SPECIAL REPORT: INDIA'S BEST SMEs

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for managing tomorrow

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INDIA TODAY GROUP

THE FALL OF THE UNICORNS

They were all part of the fabled $1 billion plus valuation club. But here's why many of them are in trouble now

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From the Editor

Hard Times

Till about a year ago, they looked invincible and unstoppable. Flipkart, Ola, Snapdeal, Quikr, Zomato... and a few others, had become the fabled Indian unicorns – start-ups boasting of valuation of over $1 billion. They were expanding like mad, starting new business lines, hiring engineers and business management graduates in hundreds from the premier institutes and generally proving a huge threat to their old-style rivals who had not embraced the digital marketplace as quickly.

None of them was making any money. But, backed by seemingly unlimited capital, they were giving discounts galore to woo customers, burning cash hand over fist, and driving brick and mortar players into losses while they chased market share and gross revenues.

Each time they ran short of cash, they would see a line of venture capitalists queuing up to hand over money at ever higher valuations. There were signs of excess all around. But initially, the unicorns were confident that nothing could touch them. Lesser funded rivals were shutting down or getting acquired, but the unicorns simply kept rolling.

Sometime in the middle of last year, the party started winding up. The unicorns faced heat from equally well funded rivals – Flipkart and Snapdeal had to deal with Amazon and its inexhaustible resources, Ola suddenly found a super aggressive Uber nipping at its heels, while Quikr saw stiff fight from Olx. Investors started getting nervous and some of them either turned off the tap of easy funds, or wrote down their investment values or even asked for greater say in management. Today, many of the unicorns are doing what all loss-making companies are supposed to do – rationalise expenses, shut the most unprofitable businesses, look at improving profit margins, and reduce the perks of senior management.

Of course, not all unicorns are in trouble. One of them, Mu Sigma, actually makes profits. And a couple of loss-making ones – Hike and Paytm – are still darlings of their investors. But in general, the refrain now is path to profitability as much as it is doubling and tripling revenues.

In a sense, it is a repeat of the events of a decade and a half ago, when the first dotcom boom took place in 1999 – early 2000. Easy cash and the giddy promise of the Internet caused frothy valuations and a number of entrepreneurs with poor business models cropped up. A lot of them went bust after burning a lot of capital. In the first dotcom era, few of the start-ups had properly thought out business models or even the operational expertise. The ecosystem of robust digital payments or logistical support for delivery also did not exist.

Today's unicorns are, in that sense, running real businesses. But too many of them made the mistake of thinking that as long as they kept expanding, they would not have to worry about cash flows or profits. Now, almost all of them have come to realise that revenue models, profit margins, expense management and cash flows are equally important. I suspect that while a few of the unicorns may fall by the wayside, the survivors will emerge stronger.

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Need for Industry and Institution Interface

This refers to your cover story *The Best Companies to Work For* (March 12). It was, indeed, a page-turner on all aspects of the employees and organisations. The organisational behaviour expert Keith Davis underlines – *if you dig very deeply into any problem, you will get people* – and this unquestionable truth has been vindicated and a message has been made by the *Business Today* team. It has shown that the competence of the Indian employees and their quality services are on a par with globally proficient human resources in other countries. The analysis has clearly conveyed that the HR theories are practically validated. It has also underpinned the increased need for industry-institution interface. In total, *BT*'s delicate task of churning out the best companies to work for has been fantastically done. Hats off to you all.

B. Rajasekaran, *Bangalore*

Limiting Working Hours

This refers to your article *The Work-life Balance Conundrum* (March 12). At present, many companies, including the MNCs, pay best salaries, but make the young generation to work for 12-16 hours, reducing their work-life balance to a great extent. France is going for fixed working hours even if one is working from home. Such a legislature is much needed all over the world. Mostly, the rules of employment – working hours – are flouted by the private sector employers. The government also does not take any action against these employers. There is social corporate governance, but not on employees' front.

Mahesh Kapasi, *New Delhi*

Seeking a Holistic Housing Policy

This refers to a column by Shikha Sharma (*Towards Housing for All*, March 12). It is time high-density structures with modern amenities should be considered to replace urban slums. Aiming to provide housing for all by 2022, the finance minister offered a tax sop for homeowners by extending the additional tax incentive on home loans. The housing sector, which witnessed poor sales in the last three years, was hit hard by demonetisation. To beat the slowdown, many developers got into affordable housing projects. Indeed, slums are a degrading way for people to live in. The slum population in the country has grown 25 per cent between 2001 and 2011, during which total urban population rose 32 per cent. One thing is clear that unless we have a holistic housing policy, which addresses the full spectrum of requirement ranging from ownership to rental accommodation and shared housing, universal housing will remain a distant dream.

Vinod C. Dixit, *Ahmedabad*

Jio Ready for a Fierce Battle

Your story on telecom (*Losing Strength*, March 12) is quite interesting. Reliance's aggressive entry has severely shaken the telecom stalwarts like Airtel, Vodafone, and Idea Cellular. All the major telecom operators have registered a sharp decline in revenues and net profits. Also, Jio's further investment plan to boost the network may force its rivals to explore new escape routes. But definitely, Jio's move is a blessing in disguise for the customers to get maximum benefits in this tussle in the times to come.

Biswaranjan Mishra, *Bhubaneswar*

Accenture Clarifies

In the story *The Human Edge* (*Business Today*, March 12, 2017), we would like to state that we have not stopped disclosing our headcount in India. Accenture in India has "over 140,000" people and this has been widely reported publicly.

– *Official spokesperson, Accenture*

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JSW Steel Is an Outlier in a Sector Riddled with Debt
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TCS Share Buyback: Did Chandrasekaran Act in the Interest of Tata Sons, or TCS?
How Tata Sons acts on this cash will be the biggest cue for the stock markets regarding Chandra's future plans, says **Rajeev Dubey**, Managing Editor of *BT*
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Capping Stent Prices
The Indian stent market is just over ₹3,000 crore with around 20 manufa-cturers. Of these, Abbott controls almost 40-50 per cent of that market, finds out *BT*'s Senior Editor **P.B. Jayakumar**
businesstoday.in/stentmarket-capping

झारखण्ड सरकार

Thank you

The momentum has begun !

Narendra Modi, Prime Minister, India

Raghubar Das, Chief Minister, Jharkhand

The State of Jharkhand has indeed been enriched by your presence and participation in our Investors' Summit. Over the past two days, the mineral capital of India has showcased its mettle to the captains of industries and delegates from across the world. We are greatly encouraged by the outcome of the summit, however, what gives us greater satisfaction is the level of bonding and relationships that have been built up – a state of affairs that we pledge to strengthen and sustain.

- Raghubar Das

MoUs SIGNED
210

FOREIGN DELEGATES
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DELEGATES
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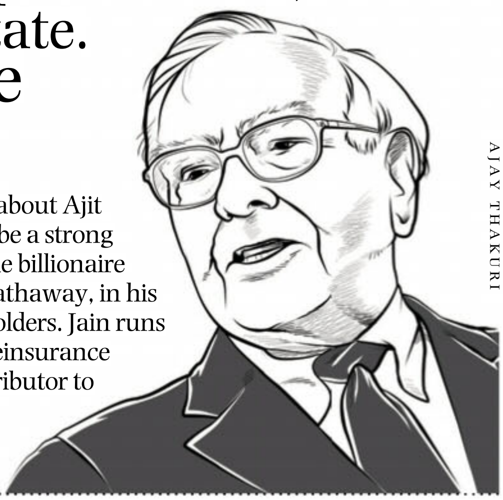
QUOTE

"If there were ever to be another Ajit and you could swap me for him, don't hesitate. Make the trade!"



AJAY THAKURI

Warren Buffett talking about Ajit Jain, widely believed to be a strong contender to succeed the billionaire investor at Berkshire Hathaway, in his annual letter to shareholders. Jain runs Berkshire Hathaway Reinsurance Group, the largest contributor to Berkshire's value.

WOCKHARDT FDA TROUBLE

Wockhardt shares fell as much as 5 per cent on March 2 after the company said the US Food and Drug Administration had issued a warning letter to its step-down subsidiary Morton Grove Pharmaceuticals Inc. The company did not give the reasons for the warning.

Reliance Industries Limited

₹47,342.8 crore

This is the rise in the market value of RIL between February 21, when it announced a tariff plan for Jio services, and March 1. Its market cap has now crossed the ₹4 lakh crore mark.

TAJ-DOCOMO RESOLUTION

Tata Sons and NTT Docomo are close to resolving their two-year-old dispute over the $1.17 billion due to the Japanese company for exiting Tata Teleservices. The two have proposed a resolution to the Delhi High Court and filed a joint petition in the court that they will not oppose the Reserve Bank of India's intervention, leaving the resolution in the hands of the court.

TAJ SETBACK

In a setback to the Taj Group of Hotels, the New Delhi Municipal Corporation Ltd (NMDC)has decided to go ahead with an open auction of its hotel on Mansingh Road in the heart of Delhi. The property, whose lease has expired, is currently managed by Indian Hotels Company. The Taj Group has already challenged the auction in the Supreme Court. In the last hearing, the court had asked the NDMC to reconsider its decision.

INFY MAY LINE UP FOR BUYBACK

After Tata Consultancy Services, Infosys may also announce a share buyback, its first ever. The company has sought shareholders' approval to revise its Articles of Association to possibly include a provision for a buyback.

07

STEELING INDIA

WHAT: Conference on Make in India, Make in Steel
WHEN: March 7, Ludhiana
WHAT TO LOOK FOR: The steel sector contributes nearly 2 per cent of the country's GDP and employs over 6 lakh people. The industry has been growing at about 8 percent over the last decade. The CII conference will focus on how Indian steel makers can allay apprehension among the user industries on their ability to meet the expected quantity and quality requirements.

07

TIME TO BOND

WHAT: National Conference on Bond Market
WHEN: March 7, New Delhi
WHAT TO LOOK FOR: Assocham in association with SEBI is organising a series of conferences in corporate hubs at Kolkata, New Delhi, Bangalore, Chennai, Hyderabad & Ahmedabad to discuss various nuances of the bond markets. The goal is to ensure sustainable growth of the bond market in India over the long term.

07

REIGNITING FMCG GROWTH

WHAT: National FMCG Summit
WHEN: March 8, Mumbai

WHAT TO LOOK FOR: The last few quarters have been challenging for FMCG companies given the adverse macroeconomic environment, erratic monsoon and potential shifts in consumer spending patterns. The CII summit will debate ways to bring the FMCG sector back on a growth trajectory.

07 - 09

ENHANCING SOCIAL SECURITY

WHAT: Conference on Government Social Security Programmes in Asia
WHEN: March 7-9, Jakarta, Indonesia
WHAT TO LOOK FOR: Economic growth has also led to longer lifespans and greater demand for quality health care services. The meet, organised by the Asian Development Bank, will focus on the need for governments to prepare and create robust systems in anticipation of the inevitable shift in the demographic configuration.

14 - 15

CREATING STRONGER SMEs

WHAT: Conference on Empowering SMEs through Improved Financial Access
WHEN: March 14-15, Bangkok, Thailand
WHAT TO LOOK FOR: The meet will explore ways to boost increase capital and start-up finance for SMEs. The objective is to promote financial access to SMEs and start-up businesses.

17

TAXING MATTERS

WHAT: National Seminar on International Tax and Transfer Pricing
WHEN: March 17, Mumbai
WHAT TO LOOK FOR: Rising demands by tax administrations across the globe have led multinational corporates to structure their growth plans. Several settled tax concepts are being tested and newer ones are being put in place. The Assocham seminar aims to equip corporate tax and finance professionals with a better understanding of the evolving scenario in international tax and transfer pricing.

14 - 15

DEBATING LAND REFORMS

WHAT: World Bank Land and Poverty Conference 2017
WHEN: March 20-24, Washington DC
WHAT: The Land and Poverty conference will present the latest research and practice on the diversity of reforms, interventions, and innovations in the land sector around the world. The focus is on the role of data and evidence for realising land policy reform, identify strategies for working at scale and monitoring achievements.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FOCUS

AJAY THAKURI

Herculean Task

Given the enormity of the task and staff crunch in the tax department, the success of Operation Clean Money is in doubt. By **DIPAK MONDAL**

Operation Clean Money, the Indian government's new scheme launched for electronic verification of individuals who had made cash deposits of more than ₹2.5 lakh in banks post demonetisation, was supposed to be a data analytics- and technology-driven process with minimal human intervention. But the standard operating procedure (SOP), to be followed by assessing officers for verification of those transactions, belies all such claims.

The government has maintained that the entire process will be accomplished through minimal human intervention, and technology will be the key to success in this operation. However, the SOP circulated among field officers calls for more human intervention than the government would have us believe. It also raises the question of whether the income tax department has enough wherewithal to complete the process within a specific time.

While the department used technology and data analytics to zero in on 18 lakh individuals whose cash transactions 'do not appear to be in line with their tax profiles', and also facilitated filing of information online by depositors, the next stage of the work requires assessing officers to analyse the explanations provided by the depositors and decide whether these are 'acceptable' or 'non-acceptable'.

But going by the SOP, this process will not only involve the discretion of the assessing officers, but also a fair amount of time.

Of the 18 lakh individuals picked up by the tax department and to whom letters were sent asking for explanation, over five lakh had responded till February 12. The last date for filing explanations was February 15. According to a senior official in the tax department who did not want to be named, they have received cases of only two lakh individuals so far for scrutiny of the details provided by them.

As per the instructions, the information relating to cash transactions and the response submitted by the person under verification can be accessed by an assessing officer and his/ her supervisory officers. The assessing officer is required to 'verify each information record individually and take a decision', whether the explanation provided is satisfactory or not.

If required, the assessing officer can send a request for more details within five days of receiving the information. The request will be sent to the PAN holder with a hyperlink for uploading further details.

In case a response is not satisfactory, the assessing officer will have to ascertain the (probable) undisclosed amount and escalate it back to the directorate of systems for further action. But that may require some doing. For instance, if a person runs a business or is required to maintain books of account and if the total cash transaction is more than the closing cash balance as on March 31, 2016, the tax officer, during the verification, has to look into the income earned over the past years, sources of such income, filing with the registrar of companies (RoC) and the income shown there, cash withdrawals made from accounts and so on, before quantifying the undisclosed amount.

If an individual picked up for scrutiny under Operation Clean Money does not respond to the queries posed by the department, tax officers can also conduct surveys and searches on such individuals, if required.

All these processes have to be completed according to a set of rules specified in the SOP, within a prescribed time limit, so that individuals under scrutiny can avail the benefits of Pradhan Mantri Garib Kalyan Yojana (PMGKY), which is closing on March 31, 2017.

PMGKY is an amnesty scheme under which one can disclose unaccounted cash and deposits, and avoid punishment by paying 50 per cent of the disclosed amount as tax, and depositing 25 per cent in an interest-free scheme for four years.

But it is already the second week of March and, as mentioned earlier, only two lakh cases have been referred to the assessing officers so far. Besides, an official from the Central Board of Direct Taxes (CBDT), who did not want to be quoted, also confirmed that no notices have been sent yet to any individual. Add to that the staff crunch that the tax department faces – 33 per cent to be precise.

Out of the sanctioned strength of 60,000 staff members, the working strength is only 42,000. Against the sanctioned strength of 1,575 joint commissioner-rank and additional commissioner-rank officials, the working strength is 1,059. The number of assistant and deputy commissioners is 1,915, against the sanctioned strength of 2,294, while the number of income tax officers is 5,200 against the sanctioned strength of 5,900. In addition, the routine flow of transaction data is so huge that the department is not able to handle it.

There is another technical issue that the department now faces. There is little congruence between the Income Tax Act and quite a few procedures mentioned in the SOP, which can lead to further delay in completing the process. For instance, as per the Income Tax Act, an assessee may not respond to a tax notice till he/ she files the return, and the last date of filing return is July 31.

Given the enormity of the task ahead for the assessing officers and the staff crunch that the department is facing, it is anybody's guess how smoothly the verification of large cash transactions under Operation Clean Money can be accomplished. Going by how things have moved so far – out of 18 lakh individuals, 4.84 lakh taxpayers had not registered with the e-filing portal till February 12 – the demonetisation drive may not bear the desired 'fruit' and kick black money out of the system.

@Dipak_Journo

ODD NUMBERS

1
CRORE-PLUS
deposits were made during the demonetisation period

18
LAKH
individuals were sent queries under Operation Clean Money

5.27
LAKH
individuals have submitted their response

4.84
LAKH
have not yet logged in with the e-filing portal of the tax department

2
LAKH
cases have been referred to field officers so far

Pile-up Peril

Automakers are in a bind over unsold non-compliant inventory once BS-IV emission norms come into force from April 1. By CHANCHAL PAL CHAUHAN

India's Emission Roadmap for Cars

STANDARD	YEAR	EXCEPTION*
BHARAT STAGE-I	APRIL 2000	BS-II NORMS IN DELHI, MUMBAI, CHENNAI & KOLKATA SINCE 2001
BS-II	APRIL 2005	BS-III IN 13 MAJOR CITIES
BS-III	APRIL 2010	BHARAT STAGE-IV IN 13 MAJOR CITIES FROM APRIL 2010
BS-IV	APRIL 2017	PAN INDIA
BS-VI	APRIL 2020	PROPOSED

* Subject to BS fuel availability

From April 1, 2017, all new vehicles sold in India will have to comply with stringent Bharat Stage (BS) IV emission norms. Auto manufacturers have indicated that they are ready to cooperate despite the extra cost BS-IV compliant engines will entail. But what do they do with the BS-III compliant vehicles they already have and which will remain in stock after April 1?

The Society of Indian Automobile Manufacturers (SIAM) estimates that 25,000 passenger cars, 75,000 trucks and buses, 45,000 three-wheelers and 750,000 two wheelers are likely to be left over with manufacturers and dealers when the deadline is reached. This translates to one week of inventory for cars, six weeks for trucks and buses and three weeks for two and three wheelers.

The BS standards came into force from 2000, but every time they were tightened in the past from BS-I to BS-II to BS-III the Ministry of Road Transport and Highways (MoRTH) had permitted vehicles fulfilling earlier norms to continue being sold. But this time the MoRTH notification makes no reference to what should be done with the earlier inventory, while the Supreme Court appointed Environment Pollution (Prevention and Control) Authority has insisted that vehicles failing to comply with BS-IV norms should not be registered after the deadline.

COMMERCIAL VEHICLES, TWO AND THREE WHEELERS ARE LIKELY TO BE MORE AFFECTED THAN PASSENGER CARS

No doubt the April 1 deadline had been set two years ago, allowing manufacturers ample time to phase out manufacture of vehicles conforming to earlier standards. Indeed, a number of them, including Maruti Suzuki, Hyundai Motor and Honda Car India have been supplying BS-IV compliant vehicles in the 10 biggest Indian cities which account for 50 per cent of total passenger vehicles' sale since April 2010, when BS-IV compliant fuel was first made available. But with the norms being extended across the country, the government's inflexible stance is causing worry.

"We have not sought any relaxation of the deadline and are ready to comply with it fully," says Vishnu Mathur, Director General, SIAM. "We only want an extension to dispose off existing stock manufactured before April 1." Leading vehicle manufacturers agree. "The world over, emission norms are set by manufacturing date and are not concerned with when the vehicle is sold or delivered," says Pawan Goenka, Director, Mahindra & Mahindra. The ministry has convened a meeting of all stakeholders on March 20 to discuss the matter.

Will the price escalation following the use of BS-IV compliant engines impact sales? Industry watchers maintain that commercial vehicles, as well as two and three wheelers, which are all price sensitive, are likely to be more affected than passenger cars. But given the deteriorating air quality in areas like the National Capital Region, stringent standards are unavoidable. Indeed, MoRTH minister Nitin Gadkari has already stated that he intends to skip the next stage of BS-V and impose BS-VI standards directly from 2020, which will bring Indian emission standards on par with those of the West. ◆

@sablaik

Crashing Tariffs

Solar and wind power tariffs are falling, based on assumptions which may change. By ANILESH S. MAHAJAN

VIVAN MEHRA

In the first week of February, bids for Rewa Ultra Mega Solar Park in Madhya Pradesh took everyone by surprise. The price per unit fell below ₹3. Three companies Mahindra Renewables, Acme Solar and Sweden's Solenergi Power committed to provide electricity at a levelised tariff of ₹3.29 a unit; the first-year supply would be at ₹2.97 per unit. The lowest bid before this was Finland-based Fortum Finnsurya Energy's ₹4.34 per unit for 70 MW at Bhadla Solar Park-II in Rajasthan. Over the past 14 months, solar power tariffs have fallen sharply, from ₹5.05 a unit offered by Skypower for 50-MW in Madhya Pradesh itself.

By end-February, wind power followed suit in the first reverse auction, as companies such as Mytrah, Sembcorp, Inox Wind and Ostro committed a tariff of ₹3.46 a unit.

These two events could change India's renewable energy story, though for that to happen, India would need more investments in transmission. In both these bids to reduce the risk for developers the government committed evacuation and off-take of power. In December 2016, India decided to pump in $1.8 billion to lay transmission lines to transmit 20 gigawatts from 34 solar parks in 21 states. The Madhya Pradesh government reduced another risk by committing to hand over the land.

BANKS BELIEVE THAT EVEN IF GOVERNMENTS REDUCE RISKS, MANY CALCULATIONS DONE BY DEVELOPERS ARE TOO RISKY FOR DEBT FINANCING

While this seems good news, officials at financial institutions believe that even if governments reduce risks, many calculations done by developers are too risky for debt financing. Bankers said most operators were assuming that panel prices and interest rates would fall and the currency not depreciate much. In a bad year, all these three factors could turn against the developers.

The existing model allows operators to achieve financial closure within six months of the state government transferring land. Another six months are needed for construction of the park. Operators plan to order panels six months later, giving them scope to gain from further reduction in costs. In fact, the crash in tariffs has increased dependence on Chinese imports. China has excess capacity to manufacture panels to generate 80 GW; it also offers 17 per cent export benefit to its companies. "What if China decides to withdraw this benefit?" asks the banker. "We have seen how road and ultra mega power projects have fared in the past. We don't want to repeat that folly again."

However, the risk worked well for the players last year. Construction cost fell from ₹6 crore a MW to ₹4 crore as the cost of panels fell 26 per cent and interest rates slipped to 8.5 per cent from 10-12 per cent. While operators believe the trend will continue, banks want more equity participation from operators.

Wind energy faces a different challenge now. Various states via feed-in-tariffs were paying ₹4-6 a unit, but the old model of procurement had become dysfunctional with delays in signing PPAs, rising incidence of grid curtailment and payment delays of up to 18 months. The move towards reverse auction may lead to a temporary hiatus in the market. Existing market leaders in manufacturing equipment like Suzlon, Gamesa might be hit. These players had over the years developed a business model banking on the preferential tariff regime to bundle together land, turbines and EPC work. This allowed them to command significant price premium and subsequently dominate the market. The auctions will provide opportunities for independent power producers and may break wind turbine manufacturers' domination. But Tulsi Tanti of Suzlon says this will spur growth for everyone.◆

@anileshmahajan

WHAT'S TRENDING

On a Roll

The online video space in India is bustling. By DEVIKA SINGH

Nearly 12 years ago, Jawed Karim shot a 19-second video titled 'Me at the Zoo' in which he awkwardly described elephants to the world. It was the first video to be uploaded on the YouTube server, and there's been no looking back since. The online video sharing platform today has an estimated 60 million monthly users in India alone.

