALENT

When we go to the IIMs, we recruit the best talent. Then we have rigorous programmes to sharpen them. That's why we maintain the tag of being 'the CEO factory'.

ON THE FMCG MARKET

The per capita consumption of FMCG products in India is about 40 tonnes, which is half the average for Asia, one-third of China's and in comparison to the Philippines it, is one-fourth. So, the headroom to grow is massive.

ON HEALTH FOOD DRINKS

In health food drinks like Horlicks, the penetration is 25%. We have massive room to not only to increase penetration, but to also sustainably grow the segment at a fast clip.

| DIGITAL CURRENCY - **CBDC** |

INDIA'S CRYPTO

INDIA IS SET TO WELCOME ITS OWN DIGITAL CURRENCY IN THE NEAR FUTURE. WHAT ARE THE BUILDING BLOCKS OF THE RESERVE BANK OF INDIA'S CENTRAL BANK DIGITAL CURRENCY AND WHAT WILL THE PATH TO A CBDC LOOK LIKE?

BY **ANAND ADHIKARI**

ILLUSTRATION BY **RAJ VERMA**

WHAT IF THE government could transfer subsidies directly to beneficiaries, and no, we aren't talking about direct benefit transfer (DBT). Say food subsidy was credited directly to the beneficiary's mobile wallet and could only be used to buy pre-defined rations. This could soon be a reality with a central bank digital currency, or CBDC.

India has set a deadline of 2023 to launch its digital currency. A CBDC will be legal tender like paper currency with all the characteristics of the existing fiat currency. "Digital currency will lead to a more efficient and cheaper currency management system," Finance Minister Nirmala Sitharaman said in her Budget speech for 2022-23.

A CBDC has other benefits. Now, account holders deposit their money in commercial banks. A customer's deposit carries the liability of the bank to repay it on demand. The Reserve Bank of India (RBI) is under no obligation to compensate or reimburse any loss of value. But CBDC is supposed to be a central bank liability.

Why are central bankers so interested in cryptos? It's because they sense likely collateral damage in terms of losing control over monetary policy thanks to the interest in such currencies among the young. "Cryptos are raising concerns on two fronts—monetary stability and financial stability. The RBI is more concerned about the monetary stability part," says Subhash Chandra Garg, former finance secretary. "Cryptos might enable money laundering and getting around capital controls—essentially a digital hawala channel. During periods of financial stress, this might amplify market volatility," says Saugata Bhattacharya, Senior VP & Chief Economist, Axis Bank.

Globally, players are ready with the technology to use crypto as a form of payment to buy goods and services. US-based crypto exchange Coinbase allows merchants to accept cryptos. Online payment solutions provider PayPal has an option for customers to pay with cryptos at checkout. Global card network player Mastercard also supports the instant settlement of cryptos. "Unlike other asset classes like equity, debt or gold, cryptos are very easily transferable digitally," says Arpit Agrawal, Co-founder & Chief Engineering Officer, Cion Digital, a fintech solutions provider. Soon, there will be payment mechanisms where a person holding cryptos as investment can directly pay a merchant, he adds. "The merchant will have the option to immediately sell the cryptos or keep it as savings or investment." Then there are stablecoins, which are fast emerging as the ideal way for merchants to accept crypto payments as they are pegged to a fiat currency with no fluctuation in value. Many apps allow for the conversion of crypto to stablecoins.

What has put cryptos on central banks' radars are its growing numbers. In just five years, the total market cap of cryptos has touched a high of $3 trillion. For context, India has a GDP of around $2.7 trillion, while the BSE's market cap is about $3.5 trillion. Cryptos, which have no boundaries, have the potential to make a significant impact on an emerging economy like India. "Private cryptocurrencies which have currency-like characteristics will jeopardise the RBI's ability to deal with issues of financial stability," RBI Governor Shaktikanta Das said recently, while reminding the public that these currencies have no underlying asset.

That brings us to another important point. The current currency circulation in the market is backed by physical money, while CBDC will have no such linkages. Simply put, every bit of electronic money that people use for day-to-day purposes today is backed by physical cash. Krishnamurthy Subramanian, former chief economic advisor, says that it is unlikely that CBDC will be a very large part of the broad money (bank money or deposits) in the economy. He explains that the CBDC will be part of narrow money (existing physical currency). He adds that CBDC won't offer any interest rate. "It should be similar to the existing physical currency where you don't earn interest," says Subramanian.

Currently, cryptocurrencies are traded online without any central authority or regulated exchange monitoring it; the investors, too, are anonymous. But now, any transaction involving crypto or virtual asset will be taxed at 30 per cent. "But knowing how the world of blockchain and crypto works, they are going to bypass that," says a player. For instance, if you have a non-custodial wallet (akin to cash), with complete control over the blockchain keys, you can send money from your wallet A to another non-custodial wallet B in your name or somebody else's name, and nobody would be able to track it, says an expert. "The government is also aware of it and will do whatever it can to prevent it," says the expert.

THE TIME IS RIPE...

Why it makes sense to introduce a digital currency now in India

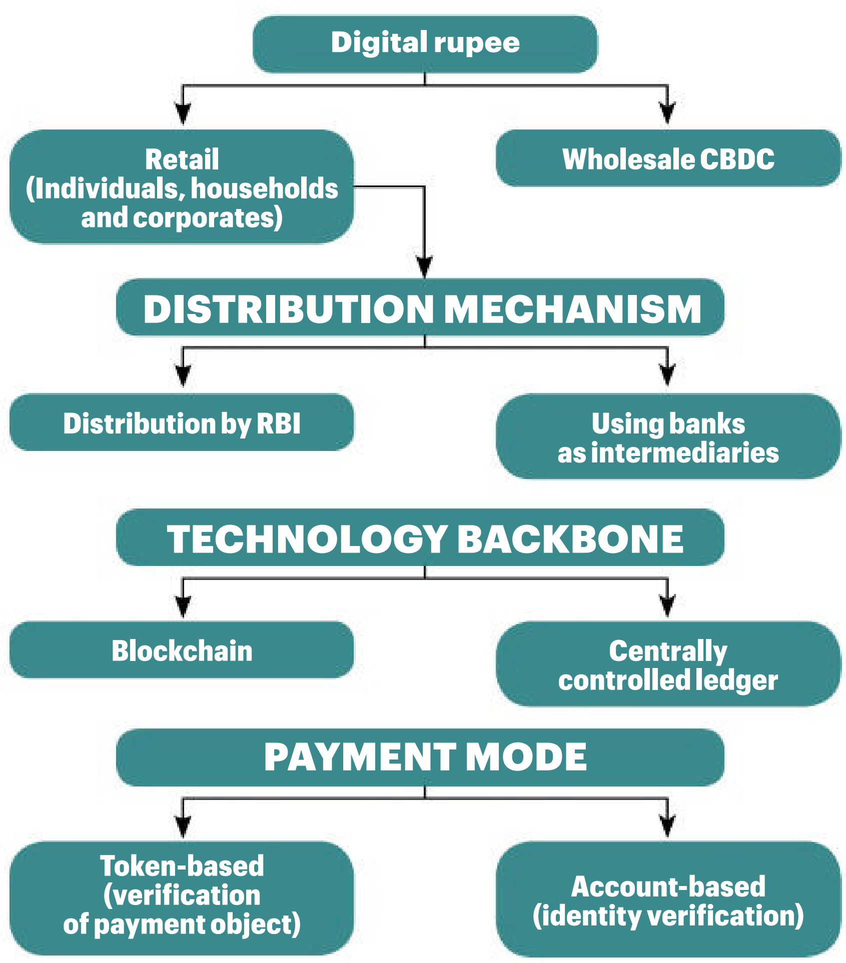
1. Digital payments are growing by leaps and bounds, with millennials increasingly using such modes
2. New form of private money emerging globally; stablecoins linked to US dollar are very popular
3. CBDC to counter cryptos and other private digital currencies
4. Digital rupee to replace cash in the economy with digital currency and discourage cryptos
5. More innovations to take place on top of CBDC
6. CBDC to lead to huge savings, reduce wastage and make the monetary system more efficient
7. Digital rupee will lead to better economic management with end-use records of money transactions; also help in tax compliance

...BUT CHALLENGES REMAIN

The difficulties that CBDC would face

1. People at bottom of the pyramid are not very financially literate
2. CBDC faces competition from existing mobile wallets like Google Pay; value proposition would matter
3. The cash economy is still strong despite demonetisation and digitisation
4. Small countries have implemented CBDCs but big ones like the US and China are still to take the plunge
5. Broadband access and 24-hour internet connectivity are pain points
6. Any incentive by way of interest rate on CBDC to impact broad money; monetary policy to get impacted

CBDC: OPTIONS BEFORE RBI



Source: RBI

₹30.18

LAKH CRORE

THE AMOUNT OF FIAT CURRENCY IN THE SYSTEM IN MARCH 2022; CBDC WILL BE A PART OF THIS

₹172

LAKH CRORE

THE AMOUNT OF BANK MONEY (DEPOSITS AND LOANS OR BROAD MONEY) IN THE SYSTEM IN MARCH 2022

Source: RBI

THE RBI has been researching CBDCs for the past two years. Sources say it is using the work done by the Bank of England as a test bed. In the past four years, blockchain (the technology on which cryptos are based) has proved that one can build transparent financial systems on top of it. "The technology has been proven to be versatile and it's safe and secure, so large-scale financial systems can be built," says Snehal Fulzele, Founder & CEO, Cion Digital. Agrees George Sam, Co-founder & Business Head, Mindgate Solutions, a fintech solutions provider. "I think from a CBDC perspective, blockchain will be the backbone for a digital currency."

Currently, Bitcoin and Ethereum are on permissionless or public blockchains, where users can download a crypto wallet and carry out transactions without disclosing their identity. "It's unlikely that any country will sign up for fully public blockchain as the foundation of a CBDC," says Swapnil Pawar, Founder of financial advisory ASQI. Sources suggest that the RBI is likely to work on a "permissioned blockchain", where the central bank and distribution partners like banks would be participants, and users (the merchants and public at large) could join the network after disclosing their identity via KYC.

Earlier, the RBI had said that a decision on whether CBDC would be issued directly by it or through commercial banks had to be weighed carefully. "When you do retail CBDC directly... It's almost like you're bypassing the banking system," says Fulzele. In the US, the central bank is likely to go through existing banking channels, as is China. "This is a better system as the banks and other payment players have the infrastructure to undertake KYC," says a banker. But in Eastern Caribbean nations, central banks have launched CBDCs directly. "The RBI doesn't need a large network for the digital distribution of money as required in physical currency," says Rajnish Kumar, former chairman, State Bank of India.

The RBI will also have to choose between account-based- or token-based modules. "The account-based module is easy to develop, whereas the token-based module takes longer time. Which model will be tested first will be decided in due course," RBI Deputy Governor T. Rabi Sankar said recently. Account-based CBDCs work like a regular deposit accounts.

"It [central bank digital currency] should be similar to the existing physical currency where you don't earn interest"

KRISHNAMURTHY SUBRAMANIAN
FORMER CHIEF ECONOMIC ADVISOR, GOVT OF INDIA

"Cryptos might enable money laundering and getting around capital controls—essentially a digital hawala channel. During periods of financial stress, this might amplify market volatility"

SAUGATA BHATTACHARYA
SENIOR VP & CHIEF ECONOMIST, AXIS BANK

"Despite demonetisation and digital banking, the cash in the system is back. There is also a section of people... who are not prepared for CBDC"

MADAN SABNAVIS
CHIEF ECONOMIST, BANK OF BARODA

For instance, UPI is an account-based module. Digital tokens, on the other hand, have to be issued by a central bank to distributing banks. There is no need to verify one's identity and these tokens can change hands freely for P2P payments. "The token-based modules require ecosystem-wise adoption... This will be the eventual end goal for frictionless payments," says Mindgate's Sam.

There is an added benefit of introducing something like a CBDC. Whenever the government initiates innovation at a fundamental level, an entire ecosystem develops around it, like it happened in the case of UPI. "Currently, there are 12 digital nodes involved in the digital system of UPI. CBDC will be much faster," adds Kumar. "CBDC could probably be the infrastructure that will solve the underwriting and credit issues [of digital payments] because of a transparent transaction record," says Abhinav Sinha, Co-founder, Eko, a financial solutions provider.

Experts say that the CBDC will provide a tool for the government to manage the economy. "When you issue a retail CBDC in India, by definition, what that means is that every individual will have a wallet with the RBI," says Fulzele. This means it will be possible to know how and where people are using the currency. "As the risk of intermediaries and their reconciliation process is minimal [on blockchain], the associated risk of settlement goes away," adds Sam. And reduced cash and chain tracking will result in more money being available for the economy, says Vinshu Gupta, Founder and Director of Nonceblox, a blockchain firm.

WHENEVER THE GOVERNMENT INITIATES INNOVATION AT A FUNDAMENTAL LEVEL, AN ENTIRE ECOSYSTEM DEVELOPS AROUND IT

THE LAUNCH of a CBDC will involve significant investment, technology and a huge amount of focus, say experts. "I don't think the RBI would want to own all of these pieces... they would work with multiple consortiums of technology providers," says a banker. "There will be a huge amount of integration, a huge amount of surround capabilities, which will have to fall in place. The payment service providers will have to be enabled," adds Harish Prasad, Head of Banking-India, FIS, a fintech solutions provider. According to Sam, the RBI will need partners "to create a CBDC system, manage it and continuously evolve, because there will be a lot of use cases". Nonceblox's Gupta says India could learn from the experience of the Bahamas, which launched the world's first CBDC two years ago. The RBI has said that it is necessary to adopt basic models initially for the CBDC and test them comprehensively so that it has minimal impact on monetary policy and the banking system. "This is necessary because of the CBDC's dynamic impact on macroeconomic policymaking," it said in its 'Report on Trend and Progress of Banking in India 2020-21'. "Most of the fintech players and banks will have to upgrade their systems to some degree to accommodate digital currency. Today, if you look at it fundamentally, banks and a lot of fintechs don't work on blockchain," says Eko's Sinha. "The entire technology stack has to change to process currency transactions on a blockchain network. CBDC will fundamentally change most of the payments systems that are running in the country now," says Fulzele.

Unlike in the West where corporates borrow funds in the bond market, the Indian credit system is dominated by banks. Under the CBDC regime, there is a possibility of bank deposits shifting to the RBI. "Any shift in deposits may impact the banks' ability to dole out credit," says Madan Sabnavis, Chief Economist at Bank of Baroda. "The RBI might choose to transfer some or all of these back to banks, using appropriate rules of allocation, including auctioning the funds," says Axis Bank's Bhattacharya. While CBDC will be aimed at reducing cash in the system, it is easier said than done. "Despite demonetisation and digital banking, the cash in the system is back," says Sabnavis.

While more details about CBDC are yet to emerge, one thing is clear: a wide cross-section of the population is waiting with bated breath for India's crypto. **BT**

@anandadhikari

RELIANCE'S OVERNIGHT DE
RETAIL'S KEY OUTLETS HAS
NOW BATTLES

RELIA
FUTU

₹24,713
CRORE
SIZE OF THE RELIANCE RETAIL-FUTURE GROUP DEAL

EAL TO TAKE OVER FUTURE
S STUNNED AMAZON AS IT
FOR OPTIONS

NCE'S
URE

₹17,000 CRORE
AMOUNT OWED BY FUTURE GROUP TO LENDING BANKS

BY **KRISHNA GOPALAN**

AT AROUND NOON ON A pleasant day this February, a harried executive of a mall in Amritsar called his CEO. Much as he tried to hold his emotions together, the situation got the better of him. Standing in front of him was a team from Reliance Projects & Property Management Services, a part of the Mukesh Ambani-controlled Reliance conglomerate, who, by contrast, was composed but also displayed some level of urgency to wrap up some paperwork.

"They were holding the termination letter and also a new agreement letter," narrates the CEO, who was pulled out of a meeting by his team member. The offer was quite irresistible—all the outstanding rental payments due from Future Retail, a Kishore Biyani-promoted company, would be cleared in a couple of days and just a formal sign-off was needed. The mall owner had a new tenant in the form of Reliance.

"We have never seen anything move so quickly. It was a little strange to see a pre-printed letter with our name," he says in a voice that was still incredulous. It marked a momentous transformation when Reliance Projects & Property Management Services swiftly took complete charge of several stores that once housed Big Bazaar, the chain that was considered the destination for India's large middle class.

The development took place right under the nose of Seattle-based e-commerce giant Amazon, which is locked in an intense legal battle to acquire Future Retail. The deal now looked set to slip away. The nimble-footed Reliance had executed a smart strategy, leaving many people in the business stunned in disbelief. It went as far as renaming a substantial part of Big Bazaar outlets to Smart Bazaar (see photograph), and took complete charge of the business. As the way ahead looks challenging for Amazon, the story is really about Reliance's audacity in doing what it did.

How was it done?

For all the talk now relating to the speed of execution in assuming charge of Future Retail's 835 stores across formats (Big Bazaar, FBB, Easyday and Heritage), the fact is Reliance made its move at least 12 months ago. How Amazon was not aware of this and chose to react as late as March 15 is inexplicable. It was August 2020 when Reliance Retail agreed to buy out the wholesale, retail and logistics businesses of Future Group in a ₹24,713-crore deal. It was a shot in the arm for the seller, which was swimming in a pool of high debt. The rub was that Amazon, exactly a year ago, had picked up a 49 per cent stake in Future Coupons, giving it an indirect 4.81 per cent holding in Future Retail Limited (FRL), Biyani's crown jewel—this transaction is said to have given them any right of first refusal over acquiring Future Retail. Amazon, quite expectedly, cried foul at the Reliance-Future deal and from that point, everything went legal (see *The Story So Far*) and has remained so.

Emails sent to Reliance, Future Group and Amazon India with a detailed set of questions remained unanswered till this article went to press.

A senior retail industry official, who has worked at Future, is clear that Reliance had decided to move right after the Singapore International Arbitration Centre (SIAC) halted its deal with Future in October 2020. "It was a strategy that was well planned out," he insists. Unknown to most people, the seeds were sown as early as November 2020, a month after the SIAC ruling, when Reliance took charge of the warehouses Future owned. "It is shocking that Amazon did not see this coming. Anyone familiar with the industry was clued into this," says the official, adding that the mistake Amazon made was that it spent all its time and might taking on FRL. "The real opponent was Reliance and they had no idea whatsoever. It was just left wide open to make a smart move."

Reliance did exactly that, and the stores it chose to pick up accounted for a handy 55-60 per cent of FRL's revenue. Many of the Big Bazaar outlets now bear the Smart Bazaar name with the Reliance logo—the name chosen is in line with Reliance Smart (grocery retail chain) and Smart Point (neighbourhood small format store). Meanwhile, in a communique to the stock exchanges on March 9, FRL confirmed the receipt of termination notices from Reliance. However, there was no news from Amazon till March 15, when it released advertisements in publications saying "these actions have been done in a clandestine manner by playing a fraud on the constitutional courts in India, the Arbitral Tribunal and Indian statutory authorities/

"Given that Reliance is not a party in the litigation between Future Retail and Amazon, it is unclear whether a court will grant such relief. Future has maintained that it has not transferred the leases. Rather, the leases have been taken over"

SUDIP MAHAPATRA
PARTNER, S&R ASSOCIATES

THE STORY SO FAR

AUG '19 Amazon acquires a 49 per cent stake in Future Coupons for ₹1,500 crore; it gives the buyer an indirect 4.81 per cent stake in the listed entity, Future Retail

AUG '20: Reliance Retail says it will acquire Future Group's retail, wholesale and logistics businesses in a ₹24,713-crore deal

OCT '20: Amazon approaches the Singapore International Arbitration Centre alleging the Future Group violated its contract and the deal with Reliance Retail should not go through; the deal is halted later in the month

NOV '20: Competition Commission of India gives the go-ahead for Reliance Retail's buyout of Future Retail

JAN '21: SEBI signs off on the deal, pending court approvals; Reliance Retail takes over the lease for Future Retail's stores

FEB '21: The Future Group moves NCLT and requests approval to call for a shareholder meeting for approval of deal with Reliance

APR '21: Future Retail board gives nod for a resolution plan to restructure its secured debt

AUG '21: Amazon wins case in Supreme Court; the Singapore arbitration will hold under Indian law

DEC '21: CCI slaps a ₹200-crore penalty on Amazon and suspends its deal with Future Coupons

FEB-MAR '22: Reliance Retail terminates the lease of over 800 stores owned by Future Retail; takes complete charge of these stores

Source: *Media reports, industry*

REPORT CARD

The messy financials of Future Retail

	FY17	FY18	FY19	FY20	FY21	9MFY22
Total income	17,098.89	18,493.20	20,185.37	20,201.92	6,437.40	5,547.40
Operating profit	674.19	918.69	1,136.37	2,141.24	-364.19	
Net profit	368.28	11.31	732.81	33.84	-3,180.03	-3,345.12

All figures in ₹ crore **Source:** ACE Equity, company announcements

agencies". A petition filed in the Supreme Court by Amazon said the "transaction" was a stratagem wrongfully adopted by FRL "with the connivance and collusion of the MDA (Mukesh Dhirubhai Ambani) Group to transfer the retail assets".

Leaving nothing to chance

The most important thing for Reliance to get right was the legal bit. The head of a real estate consultancy simplifies the issue. "Reliance is that party that occupies the space today after inking a new deal with the owner. That means it can do anything in terms of redesigning the store. The question is: what is left of Future Retail once the stores are out of its books?" he explains. To him, the game is 80 per cent about real estate or just the attractive locations that Big Bazaar and the other FRL stores sit on, while the other 20 per cent is the brand name. "Reliance has obviously realised that it would have been impossible to create this kind of a network from scratch," he says. That also means it may not be incumbent on Reliance to settle the loan with the banks. "From Reliance's point of view, it is a straightforward deal where they only want the real estate. If they wanted the brand, then it would have been necessary to buy the company."

It is an open secret that Future Retail's inability to settle outstanding payments with companies led to no fresh stock coming. As a result, there is very little inventory to boast of. The marketing head of a well-known FMCG major says that the money owed by Future Retail will be in excess of ₹1,500 crore. "It has steadily got worse and thanks to Reliance coming in a year ago, at least we managed to get some business. It would have been zero had the original promoters continued to be in charge," he says. The buzz on the street is that Big Bazaar, by last June, had just a quarter of its usual inventory level. To add insult to injury, Reliance has been issuing offer letters to FRL's staff. With the store, its furniture and fittings, staff and inventory in their possession, Reliance appears to have managed to get

Many of the Big Bazaar outlets now bear the Smart Bazaar name with the Reliance logo

whatever is relevant without getting close to the legal line.

Senior officials in the Future Group, who wanted to remain anonymous, maintain that any allegation of collusion between them and Reliance is inaccurate. One top executive goes to the extent of saying Future Retail was continuously losing money but the option of ceasing operations never arose. "If we had done that, the entire value of the business would be down to zero. Banks would naturally have pushed for liquidation," he explains. Admitting that the financial situation was "in dire straits", he says if Reliance had not stepped in and given working capital credit, the company would not have existed by mid-2020. "In the process, our dues to Reliance kept increasing. We were hoping to sell our small-format stores and settle the dues with the banks through a one-time restructuring (₹3,500 crore against a total debt of ₹17,000 crore). But the Amazon deal came in between and we defaulted last December."

As banks panicked, Future Retail became a non-performing asset and the official insists that Reliance "got jittery". Creditors are way down the pecking order after bankers and Reliance, he says, "decided to give the termination notice fearing their money would never come". Over ₹4,000 crore was given to FRL by Reliance to fund the working capital requirement.

"The question is how it might be untangled, especially from the perspective of the lenders, where the greatest exposure is from the public sector financial institutions and banks in addition to Future Group's own public shareholders"

VIVEK PARTI
INSOLVENCY RESOLUTION PROFESSIONAL

Options left

As things stand, many questions remain unanswered, such as, what does Amazon now do? According to Sudip Mahapatra, Partner at law firm S&R Associates, there is an option for Amazon to seek a reversal of the takeover of the leases. "However, given that Reliance is not a party in the litigation between Future Retail and Amazon, it is unclear whether a court will grant such relief. In this context, it is important to remember that Future has maintained that it has not transferred the leases. Rather, the leases have been taken over due to missed payments." On the issue of Amazon seeking damages from Future, he thinks, it will be a challenge, "given Future's denial of its involvement in the transfer of the leases".

Then, there is the no small matter of the ₹17,000 crore that needs to go back to the lending banks, a consortium led by Bank of India. Mahapatra thinks lenders could either enforce their security interests over the assets of Future Retail or initiate IBC (Insolvency and Bankruptcy Code) proceedings. "They could also wait for the outcome of the legal proceedings between Amazon and Future. Assuming the Future-Reliance deal eventually goes through, they could look to recover their dues from the merged business," he says.

Insolvency Resolution Professional Vivek Parti speaks of the issue being "a legal quagmire". The hope, at least from the lenders' point of view, is that the issue goes back to the IBC. "The question is how it might be untangled, especially from the perspective of the lenders, where the greatest exposure is from the public sector financial institutions and banks in addition to Future Group's own public shareholders," he explains. To Parti, the worry is Future's shareholders being the last in the priority of payments under IBC. "It is likely that the case will be admitted on account of default. Reliance has reiterated its commitment to the scheme of asset buyout and Future's promoters are also in favour of it. However, lenders may prefer the scheme to be approved under IBC and some write-offs could happen."

The fine print in this takeover of stores by Reliance has a few layers to it. Reliance became the main tenant under the store leases at some point

PHOTO BY **MILIND SHELTE**

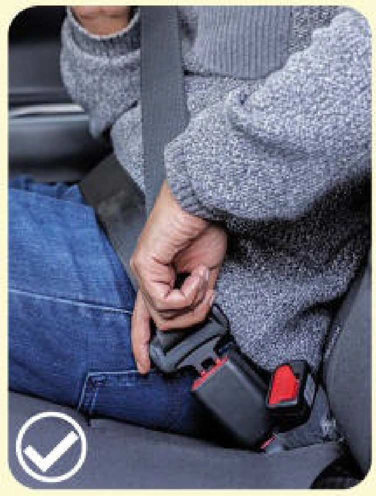
and then sub-leased the stores to Future. Once Future missed rental payments, it was entitled to terminate the sub-leases. The takeover of stores in February, explains Avanti T. Chandele, Partner at law firm Mind Legal, was in the midst of a legal battle between Amazon and Future Group, which only complicated the relationship between the two. "From Reliance's point of view, this seems like a way to manoeuvre around the legal hassles surrounding the takeover of assets of the Future Group, even as the scheme of arrangement is pending approval in the NCLT. For Amazon, it only gears up for another stay on the said deal," she says. According to her, the lease for the stores in question are now held by Reliance and the matter of who the owners lease their property to is the prerogative of the owners, "with Amazon having no say or right to object".