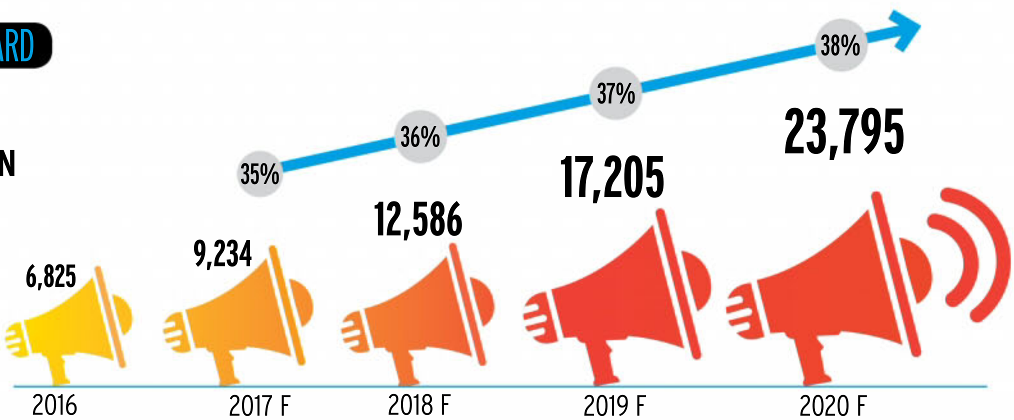
According to a report by FICCI and KPMG, digital advertisement spends in India are expected to cross ₹25,500 crore in 2020, from ₹6,000 crore in 2015. Video advertising currently claims 18-20 per cent of this, and is expected to grow further. YouTube, as per estimates, has 80 per cent share of this market currently. But a shake-up is imminent with several new players challenging YouTube's supremacy.

Platforms such as Amazon Video and Netflix are sprucing up their content and subscription models, and television channels such as Star India (Hotstar) and Zee Entertainment (Ozee) have introduced online streaming platforms. Twitter, after its failure with Vine, has now introduced live streaming on its app powered by Periscope.

AJAY THAKURI

DIGITAL DASHBOARD

DIGITAL ADVERTISING IN INDIA



F is forecast;
Figures in ₹crore

Source: Dentsu Aegis Network

Although it has established a monetisation programme for publishers, similar to that of YouTube, its low user base does not attract many publishers.

Experts say the biggest threat to YouTube is from social media giant Facebook which has introduced live streaming and video ads. According to Sidharth Rao, CEO and Co-founder of Dentsu Webchutney, Facebook receives two-thirds of the views that YouTube receives. "Views on Facebook are growing at a faster pace than on YouTube 300 per cent vs 7 per cent to be precise," he says.

But Google, which considers watch time and not number of views as its metric, says the watch time on YouTube in India has grown by over 230 per cent in 2016. However, the biggest advantage Facebook has is that its content is sharable. Something YouTube gains from, too.

"If you start a channel tomorrow, how will people come to know about it? We have to look at Facebook as the ultimate distribution platform as YouTube channels actually grow because of Facebook," say Anirudh Pandita and Ashwin Suresh, Founders of Pocket Aces, a digital entertainment start-up.

Addressing the need for more social features on its platform, YouTube recently introduced an in-app messaging feature in Canada, which is expected to be released worldwide later.

For content creators, though, YouTube remains the most preferred medium, as it has a business model in place to share revenues. And what advertisers find irresistible about Facebook is its gold mine of user data. "On Facebook, only logged-in users can see the ads, and hence advertisers have precise data pointers for analysis of the performance. On the other hand, a significant number of people browse YouTube without signing in and that might affect the quality of analysis for advertisers," says Subrat Kar, Co-founder and CEO of video analytics platform Vidooly.

The truth is that YouTube continues to be synonymous with videos, and Facebook primarily remains a social networking platform. "A viewer will recall a video on YouTube more than on Facebook," says Kar.

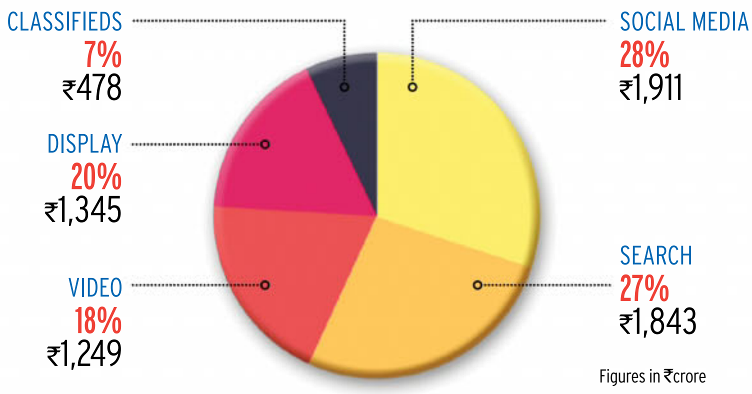
Rao agrees. He says Facebook is still evolving as a video platform. "YouTube is geared towards TV advertising formats with video content, whereas Facebook caters to short-form video consumption. The CPM on Facebook is much lower than on YouTube; however, the quality of viewers is better on YouTube, and more videos get watched in their entirety," adds Rao.

The gloves are off in this online video battle. YouTube is investing to get more creators on board and foraying into regional content, as Facebook is experimenting with its live streaming platform, and testing ad breaks in publisher videos. ◆

@DevikaSingh29

Ad Avenues in Digital Media

Digital ad industry in India - ₹6,825 Cr



LISTENING POST

Phased Out

Google is shutting down its experimental group messaging app Spaces introduced in May 2016. The app will move into a read-only mode in coming weeks and will cease to exist by April 17, 2017. "We've decided to take what we learned with Spaces, and apply it to our existing products," Google's product manager John Kilcline said, in a post on Google+. Spaces helped groups organise conversations around specific topics and was seen more as a group forum than a messaging app. The app allowed the user to invite friends and colleagues into discussions, and would automatically pull in Google searches, images and YouTube videos. The move isn't surprising as Google has often been criticised for introducing and then shutting down messaging services.

Chats about Money

Money exchange service TransferWise has launched a Facebook Messenger bot that allows users to transfer money internationally using the chat service. Currently, the bot allows people from the UK, US, Canada, Australia, and Europe to send money directly. The company plans to expand to more than 50 countries and 600 routes soon. The bot also allows users to set up exchange rate alerts for currencies and sends regular updates about the changes. TransferWise plans to enable money transfer on other bot platforms, too, in the coming days.

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Academics

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ECONOMY Q3 Numbers

SOLVING THE GDP PUZZLE

The third-quarter estimates of gross domestic product (GDP) growth announced by the Central Statistics Office (CSO) have surprised many experts. The CSO said it expected India's GDP to grow 7 per cent in October-December 2016, discounting fears of a major slowdown as a result of demonetisation. For 2016/17, the CSO has projected 7.1 per cent GDP growth. In effect, the estimates suggest that the negative impact of demonetisation will be insignificant. We get four leading economists to solve the mystery of these numbers.

D.K. Joshi
Senior Director and Chief Economist, CRISIL

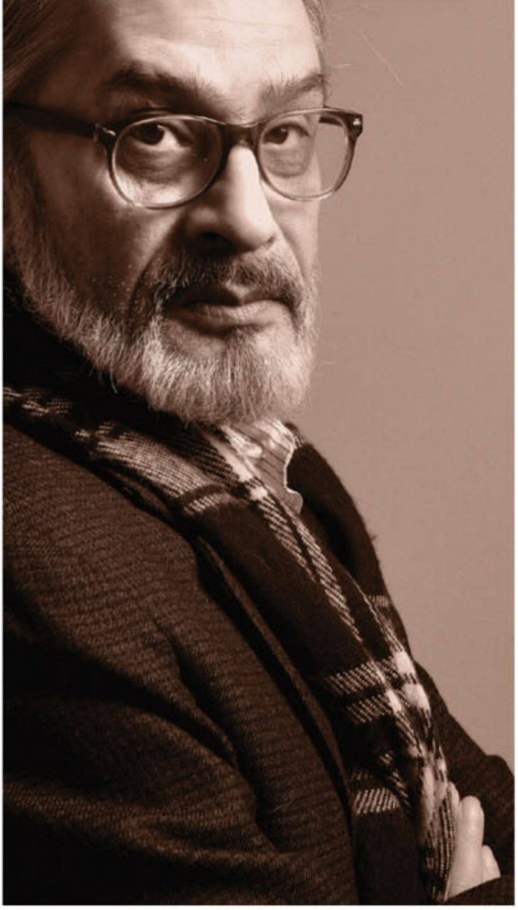
This is an advance estimate and advance estimates are subject to revisions — usually two-three revisions. After this, we will see revised estimates and then final estimates, as more information about the year is available. This is based on the first set of numbers.

Informal/unorganised sectors have not been captured well in the first estimate. So, an over-estimation is possible to some extent, as the data have not captured the part that was possibly impacted more by demonetisation. So, my sense is that we can see the estimates getting revised downwards. However, I don't see a substantial downward revision. For example, the consensus was that the third-quarter number will come down to 6 per cent, but advanced estimates show it at 7 per cent.

The second message you can derive from this number is that growth has been supported largely by government expenditure.

The third is that the impact of demonetisation has not been long lasting. The dent was not that significant, at least according to this set of data.

What kind of revision do you expect?
In this environment, it is difficult to predict. Our outlook for this year is 6.9 per cent and not 7.1 per cent. The Economic Survey pegs it at 6.6 per cent. So, there are various estimates, but one thing is clear — demonetisation has not been catastrophic as expected.



Pronab Sen
Economist and Former Chief Statistician of India

The advance numbers are completely off-the-mark, but on expected lines. I have said this earlier also – that quarterly GDP numbers are based on organised sector data and do not reflect the informal sector, which has been impacted the most by demonetisation. The revised data may be more accurate but come later.

The informal sector is captured on the assumption that it reflects the organised sector. However, the size of organised and unorganised sectors in a particular industry may differ. In certain sectors, the organised space is larger than the unorganised space and vice versa, but the growth rate applied in both is the same. There is no direct measure only for the informal sector, except the employment data. The only real measure of the informal sector is the CSSO data, which comes after three-four years.

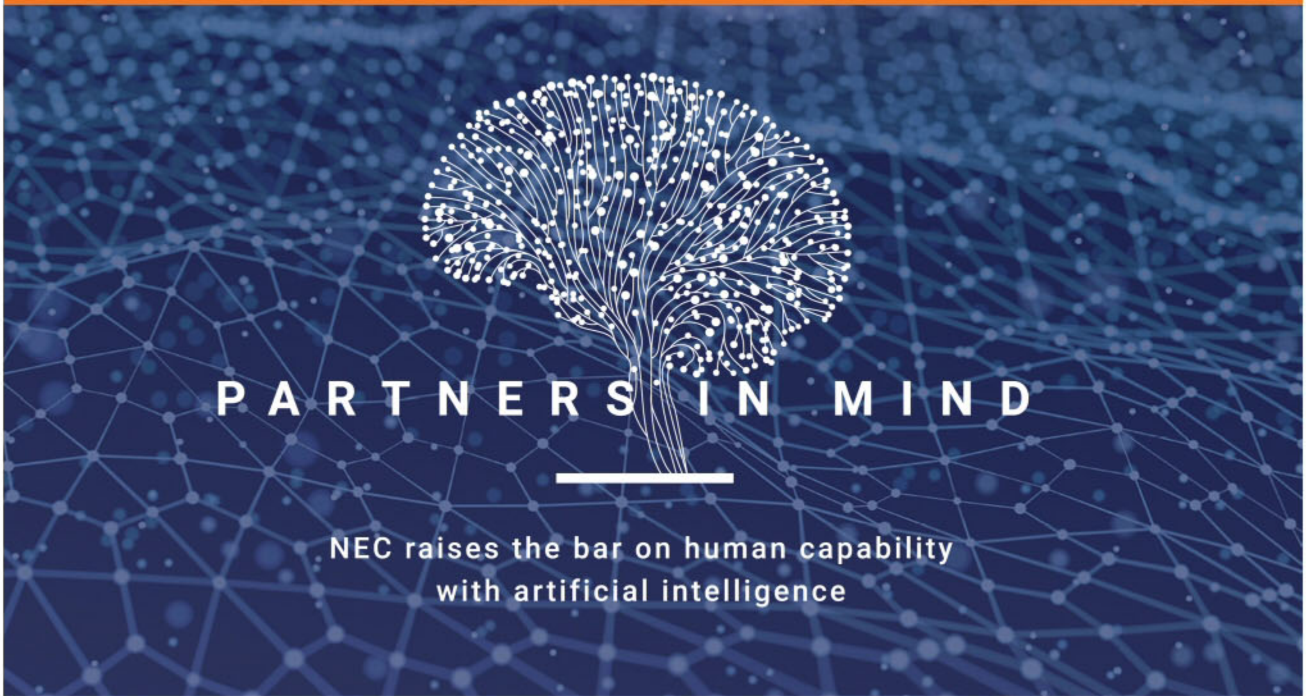
N.R. Bhanumurthy
Professor, National Institute of Public Finance and Policy

It is a pleasant surprise as many government economists themselves were expecting demonetisation to have a bigger impact than what has been projected by the CSO. If you ask me, even in the past (pre-demonetistion days), I have never taken quarterly estimates seriously. This is because large components of GDP estimates are projections based on the previous quarter (the benchmark indicator method followed by the CSO compiles estimates obtained by extrapolation of indicators and not on the basis of actual data). So, I give less weight to quarterly estimates. We all know that there are companies that have taken a demand-side hit after demonetisation, but it seems that the advance estimate does not capture the impact. So, we need to wait for GDP growth numbers for the whole year. One expected positive fallout of demonetisation was the transition of the informal economy into the formal economy. If that was the case, trade and finance, the two sectors with a large informal presence, should have performed better than the previous year as GDP numbers capture the performance of the formal economy to a greater extent.

Mukesh Butani
Non-Executive Chairman, BMR Advisors

Regarding he estimates released by the CSO, since the most aggressive estimates were also not accounting for such an outcome, they have come as a surprise. It is realistic to assume that there will be an upward or downward revision of these numbers soon. It could be anybody's guess to sit down and speculate on the veracity of these numbers now. So, you just go with the numbers given by the official statistical organisation. To say that these figures look aggressive in the light of demonetisation will be speculative. On what basis are you making such assumptions? Let's wait for estimates beyond these to see if the numbers hold.◆

As told to Joe C. Mathew and Dipak Mondal



Ask around about Artificial Intelligence (AI), and one would surely find unfettered minds drawing association with popular perceptions that mirror *The Terminator's* apocalyptic undertones. Though intriguing, they could not be further from the realities of modern-day AI applications, which center on deriving meaningful value by filling gaps in human limitations.

Those who follow the AI space closely would undoubtedly be familiar with deep learning's growing influence—notably after AlphaGo's victory over the world's best Go player. What many fail to realize, at this stage, is the technology's lack of discretion to determine the validity of data fed to it. Absent such discernment, deep learning cannot, therefore, tell us why it arrives at its "best answer." This, in fact, could prove detrimental when used in high-stakes environments.

Instead, NEC sees collaboration between AI and humans as key to successful real-world outcomes. When deployed at scale, with human discernment, AI can boost operational efficiencies and support top management decision-making by offering sound, objective reasoning, even in unfamiliar situations.

Customer-AI Interaction

Gartner predicts by 2020,

85 %

of customer interactions will be managed by AI

Down to the crunch, productivity improvements, along with sales and market-share growth, could well be tangible markers of AI's real-world contributions.

Real Business Intelligence

Tougher macroeconomic conditions in recent years have left policymakers and business leaders scratching their heads in attempts to find new growth levers. From a technological perspective, one perennial issue has yet to be addressed fully: the continued reliance on existing technologies.

What makes AI so great?

While it is not surprising that AI can calculate exponentially faster than human beings, the ability to scale human cognition to stratospheric levels with the utmost accuracy is still its greatest strength.

Learn more: > www.bloomberg.com/ad/nec/ai

In this fast-evolving world, no industry has been impacted more by technological disruption and consumer behavioral shifts than retail. Bloomberg Intelligence says brick-and-mortar retailers may be at a watershed moment, as plunging market share and store traffic force fundamental changes to a 100-year-old model.

So where do retailers start?

The line starts with a second look at legacy instore technologies. Though POS systems continue to equip store managers with critical information, useful data on customer preferences are only obtained when products are purchased. Here is where AI like that of NEC's "remote gaze detection technology" empowers retailers with insights on browsing habits by tracking line-of-sight, revealing how customers react to products of interest, even if they don't buy them.

By complementing legacy POS systems, AI integration in store environments could, indeed, be retail's harbinger of a new normal.

FinTech's Secure Break

The Bank of England calls the blockchain the "first attempt at an internet of finance." And for good reason—what was, not so long ago, a relatively unknown technology to verify and record bitcoin transactions, may well, in the near future, alter the global financial system as we know it.

Do you really know who banks with you?

In a recent collaborative stint with Sumitomo Mitsui Banking Corporation, NEC demonstrated its Predictive Analysis Automation technology that had the intelligent means to analyze mountains of data such as customer information, access logs and deposits/withdrawals. Individual customer needs could be predicted down to the type of services that matched those needs. And the AI did in a day what it would have taken several data scientists two to three months to accomplish.

According to Bloomberg Intelligence, cross-border payments could be made significantly faster, and trade finance may be streamlined and improved with the blockchain's transparency. Yet even with industry choirs singing its praises, the blockchain is not without its critics. In a Greenwich Associates report titled *Securing the Blockchain*, 63 percent of participating banks viewed confidentiality of transactions as a major concern. As such, the means to comply with strict security regulations should consistently be an adoption imperative.

Having, for years, developed a proven track record as a major player in the public safety space, NEC has taken the next leap by extending its portfolio of physical security capabilities to the ever-evolving cyber sphere, in the field of finance.

A Citizen's Safety Net

All around world, every day, news reports brim with stories of law and order gone awry in cities. National and municipal governments are investing more than ever to ramp up public safety. To quantify, MarketsandMarkets research firm projects such expenditures to grow from about \$220 billion in 2015 to around \$370 billion by 2020.

Committing ever more resources may work to temporarily reduce crime. But at best, these improvements are short-lived. This is where Artificial Intelligence (AI) turns the tables. By consolidating vast amounts of surveillance information at hyper speed with pinpoint accuracy, AI can help government agencies establish greater transparency, and clarity, as a precedent to more seamless cooperation.

A case in point is Argentina's Tigre Operations Center, a 24/7 integrated public safety platform that comes equipped with the world's most accurate facial recognition technology powered by NEC AI. The Center collects, analyzes and disseminates information sourced from thousands of cameras installed around Tigre city, allowing operators to hasten decision-making, while enabling fluid inter-agency collaboration.

"By analyzing the data in real-time and detecting suspicious movements automatically, vehicle theft rates have decreased by 80 percent."

Maria Eugenia Ferrari
Secretary of Citizen Protection, Tigre

Although AI helps solve crimes already committed, its core strength still lies in their prevention, which can go a long way to make cities much safer than they are at present. Higher-speed and higher-precision capabilities could possibly extend to new areas of application, from searching for lost children, to even providing improved customer service.

All said, the possibilities to improve citizen wellbeing remain endless with AI. There has never been a better time to further the greater good than there is today.

\Orchestrating a brighter world NEC

RUNNING ON-

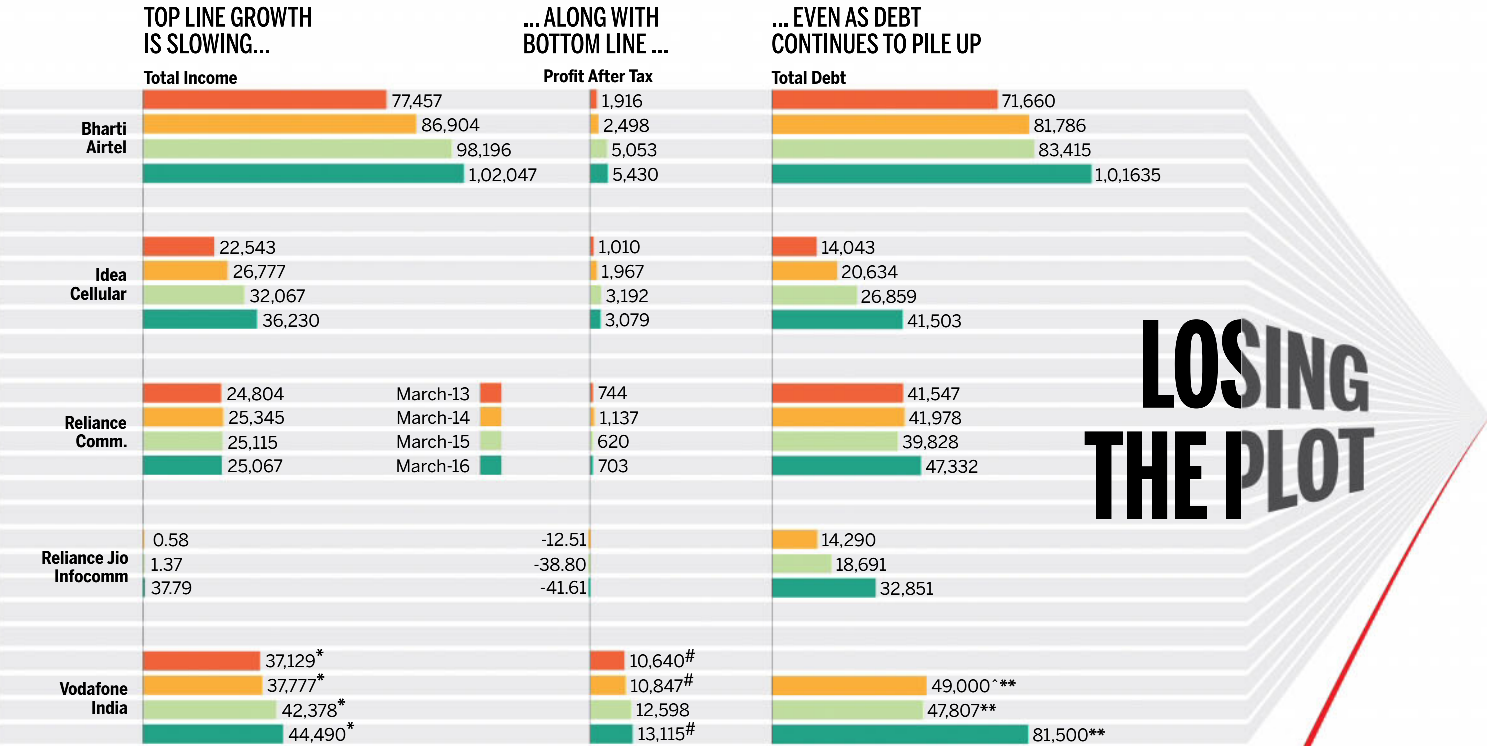
GONE ARE THE DAYS WHEN TELECOM WAS A MONEY-MAKING BUSINESS. NOW, IT'S ALL ABOUT BICKERING, LOSSES AND REGULATORY UNCERTAINTIES.

By MANU KAUSHIK

"You may as well put the money in a bank, get a decent return, and go out and play golf...," Sunil Bharti Mittal, Chairman, Bharti Airtel, said at the recent Mobile World Congress in Barcelona. He was referring to low returns in the telecom sector. According to estimates, Airtel's return on capital employed was about 9 per cent last year, almost similar to bank fixed deposit rates (7.5 per cent) and far lower than the global average of 20 per cent.

The biggest reason for the telecom sector's troubles now is the aggressive entry of Reliance Jio, the $21-billion start-up backed by Mukesh Ambani-controlled Reliance Industries Ltd. Jio has been offering everything – voice, data and a bouquet of other services – free since its launch in September 2016, putting brakes on the march of the biggest incumbents – Airtel, Vodafone India and Idea Cellular. Airtel reported a 54.9 per cent drop in net profit in the third quarter of 2016/17. Idea reported a loss of ₹383 crore, its first-ever quarterly loss since listing, while Vodafone, which has hardly registered a net profit since its entry into India, recently took a five-billion-euro write-off on account of its India business. Industry players do not expect things to change for the better anytime soon.

ILLUSTRATION BY AJAY THAKURI



*standalone data; FY13 data for Vodafone India includes its subsidiaries & proportionate consolidation of Indus (@42%); In ₹crore

EBITDA figures (standalone); FY13 data for Vodafone India includes its subsidiaries & proportionate consolidation of Indus (@42%); In ₹crore

**Net debt figures (standalone); For Reliance Jio Infocomm, debt is calculated as long-term plus short-term borrowings; ^net debt excluding Indus but including over ₹14,500 crore future spectrum payment obligations; In ₹crore; Source: Ace Equity & company

Industry association Cellular Operators Association of India, or COAI, says the sector has been going through a turbulent phase due to rise in the intensity of competition and unforeseen events such as demonetisation in the past few months. The reduction in overall tariffs, say experts, has resulted in significant revenue loss. In the third quarter, for instance, industry adjusted gross revenues, or AGR, fell 5.9 per cent to ₹34,600 crore. The fourth quarter is expected to be similar; revenues are expected to dip further.

"Many operators are incurring losses on investments. This has put a question mark over their expansion plans too. We do not expect the situation to stabilise until the government takes immediate measures," says Rajan S. Mathews, Director General, COAI.

Hitting the Bottom

The problems the sector is facing today, such as intense competition and the resulting fall in tariffs, are not new. It is just that the Jio launch has made them worse.

Till about last year, the lowest call tariff was 45 paise per minute (data at four paise per 10 kilobyte), a sharp drop from ₹6-8 per minute in 2002. Now, Jio is charging nothing for voice calls and nearly 1 paisa per megabyte for data. This has forced other players to reduce tariffs to keep their subscriber base intact.

In the process, the average realisation per minute has fallen. Ratings agency India Ratings says voice realisation is expected to drop to 25-28 paise per minute in 2017/18 from 30-35 paise at present. "A 20-30 per cent decline in data tariffs will pull down the average revenue per user despite higher volumes from data usage," it said.

The usage per subscriber (for both voice and data) is rising but not translating into higher revenues. Recently, Airtel, in response to Jio's tariff plan, slashed international roaming rates by 90 per cent and made national roaming free. The impact is yet to be seen.

"India is a particularly challenging market for telecom operators due to several reasons. Spectrum is expensive and tariffs are the lowest in the world. Rising volumes are also not helping," says Mahesh Uppal, the founder of telecom consultancy ComFirst India.

The Background

The latest round of trouble started in 2010 when operators bid aggressively in 3G and 4G spectrum auctions. Then, in the subsequent five auctions between 2012 and 2016, they bought more spectrum at astronomical prices to expand and strengthen networks. These purchases were largely funded through debt. The auctions got the government decent revenues but left the operators financially stretched.

Airtel's total debt, for instance, grew 42 per cent to ₹1.01 lakh crore between 2012/13 and 2015/16. Idea Cellular's debt shot up 195 per cent to ₹41,503.1 crore during the period. The top five players, Airtel, Vodafone, Idea, Reliance Communications and Jio, had a cumulative debt of ₹3.04 lakh crore as on March 2016.

This would not have mattered if the debt-paying capacity of operators was improving. It is not. Kotak Institutional Equities Research has estimated that revenues will fall for the next three years ending 2018/19. In 2015/16, the sector's annual revenues were ₹1.81 lakh crore. Kotak expects voice revenues to almost halve over the next five years.

While it is Jio now, in 2009, it was Tata Docomo, which disrupted existing business models by launching per-second billing, triggering a crash in tariffs. But back then, the voice market was growing fast, and higher volumes compensated for lower tariffs to a large extent. Now, while voice is becoming free, the data segment is looking at a crash in tariffs in response to Jio's dirt-cheap prices.

Rishi Tejpal, principal research analyst at Gartner, says Jio's price play is not going to work in the long term. "It will continue for some time before the competition cools down," he says. But nobody knows how long it will take for competition to stabilise. "Jio is not in the business for charity. One has to assume that even if it is cash-rich, a public listed company has to worry about shareholders returns," says Uppal. "It's not happening in the next six months or so," says Tejpal.

A TALE OF WOES

The slugfest between large operators such as Airtel, Vodafone, Reliance Jio and Idea Cellular has resulted in a drastic fall in tariffs

Vodafone, which has barely registered any profit since its entry into India, recently took a €5-billion writeoff on India assets

Idea Cellular has reported net losses in the third quarter of 2016/17, first quarterly loss since listing. Market leader Airtel, too, reported a sharp drop in net profit

The high spectrum charges over the years have led to a considerable rise in debt on books

The operators have to keep investing in upgrading networks over and above the steep price they pay for the spectrum.

Almost all foreign telecom players have exited India after suffering major losses.

In the past few quarters, the regulatory environment has not been favourable for the older telecom players

Consolidation, primarily mergers and acquisitions, is the only way for older telcos to survive in the highly-competitive market.

Regulatory Burden

The sector is burdened with huge levies. There are a bunch of them – licence fee, spectrum usage charge (SUC), and contribution to the universal service obligation fund (USOF). Nearly 11 per cent revenues go to the government as levies. This is apart from direct and indirect taxes. For instance, the licence fee payout, including SUC, was ₹9,300 crore in the last two quarters. The sector has been demanding a reduction in SUC and USOF burdens. Last year, it pitched for a 1 per cent SUC charge (on adjusted gross revenues) but the government chose the weighted average method, which is costing the companies more. It also asked the government to reduce the USOF contribution from 5 per cent to 3 per cent.

"High SUC creates stringent barriers for operators to invest in infrastructure. In countries where spectrum is acquired through auction, SUC is only levied only for recovering administrative costs," says COAI's Mathews.

"The current challenges are not due to demand issues. Demand is high and rising. The licensing regime has created huge anomalies that are restricting growth," says ComFirst's Uppal.

In a recent report, global telecom body GSMA said a reduction in the SUC from the present complex regime to a uniform 1 per cent rate would have a positive impact in terms of data penetration, mobile revenues, investments and tax revenues.

The government is over-cautious in paying heed to the demands of operators, especially after the 2G scam. A case in point is last year's spectrum sale when the telecom department rejected the sector's demand for postponing the auction as the companies had little money left after paying for spectrum and acquisitions in the previous years. As a result, the response was muted, and the government could get bids worth only ₹65,789 crore as against the expected ₹5.63 lakh crore (at base price).

Email queries sent to Airtel India, Vodafone India and Idea Cellular

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Going for Broke

India's telecom story had attracted a large number of foreign entities. Almost all of them, barring Vodafone, have exited after suffering big losses. It's expected that the sector will have four-five players by the end of this year, less than half the peak.

Consolidation seems the only way out. Vodafone is purportedly joining hands with Idea; Airtel has acquired Augere Wireless, Telenor India and the spectrum of Aircel and Videocon Telecom; Reliance Communications is proposed to be merged with Aircel and MTS India.

But will consolidation benefit operators? "The reduction in the number of operators will help telecom companies get better returns, improve cost efficiencies and reduce competition," says Tejpal. For instance, consolidation will bring down interconnection usage charge or IUC. Telecom companies pay each other IUC for allowing calls from each other's networks.

Spectrum requirements and spectrum costs will also fall. Five entities with 130 MHz each will be in a better position than 13 entities with 50 MHz each. "The fall in operational costs will have a direct impact on bottom lines. In this market, where tariffs are so low, volumes are important. Inorganic growth can help telecom companies build scale," says Tejpal.

Most countries have three-five operators. Some – US, Hong Kong and the Netherlands —have seen consolidation in the past few years. In the long term, says Uppal, consolidation will result in telecom operators raising prices in tandem to recover their investment costs. "The pressure on tariffs is likely to ease," he says.

Changing Times

Even if consolidation brings scale, lowers costs and returns pricing power to the companies, one threat will remain — changing technology. At a time when telecom operators are yet to finish 3G and 4G deployment, the market is already moving towards 5G. The government is looking at a fresh round of spectrum auction between July and December with focus on 5G. This means operators will have to invest again to upgrade networks.

THE REDUCTION IN THE NUMBER OF OPERATORS WILL HELP THE COMPANIES GET BETTER RETURNS, IMPROVE EFFICIENCIES AND REDUCE COMPETITION

Tarun Pathak, Associate Director , Counterpoint Research, says technology risk will always be there. "If the government is going to auction 5G spectrum, the market has to be ready. For example, in the last auctions, nobody picked up 700MHz as the market was not ready. I think it will take a few more years, until 2019, before the 4G market matures," he says.

"Technology is changing fast. Over-the-top services are eating into telecom companies' revenues. The cellcos have to take a call on whether they are ready for 5G," says Uppal.

There's a joke that the telecom sector is so litigious that often lawyers specialising in telecom make more money than the CEOs. With such large-scale consolidation happening, embattled CEOs might now have to compete with investment bankers as well. ◆

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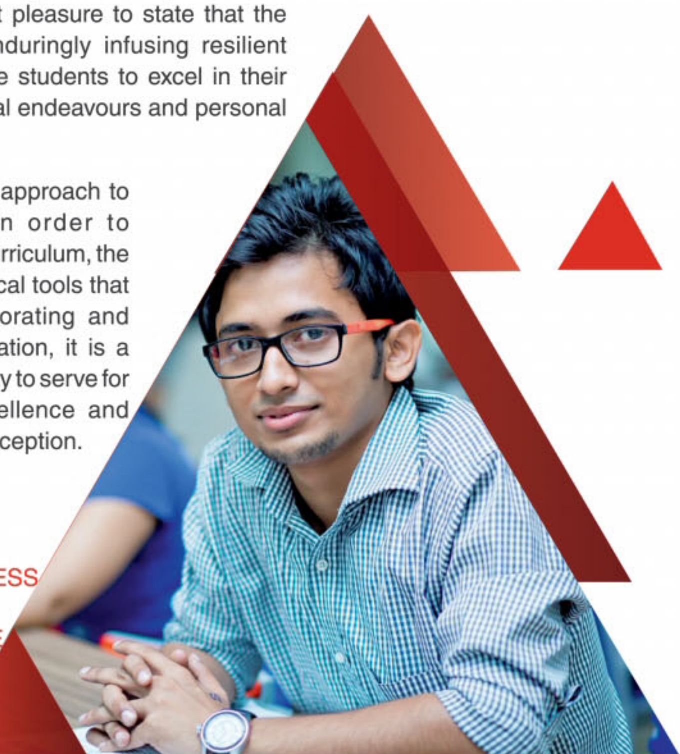

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COOPERATIVE DILEMMA

DISTRICT CENTRAL COOPERATIVE BANKS ARE SUPPORTED BY THE GOVERNMENT BUT THE REGULATOR STILL DOESN'T TRUST THEM.

By ANAND ADHIKARI

Some five months after assuming office in May 2014, the BJP-led NDA government cleared a cabinet proposal for the revival of close to two dozen unlicensed District Central Cooperative Banks (DCCBs). In the Union Budget 2017-18, Finance Minister Arun Jaitley further reposed trust in DCCBs. Jaitley talked about supporting NABARD (National Bank for Agriculture & Rural Development), also the regulator for cooperative banks, for computerisation and integration of all the Primary Agricultural Credit Societies (PACs) with the core banking system of DCCBs. The government's positive moves however are at odds with the banking regulator, the Reserve Bank of India's (RBI) lack of trust in the cooperative banking sector. In the recent demonetisation exercise, the RBI had prohibited DCCBs from exchanging old notes with new ones. The RBI had feared that the presence of politicians on the boards of DCCBs could inject black money back into the banking system.


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THREE-TIER STRUCTURE FOR COOPERATIVE BANKS

Cooperatives represent 5 per cent share of the banking industry

COOPERATIVE BANKS	NO OF BANKS	DEPOSITS	ADVANCES	PROFITS	NPA RATIO
Primary Agricultural Credit Societies	92,789	84,620	1,47,230	(--1,550)	24.30%
State Cooperative Banks	32	1,02,810	1,14,550	1,080	5%
DCCBs	370	2,58,810	2,19,400	780	9.50%

(In ₹ crore); Data for 2015/16; Source: RBI

EVEN AS THE COOPERATIVE SECTOR IS CRYING FOR SUPPORT, THE REGULATOR IS ENCOURAGING A NEW INSTITUTIONAL SET-UP IN RURAL GEOGRAPHIES BY WAY OF SMALL FINANCE BANKS

The above two conflicting approaches begs the question: Why is the government supporting DCCBs when the regulator doesn't trust them? The cooperative banking structure is as old as commercial banking with a deep rooted presence in remote areas where the banks took a long time to create an outpost. In a three-tier structure, the 370 odd DCCBs are a crucial link between the 32 State Cooperative Banks (SCBs) and 92,000 PACs. The DCCBs depend on SCBs for borrowing funds while the PACs rely on DCCBs for their fund requirements. "We provide a crucial link for flow of credit to the agri-related sectors and also to cooperative societies. We have a strong relationship with farmers," says P.B. Chavan, CEO of Kolhapur District Central Cooperative Bank Ltd. "It would be politically suicidal for any government to let the century old system collapse," says another head of a DCCB on condition of anonymity.

The mandarins at Mint Street say that cooperatives is primarily a state subject and they don't have much say in the affairs of the banks. While the regulatory functions was brought under the RBI some three years ago, the NABARD has all the supervisory powers over SCBs as well as DCCBs. In fact, DCCBs are registered with respective states under the Cooperative Society Act. Currently, Uttar Pradesh, given its large size, has the highest number of DCCBs at 50 followed by Madhya Pradesh (38), Maharashtra (31) and Rajasthan (29). (See *Three tier structure for cooperative banks*). The state plays a dominant role in the affairs of the sector which is a big stumbling block in the way of reforms in the sector. The politician-bank nexus is very direct in cooperative banks. For example, the chairman and the directors on the boards of most of the DCCBs are either MLAs or MLCs with affiliation to big political parties.

Many say that politicians are mainly responsible for the gradual decline of the sector. But it is also the reason for the survival of DCCBs despite poor governance and financial record, "Weak corporate governance has been one of the major factors plaguing the sector and has led to bank failures and unsatisfactory growth of the sector," admitted R. Gandhi, Deputy Governor at the RBI two years ago while speaking at the silver jubilee celebrations of the National Institute of Rural Banking at Bengaluru (see *What Ails The System*). The history of cooperatives dates back to 1900 but the entire size of the industry including urban cooperative banks is not even 5 per cent of commercial banking. This negligible presence raises the question of the very need of supporting a system which has outlived its usefulness.

L.K. Sharma, Managing Director of Muzaffarpur District Cooperative Bank strongly defends the DCCBs, asserting that the narrow product focus on the agricultural sector – which brings the highest NPAs – has been one of the reasons for the slow growth because the capital gets absorbed in provisioning. "Unlike banks, we operate in a limited geography, which restricts our growth," says Sharma, whose bank is active in the Muzaffarpur district of Bihar. "Why are foreign banks not keen to convert from branches into subsidiaries in India despite the RBI allowing them sops? RBI has permitted conversion provided foreign banks also meet higher priority sector targets. Nobody wants to do agricultural credit or serve the marginal farmers," says another head of a DCCB. Many DCCBs cite the reluctance of the RBI to allow internet banking or new mobile and Aadhaar enabled payments as the reason for customers shifting to commercial banks. Commercial bankers say the RBI's concern is the high NPAs of DCCBs. The average gross NPAs of DCCBs are in double digits and one of the reasons why the RBI is not allowing them to offer Internet and mobile banking. "We should be given concessions or exception from the NPA criterion because the incidence of defaults are higher in agricultural loans. Today, even the commercial banks have stressed assets of over 15 per cent," says a chairman of a DCCB.

Even as the cooperative sector is crying for support, the regulator is encouraging a new institutional set up in rural geographies by way of small finance banks. The RBI has given banking licenses to about a dozen such banks, mostly micro finance lenders. So, competition is now at the doorstep of cooperative banks. The commercial banks too have been growing their share in rural agricultural credit over the last few decades. For example , private sector HDFC Bank has half of its branches in rural and semi-urban areas. Today, the bank and cooperative industry provide rural credit along with non-institutional sources like landlords, moneylenders and traders. This reliance on non-institutional sources also offers a huge scope for institutional credit. That's where small finance banks fit in.

The small finance banks have already started opening branches in these regions not only to give the existing players – banks and cooperative banks competition, but also to attack the non-institutional sources like money lenders. "The biggest difference will be on the type of services we would provide. We will use the latest technology and channels to reach out to the rural masses," says Govind Singh, MD & CEO at Utkarsh Small Finance Bank. These banks focus on technology with better interest rates and could be big competition for cooperatives.

In the last decade, the DCCBs have made some headway in technology adoption as they have completed core banking solution (CBS), which allows customers to do deposits and withdrawal transactions from any branch of the bank. These banks will now have to adopt digital banking by digitising their processes and also offer mobile banking. "We need support from states as well as the Central government for technology knowhow. The NABARD fund should be used for technology adoption," says Chavan of Kolhapur DCCB. In fact, the government did exactly that when it implemented the CBS at DCCBs. "We don't have the resources and the management bandwidth to implement Internet and mobile banking solution. The government should step in to support us," says Sharma of Muzaffarpur DCCB. (See *The Way Forward.*)

There is also a need for bringing in professional management including eminent professionals on the board. This would partly solve the problem of frauds which have become very common in DCCBs because of poor system and processes. In some ways, DCCBs are also like public sector banks (PSBs) in terms of performance management, loan appraisal policies and their implementation, deterioration of asset quality, etc. "DCCBs have to make the best utilisation of capital by having robust systems," says a banker.

Time is fast running out for DCCBs to reform. If they don't put their act together, the arrival of new differentiated banks both payments and small finance banks will only hasten their gradual demise. ◆

@anandadhikari

THE WAY FORWARD

- Government support in technology adoption
- Relaxing NPA norms, allowing Internet and mobile banking
- Optimal utilisation of capital
- Strong loan appraisal system and recovery mechanism
- Engaging professional management and board
- Hiring reputed and professional auditors
- Diversifying revenue streams, more fee-based income
- Market-linked interest rate policies

WHAT AILS THE SYSTEM

- Low capital base
- Poor governance structure, no systems and processes
- No professional management. Run by politicians
- Competition coming at their doorstep with Small Finance Banks
- Even Urban Cooperative Banks will get a banking licence in future
- Lagging in technology adoption. Miles away from Internet and mobile banking

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AMIT JAIN, CEO, Girnar

VIVAN MEHRA

AUTO CLASSIFIED PORTALS HAVE PROLIFERATED, BUT COMPETITION AMONG THEM IS FIERCE AND PROFITS ELUSIVE.

By CHANCHAL PAL CHAUHAN

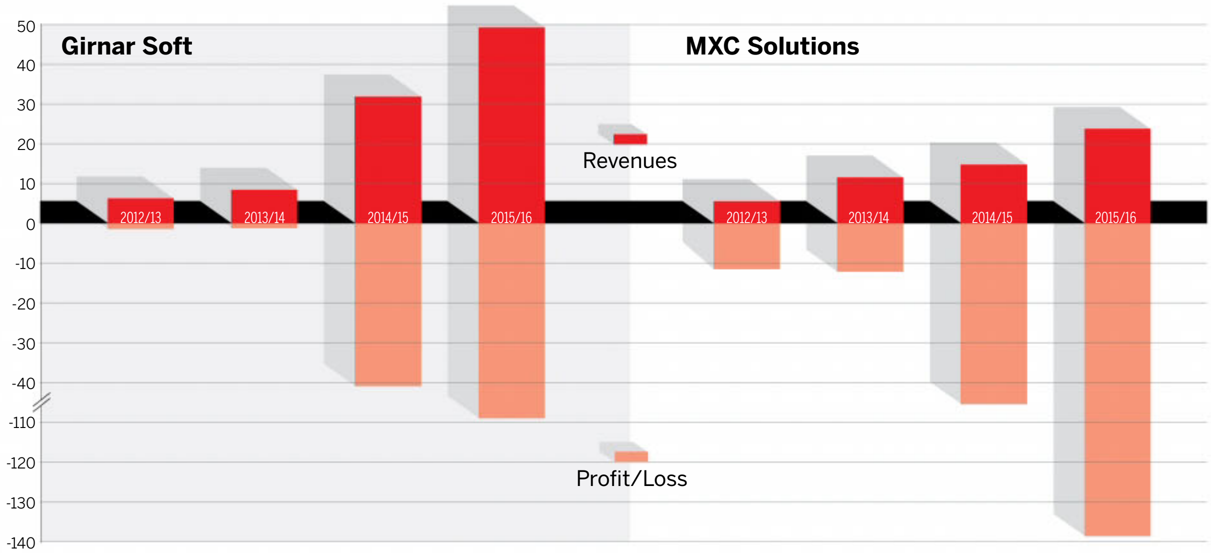
Of the 10,000 pre-launch bookings of Maruti Suzuki India Ltd's (MSIL's) new hatchback Ignis, which hit the market on January 13, 6,000 were made online. This was a marked increase from digital pre-orders of earlier MSIL launches, a result of the company beefing up its online platform considerably in the past year. MSIL is not alone – all auto companies are doing the same. Renault has launched a dedicated app for its hatchback, Kwid. Hyundai has set up its first "digital dealer" in Delhi to provide customers an "interactive buying experience" when they come visiting. Many auto dealers have 3D computer models of their brands on sale at select outlets which customers can familiarise themselves with before handling the actual product.

Alongside, a host of "auto classified" forums have also sprung up online, providing extensive comparative information on the specifications, prices and performance of different brands in the market. Most of them have links with auto companies, which follow up on the initial queries from visitors at these portals. Indeed, it is thanks to the popularity of these classified sites that both auto companies and original equipment manufacturers (OEMs) felt the need to augment their digital presence. There are even outfits which advise auto companies on how to best run their digital campaigns. Overall, auto portals get an average of 30 million visitors every month.

The online thrust of the auto sector is acknowledgement of the rise of a new generation of tech-savvy millennial buyers of cars and two-wheelers. "The online auto market should double in the next few years, going by the increasing number of young customers hitting the online space for their choices," says Amit Jain, Co-founder and

Uphill Ride

Girnar Soft and MXC Solutions are gaining rapidly in revenue, but profit is still a struggle



*standalone data; Figures in ₹ crore; Source: MCA

CEO, Girnar Software Pvt Ltd, the holding company of CarDekho, one of the leading auto-classified portals. "Online has opened up a plethora of revenue-generating options in the auto sector."

In the US, 30 per cent of car sales take place through the online route. Sites such as Carvana – which carries the tagline "Delivery to your Door" – enable the entire purchase process online. This is not yet possible in India, where after initial queries have been answered and bookings recorded online, customers still have to visit dealer outlets to work out the final price and take delivery. But given the rate at which online auto marketing is growing, a US-like scenario may not be too far away. "Ten years back, the walk-in customer was much more frequent than the one who telephoned to make enquiries," says Abhimanyu Sikarwar, HR Head, Ottoedge Services, which helps auto companies with digital marketing. "Today, it is the other way round. But in certain segments, customers seeking information digitally already outnumber both showroom visitors and those calling in."

Given the size of India's auto market – the biggest in the world in two-wheelers, fifth-largest in cars – the opportunity digital technology offers is huge. "See how the cab aggregators have used technology to disrupt the business," says Rajesh Singh, Director, DriveO Technologies Pvt Ltd, a portal for buying and selling of used cars. "Similarly, technology will soon disrupt transactions in the auto spare parts and accessories business, too, and even in the high-profit car servicing segment."

Technology will soon disrupt transactions in the auto spare parts and accessories business, too, and even in the high-profit car servicing segment

RAJESH SINGH, DIRECTOR, DriveO Technologies

DriveO is one of a host of portals that have sprung in the used car business, which, in fact, is much bigger than that of new cars, selling around four million vehicles a year. About a quarter of used car sales today start with an Internet search, according to industry insiders. Not surprisingly, auto companies and classified portals have also entered this area, including the biggest – Mahindra First Choice Wheels, which sells around 85,000 used cars a year, and Maruti's True Value, with sales of around 400,000 – many of them offering attractive financing options.

Online used car dealers are a godsend for customers since the market is extremely fragmented, with buyers hard put to find trustworthy sellers. "Customers are often wary of used products and their history," says Vinay Sanghi, Promoter and CEO, MXC Solutions Pvt Ltd, which runs the auto classifieds portal, CarTrade. "It is crucial to establish trust. And once we can channel the entire package of used car sales from deal to financing over the Net, our business will soar."