As the battle rages from one court to another, within India and overseas, the real hit will be on the business. Biyani, once the man who ruled the retail landscape in India and created some of its most well-known shopping destinations, stares down at a business that he will never own again. Not only has it gone through a value erosion of unimaginable proportions, but is likely to leave behind a set of bruised investors and lenders. It is a fall from grace for a man who, at one point, was called the Sam Walton of India. By any yardstick, this remains one of the country's messiest takeover deals and the sad part is we are still not done with it. As the clock continues to tick, it is amply clear that very little of consequence will remain of Future Retail. And that is a worrying thought. **BT**

@krishnagopalan

RIGHT POSTURE, RIGHT DRIVING

Have you ever thought that the position you take when driving could affect driving comfort, car control and, above all, safety? Aspects definitely not to be taken too lightly, but unfortunately correct posture while driving a vehicle is often overlooked. Drivers often ignore the fact that correct driving position can give them better control of the car and increase comfort behind the wheel. The driving position should also be adjusted to maintain ample distance from the steering so that the driver doesn't get injured when there is a collision and airbags are deployed.



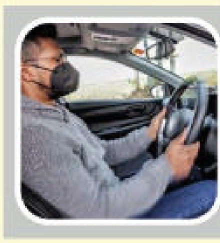
The four-step approach elaborated below will help you find the optimum driving position.

1. THE SEAT SQUAB

The first step is to adjust your distance from the pedals. The seat squab adjuster can be used to move the seat forward or backward. Make sure that when you fully press down on the brake pedal, there should be a slight bend in your knees. This will ensure optimum braking pressure can be applied when needed. It will also keep your legs relaxed and comfortable.

2. THE SEAT BACK

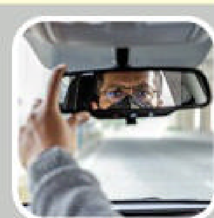
Next, to determine reach from the steering wheel, adjust the seat back. With both hands on the steering wheel, turn the steering lock to lock to ensure your arms do not stretch. Adjust the seatback so your elbows are slightly bent. The seat back should be positioned so that your wrist hangs over the top of the steering wheel. Make sure that your back is perfectly resting on the backrest, the hands are positioned at 9.15 with arms slightly bent and the elbows at the height of the abdomen.



3. THE STEERING COLUMN

Before you begin driving, the height of the steering column can also be adjusted. To move the steering column up or down, push the lever underneath the column all the way down. Move the steering wheel into the desired position and push the lever back up to lock the steering wheel in that position.

4. THE MIRRORS



Use your mirrors to help you be a safe driver, they must be positioned correctly. When positioned properly, you should be able to see directly behind your car using the rear-view mirror, as well as into the spaces near the rear corners of your car with the side mirrors. Most modern cars have an electronic switch that controls the position of the left and right-side view mirrors. To adjust the rear-view mirror, make sure you sit normally and manually move the mirror until your view is straight, centered and level. The goal is always to maximize the rear view.

Once you are in the correct position, it is time to buckle up. On many car models it is possible to adjust the height of the attachment of the belts. It is good to take advantage of this possibility by choosing a position that allows the upper band to pass through the centre of the collarbone, while the lower one must be well adherent at the pelvis and not at the abdomen.

THE ARRIVAL OF VENTURE DEBT

CAPITAL-HUNGRY START-UPS ARE TURNING TO VENTURE DEBT AS INCREASING FREQUENCY OF LIQUIDITY EVENTS MAKE FOUNDERS REALISE THE TRUE COST OF EQUITY CAPITAL. PLUS, VENTURE DEBT CAN BE DEPLOYED FASTER, AND MIGHT EVEN YIELD GREATER RETURNS AT LOWER RISKS.

BY **BINU PAUL**
ILLUSTRATION BY **RAJ VERMA**

V

VENTURE DEBT. Isn't that an oxymoron? While venture signifies high risk, debt signifies the opposite. But start-up founders seem to love venture debt. In fact, it is fast becoming a multipurpose tool that founders deploy at the heart of their growth strategy. It also means that venture debt funds are able to deploy more capital, faster.

Investors, too, seem to be enamoured by venture debt, if fundraising is anything to go by. The pace at which India's top venture debt firms are closing their fundraising tells the story of this asset class, and its blistering growth. Take for instance Alteria Capital, which has companies such as Dunzo, Country Delight and Rebel Foods in its portfolio. Launched in 2017, the Mumbai-based firm announced the close of its first fund in July 2019. When it hit the limited partner (LP) market for its second fund in December 2020, the plan was to initially raise funds from domestic investors before reaching out to international LPs in May 2021. But it didn't have to; by April 2021, the fund hit its final close at ₹1,820 crore, just from domestic investors, says Co-founder and Managing Partner Vinod Murali. At present, this is the largest venture debt fund in India. Alteria, which began investing in March 2018, currently has assets under management of ₹2,800 crore.

Meanwhile, Gurugram-based Trifecta Capital managed to raise two funds last year—a rare feat. It achieved the first close of ₹750 crore for its third debt fund in November 2021, within two months

POPULAR CHOICE
VENTURE DEBT HAS BECOME A FAVOURITE ALTERNATIVE SOURCE OF CAPITAL WITH FOUNDERS

of the fund's launch, wholly from domestic investors. Trifecta had secured a final close of ₹1,025 crore for its second fund in March 2021. The ₹1,500-crore third fund is nearing its final close. Trifecta has companies such as bigbasket, Cars24 and ShareChat in its portfolio.

Delhi-based Stride Ventures, the youngest among the leading debt funds, too raised the first close of its second fund in under two months. It received commitments for ₹550 crore of its target corpus of ₹1,000 crore. The fund has an additional greenshoe option of ₹875 crore. Founder and Managing Partner Ishpreet Singh Gandhi says the company, which has start-ups like SUGAR Cosmetics and HomeLane in its portfolio, plans to secure the original size by the end of FY22 and complete the greenshoe in another couple of months.

Mumbai-based InnoVen Capital, the pioneer of venture debt in India, hit the first close of its new fund at ₹740 crore in September and is 3-4 months away from hitting a final close at ₹2,000 crore (including greenshoe), says Ashish Sharma, MD & CEO, InnoVen Capital India. The company has firms such as Udaan and Dailyhunt in its portfolio.

"More start-ups are getting created, good quality capital is going into those companies, and markets are getting deeper. We are seeing greater acceptance for venture debt, and funds are also getting larger pools of capital. The timing between fundraises is getting compressed. Today, funds can write larger cheques, and that allows us to be relevant to a lot of companies," says Alteria's Murali.

BUT WHAT exactly is venture debt? Put simply, venture debt is debt provided to venture-backed new-age companies. It took years of work on capital formations, educating founders on its possibilities and stimulating demand before this asset class could enter the mainstream funding environment. Now, with growing fund sizes, faster fundraising cycles, and larger cheques, it does feel like venture debt has finally arrived.

In the US, the size of the venture debt market is estimated to be 10-20 per cent of the annual flows of venture equity. This alternative asset class has been around for 50 years in the US, the most mature market. In India, unofficial estimates peg it to be 2-5 per cent of annual venture capital flows. For context, technology start-ups raised a total of $42 billion in 2021, according to a report from investment firm Orios Venture Partners.

According to the 'India Venture Debt Report 2022' by Stride Ventures, the amount of venture debt disbursed has increased over 10x in the past 5-6 years and has doubled in the last one year. 2021 saw 111 companies raising funds through debt.

"This is a derivative asset class, meaning the more amount of equity that comes into the market signals to the fact that more companies are getting funded, their capital structures have a lot more liquidity which means they can afford to take more debt and repay it. As venture capital and private equity money continue to come into the market, the size of the venture debt market also continues to go up," says InnoVen's Sharma.

In fact, InnoVen's origin is also how venture debt funding started in India. It began in 2008 when global financial services firm SVB Financial Group set up a unit of Silicon Valley Bank in India to provide debt capital to domestic, venture-backed, early- and mid-stage, high growth companies in the country. But its efforts at securing a banking licence never materialised and in 2015, the Singapore government's investment arm Temasek Holdings acquired the

FOUNDERS ARE VERY SENSITIVE ABOUT DILUTION. THEY ARE OPEN TO MAKING THE DEBT COMPONENT A PORTION OF THE ROUND TO PROTECT A FEW PERCENTAGE POINTS OF THEIR SHAREHOLDING

ASHISH SHARMA
MD & CEO, INNOVEN CAPITAL INDIA

entity and rebranded it to InnoVen Capital India.

"From 2017, the venture ecosystem started expanding rapidly. The amount of funding that we would have done from 2009 to 2016, we do more than that today in a year," says Sharma. InnoVen, which initially operated through an NBFC before floating an alternative investment fund (AIF) in 2017, has disbursed over $500 million to Indian start-ups.

Trifecta, the first firm to launch a formal venture debt fund in India in 2015, disbursed just shy of ₹900 crore in 2021 and expects to disburse about ₹1,200-1,500 crore in 2022. In total, it has invested about ₹2,700 crore across its three funds and 95 companies and has gone on to launch an equity fund for late-stage bets.

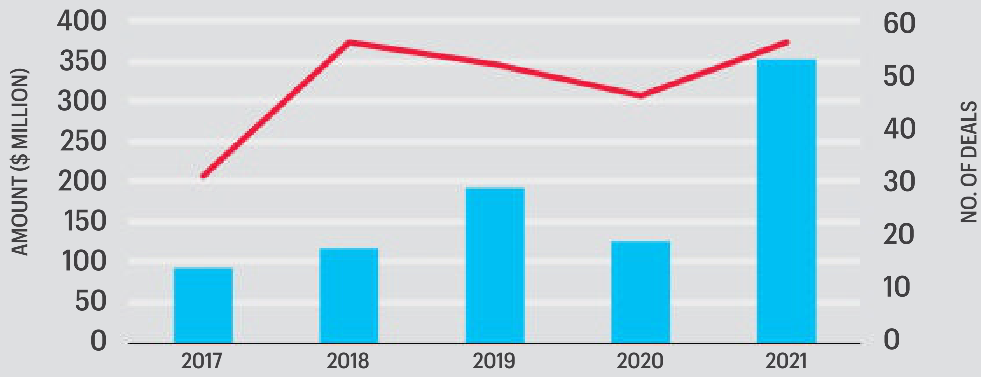
Alteria, launched by former SVB India senior executives Murali and Ajay Hattangdi, has committed to about $200 million worth of deals in 2021 alone, across 65 transactions, taking its average deal size to approximately $3 million. Today, the company manages more than $375 million of capital across two funds and anticipates $200-250 million worth of deals in 2022. Almost 60 per cent of its second fund has been drawn in just the first 12 months.

In a typical seven-year lifecycle of a venture debt fund, the draw and recycling period is till year five, while the fund returns capital on the principal in the last two years. To be sure, debt funds generate interest income all along its life which gets distributed on a quarterly basis. A fund's recycle ratio is typically 1.8-2x during the investing period, which means a fund of $100 million could potentially do over $200 million of credit during its lifecycle by recycling capital.

Venture debt financing is generally structured to yield 13-15 per cent interest rates with a 3-4-year repayment periods. Almost all providers structure an equity upside in the

IT'S RISING

Venture debt has been steadily increasing, and shot up sharply in 2021



Amount ($ million) ***No. of deals***
Data based on publicly announced deals
Source: *Venture Intelligence*

TOP VENTURE DEBT DEALS IN INDIA IN 2021

Company	Sector	Investor	Amount (₹ crore)	Date
GlobalBees	Ecommerce roll-up	Trifecta Capital	250	December '21
Mensa Brands	Ecommerce roll-up	Alteria Capital	150	December '21
Infra.Market	B2B e-commerce	Alteria Capital	100	July '21
BharatPe	Fintech	Alteria Capital, Trifecta Capital, InnoVen Capital, ICICI Bank	34.5	January '21
MyGlamm	Online beauty and skincare	Stride Ventures, Trifecta Capital	21.04	July '21
Cars24	Used cars marketplace	Trifecta Capital	13.44	July '21
Udaan	B2B ecommerce	InnoVen Capital	10	November '21

Source: *Venture Intelligence/media reports*

KNOW YOUR DEBT FUNDS

Interest rates
13-15%

LP returns
17-18% gross

Loan tenures
3-4 yrs

Equity upside
8-12% of debt

INDIA'S TOP DEBT FUNDS

Company	Disbursements from 2017-2021 (₹ crore)	No. of deals	Total funds raised till date (₹ crore)	Average ticket size ($ million)
Trifecta	2,600	145	2,275	NA
Alteria*	2,650*	160	2,782	3
InnoVen	3,500	170	2,500**	5
Stride ***	1,281	55	925	4-5
BlackSoil****	1,189	95	800	1.6

**Started investing in 2018; data from March 2018-December 2021*
***Operated through an NBFC earlier; first fund launched in 2021. Amount given is an approximate figure combining NBFC investment and first close of new fund*
****Started investing in 2020; data for 2020 and 2021*
*****BlackSoil lends through an NBFC as well as a venture debt fund*
Source: *Company data/media reports*

form of warrants which is normally about 8-12 per cent of the debt.

Investors or LPs are today much more comfortable with venture debt. They have seen how it performs through cycles and how relatively low-risk this asset class is, and appreciate the consistent distributions and returns they receive.