Bumpy Climb

The Indian foray into online auto classifieds started around 2008, around the time the Nano small car from Tata Motors was about to be launched. The hype around the "₹1-lakh car" drew many start-ups into this space, but few survived Nano's initial failure to gain the expected traction. MCX Solutions and Girnar Soft are the two portals which did, thanks mainly to some fortuitous funding they drew in subsequent years. MCX Solutions, for instance, started in 2009 by Vinay Sanghi, CEO of Mahindra First Choice for eight years, has got funding from Warburg Pincus, JP Morgan, Temasek, March Capital and Epiphany Ventures. Sanghi is also representative of a trend of auto company executives branching out on their own in the digital space. Ottoedge's Sikarwar was formerly with Honda and Nissan, while DriveO's Rajesh Singh is a Maruti and General Motors veteran.

In contrast are the Jaipur-based brothers, Amit Jain and Anurag Jain, who set up Girnar Software in 2007, soon after graduating from IIT. CarDekho.com may be their best known site, but they have a range of others as well, with self-explanatory names – BikeDekho.com, TyreDekho.com, TruckDekho.com and PriceDekho.com among them. Girnar Soft, currently valued at over ₹1,800 crore, got an initial funding of $15 million from Sequoia Capital in 2013, followed by Series B funding of $50 million (₹300 crore) from Hong Kong-based Tybourne Capital and Chinese investment management firm Hillhouse Capital in 2015. Since then, Tata Sons' Chairman Emeritus Ratan Tata, in his personal capacity, HDFC Bank and Google Capital have invested undisclosed sums in the company.

While these are the successes, the flameouts have been quite a few as well, with this nascent sector already having seen a wave of consolidation. Both Gaadi.com by the Ibibo Group and ZigWheels by the Times of India Group were set up with much fanfare, but both have been since acquired by CarDekho, the first in September 2014 and the second in October 2015. In turn, rival CarTrade acquired Carwale from German media giant Alex Springer in November 2015. Yet, the proliferation of new players continues with the starting of sites like Cars24, Carnation Auto and TeamBHP. General classified sites for all kinds of products, such as OLX and Quikr, have also entered the fray. Even e-commerce giant Snapdeal has offered its marketplace for automobile sales, though with limited success. The latest entrant is Droom, a mobile-first marketplace for used cars, which has raised seed funding – of an undisclosed amount – from Japan's Beenos Group, and a subsequent $15.6 million cash infusion from domestic venture capital firm Lightbox.

Nor has it been a smooth drive for Girnar Software and MCX Solutions – though their revenues are increasing, so are their losses. (See *Uphill Ride*.) Girnar incurred a loss of ₹107.58 crore in 2015/16, while MCX's loss stood at ₹137 crore. But the founders, whose enthusiasm remains undimmed, maintain this was due to the massive expansion they have been undertaking. "We aim to achieve a gross merchandise value of $2 billion in 2016/17," says Sanghi of MCX. "We have consolidated the business, have over 2,000 employees and intend to add another 1,000 this year."

The Jain brothers are equally gung-ho. "We want to emerge as a multi-billion dollar company by 2020, with a global footprint, by creating innovative technology products," says Amit Jain. He has already ventured overseas, setting up CarBay.co.id in Indonesia, and has plans to expand to Malaysia, Thailand, the United Arab Emirates, Saudi Arabia and Brazil as well. ◆

@sablaik

Factoids

- Technology revolutionising car-buying experience in India; auto portals targeting young, digital-savvy buyers
- To draw visitors, auto portals also feature car reviews, on-road price comparisons, best-buy recommendations
- Over 10 million unique visitors surf these portals every month
- Consolidation battle: CarDekho has merged Gaadi and ZigWheels, while CarTrade has acquired Carwale
- Gross merchandise value at auto portals was $3-4 billion in 2015/16; companies aim to double this figure in the current financial year

Money Stream

- The expanding and unorganised four-million-unit used car market is turning out to be the biggest business opportunity
- Tie-ups with auto dealers and ancillary services like insurance, auto finance, car auctions are shoring up revenues
- Newer concepts such as virtual showroom (wearable devices) enhancing customer experiences

COVERSTORY Unicorns

THE FALL OF THE UNICORNS

They were all part of the fabled $1 billion plus valuation club. Now they have run into trouble.

BY RAJEEV DUBEY

Mrs Bahl is an avid seller of her specialty biryani on Shopo, the consumer-to-consumer platform set up by Snapdeal on the lines of Alibaba's Taobao. She also happens to be the mother of Snapdeal's founder and CEO Kunal Bahl. In 2015, Snapdeal announced it will invest $100 million in Shopo, providing its logistics platform and the payment gateways free of charge to sellers like Mrs Bahl for a hassle-free experience. It hoped to make money through advertising. It never did.

So when Snapdeal was forced to conserve cash, in February 2017, the axe first fell on Shopo. Next, it is believed to have put its payment wallet Freecharge on the block at between half to a quarter of the $400 million it paid to acquire it. About 600 Snapdeal employees have been given the march-

Flipkart

PEAK VALUATION
$15.2 billion*

LAST VALUATION:
$5.5 billion

TOTAL FUNDING
$3.2 billion

ACCUMULATED LOSSES (₹ CRORE)
-5,698.4

WHAT WORKED FOR IT:
Early to e-tail party. Captured imagination with quick, free delivery and responsive customer care

WHAT ISN'T WORKING:
Rapid expansion into verticals; Fast losing ground to Amazon in marketshare and sale; Burned cash in discounts to keep ahead

STRESS SYMPTOMS:
Valuation lowered 5 times; VC in charge; Founders kicked up; Executive management churn

* April 2015
For Flipkart accumulated losses are the cumulative losses over the last four years for both Flipkart India & Flipkart Internet

SACHIN BANSAL
Chairman, Flipkart

Snapdeal

$6.5 billion*

NA

$1.7 billion

-4,745.5

WHAT WORKED FOR IT:
Early switch from coupon company to e-tail

WHAT ISN'T WORKING:
Tried to do everything, including wallet Freecharge and C2C Shopo

STRESS SYMPTOMS:
Struggling for next funding round; Cost-cutting and layoffs; Freecharge on the block; Shopo shut; Founders take pay cut

*Feb 2016
NA: Not available

Source: Tofler, Venture Intelligence, Tracxn,Dow Jones Venture and The Wall Street Journal

KUNAL BAHL
CEO, Snapdeal

ing orders, founders Kunal and Rohit Bansal have given up their ₹1.5 crore a year paychecks. Yet, Snapdeal continues to bleed. Having failed in its bid to outrun rival Flipkart in the race to No.1 last year, Snapdeal was even displaced from the No.2 spot by aggressive newcomer Amazon, which is now on the verge of overtaking--or, has already overtaken--Flipkart too.

Like Snapdeal, bit by bit, the story of India's Unicorns (start-ups valued at $1 billion or higher) is turning out to be a case of spreading themselves too thin, too fast. Besides Snapdeal, Flipkart, Ola Cabs (ANI Technologies), Paytm (One97 Communications), InMobi, Mu Sigma, Hike, Shopclues, Zomato and Quikr have been funded at valuations of $1 billion or higher, giving them the tag of Unicorns. On March 2, Paytm E-Commerce announced it was valued at over $1 billion in a $200 million infusion from Alibaba and SAIF Partners, making it the 11th Unicorn. Together, the first 10 Unicorns attracted cumulative funding of $8.5 billion, the biggest $3.2 billion by Flipkart, followed by Snapdeal's $1.7 billion. But, in just the past five years, they have cumulatively also burnt up ₹15,827 crore (nearly $3 billion) in accumulated losses and write-offs (some have been in operation for eight-twelve years). The maximum by two Flipkart entities (₹5,698.4 crore), followed by Snapdeal (₹4,745.5 crore).

Yet, there is a clear distinction between them. While the B2C or purely consumer Unicorns such as Flipkart, Snapdeal, Paytm, Shopclues, Quikr or Ola and Zomato are bleeding profusely, B2B or enterprise Unicorns such as the Bangalore-based Mu Sigma and InMobi are better off. If InMobi is comparatively either mildly profitable or mildly loss-making year-on-year, data science firm Mu Sigma Business Solutions (which raised $209 million in funding) was the only profitable Unicorn in the country in 2015/16, reporting a net profit of ₹463 crore on revenue of ₹810 crore.

"They tried to be everything to everybody. It just doesn't work," says Sanjay Nayar, Member and CEO of KKR India. "Entrepreneurs raised money at crazy valuations. All over-stated and over-estimated consumption and growth. Very few succeeded. If you don't make money, how do you value a company?"

As basic business metrics such as unit economics and need for healthy cash flows were disregarded, the Unicorns chased growth at the expense of profitability; chased customer acquisition at the cost of customer satisfaction. That race to outdo each other in customer acquisition through unsustainable discounting and cashbacks has blown a hole in their balance sheets while losses continue to mount uncontrollably. If 2015 was the year of funding, 2016 was the year of

OLA Cabs

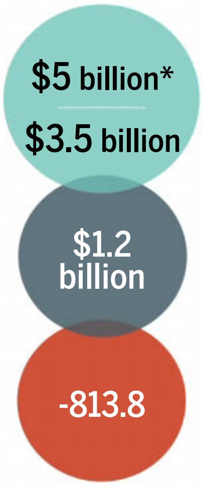
(ANI Technologies)

WHAT WORKED FOR IT:
Earliest to offer a mobile-based cab hiring service; spotted the Android opportunity fast with app

WHAT ISN'T WORKING:
Expansion into unprofitable areas, hinterland and rickshaws, etc, hurting; discount war with Uber

STRESS SYMPTOMS:
Reduced incentives to drivers; mounting losses; lower valuation

*Sep 2015



Peak and last valuation
Total funding
Accumulated standalone losses over five years (₹ crore)

BHAVISH AGGARWAL
Co-founder, Ola Cabs

Paytm

(One97 Communications)

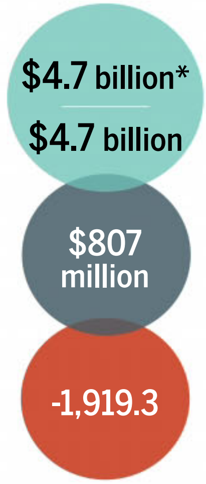
WHAT WORKED FOR IT:
Merchant tie-ups and smart branding; early to launch wallet

WHAT ISN'T WORKING:
Burnt fingers in e-tail; cash burn accelerated in past two years; threat from BHIM/UPI

STRESS SYMPTOMS:
Analysts question viability of business model; mounting losses

*Dec 2016

For Paytm accumulated losses were calculated for only last two years as it was profit making in other years



VIJAY SHEKHAR SHARMA
CEO, Paytm

PHOTOGRAPHS BY VIVAN MEHRA

execution, says Nikesh Arora, former president and CEO of Softbank (which invested in Snapdeal, InMobi, Ola and Grofers): "People have to figure out how to fix this."

India's Unicorns may have been emboldened by the examples of Amazon, WhatsApp and Uber which continued to get funding despite reporting losses for years on end. But investors are pulling back. Several Indian Unicorns are today valued significantly lower than their peak valuation. Ola's latest round of $300 million funding from Softbank last week is estimated at a 30 per cent markdown to its peak valuation of $5 billion. American fund Morgan Stanley Select Dimensions Investment Series marked down Flipkart's valuation 38 per cent from $84.29 per share to $52.13 per share (between June 30, 2016 and Sept 30, 2016) in its filing to the US Securities and Exchange Commission. In all, Flipkart has had five markdowns till date. By some estimates it is now valued at just a third of its $15 billion peak valuation. Flipkart termed these a 'theoretical exercise' since they are not based on real transactions. Flipkart made some fatal errors such as the disastrous experiment to move to an app-only model which had to be reversed when sales fell. Or, the costly push into *a la carte* music with 'Flyte' which bombed due to the emergence of music streaming sites such as Gaana and Saavn. Also, an unsuccessful attempt at a wallet 'Flipkart Money', now folded into 'Phone Pe'.

Last March, the founders of Flipkart and Snapdeal took potshots at each other on Twitter. Flipkart's Executive Chairman Sachin Bansal tweeted: Alibaba deciding to start operations directly shows how badly their Indian investments have done so far." Since Alibaba is an investor in Snapdeal, Bahl shot back: "Didn't Morgan Stanley just flush ₹5 billion worth market cap in Flipkart down the toilet? Focus on your business, not commentary."

Other Unicorns face an existential crisis. Is there space, for instance, for a No.3 (Snapdeal) and also a No.4 (Shopclues) player in e-tail? And, in some cases, such as Paytm, their business models are under the scanner.

As investors tightened their purse and began the crackdown on cash burn, panic-stricken Unicorns are responding in identical ways. Non-core businesses are being hived off, sold or shut; companies are going through widespread cost-cutting; employees are being laid off in hundreds. In many cases, investors are taking it upon themselves to run the company. Founders and senior executives are either being nudged out or kicked up, as in the case of Flipkart founders Sachin and Binny Bansal who are now in the roles of chairman and group CEO, respectively,

InMobi

NAVEEN TEWARI
CEO, InMobi

WHAT WORKED FOR IT:
Quick transformation from mobile search firm MKhoj to digital advertising platform

WHAT ISN'T WORKING:
New platforms emerging; large sites with captive audience prefer own platform

STRESS SYMPTOMS:
Still burning cash; no funding since 2014; raised $60 million debt

*Dec 2014

For InMobi the acummulated losses were calculated for the last four years, including its profits in FY14

PEAK VALUATION: **$2.5 billion***
LAST VALUATION: **NA**

TOTAL FUNDING **$321 million**

ACCUMULATED LOSSES (₹ CRORE) **-34.4**

while investor-backed Kalyan Krishnamurthy has been appointed the new CEO in January, 2017. Where they find synergies, there are rumours of a possible merger, for instance, between Paytm's loss-making e-tail business and Snapdeal. Alibaba Group Holding and Intel Capital are common investors in both. Besides, Softbank, the biggest shareholder in Snapdeal, is also the biggest shareholder in Alibaba. "We are deeply committed to our portfolio companies and help them achieve their strategic goals. We cannot comment on specific plans or transactions," says Alok Sama, President & CFO, SoftBank Group International.

SPOILT BY SUPERABUNDANT CAPITAL

Consulting firm Bain & Company reckons they fell prey to 'Superabundant Capital'. Its study "Strategy in an Age of Superabundant Capital" says global financial capital (today at 10 times the global GDP) has more than tripled in the past three decades. An average Unicorn globally has raised an astounding $516 million. Superabundant capital leaves companies with a hoard of cash which they struggle to deploy judiciously. Bain says it encouraged executives to remain committed to investments long after it was clear that they are not paying off. "...for the balance of the next decade at least – markets will continue to grapple with superabundant capital," said Karen Harris, managing director of Bain's Macro Trends Group. "Too much capital will be chasing too few good investment ideas for many years, requiring a fundamental shift in how companies implement their business strategy and manage capital."

When foreign owned rivals Amazon and Uber turned the heat on Indian competitors through their well-funded Indian entities, rapid cash burn forced Flipkart, Snapdeal and Ola to form an alliance and raise the nationalistic card by alleging that Amazon and Uber were "dumping capital" to eliminate them. But they conveniently ignored the reality that they themselves had been dumping VC-funded capital all this while to wipe out or acquire rivals. Despite their attempt to secure the backing of the RSS and its economic think tank Swadeshi Jagran Manch, their alliance didn't gain traction.

"It's a ludicrous proposition because there is no national champion," says Dhanpal Jhaveri, Everstone Group's Managing Partner. "The government is not to help companies survive or die, just because someone has made mistakes. The core thesis that we are Indians is incorrect because (in many cases) the Indian founders own less than 5 per cent today. Foreign capitalists own them."

ELUSIVE PROFITABILITY: VALUATION CHALLENGE

Economist John Maynard Keynes once said: *If you owe your bank a hundred pounds, you have a problem. But if you owe a million, it has.* So it is with investors. Due to the scale of investment involved, far from being the founders' problem, the wayward Unicorns are now investors' problem.

And it's hurting. In November 2016, Softbank, wrote off $550 million towards its investments in Snapdeal and Ola. That narrowed to $351 million by the end of December because of gains in the yen-dollar valuation. "The write-offs are due to intricacies of accounting practices and currency fluctuations, and in most cases represent a reversal of earlier gains. Our overall investment portfolio in India is marked well above cost. We are in for the long haul," says Softbank's Alok Sama.

It all began with the poster-boy of Indian Unicorns—Flipkart—sputtering at the finish line. Valued as high as $15.2 billion in the funding round of April, 2015, Flipkart's valuation has been in question ever since the world's largest e-tailer Amazon began nudging it for the No. 1 spot in India.

According to web traffic tracking and analytics firm Alexa (which incidentally is owned by Amazon.com), Amazon is already India's fifth most visited website while Flipkart is at No.9. Amazon recorded 8.73 daily page views per visitor against Flipkart's 3.38. And while a visitor spent an average 9.09 minutes per visit on Amazon, he spent 5.26 minutes on Flipkart. It attracts 14.7 per cent of traffic from search compared to

SHEKHAR GHOSH

NIKESH ARORA
Former President & CEO, Softbank

"Will we see down rounds in some companies? Yes. But that's the nature of investing and entrepreneurship. If you invest in 100 companies, a third of them are not going to see the light of day. "

Flipkart's 10.5 per cent. Suddenly, Flipkart wasn't as invincible. It tried to buy growth to stay ahead by acquiring fashion e-tailers Myntra and Jabong but Amazon raced past. As of March, 2016, Amazon reported a revenue of ₹2,275.4 crore against Flipkart's ₹1,951.7 crore. Meanwhile, Flipkart Internet's annual losses grew from ₹63 crore in fiscal 2012/13 to ₹2,306 crore in 2015/16.

As a result, investors Tiger Global and Accel took charge of the company more than a year ago. In January, 2016, CEO Sachin Bansal was promoted to the role of executive chairman. Co-founder and Chief operating officer Binny Bansal was given charge as CEO. In less than a year, in January 2017, the investors decided to appoint Kalyan Krishnamurthy as Flipkart's CEO while Binny was moved up to the group CEO's role. In a townhall meeting with employees in August, 2016, Sachin Bansal admitted his removal as CEO was linked to performance: "Just look at who was at management six months ago, one year ago, and who is management today. It's completely changed. Right? I was the CEO and I have changed. It was performance linked."

With Snapdeal already shifting focus from chasing growth to chasing customer experience, the Unicorns have continued to search for that elusive profitability. Jasper Infotech, which owns Snapdeal, reported a net loss of ₹2,960 crore at revenue of ₹1,456.6 crore in 2015/16.

The third most funded Unicorn in India, ANI Technologies which owns Ola Cabs, had a net loss of ₹754.9 crore on revenue of ₹418.3 crore in 2014/15. It's current valuation stands at $3.5 billion, down from $5 billion. Founder Bhavish Aggarwal, however, told BT in a previous meeting that the company can hit profitability by the end of fiscal 2016/17. "If we want, we could be profitable this year," says Bhavish. "We are investing aggressively in growth, in customer acquisition, in building our network, in adding more cars, in scaling more cities. That's where most of the investment goes. On the other side, it is in technology, products and all these innovations."

The next, One97 Communications which owns the most generic mobile wallet in the country 'Paytm' has widened its losses from ₹370.8 crore in 2014/15 to ₹1,548.5 crore in 2015/16 thanks to its entry into the cash-burning e-tail business (though Paytm is accelerating its entry into e-tail with a fresh

Mu Sigma

DHIRAJ RAJARAM
Chairman, Mu Sigma

WHAT WORKED FOR IT:
Early to data analytics, data science; Attracted top clients, including Microsoft, Walmart Financial and Pfizer; Hugely profitable

WHAT ISN'T WORKING:
High attrition; differences among founders

STRESS SYMPTOMS:
Tussle between founders over control

PEAK VALUATION: **$1.5 billion***
LAST VALUATION: **NA**

TOTAL FUNDING **$209 million**

ACCUMULATED LOSSES (₹ CRORE) **na**

*Feb 2013

NA: Not available
na: not applicable

KAVIN MITTAL
CEO, Hike

Hike

WHAT WORKED FOR IT:
Focused app, for Indians, in local languages; rapid adoption among youth; 100 million users

WHAT ISN'T WORKING:
No revenue model

STRESS SYMPTOMS:
None yet

PEAK VALUATION: **$1.4 billion***
CURRENT VALUATION: **NA**

TOTAL FUNDING **$261 million**

ACCUMULATED LOSSES (₹ CRORE) **-403.5**

* August 2016
NA: Not available

round of investment). In the last round of funding in One97 in 2016, it secured a higher valuation of $4.7 billion as against $3.1 billion earlier. Since then, Paytm has seen a sharp 50 million subscriber ramp-up since demonetisation, as citizens scrambled to look for digital payment options, As of the end of February 2017, Paytm had an astounding 200 million subscribers. Paytm's founder & CEO Vijay Shekhar Sharma did not respond to BT's questionnaire.

InMobi Technology, a mobile-based digital ad network, has received $321 million in funding till date, but has struggled to find new backers since December 2014 (it raised $60 million in debt). CEO Naveen Tewari says the company did not require funding except for strategic acquisitions. It reported a mild profit in 2013/14, but as it expanded operations to 17 countries, InMobi reported a net loss of ₹15.52 crore on revenues of ₹262 crore in fiscal 2014/15, the latest available with the Registrar of Companies. "Technically, our burn rates are much lower, so we probably don't need the high level of capital it is perceived we require," says Tewari, founder and CEO, InMobi.

The mobile messaging and social media app Hike, founded by Kavin Bharti Mittal, the son of Bharti group chairman Sunil Bharti Mittal was valued at $1.4 billion in its last round of funding in August, 2016. It is most unique in its strategy—somewhat like Reliance Jio. Despite raising $260 million till date from Foxconn Technology, Tencent Holdings, Softbank and Bharti Enterprises, Mittal hasn't kick-started the revenue model as yet. Instead, it is focused on building a user base and developing an India-specific messaging solution in multiple local languages before it starts earning revenue. In 2015/16, Hike reported a net loss of ₹217 crore but it also had over 100 million users which makes it India's second most used messaging app after WhatsApp.

Clues Network, the owner of e-tailer Shopclues.com reported a net loss of ₹383 crore on revenue of ₹179 crore in 2015/16. It has been funded with $231 million and was last funded in January, 2016. It's trying to find a niche for itself in the home products space.

"There has been an enormous amount of capital chasing few opportunities and that has created a form of bubble," says Alexandre de Rothschild, Deputy Chairman of global investment advisory firm Rothschild & Co.

Zomato Media which has received $223 million in funding till date and was last valued at $1 billion in March 2015 reported a net loss of ₹266 crore on revenue of ₹154 crore in 2015-16. Zomato founder and CEO Deepinder Goyal did not respond to BT's questionnaire.

And classifieds platform Quikr, modeled on US-based Craigslist had a revenue of ₹95 crore and loss of ₹534 crore in 2015/16. Quikr founder Pranay Chulet did not respond to BT's queries. With total funding of $370 million, it was last valued at $1 billion in September 2014.

SEARCHING FOR A BUSINESS MODEL

If Flipkart, Snapdeal, Shopclues and Paytm have value destroying revenue models, others such as Hike have yet to unlock a revenue stream, focusing instead on customer acquisition only. Zomato and InMobi have spread themselves thin by expanding to global markets. InMobi's ad platform model faces the might of bigger advertising platforms such as Google, Facebook, Twitter, LinkedIn, Alibaba and even Flipkart and Snapdeal's own advertising platforms. And Quikr, which earns from advertisments and by charging for premium listings, has to find complimentary revenue streams since its model is yet to gain traction. Ola, which expanded into 102 cities and with offerings as lateral as e-rickshaws, will have to bear the brunt of the onslaught global No.1 Uber is bringing into India through rapid discounting. But Mu Sigma is roaring to profitability.