Done along with or after an equity round, venture debt funds broadly provide high-teen returns to investors. About two-thirds of the returns come from fixed income.

"I think there is a lot more conviction in the venture debt asset class today. Volatility in returns is lower. The base returns are fairly consistent. From one vintage year to another, the equity kicker can outperform, and so the upside can be far greater. From a returns standpoint, the upside is uncapped and the downside is fairly protected," says Rahul Khanna, Co-founder and Managing Partner, Trifecta Capital.

THERE IS A LOT MORE CONVICTION IN VENTURE DEBT TODAY. VOLATILITY IN RETURNS IS LOWER [AND] THE BASE RETURNS ARE FAIRLY CONSISTENT

RAHUL KHANNA
CO-FOUNDER AND MANAGING PARTNER, TRIFECTA CAPITAL

THE EVER-EXPANDING use-cases for venture debt help funds deploy more capital, faster. The supply of capital and the demand for this asset class has seen exceptional growth in the last two years. Many factors contributed to the growth. First, investors saw a sudden reduction in fixed-income returns from early 2020 and felt a need for safe, predictable fixed-income products which would give good returns. Second, pandemic tailwinds allowed for better depth and access to most digital businesses. It allowed venture debt providers to demonstrate that this asset class can yield greater returns at lower risks.

"As long as we were able to establish good performance, there was a substantially larger amount of money available from the domestic pool of investors. We came through the two waves of the pandemic with zero losses. We showed that this is not so risky and it can give you predictable returns. It basically got more people excited about this asset class from the supply side," says Alteria's Murali.

On the demand side, the new normal saw the birth of a lot more start-ups and greater growth for existing ones and this ensured unlimited flow of equity into them. Traditionally, new-age companies looked at venture debt to primarily optimise dilution, finance growth, working capital or operating leverage, and to increase runway between rounds. Even with an equity upside built in, a debt round comes at a much lower cost than an equity one and founders often realise it only when a liquidity event takes place. The increasing frequency of liquidity events through IPOs, acquisitions and secondary deals has exposed and established the real value of equity. And this is driving many founders to debt to further protect their dilution.

Growth stage start-ups with multiple co-founders are increasingly looking at venture debt as their ownership gets diluted to single digits after a certain stage.

"Founders are becoming very sensitive about dilution. They are open to making the debt component a portion of the round to protect a few percentage points of their shareholding, so that they can raise the next round at a much higher valuation," says InnoVen's Sharma.

Acquisition financing, fuelled by the rise of ecommerce roll-ups, has been a major driver for venture debt in the last 12-18 months. With roll-ups—firms which acquire ecommerce brands with an aim to scale them up—ticket sizes go up substantially as they hinge on debt to complete quick purchases. That has resulted in a larger requirement and faster deployment of debt products.

"A typical equity firm can take, from start to finish even in a very good scenario, 4-6 months unless they are one of those hedge funds which can turn around at a blistering speed. An equity term sheet is much more complicated than a debt term sheet. At a high level, all debt documents look 70-80 per cent similar. The language might be different, but the concepts remain the same. Everyone knows how the transaction documents look. That's why it is much faster than an equity transaction," says Ankur Bansal, Co-founder and Director of BlackSoil, a company which does deals with and without an equity kicker. It lends through an NBFC as well as a venture debt fund.

WE SHOWED THAT THIS [VENTURE DEBT] IS NOT SO RISKY AND IT CAN GIVE YOU PREDICTABLE RETURNS. IT BASICALLY GOT MORE PEOPLE EXCITED ABOUT THIS ASSET CLASS FROM THE SUPPLY SIDE

VINOD MURALI
CO-FOUNDER & MANAGING PARTNER, ALTERIA CAPITAL

VENTURE debt stands to gain if equity becomes more expensive on account of a potential correction in the funding market. When equity slows down, good companies that need to raise capital may rethink their strategy and raise debt instead.

"In the near term, if there is a correction and equity financing becomes more expensive, it naturally creates room for more debt. Obviously, debt providers will have to be that much discerning and disciplined about the exposure they may want to take. There is a lot of headroom in the debt business that still needs to be serviced," says Khanna.

Debt deployments are set to grow leaps and bounds this year as companies that are not doing well would need more growth capital while well-performing firms would need to replenish their war chest to maintain the growth momentum. Also, more and more growth-stage founders are expected to make debt a part of their funding rounds to balance out dilution.

However, not everyone needs to have a term loan. Debt providers are also exploring differentiated products or strategies. Use-cases are fast expanding from the realm of working capital management, runway extension or dilution optimisation to acquisition financing, receivables financing as well as order book discounting, says Vivek Soni, Partner and National Leader of Private Equity Services at EY India. "Going forward, new focus areas could include onward lending and creative solutions to fund capex or project financing."

"At Stride, we have done close to eight-nine different transaction structures depending on what business we are investing [in] and what type. You have to make it founder-friendly today. Beyond helping reduce dilution, every founder and investor wants to know how useful a debt round can be for the growth of a business. They [venture debt firms] have to become partners rather than a provider of loans who collects interest at the end of the month," says Stride's Gandhi.

According to the Stride survey mentioned earlier, 100 per cent founders of growth stage companies are certain of raising venture debt in 2022. "In our view, the outlook for venture debt as an asset class is very good, both in the short- and medium-term," says EY's Soni. "While we have seen significant growth in both demand and supply, the reality is that the market opportunity for venture debt is significantly larger than what is currently being serviced. This asset class will grow faster as awareness increases and start-up founders begin to discover a better understanding of this product. As of now, there are a handful of firms that are in the venture debt asset class and over the next 3-4 years, we expect that number to increase significantly."

If the growing trust of investors and acceptance of entrepreneurs are anything to go by, venture debt has well and truly arrived. BT

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SHOT IN THE ARM

COVID-19 HAS BROUGHT TO THE FORE A SLEW OF TOP-SELLING DRUGS THAT WERE NOT SO HOT EARLIER

BY **NEETU CHANDRA SHARMA**

ILLUSTRATION BY **ANIRBAN GHOSH**

Y**OU HAVE PROBABLY** heard of Dolo 650. The antipyretic—a medicine used to treat fever and body ache—was in high demand in January 2022, cornering sales of ₹51.79 crore or about 23.4 million strips, as per Pharmasofttech AWACS, a pharma market research company. Comparatively, in January 2021, sales were ₹18 crore. In the 12-month period of January to December 2021 Dolo 650 clocked sales of ₹417 crore (about 189.4 million strips) as per AWACS. Thanks to the Covid-19 pandemic, almost every household today is aware of the drug. Manufactured by Micro Labs, Dolo 650 was the most prescribed antipyretic during the third wave of Covid-19. "Whenever there has been outbreak of viral infections, Dolo 650 has seen spike in prescriptions and sales. Going by our past experience during the outbreaks of Chikungunya, H1N1 (Swine Flu) and Dengue, spike in sales of Dolo 650 during Covid-19 was expected," says Jayaraj G., Executive Vice President-Marketing, Micro Labs. "Also, Dolo 650 found a place in the Covid treatment protocol of every medical agency. So, we expected a spike bigger than that of earlier outbreaks."

But Dolo wasn't the only regular drug that benefitted from Covid-19. It was among a range of multivitamins to antipyretics brands that came to the fore in January 2022, the peak of the third wave of the Covid-19 pandemic, and garnered high revenues for their companies. While the first wave of Covid-19 in April-May 2021 saw differing prescriptions being issued depending upon the severity of the infection, the third wave saw a fixed prescription circulating among patients, carrying a few standard medicines. Apart from Dolo, Zincovit, manufactured by Chennai-based Apex Labs, became the most selling multivitamin for managing Covid-19 patients. And Cipla's Montair LC became the most prescribed anti-allergic medicine. In the previous waves, drugs like Remdesivir and Ivermectin, too, got good revenues.

Emerging Trends

Salil Kallianpur, former executive vice president of GSK Pharma, and now a pharma industry analyst and consumer behaviour specialist, points to certain trends that emerged during the Covid-19 waves. "The first trend was opportunistic brand launches where products like Remdesivir, Ivermectin and others suddenly took off as desperate people looked for them, hoping that these drugs would save lives. The most prominent of these launches was Fabiflu (Glenmark Pharmaceuticals' brand of Favipiravir). Glenmark clocked ₹750 crore in less than a year for a product that had no scientific basis for use in Covid patients." Kallianpur analyses that this trend wasn't as prominent during the first wave, probably due to lack of a set treatment protocol and supply chain disruptions.

The second interesting trend was how (non-Covid-19 treatment) brands established over many decades were responsible for helping companies continue their growth in those tumultuous months. "While brands launched two to three years before the pandemic either lost demand or felt a drag on growth, the most established brands jumped in volume sales. Zincovit and Dolo stand out as examples. This re-establishes my view that strong marketing initiatives helped these products gain the trust of doctors, patients and their families," says Kallianpur.

For example, Cipla, the maker of Montair LC, in its third quarter results said that its overall business grew by 13 per cent year-on-year (YoY) led by sustained momentum across core therapies and traction in flagship brands, with modest contribution from its Covid-19 portfolio.

The Market Reflection Report for January 2022 from IQVIA, an American multinational market and data analytics company, says Azithromycin oral solids—used for managing certain bacterial infections ranging from bronchitis, pneumonia and infections of the lungs often occurring during Covid-19—saw 250 per cent growth this January. Among brands, Azithral—manufactured by Alembic Pharma—ranked No. 1 among the top 25 products in January (in comparison to December '21), with ₹73 crore of sales and growth of 27 per cent over December 2021, clearly indicating that the antibiotic was massively prescribed during the third wave of Covid-19. Apart from Azithral, among the top 10 brands, Dolo grew 307 per cent while Calpol, another antipyretic, grew 261 per cent.

Dissecting the trend, Kallianpur says that as overall inventory levels reduced due to distributors hesitating to book large orders, they clearly preferred to invest their working capital in brands that had strong demand and those they trusted would sell quickly. "Antipyretics like Dolo became more popular as word of mouth spread in a situation where people turned to friends, family and neighbourhood pharmacists for advice. The inclusion of the product by brand name in the Covid protocol helped quite a bit, but the new participative nature of people in their healthcare gave it strong tailwind," he adds. Kallian-

HEALTHY GROWTH

A range of multivitamins and antipyretics brands garnered high revenues for their companies

DRUGS THAT SOLD THE MOST DURING THE SECOND AND THIRD WAVES OF COVID-19
(March 2021- Feb 2022)

- **Remdesivir ₹538 crore**
- **Zincovit ₹527 crore**
- **Dolo 650 ₹429 crore**
- **Azithral ₹290 crore**
- **Montair LC ₹215 crore**
- **Hydroxychloroquine ₹194 crore**
- **Molnupiravir ₹40 crore***

*FIGURE FOR JAN '22 TO FEB '22
SOURCE: AWACS

PHARMA COMPANIES THAT MADE THE MOST REVENUES DURING COVID-19

	2020-21	9MFY22
Sun Pharmaceutical Industries	33,139.18	29,040.34
Aurobindo Pharma	24,557.95	17,571.21
Cipla	18,988.52	16,399.42
Dr. Reddy's Laboratories	18,420.20	15,539.20
Lupin	14,926.99	12,328.29

CONSOLIDATED FIGURES IN ₹ CRORE,
SOURCE: ACE EQUITY

ILLUSTRATION BY **RAJ VERMA**

pur also says that many brands in the wellness categories sold quickly. "In that wave, established pharma brands like Zincovit, Becosules, etc. also became popular."

"For many years now, healthcare professionals have trusted the Becosules brand and encouraged the use of the many products in the portfolio to provide adequate amount of micronutrients," says S. Sridhar, Managing Director of Pfizer Limited, which manufactures Becosules. "The pandemic has emphasised the importance of preventive health and the need to build immunity. Vitamin B complex and vitamin C are important for optimum functioning of our body, which is why we saw an increase in the use of Becosules during this time," says Sridhar.

The scenario was quite different in the first half of 2021, when the second wave of the pandemic wreaked havoc on both patients and the medical community. At that time, the pharma industry had reasonable growth on account of Covid-19-related products like Remdesivir, and vitamins and minerals received a boost as supplemental products. Pharmaceutical experts believe that it also led to much better hygiene practices due to the adoption of Covid-19 appropriate behaviour. Due to this, the non-Covid-19 acute therapy business was impacted, but as the second wave started reducing, people started coming out of their homes and were exposed to the weather and seasonal changes.

On the other hand, the first wave of the pandemic, in terms of pharma sales trends, was similar to the third wave because nobody knew how to treat Covid-19. "The medical fraternity was not able to put its finger on the cause and hence wisely chose to treat the symptoms as best as it could. This period saw exponential growth in the sales of some very standard medicines like anti-pyretic drugs and supplements geared towards treating high grades of fever and boosting immunity. The likes of Remdesivir, Lopinavir-Ritonavir, Favipiravir, and such treatments became the primary line of treatment for critically ill patients," says Raheel Shah, Director, BDR Pharmaceuticals, which is one of the manufacturers of anti-Covid-19 drug Molnupiravir.

"In very critical cases, more potent drugs like Tocilizumab were also administered for treatment and yielded positive results. Drug sales have spiked in the past two years, especially the critical care, OTC vitamins, and other antibiotics. The trend has continued, however, post-Covid as clinics have become more functional, and drug sales of derma and oncological injectables have also started to pick up," says Shah.

Will the Momentum Sustain?