"Undoubtedly, capital management will remain a business imperative even in a time of superabundance – waste is waste," says the Bain study. "But, the new bedrock on which winning strategies will be built is the quantity of valuable ideas an organisation's people can generate and leadership's ability to successfully commercialise them."

The question is: which of these models has a

ALEXANDRE DE ROTHSCHILD
Deputy Chairman, Rothschild & Co.

"When companies have raised money a little bit too quickly without having had the sequencing of proving their model, then there is also a valuation drop which comes with an upset."

RACHIT GOSWAMI

greater chance of survival than others.

Those facing the greatest challenge are opportunistic business models such as One97's wallet Paytm, online classifieds Quikr and digital ad platform InMobi.

Paytm's wallet—one of the most relevant innovations of our times—is the best example of a product being in the right place at the right time, but only so long. The growing need to make small payments instantly through a medium other than cash was the need of the times. While other wallets, including those by leading banks, waddled around and shied away from the hard work of popularising it in the belief that it will proliferate by itself, Paytm raced ahead due to its merchant tie-ups and clever brand positioning and advertising. Then demonetisation happened and it appeared invincible until the government-owned NPCIL got its act together to launch UPI, USSD and its own wallet killer BHIM app in quick succession.

Suddenly, despite its $807 million funding, Paytm appears vulnerable. Unlike Paytm, where the customer's money sits in a pre-paid wallet (a kind of an escrow account), BHIM transfers money directly from one bank account to another bank account, eliminating the need for an intermediary like a wallet. While Paytm is a closed loop network, BHIM is inter-operable between bank accounts. Paytm may also incorporate UPI or Bharat QR into its wallet for inter-operability. Yet, its biggest challenge is viability. The question is: whether users will stay the day it starts charging for transactions on the app! N.Chandrababu Naidu, Chief Minister of Andhra Pradesh, who has been tasked to head the committee of chief ministers to recommend digital payments told BT that wallets are 'intermediate' businesses and have no future. Instead, BHIM is the way to go. The question to ask is, "if you raise prices, will people stick with you?" asks Nayar.

Besides raison d'etre, a bigger question is over Paytm's business model, especially with the government determined to crash digital transaction charges to the bare minimum to promote use of digital transactions instead of cash. "There is not enough margin in the payment business for the wallets to have a future," HDFC Bank's managing director Aditya Puri said at the Nasscom India Leadership Forum in Mumbai recently. "Wallets as a valid economic proposition is doubtful. There is no money in the payments business," he said.

You may call it an outcry of the affected or a lash from the incumbent. After all, Paytm has the government's nod to morph into a payments bank which may compete with HDFC Bank. But globally payments bank business models have only succeeded with telcos or with e-tail/retail. Paytm had neither. So it began an e-tail business initially giving as much as 100 per cent cashback in the wallet to buy on its e-tail platform. Today, that's the primary cause of Paytm's parent One97's bal-

SANJAY SETHI
CEO, ShopClues

ShopClues

WHAT WORKED FOR IT:
Focus on household items; extensive merchant tie-ups

WHAT ISN'T WORKING:
Distant fourth among e-tailers; new funding challenges

STRESS SYMPTOMS:
Mounting losses

PEAK VALUATION: **$1.1 billion***
LAST VALUATION: **NA**

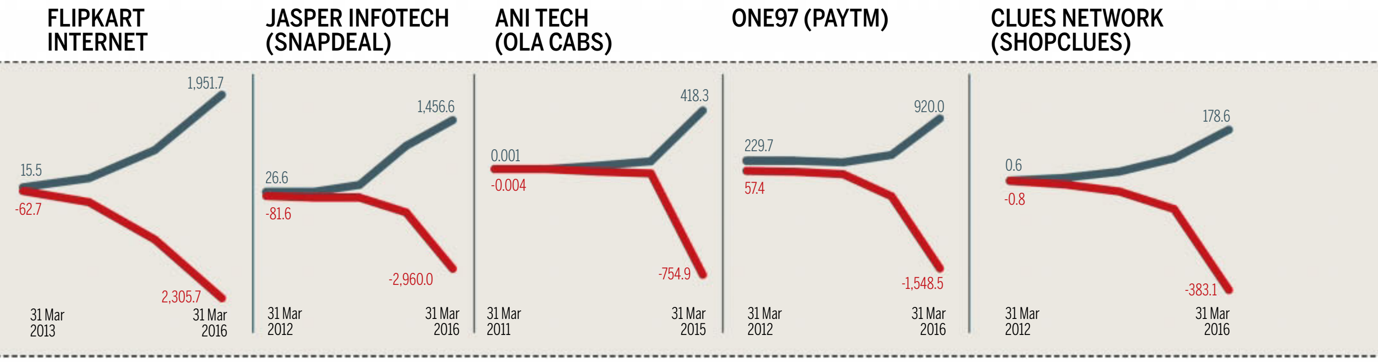
TOTAL FUNDING **$231 million**

ACCUMULATED LOSSES (₹ CRORE) **-538.5**

*Jan 2016
NA: Not available

A Sorry Saga

Revenues of Unicorns have galloped but losses have mounted sharply as well



Total revenue   Net profit/loss   Figures In ₹ crore; standalone data; Source: Tofler

ance sheet being awash in red.

For Snapdeal, Arora says, "the Phase II is about ensuring a quality customer experience and making sure we have the right set of customers. That's where all the focus of Snapdeal needs to be" Bahl says he is at it. "People outside think that it is a slash and burn industry. Will never make money. It's absolutely untrue. Folks hadn't dug deep enough to say where am I losing most money, where am I making most money on various dimensions such as categories, products, brands, customers, geographies," Snapdeal's Bahl told BT in mid-2016. "There are islands of profitability in each of these dimensions. You have to identify the islands of profitability, grow these islands. And the islands of non-profitability are shrunk."

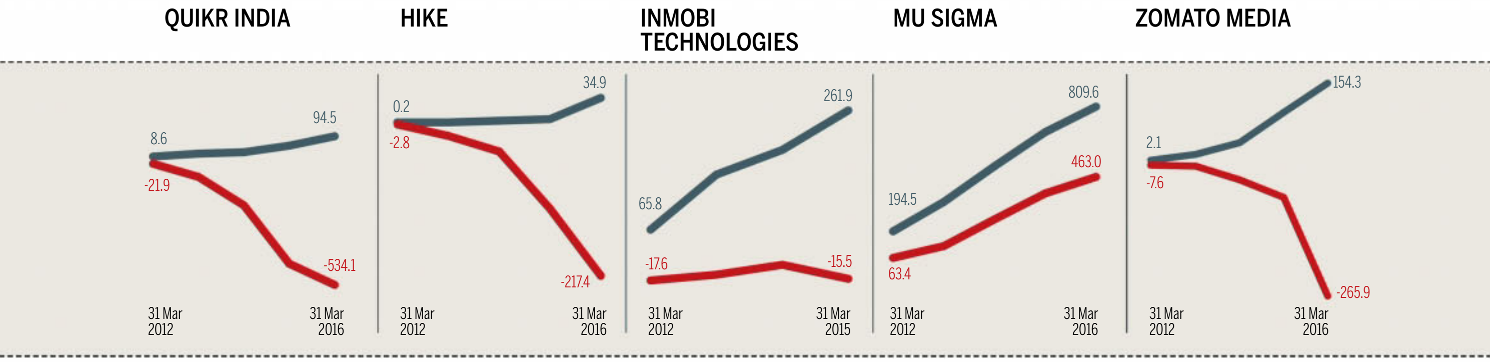
Having given up in the race to be the leader, Snapdeal began focusing on building capabilities that cannot be replicated overnight. "We realised over a period of time that India has weak underlying infrastructure. Unless we smartly invest behind it, we won't be able to deliver a great experience to our customers and our sellers," Kunal Bahl says. His focus has been on building the best customer experience in e-tail: "We are now No.1 on delivery time 3.9 days order to delivery. Amazon is 4.1. Flipkart's 5.1." Snapdeal made strategic minority investment in logistics firm GoJavas so that it caters to 70 per cent of its shipments. "When someone wants to return something, he just presses 're-turn' on the app. In 24 hours, the stuff gets picked up and also refunded 85 per cent of the time. It was 24 per cent in September 2015."

For InMobi, the greatest challenge is to find its niche in the world of digital advertising dominated by the likes of Google, Facebook and now even e-tailers such as Amazon and Alibaba. Founder Naveen Tewari says he has a niche since even if 50 per cent of the $250 billion market is dominated by these players, there's still half the market to play

RACHIT GOSWAMI

SANJAY NAYAR
CEO, KKR India

"They tried to be everything to everybody. It just doesn't work. Entrepreneurs tried to outdo each other, raised money at crazy valuations. All over-stated and over-estimated consumption and growth."



for companies such as his. That may be simplistic. The challenge for digital ad platforms such as InMobi remains that any large Internet-based organisation such as Flipkart or Snapdeal, which has its own loyal visitors, also aspires to create its own digital advertising platform, eliminating the need for an intermediary such as InMobi. Companies such as InMobi that don't own the 'views or clicks' are at an inherent disadvantage. Snapdeal's Bahl, for instance, has its own digital ad platform, so does Flipkart. But Tewari says everyone in the world is looking for options outside of Google and Facebook. "That's one of the biggest reasons why many-many companies work with us. The fact that those very large companies do not want to share their data with Google and Facebook, do not want to handover a large part of their budgets or monetisation to Google and Facebook," says Tewari.

He insists his ad network is relevant in three buckets: the e-commerce companies, the telcos, the OEMs such as handset and television manufacturers. "They need it literally to run their business because advertising will be core to their revenue model, business model. They need ad platforms like us to build that business. Or they go to Google and Facebook but that's going to be very-very hard because they are going to take the business away," says Tewari.

As for Ola: Fearing Uber, it expanded laterally and entered every possible city and Tier II town and ever possible area, including autos, shuttle and electric rickshaws. Carpet bombing is the usual response of an incumbent to a threat, but it also spreads them thin. For, not every business or city will be profitable. Ola's Bhavish Aggarwal has to take the difficult call on where to turn off the tap to get into the black.

Hike's Kavin Mittal is still not planning to monetise his messaging app or the over 100 million users it has. Its users exchange over 40 billion messages per month and spend over 120 minute per week on Hike on an average. Mittal says a native messaging product in local languages catering to native taste was always his goal. "If you have to be in messaging, you have to be different than everybody else in the market. Our goal was not to build messaging. Our goal was how do we bring a billion people online. That was the big question Masa (Softbank founder Masayoshi Son) and I asked," says Mittal.

The first hit at Hike was Hike-to-SMS, where you could message people even if they didn't have smartphones. "It got a lot of people. That showed us the way that there is an opportunity to build something very local. Hike launched the hidden mode which gives privacy to youth using a common smartphone in the family," says Mittal. However, it's the

DEEPINDER GOYAL
CEO, Zomato

Zomato Media

WHAT WORKED FOR IT:
Early start in restaurant discovery and restaurant menu got quick traction under foodiebay.com; food delivery started in 2010, renamed as Zomato; business model kicked in

WHAT ISN'T WORKING:
Expansion in global markets, except UAE, yet to turn profit

STRESS SYMPTOMS:
Large-scale layoffs; new funding challenges

PEAK VALUATION: **$1 billion***
LAST VALUATION: **$500 million**

TOTAL FUNDING **$223 million**

ACCUMULATED LOSSES (₹ CRORE) **-392.7**

*Mar 2015

Quikr

WHAT WORKED FOR IT:
Early to spot the Craigslist opportunity in India

WHAT ISN'T WORKING:
Business model still evolving (charges only for premium listings); Advertising yet to take off in a big way

STRESS SYMPTOMS:
Profits elusive, losses mounting

*Oct 2016

PRANAY CHULET
CEO, Quikr

PEAK VALUATION:
$1.5 billion*

LAST VALUATION:
$1.5 billion

TOTAL FUNDING
$370 million

ACCUMULATED LOSSES (₹ CRORE)
-1,281

nativity of the stickers that has caught on with Hike users in recent times faster than anything else. "We ourselves underestimated the power of stickers. Stickers told us that the content strategy is very important. Internally, we were against content because essentially we are not a content company. Today, inside Hike we have a machinery that actually produces content with 6-7 studio partners. India is a sight and sound market," says Mittal.

Hike's mission is to create a new kind of messaging app that simplifies how people connect with others and will change the way they interact with content and services on mobile, asserts Mittal. "We believe that messaging will do for mobile what the browser did for the desktop, times a hundred." This requires a very deep understanding of the Indian Internet market and more importantly how the youth of India live their lives.

The other Unicorn, food delivery firm Zomato, is struggling as its revenue model through advertisement, online ordering, table reservation and its offering for restaurants--the white label app and POS system Zomato Base--isn't firing on all cylinders. In late 2015, Zomato fired 10 per cent of its staff when it failed to meet sales targets. It is now valued substantially lower than its $1-billion peak.

As for Quikr: It expanded portfolio by acquiring property portal Commonfloor for $200 million but last year it reported losses of five times its revenues.

Nikesh Arora asserts technology led businesses are here to stay because of the efficiency they bring in. Since they allow us to go from supply-led businesses to demand-led businesses. "I expect there is 10-15-20 per cent inefficiency in supply led structures. Add to that the cost of real estate, distribution, inventory control, probably adds another 15 per cent. So you have between 15-30 per cent of cost structure to play with if you can deploy a new business with new technology," says Arora. He believes that the entrepreneurs of today would have created products at 20-25 per cent lower cost structure in 10-15 years' time—that's the efficiency eked out of deployment of technology.

But what about that profitable exit—that investors dream of for each one of their investments?

Valuations appear frothy when Unicorns deliver spectacular growth that fails to meet investor expectations. At that point, the biggest casualty is the public listing of the Unicorn. Now, not listing is not an option either. After all, PE firms invest in the hope of a wildly

DHANPAL JHAVERI
Managing Partner, Everstone Group

"So much has gone wrong. It started with people who didn't know anything about the country putting in money; to people who got a lot of money who had never dealt with so much money; to finally everyone, including customers and businesses, stakeholders watching and saying I think I am being left out so let's participate in that."

profitable exit. Such an irretrievable situation leads to all manner of compromises: IPO may be delayed or deferred; two investee companies may get merged; the Unicorn may be sold at a lower valuation; VCs may agree to cash out at a lower IPO valuation. “Most people who came in, came in, came with the fear of being left out. That fear drove all kinds of valuations in the business. It’s almost like augmented reality rather than the real picture,” says Jhaveri.

But if they hit the market with a bloated valuation, they tend to meet the fate of Facebook whose stock market valuation had halved within five months of its listing on May, 2012. Or, Alibaba, which dropped by one-third from its peak after the listing.

“Once the model is tested by commercial application and there are disappointments about conversion of indicators into real profitability, then there is an upset for sure. When companies have raised money a bit too quickly without having had the sequencing of proving their model, then there is also a valuation drop,” says Rothschild.

Reality has hit India’s Unicorns. That gross merchandise value is not real sale and profit; that app downloads don't mean traffic; and, that active users are not transactions. As a result, even the total number of horizontal e-tailers is down from over 550 in 2011/12 to just about 4/5 today. In ride sharing, the numbers have shrunk from nearly a dozen players to a two-way contest between Ola and Uber (besides Meru) today. It is reasonably apparent that not all of them may survive 2017. Deaths are painfully slow if you have capital. If you don’t, it’s quick fall from the cliff. ◆

For more on the various funding rounds of Unicorns, go to: *businesstoday.in/unicornfunding*

Data support by Niti Kiran

@rajeevdubey

THE OUTLIER

A billion dollar valuation with no leveraging (zero debt company). Profits in the books and promoters sitting pretty with a comfortable 45 per cent stake. A successful path-breaking IPO with no dependence on private equity money. And, not to forget, no layoffs so far! It's a unique phenomenon in the Indian e-commerce industry. The outlier is Infibeam Incorporation, a company founded by former Amazon employee Vishal Mehta a decade ago. Mehta is now stepping on the gas to further expand the scale and size of its e-commerce business. By March end, this Ahmedabad-based start-up is expected to close the year with ₹40 crore profit on revenue of ₹400 crore revenues.

So how is Mehta’s little known Infibeam not burning cash? "We are solving one of three things – demand, supply and capacity – using technology all the time," says Vishal Mehta, Founder and Chief Executive, Infibeam.

Mehta has two growth engines firing at the same time. Mehta has pure e-commerce play ‘Infibeam’ where merchants sells directly on its platform without hefty discounts. There is also a services driven model ‘Buildabazaar’ that provides cloud based infrastructure services to small and medium enterprises. The company provides end-to-end IT backbone, marketing and logistics support and also payment gateway facility for online sales. There are already 66,000 SME and MSME businesses enrolled with buildabazaar. The big names includes Cannon, Imagica, Canon, Hidesign, Blackberry, etc. This is where Mehta’s business model is working as his company earns by way of monthly fee as well as commission per transactions. In the nine months (April-December) of 2016/17, the sale of products through e-commerce amounted to ₹214 crore and a loss before interest, depreciation and tax of ₹3.45 crore. But the sale of software or services was ₹105 crore and profit before interest, depreciation and tax of ₹61 crore. There is a very high EBITDA margin in the services business. This business is actually compensating the loss in the products business. The company expects the services business to grow further. In the last three years, the share of services revenues has grown from 18 per cent of the business to over 30 per cent. As it grows, the profitability will only rise because of higher EBITDA margins.

Mehta’s company looks to be in a sweet spot as it is flush with IPO money of over ₹400 crore. A bulk of the money is going for setting up a cloud data centre. The company has already spent ₹144 crore of the IPO proceeds on that project. This investment will create a large capacity to handle more online retailers under buildabazaar. The company is also planning to set up 75 logistics centre to help its merchants. The company has set aside ₹37.50 crore from the IPO for logistics expansion. "Consumption story is very strong in India. The online consumption is already getting a fillip because of higher penetration of Internet through mobiles, more fibre helping in speed, digital payments and the spread of logistics. Going forward, the GST is only going to make crossing border easier with a much simplified tax structure," says Mehta. There is every reason to bet on Mehta’s business model as it is totally focused on building a sustainable business model. His stock price has jumped 220 per cent in the last once year. “ It is not what you raise, but what you return matters ," Mehta had told us two years back. His new family of shareholders will surely vouch for that .

ANAND ADHIKARI

ENGINEERING TOMORROW'S INDIA

A bridge to low carbon economy: Urban efficiency

"A significant awareness and growth is seen in the adoption of energy efficient green buildings by various stakeholders across the country because it is no longer only technically feasible but has grown to become economically viable too. It isn't sufficient to just aim at the proper adoption of sustainable practices but it is also essential to recognize and incentivize the stakeholders who set the energy efficiency benchmark in the industry. The ACREX Hall of fame is one such coveted recognition that is encouraging excellence achieved in conserving energy by such commercial buildings and showcasing their success stories in the HVAC space in India.

Prem C Jain, Chairman, IGBC

India has identified the need to think strategically and achieve energy security, economic development and environmental sustainability simultaneously. To accomplish the goal of shifting to low carbon and achieve urban efficiency it is essential to stress that the need is not just the question of energy security but also regulatory and functional challenges in the industry especially if it is about providing modern sustainable energy access to all.

In this attempt to shift to a low-carbon path in India, energy efficiency is to be seen not only as an alternate fuel but also as an opportunity for both Indian and international investors and other stakeholders. In line with this, Danfoss believes that both individuals and organizations have to fuel the implementation of corrective measures such as benchmarking practices and promoting technologies that are sustainable benefiting both the climate and the economy.

Air Conditioning in Commercial Buildings consume the highest energy

Globally it is estimated that 17% of electricity consumption is from HVAC-R Industry and there are energy efficient technologies available today that can be utilized to significantly reduce this consumption. Heating and air-conditioning takes a major share of electricity bills for commercial and industrial applications, which puts tremendous pressure on energy sources, and ultimately impacts the climate.

Energy efficiency is an imperative, but it is the most invisible component of the energy system. To meet the growing energy demand across sectors and to expand residential access to electricity, India is implementing different market-based instruments that seek to scale up energy efficiency. The technologies needed to leverage the multiple benefits of energy efficiency already exist.

▲ *Vanshaj Dhawan - Uponor, Thomas- ARCO, Basavaraj, Director - KNND, K V Pradeep, Director & Owner - ARCO, S Pradeep, Director - KNND, Fenil Kapadia, Jabish Joy, Panakaj Rathore from Uponor*

ACREX HALL OF FAME

Powered By Danfoss ENGINEERING TOMORROW

▲ *Sachin Maheshwari, Preseident- ISHRAE, Nand Verma Sagar - Infosys, Padmashri C Raghavendran, Architect, Guruprakash Sastry- Infosys, Dr. PC Jain, Chairman- IGBC, V Suresh, Former CMD- HUDCO, Ravichandran Purushothaman, President- Danfoss India, Ashish Rakheja, Chairiman- ACREX 2017, Vikas Makkar - Infosys, Laxmana Kumar Nallala- Infosys*

> We are happy that Infosys is inducted to ACREX Hall of fame and serves as a testament to the increasing focus on energy efficiency and sustainability. With a performance based, data driven methodology, we are trying to approach energy efficiency and sustainability from a more holistic view and it is our belief that the scope for energy efficiency in buildings is immense and the key to energy efficiency is proper management.
>
> **Guruprakash Sastry**
> **Regional Manager Infrastructure, Infosys**

ACREX HALL OF FAME- RECOGNIZING EXCELLENCE IN CONSERVING ENERGY EFFICIENCY IN COMMERCIAL BUILDINGS

The practice of having sustainable infrastructure is really about an integrated approach towards planning, construction, operations and maintenance. It is in pursuit of this that Danfoss, in association with ISHRAE (Indian Society of Heating, Refrigerating and Air Conditioning Engineers) instituted the Hall of Fame Recognition, 2016. This year, ACREX 2017 India's largest industry exhibitions for Air Conditioning and refrigeration with the ACREX Hall of Fame serving as an industry benchmark, recognizing commercial buildings in the Indian subcontinent that have adopted energy efficient cutting edge technology to meet their objectives, setting an example for others to replicate similar sustainable solutions.

In less than two years, ACREX Hall of Fame has gained significant traction and is one of the most sought after event among HVAC&R fraternity and the commercial buildings stakeholders. This year, ACREX Hall of Fame powered by DANFOSS organized Roadshows across the country to recognize more iconic buildings not only to reward them but also for others to emulate.

For the year 2017, over 50 projects were nominated from across India and the selection was based on stringent criteria such as Energy Performance Index, Indoor Environment Quality initiatives, Energy Saving Initiatives including Renewable Energy, Building Management System and one-year operational data was scrutinized by an eminent Jury led by Dr. Ajay Mathur.

LEADING BY EXAMPLE- INFOSYS Ltd: This prestigious award recognized Infosys EC 53 Building, Bangalore as Inductee for Acrex Hall of Fame 2017. Infosys reaffirmed its commitment to develop and maintain a green infrastructure through their sustainable practices and to be a benchmark that can be globally emulated by stakeholders. What makes the Acrex Hall of fame stand apart is that it recognized the contribution of every stakeholder involved in the project like the developer Sobha Limited, the HVAC Consultant; ARCO Consultants, HVAC Contractors from KNND Associates and the OEM and green efficiency partner for Infosys from Uponor, for making the sustainable journey possible and we look forward to every commercial building taking this integrated approach and Engineering Tomorrow's India.