The Covid-19 pandemic threw open opportunities for some drugs, which at one point in time became difficult to procure such as Remdesvir and some steroid brands in the second wave, and Dolo, Zincovit and others in the third wave. As the pandemic has receded, the popularity and demand looks difficult to sustain. "Pandemics will never make a company rich, because pandemics come and go, so there could be opportunities for very few companies," says Satyanarayana Chava, Founder & CEO, Laurus Labs, adding as an example that Dolo 650 became popular and almost a synonym for Paracetamol.

Jayaraj holds a view that a similar pattern will show up in future pandemics, too. "Drugs like Paracetamol, Azithromycin, Favipiravir, Doxycycline, Corticosteroids and immune boosters were recommended by Indian Council of Medical Research (ICMR) for the treatment of Covid and the leading brands in these segments gained immensely," he says, adding that Dolo 650 being the leader in the Paracetamol market, garnered huge prescriptions and gained immense popularity.

True, but now we are back to the question: Can the momentum sustain? And the answer seems to be a clear 'no'. Data from IQVIA shows that Dolo 650, Azithral and Calpol, which saw spike in sales in January due to the third wave of Covid-19, are no longer in the top 25 brands in February, in terms of sales. Instead, the top-selling drug brand in February was Mixtard, a drug used for managing diabetes, from Novo Nordisk, a Danish multinational pharmaceutical company. So, the Covid-19 opportunity for non-Covid-19 drugs seems to have come and gone, and is not likely to come back unless there is another wave. And that is something no one would wish for. **BT**

@neetu_csharma

GROWTH NUMBERS

Azithromycin Oral Solids observed the highest growth of 250% for January 2022

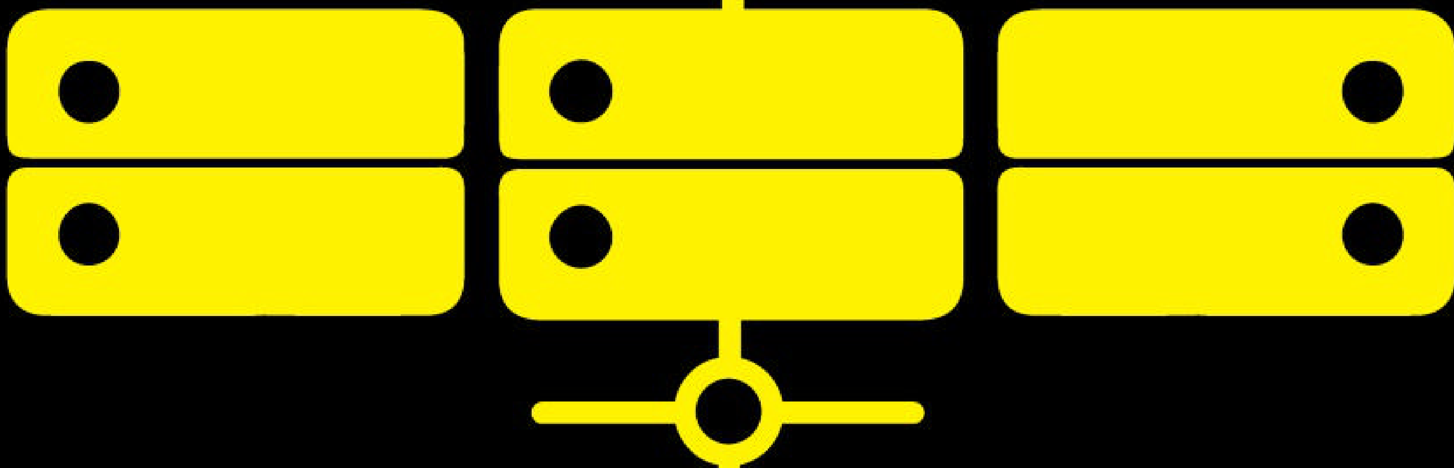
Azithral ranks No. 1 among the top 25 products in January 2022

Dolo grew 307%, in a month, the maximum amongst the top 10 brands

In the top 10, Calpol, another antipyretic, grew 261% in a month

Azithral has become the topmost brand with ₹73 crore sales in January 2022

SOURCE: AWACS



SUPERCOMPUTER ON A PLATTER

HIGH-PERFORMANCE COMPUTING IS NOW AVAILABLE ON THE CLOUD AS A SERVICE. THAT HAS OPENED NEW VISTAS FOR ORGANISATIONS TO MANAGE HIGH-COMPUTE, CRITICAL APPLICATIONS

The India User Club

Here are some early adopters of HPCaaS in India

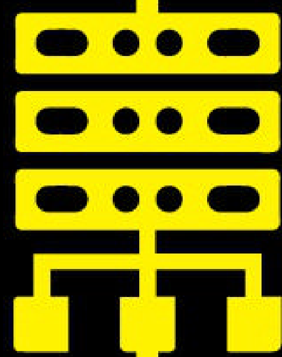
Tata Elxsi using Azure HPC capabilities to run customer simulations

Academic institutes leveraging 100,000 free hours of HPCaaS by NxtGen Datacenter & Cloud Technologies

Orbo.ai using HPCaaS for extensive AI training over huge image and video datasets

CARE Ratings using Yotta HPCaaS for data analytics projects to develop sentiment analysis and predictive models for its ratings business

TVS Motor using HPE GreenLake HPCaaS on-prem for testing the aerodynamics of two-wheelers



BY **NIDHI SINGAL**

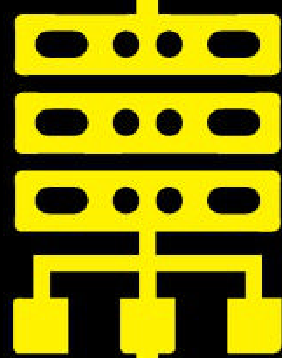


ILLUSTRATION BY **ANIRBAN GHOSH**

CHENNAI-HEADQUARTERED automobile major TVS Motor Company uses high-performance computing (HPC) for running R&D simulations and testing the aerodynamics of two-wheelers, which allows it to make the vehicles stable at speed and more efficient, cool engines faster, and achieve better top speeds, quicker. It has been doing this for, like, forever, but something changed in 2020. Earlier, TVS would purchase HPC hardware upfront for five-year periods, to be installed, run and maintained by its own team. As Ranjith Radhakrishnan K.C., AVP-IT, TVS Motor Company, informs us, in this 'capex' model, "we had to actually pay upfront for five years, and when we revised something, we had to make sure that it lasted five years".

In 2020, TVS switched to HPE GreenLake's HPC-as-a-Service (HPCaaS), an 'opex' model perched on its premise. Ergo, pay per use, and all other attendant cloud benefits. "Since this HPCaaS model is scaleable, we don't have to invest in what we may require after two-three years, or even more," says Radhakrishnan. "We are able to invest only in whatever is required for this current financial year." Another perk is the reduction in lead time for ordering new hardware, which has come down to about four weeks from eight weeks earlier. "This model enabled us to be much more nimble as we don't have to plan two-three months in advance." Explains Sinisa Nikolic, Director & Segment

The HPC Market

The HPCaaS segment of the HPC market is growing at a much faster speed than other segments

- *HPCaaS market is $4.5 billion globally and expected to double to $9 billion by 2025*
- *HPCaaS in India is expected to grow to around $102 million by 2025 from $47 million in 2020*
- *In 2020, the overall HPC server market globally was $13.5 billion. In 2025, this is expected to climb to $20 billion*
- *Globally on-premise HPC market to reach $40 billion with add-on storage, middleware, applications, and maintenance services*

Source: Hyperion Research

The Pricing

HPC on the cloud comes at very attractive costs compared to an on-premise setup

Most Economical plan

₹11,000 per month
Compute power: 4 vCPU, 20 GB RAM, 8 GB NVIDIA V100 Tensor Core GPUs, 250 GB DISK, vNIC and up to 10G Network performance with Unlimited Data Transfer and Host Anti-Virus

Most Premium plan

₹1.74 lakh per month
Compute power: 2 x Intel Xeon Gold 6230 2.1GHz, 20C, 12x64 (768) GB RAM, 2×480 GB HDD, 4x10G & 2x1G NIC, 4 x NVIDIA V100 Tensor Core GPUs 32GB and full height GPU with 36 months Pro Support

On-prem setup

An on-premise setup with tech specs comparable to the "most economical plan" above could cost an organisation upwards of ₹50 lakh. There will also be additional cost factors like power, cooling, network, manpower and software licences

Source: Yotta

Leader, HPC & AI, Lenovo ISG, Asia-Pacific: "It is not the technology that differentiates HPC and HPCaaS, but the way an organisation uses and funds it—which means it is either a capex or an opex strategy."

As TVS's use case demonstrates, HPC is not your usual network of desktop computers running ERP or CRM software. It is immensely powerful. This power is needed, say, for drug discovery of Covid-19, which requires running a few trillion calculations with accurate simulation and modelling in a short period of time. "HPC conducts complex calculations at high speeds across multiple servers, simultaneously. Collectively known as clusters, these groups of servers are composed of hundreds or even thousands of servers connected through a network," explains Sayed Peerzade, EVP & Chief Cloud Officer, Yotta Infrastructure, a managed data centre service provider. Many times, HPC networks are actually networks of supercomputers. Globally, such systems are used in multiple high-compute areas such as semiconductor design, streaming a live sporting event, oil and gas simulations, genomics,etc. India, too, has been using HPC in weather and disaster forecasting, academic research, etc., for decades.

We know what you're thinking—such systems are expensive. Installing HPC systems can cost anywhere between $25,000 and $1 billion, plus operational and maintenance costs. That's costly and complex, both factors influencing companies' tech departments to veer towards HPCaaS. "HPCaaS removes some of the complexities of designing and deploying an HPC data centre, as well as running optimised HPC applications," explains Alex Norton, Research Director, Lead AI and Co-Lead Cloud Analyst at Hyperion Research. Available as a service through on-prem or in the cloud, on a monthly subscription model (eliminating upfront investment), it makes compute-intensive processing possible for enterprise and academia. In HPCaaS, all the HPC infrastructure including switching, routing, internet bandwidth, intrusion protection systems, etc., are managed and delivered by vendors as a part of the subscription. Scaling up, and incremental payment, is flexible based on an enterprise's workload change.

According to Hyperion Research, the on-premise HPC server market was $13.5 billion in 2020 globally, projected to grow to nearly $20 billion by 2025. Include add-on storage, applications, and maintenance services, and the on-premises HPC market is expected to reach $40 billion by 2025, from $26.3 billion in 2020. On the other hand, HPCaaS worldwide is around $4.5 billion today and is expected to double to $9 billion by 2025. In India, on-premise HPC spend is around $400 million a year, projected to reach $600 million a year by 2026. As for HPCaaS in India, it is expected to grow to an estimated $102 million by 2025 from $47 million in 2020. "HPCaaS is growing in India, but slightly slower than the rest of the world," says Norton.

AS HPCaaS IS STILL NASCENT IN INDIA, PLAYERS ARE COMING UP WITH NEW WAYS TO BRING AWARENESS & INCREASE ADOPTION

Industry Adoption

Earlier, supercomputers were largely used for nuclear test simulation, mapping the human genome or resurrecting dinosaurs in movies, and reserved for government and medical researchers, academics, and innovative moviemakers. But the rise of data-intensive technologies such as artificial intelligence (AI) and machine learning (ML), which require massively parallel compute (MPC) capabilities, has resulted in a wide range of organisations examining HPC solutions. These are being used for varied cases such as computer-aided design and engineering, autonomous driving, production optimisation, predictive maintenance, drug discovery, precision medicine, fraud and anomaly detection, treasury and trading analytics, Internet of Things (IoT), smart cities, and more.

While HPCaaS follows a cloud-based delivery model, these sophisticated systems feature an advanced combination of hardware as well as software. The key hardware for this includes high-performance CPUs, fabric, memory and storage, networking components, plus accelerators for specialised workloads. This high-performance infrastructure at the core is backed by data connectivity and redundant availability. HPC platform software, libraries, optimised frameworks for big data and deep learning, and other software tools, are value-adds one gets access to while signing up for HPCaaS.

What's the outcome? Stunningly complex work can be done, relatively affordably, on the cloud. For example, Samsung Electronics is providing its fabless customers a virtual environment—Samsung Advanced Foundry Ecosystem (SAFE) Cloud Design Platform (CDP)—to design chips in the cloud in collaboration with Rescale. By adopting CDP, Samsung's customers can reduce the burden of building their own server infrastructure, while flexibly utilising additional computing power required for chip design and verification.

Cool, right? Yes, but in case you are wondering, HPCaaS has extended its reach beyond such exotic applications to the relatively mundane. A leading private sector bank in India has opted for HPCaaS for algorithms such as quick loan approvals and fraud detection in loans to industry. CARE Ratings uses HPCaaS for data analytics projects to develop sentiment analysis and predictive models for its ratings business. "As neural network models recommend GPU-based processing, we use HPCaaS in the development of neural network-based deep learning models," says Tarun Bangera, Head-Data Science & Analytics, CARE Ratings. "The high-performance cloud-based environment has helped us develop a scaleable framework for building AI/ML models, ultimately helping us in distributing workloads seamlessly. Cloud computing has enabled us to automate complex, repetitive, high-processing tasks without any human intervention."

Som Satsangi, SVP and Managing Director of HPCaaS vendor Hewlett Packard Enterprise, India, says: "In the recent past, there has been a steady shift of HPC to the cloud, which has been the fastest-growing part of the HPC market. It becomes difficult for enterprises to manage infrastructure because of the rate and pace of change in technology and the skills needed to operate on-premises HPC. So, instead of buying technology, they are looking to use it as a cloud service."

Technology consulting companies, too, are leveraging HPCaaS. Tata Elxsi, which provides technology consulting, product design and development services to organisations globally, is leveraging a cloud-based HPC solution as it found it far more feasible in the context of service to clients, sales closures and timely deliveries, apart from other usual benefits of a cloud model. "The system goes through many upgrades over the years as technology evolves, resulting in additional costs incurred every few years to maintain an up-to-date physical infrastructure. The on-cloud HPC on (Microsoft's) Azure was a much better option," says Sagar MSV, the company's Manager-Transportation Design & Engineering.

Microsoft is making its HPC services available through the Azure portal and marketplace—Azure Cycle Cloud and Azure Batch. "These services are free to use, and customers pay for the underlying compute to use with these services. The overall cost depends on the customer use case, workload, and the time duration of running those workloads on Azure," explains Shivir Chordia, Azure Business Group Lead, Microsoft India. In India, Microsoft says it has improved time to market with faster solve times for a large engineering services organisation, enabled a large engineering university to run molecular simulation workload, and enabled researchers in a large organisation to focus on innovation and research, taking away the overheads of running HPC clusters on-prem.

HPCaaS is proving to be a boon for enterprises and start-ups relying heavily on AI and ML. Orbo.ai, an AI and computer vision-based platform focussed on image enhancement and automation, has to perform extensive AI training over huge image and video datasets. This training requires compute-efficient systems that can run for days without any interruption. Currently, the company is training AI for hair segmentation, face landmarks, signature matching and foetus scan enhancement on Yotta's HPC virtual machines. "We have been using HPCaaS since the past seven months, and we are deriving two direct benefits from it—uninterrupted system availability for our AI research team, and cost savings," says Md Danish Jamil, Co-Founder and Technical Lead, Orbo.ai.

As HPCaaS is still nascent in India, players in this space are experimenting with new ways to bring awareness and increase adoption. Bengaluru-based NxtGen Datacen-

Industry Possibilities

HPCaaS can be used across multiple industries. Here's a sampling

- ***BFSI:*** *Load approval, detecting abnormalities and intrusion attempts in real time*
- ***Healthcare:*** *Computational power can help process acceleration and reduce discovery time in research and drug discovery*
- ***Smart Energy Grids:*** *Can provide enormous computing power to optimise and maintain energy efficiency in real time*
- ***Manufacturing:*** *Can help in quickly analysing data and provide autonomous capability*
- ***Education:*** *Help in research and innovation*

ter & Cloud Technologies is offering 100,000 free core hours of accessing HPCaaS for educational and technical institutes. "More than 10 prestigious institutes are running multiple complex job runs on the cluster consuming more than 50,000 to 70,000 core hours each," says Rajesh Dangi, Chief Digital Officer, NxtGen Datacenter & Cloud Technologies, adding that most of these institutes are already in advanced discussions for long-term contracts with the company.

The Cost Benefit

Instead of investing millions, HPCaaS can be accessed for a starting price of as low as ₹11,000 per month, which could run into a few lakhs depending on the configuration and workload. Yotta's most basic Eco plan starts at ₹11,000 with unlimited data transfer and host anti-virus. And its most high-end offering—Baremetal Premium—is available for ₹1.74 lakh per month (see *The Pricing* for details). The company says these plans are capable of handling different kinds of workloads. The Eco configuration is targeted at students and academics who use legacy compute (old technology, computer system or application, related to an older or outdated computer system). And premium plans are designed for industrial and enterprise use, for example, manufacturing industries using AI for production, or financial services companies working on analysis of big data and real-time fraud detection, among others.

A big concern that HPCaaS addresses is security, as it typically follows the same checks and balances as any other application being served through the cloud. Using a consumption model, especially through external providers, is a two-way street. "Both the user and the vendor have a significant role to play in securing the cluster. Securing data and IP become key areas that need special attention, and encrypting the data while at rest and in flight play a key role in securing the same," explains Manish Gupta, Senior Director and General Manager, Infrastructure Solutions Group, Dell Technologies, India. HPCaaS providers follow a strict security and protection protocol and, as a result, many companies who started with HPC on-premises, tend to supplement their workload with HPCaaS.

Which brings us back to TVS Motor. The company has moved 25 per cent of its HPC workload to HPCaaS, and as the existing HPC cluster reaches the end of its life, the newer clusters will be taken on HPCaaS. Given that TVS has had a history of using HPC on-premise, you would be forgiven for thinking that TVS would be more capable of leveraging HPCaaS. Does that mean others who have not used HPC before, can't use HPCaaS? Just the opposite holds true. That's the beauty of the cloud-based approach. BT

@nidhisingal

It becomes difficult for enterprises to manage infrastructure because of the rate and pace of change in technology and the skills needed to operate on-premise HPC. So, instead of buying technology, they are looking to use it as a cloud service

SOM SATSANGI
SVP and Managing Director, Hewlett Packard Enterprise, India

HPCaaS is growing in India, but slightly slower than the rest of the world

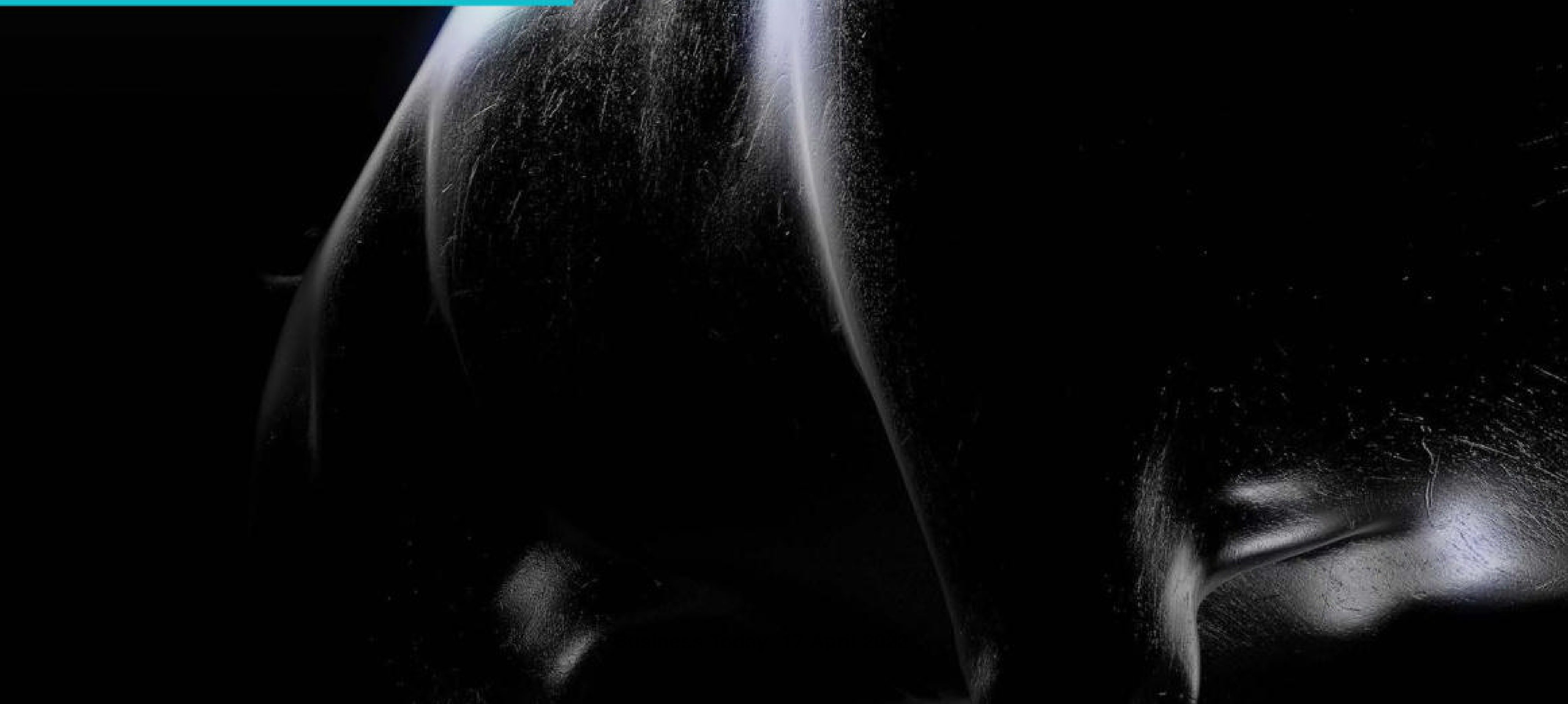
ALEX NORTON
Research Director, Lead AI and Co-Lead Cloud Analyst, Hyperion Research

It is not the technology that differentiates HPC and HPCaaS, but the way an organisation uses and funds it

SINISA NIKOLIC
Director & Segment Leader, HPC & AI, Lenovo ISG, Asia-Pacific

TILL A FEW YEARS AGO, A VERY SMALL FRACTION OF INVESTORS SAW POTENTIAL IN NFTs. BUT IN 2021, THE MARKET OPENED UP TO MASSIVE NFT PITCHES GLOBALLY. IS THIS A PASSING FAD, OR WILL THE GROWTH CONTINUE?

BY **TEENA JAIN KAUSHAL**



FAD OR FUTURE?

A **DECADE AGO,** you'd have scoffed at the idea of a wedding in virtual space. Not anymore. A Chennai-based couple recently celebrated their wedding—Asia's first on the metaverse—where people interacted through their avatars. Even the bride's late father attended!

That's not all. The couple also launched non-fungible tokens (NFTs) featuring them and the wedding invitation. "We launched 10 unique NFTs of around $25-150 which were resold for $1,000-2,000. The response was huge," says Dinesh Kshatriyan, the groom, who is a project associate at IIT Madras.

NFTs have come a long way from the time when only celebrities created and sold them for millions. "NFTs are slowly but surely becoming a part of our everyday lives. Not only are NFTs a great business opportunity, they are also a new way for people to enjoy themselves while making money. That's why NFTs are here to stay," says Toshendra Sharma, Founder and CEO, NFTically, a Polygon-backed NFT marketplace.

As the world embraces the metaverse, NFTs will become the thing to own. "Owning an NFT would give people access to certain exclusive things in the metaverse... Collectors can access unique and credible artworks in the form of NFTs from around the globe. Since the NFT market is booming, some collectors are also looking at NFTs as a long-term investment option," says Sandesh B. Suvarna, Co-founder and Vice President, WazirX NFT Marketplace.

WHY ARE PEOPLE BUYING JPEGS AND GIFS?

You've heard of the deed that represents a house without being the physical house? That's what NFTs do. It is a type of programmable deed of ownership to an asset that exists on a blockchain. This digital deed gives its holder the exclusive ability to use, sell and transfer the asset's ownership rights. Here, an item can be made unique by giving it a code and the 'digital deed' or token—which cannot be replicated—proves one's ownership of that digital asset.

NFTs can offer anything from GIFs to digital art to static images. The USP of an NFT is that it is used to prove ownership of a digital item; The use-cases for NFTs—run on blockchains such as Ethereum and Matic—are varied. An NFT can be looked at as an authentic digital art piece or an asset which can be used to earn cryptocurrency in games. Artists also use them to prove ownership of their digital art, which often includes JPEGs or GIFs, paintings, audio or video files, or any other type of digital file, says Vikas Ahuja, CEO at crypto trading platform CrossTower India. The file is stored in decentralised storage and an NFT can be created to prove its ownership. "From digital art to ticket sales, music, collectibles, luxury items, and gaming—NFTs have the potential to transform the way we interact," he says, adding that India 's NFT market had the potential to grow to $1 trillion-plus.

NFTs have also created a secondary market for the sale of digital assets. This allows NFT collectors, just like creators, to list and sell their NFTs on a marketplace. Every time the token changes hands, a royalty is paid to the original creator.

"NFTs provide a way to create and trade digital assets that are not subject to the same volatility as cryptocurrencies. While this may seem like a minor distinction, it opens up a world of new possibilities for the usage of these tokens," says Kyle Fernandes, CEO and Co-founder of Meme Chat, a social networking app.

POPULAR NFT TYPES

COLLECTIBLES
A limited set of NFT art, items, or cards with varying attributes and scarcity. Collectibles are popular partly due to standard attributes across a collection, enabling rarity in valuation models.

NFT ART
Digital content including images, music and videos. Sometimes there is a physical item accompanying the NFT, but this is not necessary.

METAVERSE
A network of virtual environments in which people can interact with each other, digital objects, and the physical world through their avatars. Virtual land purchases in metaverse platforms attract some of the highest valuations.

SPORTS
NFTs are used to represent sports collectibles, community participation rights and event ticketing. Many of the collectibles represent highlight moments from games that users can trade, similar to physical sports trading cards.

GAMING
Gaming NFTs represent in-game assets such as items and property, which have functional uses in the virtual world. Applications are becoming increasingly sophisticated as in-game economies and 'play-to-earn' monetisation models mature.

UTILITY
Utility NFTs provide the owner with some functional or monetary rights, usually in a digital platform context. Domain names and insurance NFTs are two popular applications today.