95%
PROPORTION OF MICRO ENTERPRISES OUT OF TOTAL WORKING ENTERPRISES
SMALL IS
THE JOB MACHINE
IT IS THE LARGEST EMPLOYMENT GENERATOR AFTER AGRICULTURE
Employment
Total Working Enterprises
Figures in lakhs numbers after 2006/07 are projections
2006/07
2014/15
362
377
394
411
429
448
468
488
511
805
842
881
922
965
1012
1061
1114
1171
RELATIVELY SHRINKING
ITS SHARE IN THE COUNTRY'S MANUFACTURING HAS SLIPPED OVER THE PAST FEW YEARS
Share of MSME manufacturing output in total manufaturing output (%)
Share of MSME sector in total GDP (%)
45
42.5
40
37.5
35
POWERING EXPORTS
MSMEs NOW ACCOUNT FOR HALF OF INDIA'S EXPORTS
Share of MSME products in exports
43%
43%
42.4%
2011-12
2015-16
55.3%
THE SHARE OF RURAL UNITS IN OVERALL MSMEs
₹76,337 CRORE
VALUE OF EXPORTS CLOCKED BY 40,504 ENTERPRISES WITH EXPORT LICENCE

BIG

MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) ACCOUNT FOR CLOSE TO TWO-THIRD EMPLOYMENT. THEIR FUTURE WILL BE THE KEY TO SOLVING THE COUNTRY'S UNEMPLOYMENT PROBLEM

Graphic by: Tanmoy Chakraborty
Research by: Niti Kiran

2.23 PER-UNIT EMPLOYMENT

MEETING TARGETS

THE MINISTRY HAS BEEN UTILISING THE FUNDS ALLOCATED IN BUDGETS QUITE EFFICIENTLY

ALLOCATED
EXPENDITURE
In ₹crore; 2016/17 expenditure figues up to December 2016

	Allocated	Expenditure
2013/14	2,600	2,281
	2,500	2,389
	2,620	2,441
2016/17	3,000	2,020

44.8%

49.9%

THE FUND FLOW

BANK CREDIT TO MSMEs HAS GROWN AT 25 PER CENT A YEAR OVER THE PAST 10 YEARS; FOREIGN BANKS HAVE BEEN RELUCTANT LENDERS

FOREIGN BANKS
PRIVATE SECTOR BANKS
PUBLIC SECTOR BANKS
Figures in ₹ thousand crore
*provisional; All data as on last reporting Friday of March

	Foreign banks	Private sector banks	Public sector banks
2008	15	47	151
	18	47	191
	21	65	278
	22	88	377
	22	111	396
	30	155	502
	29	201	620
2015*	31	232	702
SEP, 30, 2015	25	246	667

2.66 MILLION
NUMBER OF WOMEN ENTERPRISES

Source: MSME Ministry, 4th All India Census of MSMEs, World Trade Report 2016

INDIA'S BEST
SMEs
Lead Essay

THE FUTURE KINGS

BT celebrates and honours the best of SMEs that have the potential to change the face of corporate India.

by ANUP JAYARAM

They are small, fragmented and unheralded. The majority are first-generation enterprises. Yet, over the years, small and medium enterprises, or SMEs, have emerged as the backbone of most economies. In India, too, SMEs provide the economy both mass and muscle – they account for 40 per cent exports and around 45 per cent manufacturing output, according to the Ministry of Micro, Small and Medium Enterprises. That's not all. The 51 million SMEs employ over 117 million people – 14 per cent of India's working age population. That's why we at *Business Today* have been honouring the best of the lot for the past seven years. The Seventh *Business Today* survey of SMEs covered companies with a turnover of ₹1-500 crore. They were divided into three categories based on revenues: ₹1-100 crore; ₹101-250 crore; and ₹251-500 crore. The groups included both listed and unlisted companies in manufacturing and services. As reports over the next few pages show, despite challenges, the entrepreneurs behind India's SMEs are examples of grit and passion.

While that may be true, many SMEs were hit badly when the government demonetised currency notes of ₹500 and ₹1,000. Yet, as our stories show, SMEs such as Manpasand Beverages gained because the products they sold were much cheaper than those offered by the bigger players and they operated in regions where most transactions started and ended with the ₹100 note. Satin Creditcare Network, which took baby steps in the initial years, is now emerging as a strong non-banking financial company. Tirth Agro Technology has used its R&D strength to challenge established global agricultural harvester companies. Even among SMEs, just like the big businesses, there is a focus on the service industry.

The government, too, is well aware of the role played by SMEs in the economy. The really small ones got a shot in the arm in this year's Budget when Finance Minister Arun Jaitley reduced the corporate tax rate for those with revenues of less than ₹50 crore from 30 per cent to 25 per cent. The government has also come up with various schemes for SMEs that cover technology upgrade, credit support, marketing and skill development. The coverage of loans under the Credit Guarantee Fund Scheme for Micro and Small Enterprises has been doubled to ₹2 crore; the fund has been enhanced to ₹7,500 crore.

Though funding is critical, the SME of the future has to look at global markets. That's where the problem lies now. Not many Indian SMEs have adopted the digital route. According to a recent study – Impact of Internet and Digitisation on SMBs in India – by KPMG and Google, adoption of digital among Indian SMEs is extremely low. Close to 68 per cent are totally offline and only 2 per cent are digitally engaged. The other 30 per cent do not actively sell or promote their business online. To ensure digitisation, the MSME ministry has developed a My MSME mobile app that provides all information an SME would want from the government. That should provide the first step for companies to integrate with the global market. This is important if SMEs of today have to graduate to becoming large companies. For now, over to this year's winners.

THE TOP GUNS

MANUFACTURING
(₹251-500 crore)
Ambuja Intermediates
Manpasand Beverages
BDR Pharmaceuticals International

SERVICES
(₹251-500 crore)
Kakinada Seaports
Satin Creditcare Network
RS Software (India)

AGRICULTURE AND ALLIED
(₹251-500 crore)
Tirth Agro Technology
Nirmal Industries
Agro Solvent Products

MANUFACTURING
(₹101-250 crore)
Caplin Point Laboratories
La Opala RG
Encube Ethicals

SERVICES
(₹101-250 crore)
Thirdware Solution
Sunteck Realty
Utkarsh Microfinance

AGRICULTURE AND ALLIED
(₹101-250 crore)
Nath Bio-Genes (India)
Apis India
Zeal Aqua

GLOBAL BUSINESS EXCELLENCE
(₹251-500 crore)
Bliss GVS Pharma
Vaibhav Global
Supreme (India) Impex

GLOBAL BUSINESS EXCELLENCE
(₹1-100 crore)
SJ Corporation
Brawn Biotech
HP Cotton Textile Mills

INDIA'S BEST
SMEs

Overall Winner & Manufacturing (₹251-500 CRORE)
MANPASAND BEVERAGES

BUCKING THE TREND

Manpasand Beverages aims to have revenues of ₹5,000 crore in the next five years.

by AJITA SHASHIDHAR

Even as a bulk of the Indian consumer product goods companies grapples with the demonetisation of the ₹500 and ₹1,000 currency notes, and the low demand thereof, father-son duo Dhirendra Singh and Abhishek Singh of Vadodara-based Manpasand Beverages claim their company has registered the highest ever growth in the past six months.

"Consumption in rural India hasn't stopped. Our beverages are priced below ₹10, and there has been no impact there. ₹500 and ₹1,000 denominations are luxury in these markets," remarks Dhirendra Singh, CMD, Manpasand Beverages, which gets around 75 per cent of its revenue from rural, and tier 2-3 markets.

The ₹557-crore company, which hopes to close this fiscal with a revenue of ₹803 crore, is gearing to double its volume growth from 1.7 lakh cases per day to 3.5 lakh cases per day (one case has 24 packs of juice).

Rural has been Singh's focus ever since he launched the brand in the mid-nineties. The former ONGC employee recalls driving across states for days, observing retailer and consumer psyche in smaller markets and being convinced that there were abundant opportunities in these markets.

Singh started selling Mango Sip in small towns and villages in Eastern Uttar Pradesh where brands such as Frooti and Godrej's Jumpin (which was taken off the market later) had a strong presence. Soon Mango Sip began to eat into their shares by offering higher margins to retailers. "Both consumers as well as retailers seek value in rural India. While they do buy big brands because they believe the quality is good, if a brand manages to offer both quality and higher margins, there is a natural attraction towards the latter," Singh states.

The makers of Mango Sip claim their global competitors such as PepsiCo and Coca-Cola have lost their fizz due to their largely urban focus and higher price points. "Our competition hardly operates in the ₹5-₹10 price point, and that is the growing segment," points out Abhishek Singh, Director, Manpasand Beverages.

Unlike most other beverage companies which largely have a franchise model, Manpasand has always believed

Dhirendra Singh, CMD, Manpasand Beverages

RACHIT GOSWAMI

MANPASAND BEVERAGES

Got listed in 2015; is trading double its issue price

TOTAL INCOME GROWTH

74.7%

PAT GROWTH

101.6%

NETWORTH GROWTH

56.7%

NET PROFIT MARGIN

8.1%

ROCE

21.9%

All numbers are three-year averages with 2014/15 as the latest financial year; standalone numbers; Source: Ace Equity

INDIA'S BEST

SMEs

Overall Winner & Manufacturing (₹251-500 CRORE)

MANPASAND BEVERAGES

that having its own production facilities is far more cost-effective. In the past 12 months, it has acquired land to set up production facilities in UP and Andhra Pradesh, and has increased the capacity of its plant in Vadodara, too. "We are the only beverage company to have nine factories," the younger Singh proudly remarks. The beverage maker plans to have at least 15 manufacturing facilities by the turn of the decade.

The analyst community agrees that Manpasand's policy of having only company-owned manufacturing facilities has helped them exercise better control over costs and quality. In fact, Niket Shah, Vice-President (Institutional Research), Motilal Oswal Financial Services, says that the company's ability to keep its overall cost structure low has significantly helped its profitability. Apart from having its own manufacturing facilities, the company has also managed to keep its employee costs relatively low by not making expensive hires at the senior and mid-management level. Even at the entry level, the company believes in hiring from local universities and professional institutes, rather than from top ranking business schools.

Manpasand's policy of having only company-owned manufacturing facilities has helped it exercise better control over costs and quality

Besides, the company's advertising and marketing spends are significantly lower than that of competition. "Our brand ambassadors are our distributors, and we prefer to invest in them rather than indulging in extravagant marketing and advertising spends. Even when it comes to hiring talent, we take references from our distributors," says Abhishek Singh.

Manpasand Beverages's moment of fame came in 2014, when it launched its carbonated beverage brand Fruits Up, which has 11 per cent fresh fruit extracts (unlike most carbonated brands which merely have 1-2 per cent fresh fruit extracts). This brand was launched just a day after Prime Minister Narendra Modi called upon soft drink companies to increase the fruit content in their beverages so that farmers could benefit from it. "I had been working towards creating a caffeine-free, fruit-based aerated beverage for two years. It was sheer co-incidence that my beverage entered the market just a day after Modiji talked about increasing the soft drink content in aerated beverages," says the older Singh.

Fruits Up, launched just two years back, already contributes around 20 per cent to Manpasand's revenue. Even though the product was first launched in the rural markets of Godhra in Gujarat, Manpasand entered modern retail stores through this brand. Priced at ₹15 for a 250 ml PET bottle and ₹40 for a 600 ml bottle, Fruits Up competes head-on with the carbonated fruit-based beverages of Coca-Cola India and PepsiCo.

Shah of Motilal Oswal Financial Services believes that the next wave of growth for Manpasand Beverages would come from Fruits Up as it appeals to both urban and rural consumers. "Fruit-based aerated drinks are the future, and Manpasand has the first mover advantage. It will become larger than Mango Sip," he says.

Back at the headquarters, in the outskirts of Vadodara, Singh is chalking out plans of backward integration. He wants to foray into agri and fruit processing. His son, on the other hand, is planning inroads into rural markets. "Out of the six lakh Indian villages, only one lakh contribute to consumption. One can definitely stir demand in the remaining five lakh villages by coming up with suitable products," says Singh junior. His idea is to come up with juices in the ₹2-3 price point.

The Singhs' ambition is to make Manpasand a ₹5,000-crore company five years from now and up its market share in juices to 20-25 per cent from the existing 10 per cent. Cheers to that. ◆

@AjitaShashidhar

Department of Tourism
Jharkhand
A new experience

ADVERTORIAL

Beautiful Jharkhand

OPPORTUNITIES TO PARTICIPATE IN BUILDING TOURISM INFRASTRUCTURE IN JHARKHAND THROUGH THE PPP MODEL.

Exotic Jharkhand! A land of verdant hills, sylvan forests, gushing waterfalls, quaint valleys; a range of exquisite handicraft, vibrant art and culture.

A treasure house that beckons the avid tourist! The Government is alive to its huge potential. A blueprint for development has been formulated. The Jharkhand Tourism Policy 2015 formulated to develop Jharkhand into a favoured tourism destination. It is offering a high quality experience aimed at building a robust tourism infrastructure on the Public-Private Partnership model. Some of the picturesque tourism sites that is now available for development are given below.

Hatia Dam.- A beautiful site in Ranchi district needs partners to develop a Convention Centre & theme park.

Kanke Dam-With the Gonda hills forming the backdrop to the crystal clear lake and Rock Garden offers a great potential for development of amusement rides for tourists.

Chandil Dam-Located in the Seraikela, Kharsawan district, is a great draw with tourists who like serenity and adventure tourism wants facilities for camping and adventure tourism.

Getalsud Dam-Situated about 95 kms from Ranchi and already popular for recreational activities needs to become a weekend getaway for tourists from neighbouring states.

Tilaiya Dam-The most picturesque dam site, located in the Koderma district can be converted into a 3-star property for destination weddings.

Netarhat-Known as the Queen of Chhotanagpur, this hill station with sunrise and sunset points, the Lower and Upper Ghagri Falls in the verdant hills and forests can become more attractive with tent facilities.

Similaraly **Burudi Lake** near Ghatsila, **Hundru Waterfall** falling from a height of 98 m, **Johna Waterfall** in sylvan surroundings, **Dassam Falls**, **Panchghagh Waterfall** have all been earmarked for further development in tourist facilities.

Pahari Mandir-The famous temple of Lord Shankara located in the heart of Ranchi town, can be accessed by climbing 468 steps. Fast growing into a religious tourist site it needs a ropeway to facilitate access for tourists.

Some of these sites already have some infrastructure. But Jharkhand Tourism Dept. aims to strengthen these facilities to harness the huge tourism potential. The department is inviting investments to develop Amusement parks, Convention Centres, Camping & night stay facilities, amusement rides, Ropeway, Artisan's kiosks, Banquet Halls, Restaurants, Water Fountains, Ticketing Counters, Changing rooms, Toilets in the above earmarked destinations. Robust ecotourism facilities, Canopy walk, Trekking, Zip lining needs to be actively promoted.

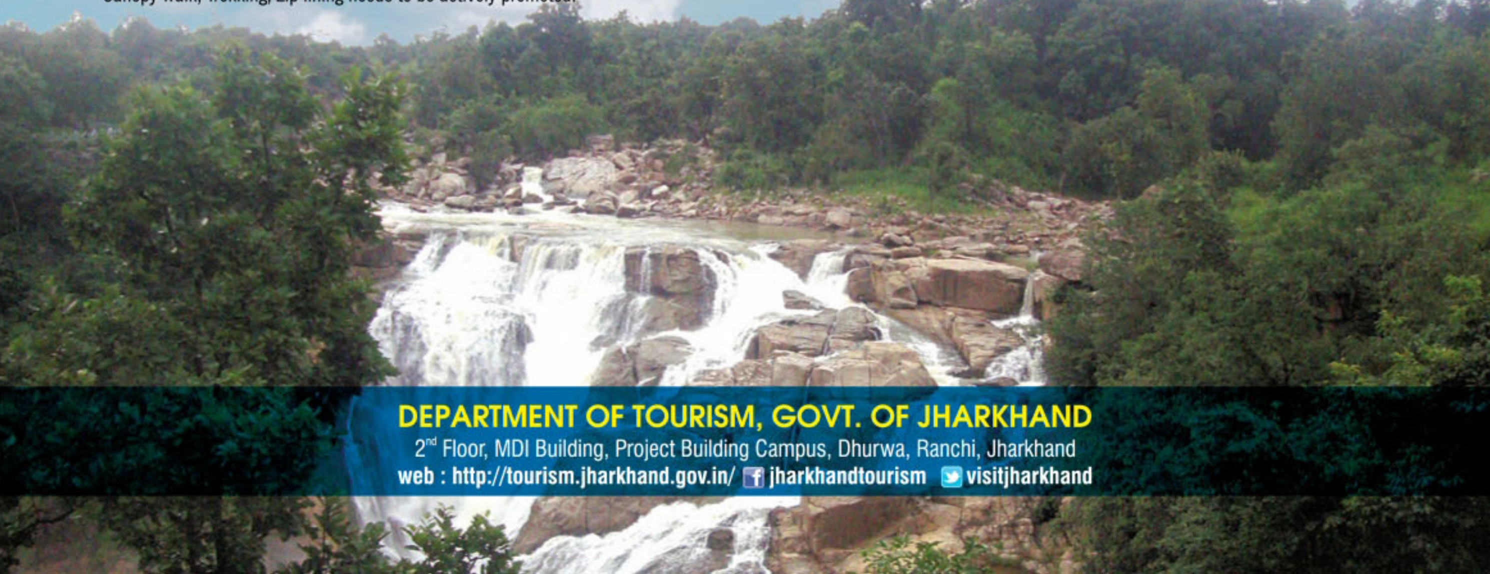
A host of incentives have been announced for helping develop better infrastructure in the above sites on the PPP framework. Some of the incentives include :

- Capital Investment Incentive.
- Captive Power Generating Subsidy.
- Interest Subsidy
- Employment Generation based Incentives

Softer local taxes with time bound exemptions from Entertainment Tax (exempt for a period of 5 years), Commercial Tax with VAT charged at the lowest floor rates, to exemption from Electricity Duty for 10 years have already been announced. Relaxation of 50% Road Tax to new vehicles operating as Tourist Coaches for a period of 5 years. Road Permit charges relaxed on new Tourist Transport coaches operating under Jharkhand Tourism Development Corporation.

No Holding Tax for the first 5 years for new Hotels, Restaurants (investment more than Rs 1 Crore) and Amusement Parks (investment more than Rs 2 Crore).

Jharkhand Tourism calling entrepreneurs and investors: let your money grow even as Jharkhand builds on its Tourism infrastructure.



DEPARTMENT OF TOURISM, GOVT. OF JHARKHAND
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web : http://tourism.jharkhand.gov.in/ jharkhandtourism visitjharkhand

INDIA'S BEST SMEs

Services (₹251-500 CRORE)

SATIN CREDITCARE NETWORK

BIG DREAMS

Satin Creditcare Network wants to be a universal financial services player.

By SUMANT BANERJI

PHOTO: VIVAN MEHRA, IMAGING: D.S. RAWAT

SATIN CREDITCARE NETWORK LTD
Gross AUM at ₹3,736 crore, registered growth of 47 per cent in first nine months of 2016/17

In many ways, 2005 was a breakthrough year for Satin Creditcare Network Ltd (SCNL), one of India's oldest microfinance companies. Following a 2004 Reserve Bank of India (RBI) guideline that altered its category for accepting deposits, it had to refund its 6,000 clients a total of ₹6 crore. It could no longer depend upon pygmy deposits from small traders and shopkeepers, as it had been doing since its inception in 1990, and had to find new ways to raise funds. It decided to approach the Small Industries Development Bank of India (SIDBI), for which it hired a consultant. "The consultant asked us what numbers should he put for the first three years. Our balance sheet was ₹6-7 crore, so we said let us put ₹6 crore this year, ₹7 crore the next year and ₹8 crore the following year," says H.P. Singh, Founder and Chairman and Managing Director. "The consultant was amused that we wanted to approach SIDBI with a business plan of ₹6 crore. I told him to do whatever he felt like. So, he put ₹25 crore for the first year, ₹50 crore for the second year and ₹100 crore for the third year. After that meeting,

H.P. Singh, Chairman and Managing Director, Satin Creditcare Network

TOTAL INCOME GROWTH	PAT GROWTH	NETWORTH GROWTH	NET PROFIT MARGIN	ROCE
80%	**193.9%**	**35.5%**	**7.4%**	**14.0%**

All numbers are three-year averages with 2014/15 as the latest financial year; Standalone numbers; Source: Ace Equity

we burst out laughing, thinking he was out of his mind. We were not convinced that we would be able to reach that kind of scale." Singh received his first big cheque of ₹2 crore from SIDBI in 2005. This set the ball rolling. Soon, others such as ICICI Bank and HDFC Bank lined up to fund the company. Satin Creditcare did not meet the targets set by the consultant, but in 2008, its balance sheet had grown over six-fold to ₹40 crore.

"SIDBI was already looking for somebody doing microfinance in North India. Once it came on board, others followed," he says. "There was a herd mentality in microfinance. Wherever one bank went, the others followed. So, if you open one door, it leads to many more doors opening for you." Singh has been successful in opening several doors over the years.

A chartered accountant by vocation, he started out as an internal auditor for Shriram Honda, in the late 1980s. The company was struggling to sell gensets in Delhi's Trans-Yamuna area, where banks and financial institutions were reluctant to lend. Singh saw an opportunity. He borrowed ₹50,000 from his father, who had just retired, in 1990, and started financing shopkeepers under what is today known as the daily collection method.

"They used to technically buy or lease gensets from us and pay daily instalments. Our agent collected ₹50

INDIA'S BEST

SMEs

Services (₹251-500 CRORE)

SATIN CREDITCARE

from each shop every day. The genset cost ₹9,300. We would recover our money in 180 days," says Singh. "That was easy for traders too. Once they had gensets, they wanted loans for something else, as paying daily instalments had become a habit. So, we started giving loans for two-wheelers and later for working capital. That was microfinance, though we were not aware of it then."

The company is today among the biggest in the business with nearly 2.6 million clients, 701 branches in 16 states, 7,000 employees and assets under management a key parameter for microfinance companies of ₹3,736 crore. It is one of the few microfinance companies to be listed on the Bombay Stock Exchange (since August 2016); this gives it extra points for credibility in a sector hit by multiple scams. In the third quarter of 2016/17, when the industry went through severe stress due to demonetisation, Satin reported a 13 per cent rise in net profit and 52 per cent rise in revenues over the previous year.

"This is our biggest crisis. Cash is the raw material for our sector," he says. "People have lost their livelihood. Businesses are reporting lesser incomes. For them the first priority is survival. Business or repayment of loans come later. If there is no currency, what can anybody do? It was literally mayhem. We started with 15 per cent collection in November. Thankfully, we have reached 85-90 per cent overall now. It will take us another month-and-a-half to go back to normal, but the worst is behind us."

The company is today among the biggest in the business with nearly 2.6 million clients and 701 branches in 16 states

The company remains a favourite with the investor community with most brokerage houses having a "Buy" rating on it, though some analysts point at the concentration of business in three states Uttar Pradesh, Bihar and Madhya Pradesh as a potential risk. "It is exposed to regional concentration risk as its operations in the three states account for 69.79 per cent business; UP alone is 34.4 per cent of the portfolio," says Ankita Sehgal, Senior Manager, Care Ratings. "Although the company has been able to maintain good asset quality so far with gross NPA and net NPA ratios at 0.24 per cent and 0.12 per cent, respectively, it's collection efficiency has been hit by demonetisation. Against nearly 100 per cent earlier, collections were 65 per cent between November 8 and December 20, 2016.The biggest impact has been in Uttar Pradesh, where collections have been 45 per cent as against 80 per cent in other states."

The company received a minor jolt in 2015 when the Reserve Bank of India rejected its application for a small bank licence. Smaller players such as ESAF Microfinance and Investments Pvt. Ltd., RGVN (North East) Microfinance Ltd., Suryoday Micro Finance Pvt. Ltd. and Utkarsh Micro Finance Pvt. Ltd. got the licences. Singh is now gearing up for a universal banking licence. "In some ways I wished we do not get the licence. If you look at history, specific banking institutions such as cooperative banks and regional rural banks have not been able to take off because they have felt restricted in the domain they are operating in," he says. The company, in fact, wants to move beyond microfinance into other financial services. It has received an approval to float a subsidiary for micro and affordable housing. Last year, it acquired Taraashna Services Pvt Ltd, which acts as a business correspondent for banks and financial institutions. The company is bolstering its team by hiring executives in human resources, chief investment officer, internal audit and risk head roles to step up to the next level.