Source: Cointelegraph report

HOW TO SELL YOUR OWN NFTs

1 **SET UP ONLINE WALLET**

Platforms such as NFTically allow MetaMask or any Ethereum-based wallet using WalletConnect

2 **CREATE STORE**

Navigate to 'create store' toggle on the website to be redirected to your dashboard and set up your own store

3 **LIST ON THE MARKETPLACE**

Customise the store according to your preference, give it a name and list it on the marketplace

4 **MAKE YOUR OWN COLLECTION**

Choose any digital token to upload and mint. Provide name and description. Then set price and post your listing

5 **SELL YOUR NFT**

As you hit the create button, the token gets its own smart contract and is sent to the blockchain free of charge. Pay the transactional fee, called gas fee, for minting your digital token. Your collection now becomes available on the marketplace for anyone to purchase

Source: NFTically

WHAT'S IN IT FOR BUYERS?

According to a Cointelegraph Research report, $1,000 invested in Bitcoin in 2017 would have given returns of more than 16x now. Compare that to the 125,000x return on $1,000 invested in an imaginary portfolio of NFTs comprising a small fraction of all NFTs ever sold on the Ethereum blockchain. However, the report adds that it isn't possible to create this portfolio as the calculation assumes that the $1,000 was distributed evenly among the NFTs available at the start of each project.

The growing popularity of NFTs is reflected in its numbers. "Earlier, a very small fraction of investors saw potential in NFTs but 2021 led to a complete U-turn as the market opened up to massive NFT pitches with a record $2.5 billion in sales globally. As per Google Trends data, in August 2021, global interest for NFTs rose by 426 per cent with people showing a lot of interest in buying NFTs," says Tarusha Mittal, COO and Co-Founder, Oropocket, a digital assets investment platform. Experts say this trend will continue.

NFTs have also emerged as a powerful branding and marketing tool as it helps expand the fan base of a brand by allowing consumers to own a piece of it. For example, MG Motor India announced 1,111 tokens as part of its digital marketing initiative in December. Mahindra & Mahindra has also recently announced its entry into the NFT space. "When an NFT from a big automaker is released, it is looked at as an authentic digital art piece from the maker. So, the value increases because of the demand from users," says Ketan Surana, Co-founder and CFO, Coinsbit India, a cryptocurrency exchange.

WHAT CAN GO WRONG?

The NFT space is not devoid of challenges. Sometimes, prices are driven by speculation than by value. Moreover, price manipulation from insider trading, influencers and other deceptive practices are common. "Beeple's $69-million NFT, for example, is arguably overvalued due to price manipulation from the purchaser MetaKovan, who purchased a large number of Beeple's works prior to this record-breaking auction. Shortly thereafter, MetaKovan launched the B.20 fund, which included fractionalised Beeple NFTs," says Cointelegraph Research.

Another challenge is the uncertainty in determining an NFT's price. Value is mostly governed by the 'hard-to-get' factor. Also, there's no legal definition of NFTs globally, with countries such as the UK, Japan, and the EU moving ahead with different approaches to classify them. "The popularity of NFTs has also increased the chances of cyber threats. [There are] plenty of cases where replicas of the original NFT stores are put up on the internet," says NFTically's Sharma.

Another risk is when someone impersonates a famous artist and sells fake NFTs. Shill bidding is another risk, where prices are artificially inflated by bidders who do not intend to win the auction. This could be in collusion with the marketplace or with the NFT vendor. Add to that the recently levied flat 30 per cent tax on gains made from NFTs, and the 1 per cent TDS to be paid on the transaction value by the buyer which make many in India jittery about investing in NFTs.

While the NFT market has been growing at a rapid pace, many are still wary of entering it because of the speculative mania around its value. One needs to be extra careful when diving into this unregulated space. BT

@Teena_Kaushal

THE GOOD LIFE

Mumbai-based Eleftheria won a silver rating at the World Cheese Awards held in Spain in November last year for its brown cheese Brunost

SAY CHEESE!

Cheese is finally coming of age in India with various artisanal brands providing soft and hard cheeses that hold their own against their western counterparts

BY **SMITA TRIPATHI**

THIRTY-FIVE-YEAR-OLD advertising professional Nandini Dhingra is a self-confessed 'cheese-aholic'. "I can have cheese any time of day and night," says the Bengaluru resident. Her current favourite cheese is called Ode to Chennai—a young Cheddar rubbed with *milagai podi* (gunpowder). The unusual cheese is the brainchild of artisanal cheese maker Namrata Sundaresan who along with her partner Anuradha Krishnamoorthy founded Käse in Chennai in 2016. Käse does a variety of cheeses with a *desi* twist such as a Pecorino (an Italian sheep-milk cheese) infused with fennel, or a goat cheese that is wrapped in fresh turmeric leaves and then aged for a couple of weeks. "In India we have a very good understanding of spices. So why shouldn't we use it," says Sundaresan who gave up a 13-year-long corporate career to turn full-time cheese maker.

Uttarakhand-based Darima Farms offers a cheese called Chilli Bomb that is basically a hard cheese infused with red chillies from Jaisalmer. At Mumbai-based Eleftheria Cheese, artisanal cheese maker Mausam Jotwani Narang has crafted a condiment cheese infused with Himalayan pink salt and rubbed with Kerala black pepper. While that is a popular cheese, it is her take on the Norwegian-style brown cheese Brunost that won her a silver rating at the World Cheese Awards held in Spain in November last year. It's the first time an Indian cheese won the award, popularly known as the cheese Olympics. The awards had over 4,000 entries from 49 countries.

"Our Brunost is pretty reminiscent of the Indian sweet *peda*. It's made with Indian milk and Indian whey so it has its own indigenous flavour," says Narang who also gave up a corporate career to turn cheese maker. She set up Eleftheria (it means freedom in Greek) in 2015 after having made cheese over the weekends for a couple of years while working with a tech multinational. It all started because she wanted to eat good cheese with her bread, the way she had while doing her Masters in the UK. Having not easily found anything she liked, she just started making it on her own. "A hobby that turned into a passion and then an obsession," she says.

While India is the second largest producer of milk in the world, we have never been a cheese-eating nation, with the exception of paneer or cottage cheese that's almost a staple of North Indian cuisine. For decades cheese for us has meant Amul or Britannia cheese tins. And if you wanted to try anything else you needed to rely on expensive imported cheese.

However, recently the Indian market and our palates have shifted. Over the last few years there has been a mushrooming of artisanal cheese makers across the country. Now gourmet stores such as Foodhall in Mumbai, Delhi and Bengaluru keep a variety of locally made mozzarella, burrata, gruyère, feta, etc., besides the ones inspired by local ingredients.

In fact, the pandemic saw an increased demand for cheese platters. With more and more people entertaining at home, the cheese platter became extremely popular.

"New trends such as keto have also been a big contributor. Cheese as a product works very well with a keto diet," says Arvind Chawla, Co-founder of Darima Farms which has an annual production of over 20 tonnes and ships pan India through their website.

"There was always a variety of cheese available but it was preposterously expensive. Now with local cheese makers, the cheese market will just continue to grow as and when people familiarise themselves with these different products... [and] they will want more of it," says chef Manu Chandra, Co-founder of Bengaluru-based Begum Victoria cheeses that came about in 2018. The cheese making facility is located on Victoria Road in the heart of Bengaluru and hence the name. Begum Victoria primarily focusses on crafting unique small-batch cheeses. Their double-cream brie is a top seller, as also their truffle brie. "We use real truffle. It's a premium product but there is a demand for it and it sells out rather quickly," he says.

Adds Prateeksh Mehra of Spotted Cow Fromagerie: "People have

1. **Käse started as a social enterprise to skill hearing-impaired girls. They also work with herding communities in Rajasthan and Gujarat**

2. **Spotted Cow doesn't believe in Indianising the cheese. Its tag line is 'Frightfully close to European style cheese'**

3. **Begum Victoria only uses responsibly-sourced A2 cow's milk**

4. **Darima has impacted a dozen villages through milk aggregation and women's empowerment**

become more conscious of local produce. In the West you are used to going to a dairy and picking up fresh cheese. Here you are eating imported cheese out of a tin can and since our cold chain isn't the best, imported stuff faces those challenges as well, not to mention the carbon footprint."

Mehra, who is a food photographer, set up Spotted Cow in Mumbai in 2015 with his brother Agnay as a passion project in his basement. He used to brew beer at home and wanted to pair good cheese but encountered the same problems as Narang. Today Spotted Cow ships pan India through their website and is also available in leading gourmet stores across the country. Their mozzarella and burratta are top sellers. They have also introduced a typically French ash-coated goat cheese. While most of these players focussed on institutional sales, the pandemic resulted in them changing plans. Spotted Cow, for instance, earlier supplied 80 per cent of its produce to institutions but now retail and direct-to-consumer is growing significantly. Similarly, Eleftheria supplied 100 per cent to institutions but set up its website in 2020 and now ships across Mumbai and Pune. "We have our own fleet of delivery vans and we manage the last mile delivery ourselves. We take care of the integrity of the cheese," says Narang. For Darima too, nearly 80 per cent today is direct-to-consumer. "Covid-19 also changed the consumption trends. It really increased our engagement with customers directly. They were comfortable buying from brands that were more personalised instead of just supermarkets," says Shruti Golchha, Co-founder, Begum Victoria.

While customers are happy to have more variety of cheese available either at neighbourhood gourmet stores or delivered home, restaurateurs who work with artisanal cheese are also pleased. Mumbai-based The Bombay Canteen and O Pedro use cheese from Eleftheria and Begum Victoria. Says Hussain Shahzad, Executive Chef: "With artisanal cheese there is scope for evolution. For instance, a burrata can be handcrafted in a particular grammage as per my requirements."

On the other hand, Tarun Sibal, chef and restaurateur, Titlie Goa and Street Storyss Bengaluru feels that "a Parmesan is a Parmesan, irreplaceable and so is the case with any GI-protected product." However, he adds that the local cheese produce has improved drastically and the space has livened up.

With more variety and accessibility, most of us are definitely saying 'cheese'. **BT**

@smitabw

THE YEAR OF GADGETS

The first three months of 2022 have already seen some big tech launches, with many more in the pipeline. A look at the ones we liked

BY **NIDHI SINGAL**

POCKET HERCULES

APPLE MAC STUDIO (M1 ULTRA)

₹3,89,900

This compact desktop can carry out tasks that many full-sized computers can't

A mighty desktop in a compact package, eh? So, what's new? First, it's the brand new Mac Studio; second, it's powered by the M1 Ultra processor—which has 114 billion transistors, the most ever in a personal computer chip; third, it is just 3.7-inch high and can slide under most displays. And despite the compact size, Apple doesn't scrimp on connectivity ports: the Mac Studio has four Thunderbolt 4 ports to connect displays and high-performance devices, a 10Gbps Ethernet port, two USB-A ports, an HDMI port, and a pro audio jack to connect high-impedance headphones or external amplified speakers. This pocket Hercules renders massive 3D environments with élan and plays back 18 streams of ProRes video without breaking into a sweat—stuff other desktops can't. You can pair the Mac Studio with the just-launched Studio Display (prices start at ₹1,59,900). It features a 27-inch 5K Retina display, a 12MP Ultra Wide camera with Center Stage, and a high-fidelity six-speaker sound system with spatial audio.

Available on *apple.com/in*

KEEPING TRACK

GARMIN INSTINCT 2 SOLAR

₹46,990

If you love the outdoors and are health conscious, this watch is for you

This one's for the outdoorsy types. With its rugged build, the Solar is great for tracking workouts and activities like treks, swimming, cycling, rowing, skiing and even yoga. The high-resolution easy-to-read dial is protected by a chemically strengthened material and scratch-resistant glass. The watch has been built to military standards for thermal and shock resistance and is water resistant up to 100 metres. The Solar comes with a plethora of health monitoring systems. It also offers unlimited battery life in smartwatch mode, provided it is worn in the sun for around three hours.

Available on
garmin.co.in

The Alternate Flagship

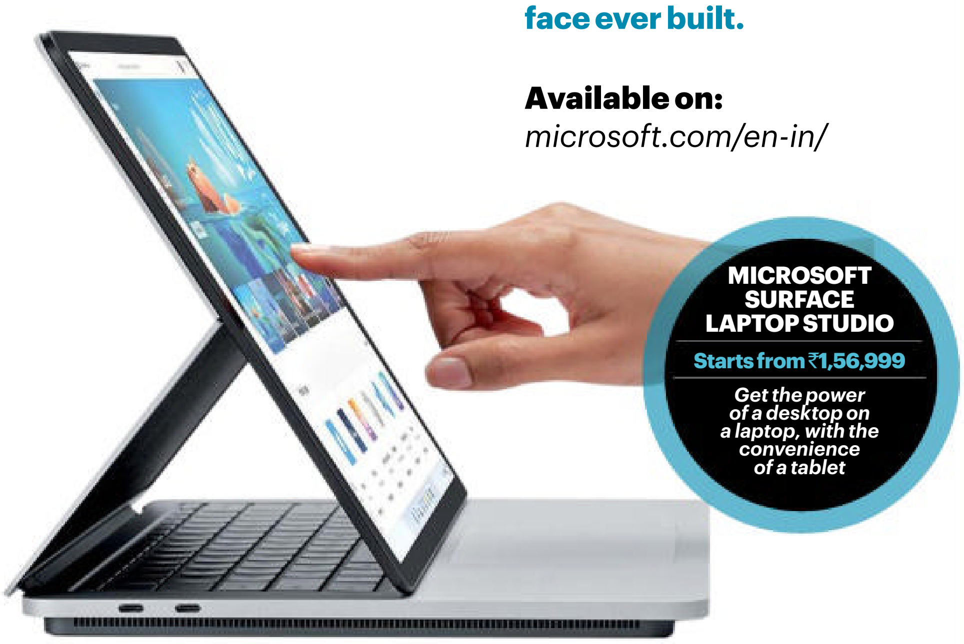
Arguably the most awaited launch for this time of the year, the OnePlus 10 Pro will compete with the Samsung Galaxy S22 Ultra head on. Powered by the Qualcomm Snapdragon 8 Gen 1 processor paired with 12GB of RAM, the device can smoothly handle multi-tasking and graphics-heavy gaming. Then there's the triple camera setup, co-developed with camera brand Hasselblad. The setup comprises a 48MP primary shooter, a 50MP wide-angle camera and an 8MP telephoto shooter. The 6.7-inch QHD+ LTPO display with 120Hz refresh rate and peak brightness of 1,300 nits is another highlight. Plus the 5000mAh battery supports 80W rapid charging as well as 50W wireless charging.

To be available on:
oneplus.in

HYBRID WORK

The Surface Laptop Studio brings together the power of a desktop in the portable form factor of a laptop. With a 14.4-inch PixelSense Flow touchscreen 120Hz display, it features Quad Omnisonic speakers with Dolby Atmos. The Surface Slim Pen 2 magnetically attaches (and charges) underneath the keyboard. Running Windows 11, the Studio is powered by 11th Gen Intel Core H processors and features Thunderbolt 4. The higher end option comes with NVIDIA GeForce RTX GPUs. This is the most powerful Surface ever built.

Available on:
microsoft.com/en-in/



BUSINESS SHOOTER

This device is the perfect blend of Samsung's two flagships—the Galaxy S and the Galaxy Note. Available in a brand-new colour—burgundy (it is also available in black and white colours)—the design shows its Note legacy with the stylus, the S Pen, housed at the bottom left edge of the device. The highlight of the Galaxy S22 Ultra is the 6.8-inch display, which has a resolution of 1,440 x 3,088 p and 120Hz variable refresh rate. The other standout features include the processor—a Qualcomm Snapdragon 8 Gen 1 SoC paired with 12GB of RAM; and the quad-camera setup. This comprises a 108MP wide-angle shooter, a 12MP ultra-wide shooter, and two 10MP telephoto cameras at the rear.

Available on:
samsung.com/in

DECRYPTING CRYPTO

THE *BUSINESS TODAY* CRYPTO CONCLAVE, HELD IN NEW DELHI, SAW AN ASSORTMENT OF POLICYMAKERS, CRYPTO INDUSTRY STAKEHOLDERS, AND INDEPENDENT EXPERTS DEBATE ON THE WAY FORWARD FOR THE DISRUPTIVE TECHNOLOGY IN INDIA

BY **ALOKESH BHATTACHARYYA**

PHOTOS BY **KUSHAGRA WADHWA**

TOP Rajeev Chandrasekhar (*right*), MoS for Electronics and IT; and skill development and entrepreneurship with *Business Today* Editor Sourav Majumdar; **BOTTOM** BJP MP Ravi Shankar Prasad (*left*) with Siddharth Zarabi, Managing Editor, *Business Today* TV

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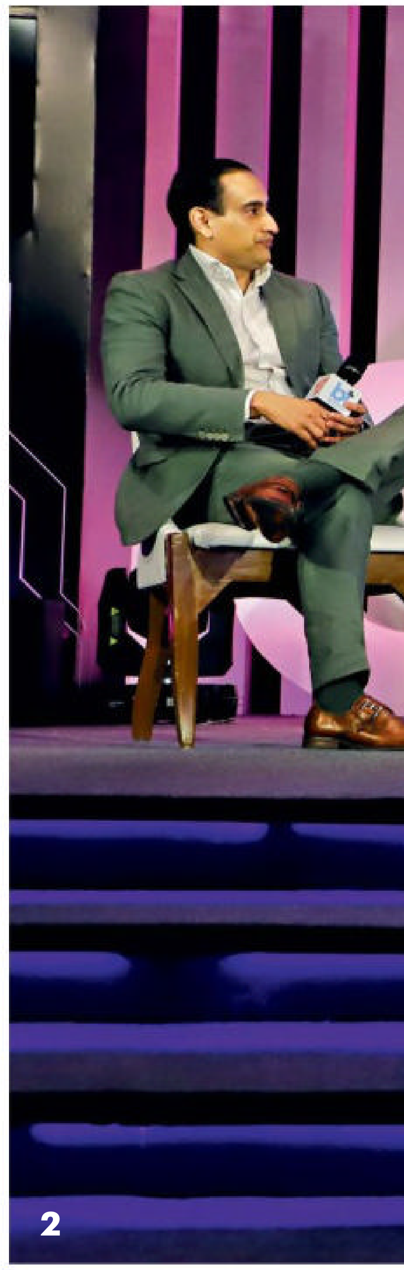

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CRYPTO, CRYPTO, CRYPTO... the craze is all around us. This craze is matched only by the obscurity and worry that accompanies this new 'asset'. So, when Rajeev Chandrasekhar, Minister of State for Electronics and Information Technology, calmly announced that everyone is free to invest in crypto assets through an RBI mechanism, the sigh of relief was palpable. "The Liberalised Remittance Scheme (LRS) is the easiest way for an individual to invest in any asset he or she wants. And there is no disqualification from anybody owning a crypto asset as part of his portfolio of assets."

This was probably the high point of the *Business Today* Crypto Conclave, which witnessed a series of stimulating debates around crypto assets on a pleasant March day at The Oberoi in New Delhi. The event was presented by CoinDCX.

BJP MP Ravi Shankar Prasad, a former Union minister of Law, Communications and IT, began the day by emphasising that crypto and blockchain are not the same: "We have never been against blockchain; in fact we encouraged blockchain technology, I think it will be and should be encouraged." On crypto assets, he said the government is still consulting various stakeholders, and momentum would pick up very soon.

Next, former chief economic advisor Krishnamurthy Subramanian pointed out that it is unlikely that the central bank digital currency (CBDC) will be a large part of the broad money (bank money or deposits) in the economy. Instead, CBDC will be part of the narrow money (existing physical currency). "We have to be very careful because when you are talking about monetary policy, we are actually talking about the broad money. Broad money is created when banks give out loans," said Subramanian, now a professor at the Indian School of Business.

The event then moved to one of the most exciting themes of digital assets—NFTs or non-fungible tokens. A wide range of celebrities are minting NFTs to engage with their fans and make good money. The panellists, however, felt that much more can be done. "In India, 25 per cent of the Supreme Court cases and 66 per cent of all civil cases are of land disputes. Imagine if all the land records would be minted as NFTs. A lot of the court's time would be saved," said Kashif Raza, Founder of Bitinning.

The NFT session was followed by an intense debate on blockchain and crypto. The discussion moved from the promise of Web 3.0 to a parallel financial system created by crypto to much more. A key point discussed

1. Aroon Purie, Chairman and Editor-in-Chief of the India Today Group, with Rajeev Chandrasekhar

2. (*From left*) Rahul Kanwal, ED, *Business Today* and News Director, TV Today Network; BJP MP Jayant Sinha; Shiv Sena MP Priyanka Chaturvedi; BJD MP Pinaki Misra; and former Congress MP Rajeev Gowda

3. Krishnamurthy Subramanian, former chief economic advisor

TALKING CRYPTO 1. Aabha Bakaya, Senior Editor & Presenter, *Business Today* TV, with Kashif Raza, Founder, Bitinning; Co-founder & CEO, RARIO 2. Sourav Majumdar with Neeraj Khandelwal, Co-founder, CoinDCX; and Sumit Gupta, CEO & Co-uTrade Solutions; Nikhil Chinapa, Co-founder, 0xdotTV; and Deepak Bagla, MD & CEO, Invest India 4. Siddharth Zarabi with Court, and Founder, Cyber Saathi 5. Aabha Bakaya with Jagdish Mitra, Chief Growth & Strategy Officer, Tech Mahindra; N.S. Rajan, Shri Vishwakarma Skill University 6. Aayush Ailawadi with L. Badri Narayanan, Executive Partner, Laxmikumaran & Sridharan;

was how cryptos and blockchain have developed a decentralised mechanism of incentivising people into forming communities. At the same time, much more can be done.

The stage was then set for a heart-to-heart 'exchange' with Sumit Gupta, CEO and Co-founder, and Neeraj Khandelwal, Co-founder of CoinDCX, a crypto exchange. The session saw the duo shield some tough questions from *Business Today*'s Editor Sourav Majumdar. They expressed concern that the provisions of the new crypto tax law, introduced in Budget 2022, could lead to trading activity moving away from home-grown exchanges. "Countries like Dubai and Thailand are in the process of becoming crypto hubs because of the positive regulations, and are attracting a lot of investments as well as talent. India should be able to harness this potential to build applications on blockchain technology if we have a favourable regulatory environment. Under the current tax provisions, the trading volumes are expected to dry up," said Gupta.

SOME PANELLISTS FELT INDIA IS MISSING OUT ON THE ECONOMIC BENEFITS OF THE CRYPTO INDUSTRY DUE TO THE GOVERNMENT'S CAUTIOUS APPROACH

But then, where are the blockchain specialists going to come from? That was the peg of the next panel discussion on skilling for disruptive technologies. "Out of the 2 million-odd IT skilled professionals, only 5,000 are blockchain professionals," said Jagdish Mitra, Chief Growth & Strategy Officer, Tech Mahindra. "We have to build our own talent pool with the help of academia because there is no ready pool outside to dip into." The panellists were unanimous that creating awareness about the field and skill-

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Toshendra Sharma, Founder & CEO, NFTically; Ramkumar Subramaniam, Co-founder & CEO, Guardian Link; and Ankit Wadhwa, founder, CoinDCX 3. Aayush Ailawadi, Technology Editor & Presenter, *Business Today* TV, with Kunal Nandwani, Co-founder, Rajnish Kumar, Chairman, BharatPe; Subhash Chandra Garg, former finance secretary; and N.S. Nappinai, Advocate, Supreme former CEO, IDFC Foundation, ex-Group CHRO, Tata Sons, and former Global Partner, EY; and Rajkumar Nehru, Vice Chancellor, and Abhinav Ashwin, Partner, AZB Partners

ing the workforce in this new technology was paramount.

As the debate veered towards regulation, Rajnish Kumar, former SBI chairman and current chairman of start-up BharatPe, made a daring prediction: "I would not be surprised to see crypto as a currency for international transactions over the next 10 years." But former finance secretary Subhash Chandra Garg felt that the moment e-dollar or the digital dollar comes in, the global currency will retain the primacy it has today.

The next session, on taxation, saw tax experts expressing surprise that the government announced 30 per cent tax on gains from crypto transactions, but losses from one crypto asset will not be allowed to be set off against profits in another. That points to a perception issue. "We can't run away from the fact that the government at least perceives this to be speculative income," said L. Badri Narayanan, Executive Partner, Laxmikumaran & Sridharan.

The penultimate session saw politicians discuss whether crypto assets should be banned or regulated. While BJP MP and current Chairperson of the Standing Committee on Finance, Jayant Sinha, said that the government's approach towards cryptocurrency is measured, Shiv Sena's Priyanka Chaturvedi said India is missing out on the economic benefits of the crypto industry due to the government's cautious approach. The opposition leaders were particularly unhappy about the government bringing in taxation into crypto assets without clarifying on their legality.

Finally, we get back to Rajeev Chandrasekhar. Apart from saying that buying crypto assets is legal, the minister also made clear that the pace of digital technology evolution has made it necessary for India to require a new digital law. "The basic law that today regulates cyberspace and the Indian internet is called the IT Act, which was enacted in 2000—in the internet age, 22 years is like three centuries. I think it is clear in our minds that we need a new digital law."

Clearly, there's a lot that is yet to happen. Watch this space. **BT**

With inputs from Nidhi Singal, Rajat Mishra, Anand Adhikari, Aakanksha Chaturvedi, Jhinuk Sen, Bismah Malik, Vidya S., Rahul Oberoi and Ashish Rukhaiyar

The Best Advice I Ever Got

MANISHA GIROTRA | CEO | MOELIS INDIA

Moelis & Company is a leading global independent investment bank headquartered in New York

‘Go all out even if the odds are against you’

What was the problem you were grappling with?
When I started my career there were very few women in banking. When I went into meetings, people would not shake my hand or make eye contact. They would look at the male colleagues on my team instead, making me feel like I was talking to the wall. I often stopped my discussion midway and redirected the conversation back to my male colleagues, worried that we would not be taken credibly if I were seen as the lead banker from our end.

Who did you approach and why?
I asked my father, a career banker, for advice. He said the men I was meeting in the corporate world were facing a paradigm shift. They were not used to discussing finance and strategy with women and hence were struggling to take a woman's advice seriously on issues which, in their mind, were masculine.

What was the advice you received?
He advised me that I should not accede to the norm. The men will listen intently if my ideas were interesting, he said. Traditional patriarchal norms were not going to change overnight and if I wanted to be part of the change, I needed to stay the course, be resilient, work hard and eventually I would win over the clients with my authenticity, hard work and by demonstrating an understanding of their business. “Always make a total effort,” he said, “even when the odds are entirely against you”.

How effective was it in resolving the problem?
It worked out well. I have drawn on his advice about persistence and hard work throughout my career and credit it with helping me rise into leadership roles at global banks. BT

—Krishna Gopalan

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