In the near term, Satin wants to expand its business to cover five million customers, have assets of $5 billion, and launch institutional lending and remittance services. In future, it wants to become a full-scale bank offering a range of credit, savings and insurance products. Singh's dream is to take the entire bouquet of financial services, including mutual funds, to people at the bottom of the pyramid.

"If we successfully diversify in financial services and do well in financial inclusion, we may pitch for a universal banking licence. But the specified domain knowledge of the bottom of the pyramid will be our mainstay," he says. "The potential is huge. We want to become a hybrid of everybody. We want to monetise rural assets, which has not been done so far. Why can't mutual funds or insurance be for rural markets?"

For a company that was scared to set steep targets for itself, Satin Creditcare is truly dreaming big now. ◆

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INDIA'S BEST
SMEs

Agiculture & Allied (₹251-500 CRORE)

TIRTH AGRO TECHNOLOGY

A RICH HARVEST

Tirth Agro's mechanised farm equipment business is growing briskly. The company now plans to ramp up exports.

By P.B. JAYAKUMAR

Hasmukh Gohil (left), MD of Tirth Agro, with Ashwin Gohil, Chairman

SHAILESH RAVAL

Until a couple of years ago, a few multinational companies were selling hi-tech sugar harvesting machines in India for over ₹1 crore. While the machines were a big relief for the labour shortage plagued sugarcane grower community, affordability was an issue. Also, the hi-tech machines did not suit the requirements of Indian farmers. After sales service too was a problem. That was when Rajkot-based farm machinery maker Tirth Agro Technology came out with an Indianised, less tech-intensive and rugged version of sugarcane harvesters. The machine was priced at about ₹85 lakh. Soon the company was able to kill the monopoly of multinationals in the market. So far, the company has sold over 200 such machines across India.

Indeed, Tirth Agro sells many variants of mechanised farm equipment across the crop cycle from seed preparation, sowing and planting, crop management to harvesting and crop residue management under its brand name, 'Shaktiman'. It is the winner of Business Today's 'Best SME award' in the agriculture and allied sector. "Very often farmers are only comfortable with rugged machines that suit Indian conditions. So, first we develop a machine and then extensively sell the concept to farmers through demonstrations. That is how we create a market for our machines", says Ashwin Gohil, Chairman of Tirth Agro Technology, set up in 1997 by late Ladhubhai Gohil, a farmer from Halvad in Surendranagar district of Gujarat.

From trading of farm implements, the 100 per cent Gohil family-owned Tirth Agro progressed to become an organised manufacturer of tractor drawn and self propelled farm machinery. With 650 dealers and 50 distributors across India, it has a good share of the organised agricultural machinery market. The company's products are exported to 60 countries and its claims to be the largest rotary tiller manufacturer in the world.

Tirth Agro invests 5 per cent of its revenues every year in R&D, says the chairman. It introduces three-four new products every year. Farmers are brought to the factory premises to test the machines at a 100-acre farm owned by the Gohils. "Our manufacturing facility is spread over 60,000 square feet and has the capacity to produce 125,000 tillers a year," says Ashwin Gohil, who is supported by his brother and Managing Director Hasmukh Gohil. In 2015/16, the unlisted company has disclosed that it has posted a turnover of ₹561.7 crore and Profit After tax (PAT) of ₹24.9 crore.

Aswin Gohil says the company will more or less mirror its performance last fiscal -- expanding revenues at over 10 per cent -- in 2016/17 as Tamil Nadu, one of its major markets has been facing severe drought, though it has done good business in Maharashtra and Madhya Pradesh. The company hopes to grow over 20 per cent next year if the government's plans to promote agriculture with new schemes take shape by then. Agriculture mechanisation in India is just 2 per cent of the area, compared to 30 per cent in the developed world. So, farm machinery has not developed as a large scale industry in India and is not more than a ₹4,000 crore sector, but is growing at 10-15 per cent annually, says Ashwin Gohil.

Brijen Sampat, Advisor to Tirth Agro, notes that mechanisation is the only option for India as availability of labour for working in open fields is coming down every year. "Affordability is an issue for farmers, though government subsidies and initiatives of farmer co-operatives help to promote mechanisation of agriculture. Investments of ₹1 lakh plus in a rotary tiller can be recovered within three years with improved productivity," says Sampat.

Ashwin Gohil asserts that that the business has huge potential. About 6.5 lakh tractors are sold in India every year but only 1.5 lakh of them are fitted with agricultural machinery. Similarly, the company's products are getting acceptability in emerging markets.

While exports currently constitute only about 20 per cent, the share is rising every year. "We have created capacities that can generate over ₹2,000 crore of revenue a year and hope to achieve that in the coming 4-5 years", says Gohil. ◆

@pb_pbjayan

TIRTH AGRO TECHNOLOGY PVT LTD.
The company claims to be the largest rotary tiller manufacturer in the world

TOTAL INCOME GROWTH
5.6%

PAT GROWTH
6.6%

NETWORTH GROWTH
31.7%

NET PROFIT MARGIN
4.4%

ROCE
21.2%

All numbers are three-year averages with 2014/15 as the latest financial year; Standalone numbers; Source: Ace Equity

INDIA'S BEST
SMEs

OVERALL WINNER/MANUFACTURING
(₹101-250 CRORE)
LA OPALA RG LTD

PLATEFUL OF PROFITS

La Opala has done well to dominate a market once considered a domain of only foreign brands.

by ANIK BASU

Company annual reports do not usually flaunt fancy book titles. Those of the Kolkata-based La Opala RG Ltd (LORL), makers of opal glass tableware, usually do. The latest annual report vaunts a stylishly-embossed legend, "The New Family Silver".

It is perhaps a metaphor for a new middle-class India where sleek is in, dowdy is out, something that excites Sushil Jhunjhunwala, Vice Chairman and Managing Director, La Opala. "We want people to stop using steel utensils," he says. "Ours is an aspirational brand."

And it is happening. Opal glass tableware from La Opala, shortlisted as one of the "most trusted brands" in the 2016 Brand Trust Report, is being lapped up by buyers looking for low-priced branded crockery. "There is a shift in customers' preference towards LORL products," says a research note from brokerage house Nirmal Bang Securities. Salony Nangia, President, Technopak, a consultancy, says, "The brand bridges the gap between steel- and melamine-based ranges and fine bone china."

LORL is also focusing on crystalware, being designed under Executive Director Nidhi Jhunjhunwala. "I was always inclined towards art, and when I got married into the Jhunjhunwala family, I got an opportunity to explore my interests in the business." Exports account for about 75 per cent of La Opala's crystalware sales. "Since ours is 100 per cent handcrafted crystalware, it is in great demand in the US," says Jhunjhunwala.

Nirmal Bang says La Opala will "sustain healthy growth." Jhunjhunwala expects 15-20 per cent volume growth this financial year. Sara Jaffer, Research Associate, Institutional Equities at Nirmal Bang, says La Opala opalware accounts for 60 per cent of the ₹450-crore market.

Recipient of 19 certificates and awards from trade bodies CAPEXIL (Chemical and Allied Export Promotion Council) and EPCH (Export Promotion Council for Handicrafts) for exports to over 40 countries, including the US and Germany, La Opala sells 75 per cent of its production in India through 200 distributors and 12,000 retailers. Clearly, it is riding the boom in India's glass and ceramic tableware industry, which Nangia pegs at ₹900-1,000 crore.

What has helped the company are rising incomes and the resultant lifestyle changes, such as more people hosting guests at home, rise in gifting, and increasing use of microwave ovens. Nangia feels a parallel boom in hospitality and food services industries has also helped sales.

Sushil Jhunjhunwala, Vice Chairman and Managing Director, La Opala

SHEKHAR GHOSH

KEY NUMBERS

La Opala's revenues have soared 311 per cent in seven years since 2009

TOTAL INCOME GROWTH
25.1%

PAT GROWTH
50.6%

NETWORTH GROWTH
51.6%

NET PROFIT MARGIN
16.3%

ROCE
39.2%

All numbers are three-year averages with 2014/15 as the latest financial year; Standalone numbers; Source: Ace Equity

INDIA'S BEST

SMEs

OVERALL WINNER/ MANUFACTURING

(₹101-250 CRORE)

LA OPALA RG LTD

Jaffer of Nirmal Bang says the new pricing strategy, unveiled last financial year, also helped; it promoted volume growth and addressed price anomalies. First, the Diva range, accounting for 65 per cent revenue, was made 15 per cent cheaper. Then, the additional 15 per cent promotional trade discount offered to dealers was scrapped to bring down selling and advertisement expenses. "It is an important development that took place in the fourth quarter of 2015/16," says Jaffer.

THE BEGINNING

Jhunjhunwala's tryst with semi-vitreous cups, plates and tumblers started 28 years ago. In the '80s, Jhunjhunwala's family was into making hurricane lamps and glass chimneys from recycled glass. But he was smitten by opal glass products from France. However, when he tried to source the technology – to make opaque or translucent glass whitened by adding tin dioxide and bone ash – he was stonewalled. "It was sacred to the Europeans."

Undeterred, he visited Korea in 1987 and used "contacts" to source the technology from Hosan Glass. La Opala's first plant, a semi-automated unit with a capacity of 688 tpa, came up in 1988 in Madhupur (now Jharkhand), rich in raw materials such as feldspar and quartz. Two years later, the capacity was upgraded to 1,032 tpa; today, the unit has an installed capacity of 4,000 tpa. La Opala went public in 1995, and a year later, with the help of a tie-up with South Korea's Doosan Glass, started manufacturing handcrafted crystal glassware at Madhupur's 1,000-tpa facility.

But the real standout move was a 2007 decision to start a fully-automated unit at Sitarganj in Uttarakhand. Then a ₹55-crore company, it went for a ₹40-crore expansion to set up a 4,000-tpa facility, taking advantage of the tax breaks the state was offering. It invested another ₹50 crore to ramp up capacity twice — first from 4,000 tpa to 8,000 tpa in 2012, and then doubling it again to 16,000 tpa in 2015 on the back of a ₹55.3-crore investment by private equity firm WestBridge Capital Partners (which took a 4.5 per cent stake; it was the first of the two WestBridge investments in La Opala).

Today, the combined capacity of Sitarganj and Madhupur plants is 21,000 tpa.

Joint Managing Director Ajit Jhunjhunwala says capacity utilisation at Madhupur is almost 90 per cent. At Madhupur and Sitarganj, it is about 70 per cent. "Since we increased the capacity at Sitargunj by 100 per cent in late 2015, it will take some time for the full capacity to be used," he says. "This is a consolidation phase."

Anti-dumping duty, weak rupee and a better product mix helped La Opala report 26.3 per cent revenue growth a year between 2010/11 and 2012/13

It took La Opala 21 years to reach a revenue of ₹62 crore (in 2009). In the seven years since then, revenues have soared 311 per cent; they touched ₹256 crore in 2015/16. Sales rose 16 per cent, net profit 36 per cent, and EBITDA 27 per cent a year between 2011 and 2016. "The stock underwent a sharp re-rating due to improvement in the quality of growth," says Jaffer. "The EBITDA-to-capital employed ratio shot up from 15 per cent to 50 per cent between 2009 and 2014," indicating a sharp rise in efficiency, she says.

Jaffer says one big reason for this was the 37-110 per cent anti-dumping duty imposed in December 2011. Before this, imports from the UAE, China, South Korea and elsewhere used to account for 53 per cent of India's crockery market. "Anti-dumping duty, weak rupee and a better product mix helped La Opala report 26.3 per cent revenue growth a year between 2010/11 and 2012/13. The operating margin rose 122 basis points and 350 basis points in 2011/12 and 2012/13, respectively," says Jaffer.

All in all, La Opala is sitting pretty. It launched two new ranges in December. The response to both has been "very encouraging," says Ajit Jhunjhunwala. "We are quite upbeat about 2018." ◆

INDIA'S BEST
SMEs
Overall Winner + Services(₹101-250 CRORE)
UTKARSH MICRO FINANCE

A HELPING HAND

Utkarsh Micro Finance caters to the needy in UP and Bihar and has now morphed into a small finance bank

by SUMANT BANERJI

Every Saturday morning, scores of young men—mostly high school pass outs throng the main office of Utkarsh Micro Finance in the heart of Varanasi. Many travel from towns and villages nearly 100 kilometers away for the weekly round of direct walk-in interviews at the barely seven-year old microfinance company. The selected young men are trained to be loan evaluators – those who identify people in need of a loan and have a viable business case to repay later. Despite the low entry barrier, a fresher can earn ₹12,000 a month with incentives.

An indicator of unemployment levels in Uttar Pradesh is that last year, the state government received 23 lakh applications – including 150,000 graduates, 25,000 post graduates and 250 doctorates – for 368 posts of peons in the secretariat. Utkarsh's core business is providing loans to small entrepreneurs left untouched by formal banking systems. It caters to people who have credit needs of between ₹10,000 to ₹2 lakh and, ironically, are deemed too big for microfinance firms or too small for a bank. Utkarsh addresses those that fall under this blind spot. With a client base of 1.3 million, 351 branches across 10 states and a loan portfolio of more than ₹2,800 crore, it is now one of the bigger non banking financial companies in India.

HUMBLE ORIGIN

The genesis of the company can be traced back to its founder Govind Singh's humble origins. Singh—with stints at ICICI Bank, State Bank of India, Axis Bank and Bank Internasional of Indonesia—is from a village 40 kilometres from Corbett National Park. His long career in banking, coupled with the urge to do something of his own led to the formation of the company.

"I always wanted to do something of my own. In 1983, when I was a first year student at Kirori Mal

Govind Singh, MD&CEO, Utkarsh Micro Finance

RACHIT GOSWAMI

UTKARSH MICROFINANCE LTD

The microfinance company hopes to scale up and list on the bourses in another four to five years

TOTAL INCOME GROWTH
119.8%

PAT GROWTH
127.1%

NETWORTH GROWTH
87.3%

NET PROFIT MARGIN
13.2%

ROCE
12.8%

All numbers are three-year averages with 2014/15 as the latest financial year; Standalone numbers; Source: Ace Equity

College in Delhi, I sold fire crackers on the footpath of Chandni Chowk for four days and earned ₹400," says Singh. "The two things that attracted me was the viability of the business and the social aspect of offering loans to those who are outside the ambit of formal banking." In the second half of 2009, Utkarsh came into existence with four branches in Varanasi.

Soon after Utkarsh was set up, the microfinance industry faced trouble. Suddenly, it was not an exciting business, yet Utkarsh survived because it was small. "Then, our loan portfolio was close to ₹32 crore and we had 49 branches. What helped us was that we were not very big. If we had a portfolio of say ₹100 crore or more, it would have been difficult to hold on to that level and the fall in disbursements may have been demotivating," says Singh. "Also, fortunately, we had broken even in 11 months. So month-on-month we were not into losses." Utkarsh used the opportunity to review and fine tune processes. "Our process is our greatest strength. We have never cut anybody's incentive and have never pressurised employees for fresh business."

The lull did not last long. From April 2011, money began flowing into the sector and things started looking up. In June 2011, Utkarsh had an equity round and since then it has always registered a steady growth month-on-month.

SOCIAL UPLIFTMENT

Phoolpatti Devi, 32, living on the outskirts of Varanasi first took a ₹10,000 loan from Utkarsh a few years back to open a ration shop and to help her husband in his

INDIA'S BEST
SMEs

Overall Winner & Services(₹101-250 crore)

UTKARSH MICROFINANCE

fast food business. The loan, the domestic help claims, helped raise the daily income of the combined family nearly five-fold. After repaying the loan, she has taken up another loan of ₹12,000 for further expanding her business. The most obvious sign of her growing prosperity are her kids who now attend a local convent school, instead of a government school that they used to attend three years back. “We have policy of not giving additional loans to the same person unless the previous loan is fully repaid. A large number of clients have come in for second and even third round of funding,” Singh says. “We are very careful with high ticket sizes. Those are not the kind of people we want as clients. The rate of interest has also come down from 31 to 24 per cent.”

FULL-FLEDGED BANKING BECKONS

On September 15, 2015, the Reserve Bank of India granted a small finance banking license to Utkarsh Micro Finance paving the way for Singh to realise his dream of having a full-fledged bank of his own. The license would enable Utkarsh to tap into public deposit funds while giving it freedom to offer more products to customers including housing loans and insurance. “A banker’s dream is to build a full fledged bank. As an MFI (micro finance institution) you can definitely do something but if you want to cater to the entire universe then you need a banking license,” says Singh. “The license will ensure we will have a broad based-product, services and client base. But our geographical base will largely be the same   eastern UP and Bihar.”

But with inside knowledge of the system, the enormity and complexity of the looming challenge is not lost on Singh. Opening even a small bank is hugely capital intensive. While a microfinance branch can be opened up with a capital outlay of just ₹60-65,000, a bank branch would require at least ₹30-50 lakh. Utkarsh also needed to reorganise its investors shareholding to comply with the cap of 49 per cent for foreign investors in a private sector bank. It recently raised ₹395 crore from institutional investors including HDFC Standard Life Insurance Co. Ltd, HDFC Ergo General Insurance Co. Ltd and ICICI Prudential Life Insurance Co. Ltd. Subsequently, share of its domestic investors rose to 51.5

AJAY THAKURI

Soon after Utkarsh was set up, the microfinance industry faced trouble ... Utkarsh survived as it was small

per cent. With a corpus of around ₹650 crore, Singh says Utkarsh has enough funds.

“The requirement was to increase the number of domestic investors. So we have got the RBI approval for investment from the new investors,” Singh says. “Bringing in investors has never been a problem. In fact in the past we have said no to some investors because we were not convinced that our thoughts matched on social sector lending.”While the company was gearing up for its banking stint, it was not prepared for the demonetisation exercise initiated by the government on November 8. The microfinance sector operates almost entirely on cash and its clientele is typically one that is impacted most by any cash crunch. The impact on Utkarsh’s core microfinance business was also severe but it did not let that impact its banking foray. The company launched its first five bank branches under the name Utkarsh Small Finance Bank in the last week of January. By April 2018, it plans to add another 134 branches and 150 ATMs. “Within the next 4-5 years, we would have scaled enough to merit an IPO,” he sums up.◆

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INDIA'S BEST
SMEs

Agriculture & Allied (₹101-250 CRORE)

NATH BIO-GENES(INDIA)

SEEDS OF SUCCESS

Nath Bio-Genes uses technology to alter genetic codes for prosperity of the farm sector

By P.B JAYAKUMAR

For ages, the country's tomato farmers had a peculiar problem. The thin peel of their produce meant lower shelf life and huge losses during transportation. Aurangabad-based Nath Bio-Genes (India), one of the pioneers in agri-biotech research in India, came up with a solution. It altered the genetic code of certain tomato varieties to thicken their skin. Its 'Abhiman – 1222' tomatoes are now widely accepted for their size, shape and sturdiness; some say they are as good as a tennis ball.

Similarly, the *bajra* crop in various parts of the country was facing Downey Mildew pest attacks during the blossoming stage. A few years ago, Nath Bio came out with a hybrid variety – Eknath -301 Gold – which has better protection bristles against bird damage; this made it difficult for pests to suck the juice of *bajra*. Such innovations have stood the company in good stead.

In 2015/16, Nath Bio earned a revenue of ₹162.1 crore, with three-year average growth of 6.7 per cent. The three-year average net profit growth during the period was 22.4 per cent; the 2015/16 profit was ₹14.2 crore. Net worth grew at an average of 28.8 per cent a year during the period to ₹121.3 crore.

This growth has come in spite of the crisis in Indian agriculture for the past few years, especially the severe drought in Maharashtra's Marathwada region, the home turf of Nath Bio.

"We sell about 85 hybrid varieties and offer seeds in accordance with crop cycles across the country. That has helped us achieve balanced growth," says Managing Director Satish Kagliwal.

Nath Bio is among the dozen-odd seed companies in India doing cutting-edge genetic research. The hybrid seed market in the country is valued at \$1.5 billion. It is growing at more than 10 per cent every year.

Nath Bio was started in 1980 by Satish's elder brother Nandkishore Kagliwal after 10 years of working in the agri-biotech sector in India and abroad. "In the 80s, India had a famine-like situation. I felt it was necessary for the country to develop hybrid seeds to improve productivity," says Nandkishore Kagliwal, the chairman, who runs five other companies under the Nath Group in chemical, paper and agriculture sectors.

Kagliwal started with high-yield hybrid cotton and cereals such as *jowar, bajra* and maize. At present, the company has a diversified portfolio of value-added products such as BT cotton, cereals such as wheat, paddy, *jowar, bajra* and maize, oilseeds such as sunflower and mustard, and vegetables such as okra, tomato, chilli and brinjal, besides biofertilisers under the Win-Chi-Win brand. Its seeds are sown over 40 lakh acres; it works with 15,000 seed growers over 25,000 acres farmland.

Nath Bio-Genes Managing Director Satish Kagliwal (in blue shirt) and Chairman Nandkishore Kagliwal

RACHIT GOSWAMI

KEY NUMBERS

Nath Bio, which does transgenic research in cotton, rice and brinjal, also has crop-specific alliances with global institutions

TOTAL INCOME GROWTH
14.5%

PAT GROWTH
46.4%

NETWORTH GROWTH
32.9%

NET PROFIT MARGIN
12.1%

ROCE
27.7%

All numbers are three-year averages with 2014/15 as the latest financial year; Standalone numbers; Source: Ace Equity

It has research stations in Aurangabad, Hyderabad, Faizabad and Abohar; it also has 20 stations for multi-location trials in different climate zones.

Nath Bio, which does transgenic research in cotton, rice and brinjal, also has crop-specific alliances with global institutions. "Our research is focused, need-based and farmer-oriented. The aim is to develop sustainable agriculture that is drought, disease and pest resistant," says the chairman.

Nath Bio's India network includes 14 branches covering over 200 sales territories. It has over 450 farm advisors to provide after-sale service.

Nath Bio is also planning to establish its presence in overseas markets. Soon, it is likely to commercialise a hybrid cotton variety in the Philippines. It is also targeting overseas markets in SAARC and East African countries.◆

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INDIA'S BEST
SMEs
Global Business Excellence
(₹251-500 CRORE)
VAIBHAV GLOBAL

SPARKLING SUCCESS

Vaibhav Global has successfully made inroads into the discounted fashion jewellery markets in the US and the UK.

By SONAL KHETARPAL

While many large companies are looking at India as the next big market for growth, Vaibhav Global, the Jaipur-based electronic retailer of discounted fashion jewellery, has focused on the developed retail markets of the US and the UK. The rationale of Sunil Agrawal, founder CMD, is simple. "India isn't a profitable market yet. We don't want to burn money like other players." He is always on the prowl for opportunities. "We are never first movers but fast followers." This prudence and business acumen has enabled this first generation entrepreneur to grow the company he founded in 1980 into a global player with consolidated revenues

VIVAN MEHRA

TOTAL INCOME GROWTH	PAT GROWTH	EXPORT REVENUE GROWTH	EXPORT SHARE	NET PROFIT MARGIN
22.7%	48.4%	29.3%	82.9%	11.1%

All numbers are three-year averages with 2014/15 as the latest financial year; Standalone numbers; Source: Ace Equity

Sunil Agrawal, CMD, Vaibhav Global

Global Business Excellence (₹251-500 crore)

VAIBHAV GLOBAL

of ₹1,276 crore in 2015/16 and offices in the US and the UK. Over the last three years, the company has been growing at a CAGR of 12.6 per cent. Much of the company's revenues (70 per cent) comes from sales through its television shopping platforms Shop LC in the US and The Jewellery Channel (TJC) in the UK while 20 per cent comes from its e-commerce websites, informs Agrawal. The remaining 10 per cent comes from B2B clients. It makes, on an average, 300,000 pieces of jewellery in India every month for its subsidiaries in other countries. Last year, it invested $4 million in its Jaipur unit to expand capacity to 500,000 units per month.

Agrawal's business journey is a gradual success story. Coming from a middle class family, he learnt the ropes of the gemstone business at his friend's export factory during a six month internship. He subsequently started supplying gemstones to jewellery manufacturers and stone dealers in Hong Kong. That helped him understand the $2 billion fashion jewellery and accessories market in the US, dominated by television shopping channels. He went on to foray into manufacturing and claims to have been the first to establish his own mechanised gemstone manufacturing unit in Jaipur where the industry was largely handmade. However, in the 1990s the perception globally was that gemstones from Indian manufacturers were poor in quality, hurting the business prospects of Vaibhav. Changing that perception took time. Agrawal invited potential clients to visit his facility in Jaipur and test the products. "We were the first ones from India who started supplying mass merchandise stones to the US and the UK," claims Agrawal. The next step was to venture into jewellery making and supply directly to television home shopping channels such as QVC in the US.

Vaibhav Global went public in 1996 to raise funds for expanding its production capacity. But selling to large buyers doesn't give any pricing power to the manufacturer. So Agrawal decided to create a B2C company and reach consumers directly. "The idea from the beginning was to cut layers for better margins and long term value for shareholders."

The company acquired STS Group to have an established retail chain of 19 outlets for its products by 2007 at tourist locations in the Caribbean, Alaska and Mexico. Warburg Pincus invested $47 million in the company for a 27 per cent stake in Vaibhav. The additional funds led the company to start its own television shopping channels in the UK, Germany and the US over three years.

Vaibhav is now focusing on e-commerce and mobile apps

However, the fast paced growth came to a halt when the recession hit the world in 2008. "We had four startups in our company – the TV channel in Germany, the US and the UK and the retail stores chain – and all of them were losing money as they had not reached critical mass," says Agrawal. "Deciding which ones to shut down was the toughest decision of my life." He eventually sold the televison channel in Germany and the retail chain which led to laying off of thousands of employees across the globe. Agrawal was also contemplating selling the US channel when a change in business model began to pay off. The company began to focus on mass market products, after observing that its annual sales in UK were a big hit, by lowering the price point to $18-20 per piece for its jewellery from the earlier average of $100, thus generating volumes.

The company largely focuses on its house brands. "We have developed seven jewellery brands. Rest are from designers who sell their branded products on our TV channels and websites but we manufacture for them. That's our USP," says Agrawal. Group CFO, Puru Aggarwal, says that for jewellery the company has a margin of around 60 per cent. Vaibhav Global expanded its product portfolio in 2014 to include lifestyle products such as bed sheets, perfumes and beauty products.

Over the past two years, the focus has been on developing its e-commerce business and launching mobile apps for shopping, digitising its television channels and having customer-friendly payment initiatives in a lacklustre business environment. It recently started offering EMI solutions and quicker shipping alternatives to their customers. Irrespective of business cycles, Vaibhav has found its feet.

So, what keeps Agrawal going? A daily one hour of yoga and meditation keeps him charged up for the rough and tumble of business after 36 years, he sums up. ◆

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Brij Raj Gupta, CMD,
Brawn Biotech

BRAWN BIOTECH LTD.

The company markets a large variety of finished formulations and other health care products

TOTAL INCOME GROWTH	PAT GROWTH	EXPORT REVENUE GROWTH	EXPORT SHARE	NET PROFIT MARGIN
40.4%	484.1%	2832.5%	69.3%	0.8%

All numbers are three-year averages with 2014/15 as the latest financial year; Standalone numbers; Source: Ace Equity

INDIA'S BEST SMEs

Global Business Excellence (₹1-100 CRORE)

BRAWN BIOTECH

PHOTOGRAPHS BY VIVAN MEHRA

THE RIGHT PRESCRIPTION

Brawn Biotech's foray into export markets has turned around the fortunes of the company.

By SUMANT BANERJI

In 2015, a nondescript Delhi-based pharmaceutical company, Brawn Biotech, had left numerous analysts in brokerage houses across the country puzzled. Very little was known of Brawn. The company operated out of an office in the same building in Old Delhi that houses the Delhi Stock Exchange and even though it had been listed for over two decades, only a handful of brokerage houses actually covered the company. Yet, in 2015, as the dust settled on the performance of various firms on the Bombay Stock Exchange, the company's share price had risen a whopping 528 per cent during the course of the year making it one of the top 15 best performing stocks of the year.

The company is engaged in marketing of medicinal and allied health products and has a well defined marketing network with a staff of over 180 covering major hospitals and institutions in India. It does not have a manufacturing facility of its own but leans on another unlisted firm—Brawn Laboratories—for its supplies. Brawn Biotech's staff merely markets a large variety of finished formulations and other health care products. Its distribution penetration includes a central depot at Gurgaon and 8 consignee agents across India.

The big reason for the stock to outperform the way it did in 2015 and, hence, for the company to make it to BT best performing small and medium enterprises list, was its entry into the export market. Typically, margins in exports in pharmaceuticals or in any other business for that matter, are higher than the domestic market. As such, Brawn Biotech's entry into the export market in 2013/14 resulted in a quantum jump in its revenues and growth. Its export revenues grew 21 per cent during 2015/16 and it is likely to close 2016/17 with revenue of ₹55 crore, a growth of 25 per cent.

It is no surprise, then, that in 2015/16 the company announced a dividend for the first time ever. For the promoters—Brij Raj Gupta and his family—it completes a full circle. A journey that has seen the company reduced to a penny stock in 2003/04 when its shares traded at under ₹2. "I cannot thank enough my shareholders who have been with me all this while but I really need to look hard for anybody who has actually remained invested all along," says Gupta in the Faridabad factory of his other unlisted company Brawn Laboratories. "Between 1995 when the company was listed till 2005, we have seen hell. Even my brother A.K. Gupta and everybody else wanted me to sell out."

Gupta is thinking big. He has set up a small R&D wing in Gurgaon. The company is gearing up to enter the US

Gupta however, stuck to his guns. Born and bred in a lower middle class family in Delhi, he harboured an ambition to become a doctor since childhood. That dream, however, was handicapped by his poor academic record. "I don't know how I managed to clear all those exams—10th, 12th and graduation," he says. "But I had to do something in life so I became a medical representative."

Gupta started out in 1973 with Northern Pharmaceutical Industries and within a span of 10 years, he had garnered enough knowledge and forged sufficient relationships in the industry to start his own company. Yet, starting a manufacturing company was a capital intensive exercise and in those pre-liberalisation days, raising funds was an even tougher exercise. "So we started what is referred to within the industry as loan license arrangements with two Okhla based companies for manufacturing our products."

Very soon, the Guptas realised demand for their generic drugs, capsules and serums was so strong that the two companies could not meet supply. They bought a defunct drug factory on the outskirts of Delhi – it is the only asset owned by the brothers. For the expansion of Brawn Pharmaceuticals that was established in 1985, an Initial Public Offering was launched in 1995. The name of the company was changed to Brawn Biotech in 2010.

"In 1995, we spent ₹75 lakh in bringing up the IPO. It was oversubscribed by 10 times and we managed to raise Rs 3 crore," says A.K. Gupta, the elder of the two. Yet, the public issue did not prove to be the springboard for success the brothers had visualised. Instead, things went awry soon after. A steep decline in demand in the domestic market largely due to increased competition saw their order books run dry. At the same time, adverse taxation—the pharmaceutical industry suffers from inverted duty structure with raw materials being taxed higher than end products—meant a drag on their profitability. "There was payment due from us to our creditors and the pressure was unbelievable. We suffered heavy losses in the domestic market," says Gupta. The first signs of a turnaround in 2005 were visible in Brawn Laboratories almost by default thanks to a freak visit by Brij Gupta to Vietnam. The salesman in him quickly realised the potential for generic drugs in South East Asia and Africa. The company quickly ramped up its presence overseas. The rub-off effect on the listed entity also pulled Brawn Biotech out of red. The company is now on a firm footing and Gupta is thinking big. He has set up a small research and development wing in Gurgaon. The company is also gearing up to enter the US, considered one of the toughest markets in the sector.

With the long dark nights behind them, Brawn Biotech is now gearing up for bright sunshine. ◆

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Welcome to the myriad facets of Indian traditions, culture and vibrant geographies. With Indian tourism branched into several forms, India has a chunk for every kind of traveler. INDIA TODAY TOURISM AWARDS asks India To vote for the 'Best Tourism Destinations'.

HILL STATIONS

Experience sublime tranquility and mysticism. Soak in the charm of these picturesque and pristine hill stations in India, which make a perfect location for a wonderful and memorable vacation.

▲ SHIRUI PEAK, UKHRUL, MANIPUR
The main peak of Shirui in Manipur abounds with blooms of Shirui Lily that flowers during monsoon. The exotic flower draws hundreds of scientists and tourists to this botanical paradise.

◄ WAYANAD, KERALA
Wayanad, a little paradise on earth, set amidst lush green vegetation and mist capped hills. It is surrounded by sprawling tea and spice plantations.

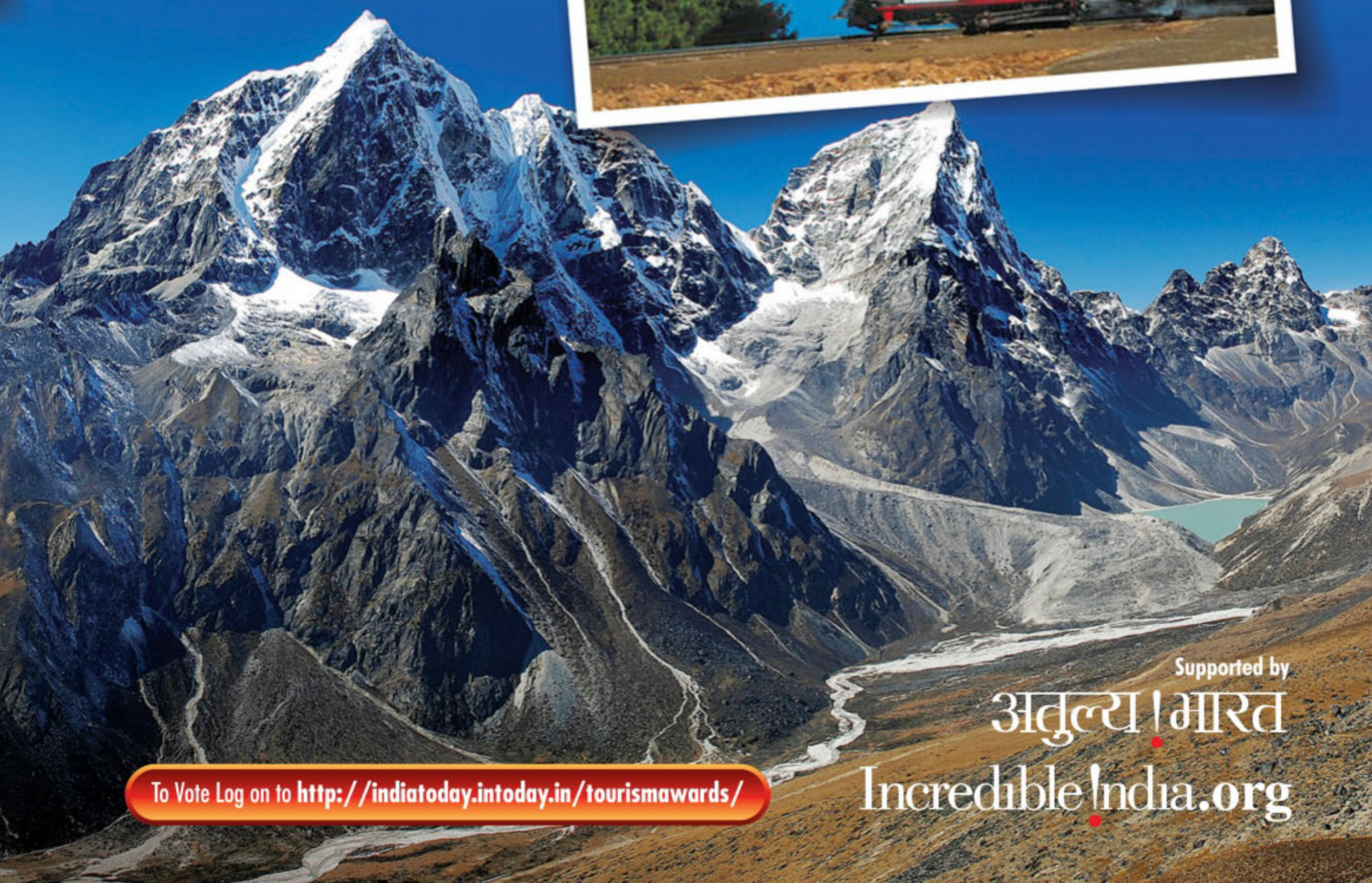
◄ GULMARG, JAMMU & KASHMIR
Gulmarg hill station is a popular skiing destination located in the Pirpanjal range of the Western Himalayas.

◀ AIZWAL, MIZORAM

Aizwal, the capital of Mizoram, is a bustling city set on the ridges of steep hills. Flanked on the north by craggy peaks of Durtlang it overlooks the valley of river Tlwang.

DARJEELING, WEST BENGAL ▶

Darjeeling in the foothills of the Himalayas has the magnificent Mt. Kanchenjunga as its backdrop and undulating hillsides covered with the emerald green tea bushes below.



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WILDLIFE DESTINATIONS

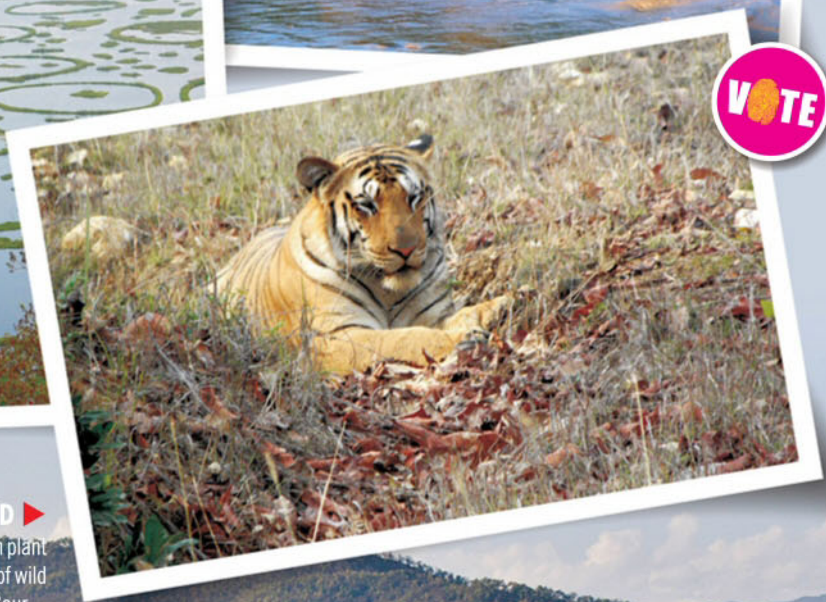
Numerous Wildlife Sanctuaries and National Parks have been established all over India. We bring to you national parks from different parts of the country offering an enormous range of habitats.

SUNDERBANS, WEST BENGAL

The Sunderbans is part of the world's largest riverine delta formed by the Ganges, Brahmaputra and Meghna. The largest mangrove forest in the world, it is a UNESCO World Heritage Site and contains India's largest Tiger Reserve.

LOK TAK LAKE, MOIRANG, MANIPUR

Loktak lake is the largest fresh water lake in Northeast India and famous for it's phumdis or floating vegetation. It is part of the Keibul Lamjao National Park, the world's only floating national park that is also home to the endangered Sangai, brown antlered deer.



BETLA FOREST, JHARKHAND

Betla is a forest of luxuriant sal and bamboo groves, rich in plant and animal life. This national park boasts of a wide array of wild animals including tigers, leopards, elephants and Indian Gaur.

VIVAN MEHRA

THE JURY Standing (L- R): Praveen Bhambani, Leader, Private and Entrepreneurial Business, PwC India; Prosenjit Datta, Editor, Business Today; Anil Bhardwaj, Secretary-General, FISME. Sitting (L- R): R.K. Gupta, ED, Bank of Maharashtra; Dr J.S. Juneja, Chairman, SME Committee, AIMA and S. Ravi, Board Member, IDBI Bank and UTI

METHODOLOGY

HOW WE DID IT

This is the seventh edition of the Business Today Best SME Survey. We have tweaked the methodology this time in order to evaluate genuine and financially sound companies. The survey was carried out on listed and unlisted companies with total revenues between ₹1 crore and ₹500 crore in 2014/15. In addition to this, companies whose latest, audited financial year results are not available were eliminated. We dipped into the Ace Equity database to pull out numbers of companies for the study period 2012/13, 2013/14 and 2014/15. Companies that did not make profits in any one of the three fiscals were not considered. Further, companies with negative net worth in any one of the three years were eliminated. Companies whose accounting periods were within the 9-15 months range were only considered. Altogether 3,784 companies fulfilled the above criterion.

These companies went through an extensive round of calculation where we measured their three-year average growth of revenue, profit, net worth along with three-year average PAT margin and three-year average return on capital employed (ROCE). Each company was scored on the basis of these parameters, and the scores were combined with equal weightage.

Then the companies were divided into three revenue groups – between ₹1 crore to ₹100 crore; ₹101-250 crore and ₹251-500 crore – and further into four segments – agriculture, manufacturing, services and trading. Then, each company was scored on how far it outperformed/underperformed the median for their segments. These were added to each company's score to get the final tally. For the Global Business Excellence award, growth in exports and share of exports in total income of the company were considered. The top three companies in each category were presented before a jury for the final decision on the winners.

The jury comprised R.K. Gupta, Executive Director, Bank of Maharashtra; Anil Bhardwaj, Secretary-General, FISME; Dr. J.S. Juneja, Chairman, SME Committee, AIMA; S. Ravi, board member IDBI Bank and UTI and Praveen Bhambani, Leader, Private & Entrepreneurial Business, PwC. ◆

The survey was carried out on listed and unlisted companies with total revenues between ₹1 crore and ₹500 crore in 2014/15

VIVAN MEHRA

INDIA'S BEST SMEs

Interview

"MSMEs WELCOMED NOTE BAN"

Kalraj Mishra, Union Minister for Micro, Small and Medium Enterprises (MSME), talks to Joe C. Mathew about the government's plans for SMEs

MSMEs were the most affected by demonetisation. What measures did you initiate to solve their problems?

The ministry has not conducted any independent assessment. But during the demonetisation phase, we had meetings with various MSME associations. These associations welcomed demonetisation. They gave us suggestions that were taken up with the Ministry of Finance.

Digitising financial operations of MSMEs is a necessity for having a less cash economy. What is the role played by the ministry?

Most schemes of the ministry are now online. The Prime Minister Employment Generation Programme has been online from July 1, 2016. There is an online application system for disbursement of Market Development Assistance to *khadi* institutions and artisans. We also have an online application system for *khadi* certification. All schemes of the Development Commissioner (MSME) are online and accessible through the My MSME app. Schemes of the Coir Board are also accessible online.

The My MSME mobile application, for all MSMEs, provides all information about policies, registration, services and schemes of the ministry.

Over the last two years, the Central government has announced several programmes and schemes for the benefit of MSMEs. Are we beginning to see tangible outcomes?

A Scheme for Promoting Innovation and Rural Entrepreneurship (ASPIRE) was launched on March 18, 2015. It was formulated to set up a network of technology and incubation centres to accelerate entrepreneurship and promote start-ups in the agro industry. To alleviate the problems of non-availability of credit, the ministry is implementing the Credit Guarantee Fund Scheme for Micro and Small Enterprises in a big way. Coverage of loans under the scheme has been increased from ₹1 crore to ₹2 crore. The size of the fund has been enhanced from ₹2,500 crore to ₹7,500 crore to facilitate collateral-free loans to MSMEs. Loans extended by NBFCs for MSMEs have also been brought within the fold of this scheme.

What will be the impact of goods and services tax on SMEs? How prepared are they for the transition?

It is premature to talk about the impact as details of the GST law are still being finalised.

How will Budget 2017 impact India's MSMEs?

In the Budget, the government proposed to reduce the tax on MSMEs with turnover of less than ₹50 crore from 30 per cent to 25 per cent. This benefits 96 per cent companies in India that are filing tax returns. It will boost Make in India and growth of MSMEs.

Today's small units could become tomorrow's large corporations. Is there any specific sector where hand-holding can help?

There are many sectors such as leather, textiles, food processing and pharmaceuticals which are under different ministries. These ministries are making dedicated efforts to achieve tangible growth.

The previous government was criticised for jobless growth. Is the statistics different in the MSME sector? How many people were employed in the sector and what has been the growth over the last two years?

The last survey to measure the growth in the MSME sector and its effect on employment was conducted in 2006/07. As per 3rd and 4th All India Census of MSMEs (reference years 2001/02 and 2006/07), the number of MSMEs grew at 15.26 per cent and 15.02 per cent a year, respectively. The number of jobs generated were 24.93 million and 50.19 million in 3rd and 4th census, respectively. ◆

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COLUMN/ RASHESH SHAH

ON THE CUSP OF CHANGE

The writer is Chairman and CEO, Edelweiss Group

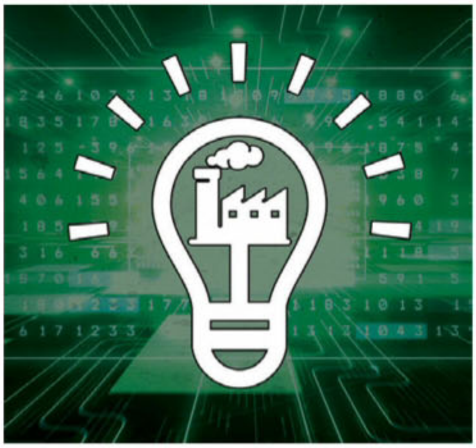
The Indian economy is on an upward trajectory. The growth is amongst the fastest in the world and especially significant for a country with GDP in excess of $2 trillion. The overall structural reforms have set the base for the next stage of growth which could propel India into a $5-trillion economy by 2025. Despite the recent slowdown in bank credit, the long-term trend continues to be healthy with outstanding credit doubling every four years over the past two decades. Even in the current environment, while bank credit has grown slowly, NBFCs have witnessed strong credit growth. Despite these significant positives, the relatively higher unemployment continues to be a challenge. Employment generation in India has failed to match the GDP growth rates we have achieved. While various efforts are on to provide a push to this, a part of the high unemployment is attributable to the relatively underdeveloped medium, small and micro enterprises (MSMEs) in the country. As has been seen across the world, MSMEs are the job creation units of a country – be it the Mittelstand in Germany or the Small Business Administration in USA. This holds true, even more so, for emerging economies.

As per an IFC-McKinsey report, formal SMEs contribute up to 45 per cent of total employment in emerging economies. This number could be significantly higher when informal SMEs are included. Besides being the cradle of employment, MSMEs play an equally important role as a nursery for entrepreneurship. Innumerable medium and large corporates in India have evolved from modest beginnings as micro or small enterprise. With the added agility and nimbleness of these small units, they have also been the birthplace of several innovations over the years.

Against an estimated debt requirement of ₹26 lakh crore, formal channels only provide around ₹12 lakh crore funding to MSMEs

THE CHALLENGES

MSMEs being the underlying foundation for such important developmental paradigms, it is imperative that concerted initiatives are undertaken to create an enabling environment for these businesses. MSMEs in India continue to face a host of challenges. These range from difficulties in obtaining requisite government approvals to delayed payments from buyers. Within these, access to credit continues to be the most challenging. The government as well as regulators have taken a



AJAY THAKURI

The awareness and capabilities required to deal in a digital world would develop gradually for SMEs

nunber of efforts to alleviate this, which has started showing positive results in recent times. Be it the MUDRA scheme or the licences handed out to small finance banks, every step has added incrementally to improving access to credit for MSMEs. However, despite these efforts, the sector continues to be significantly underfunded.

Against an estimated debt requirement of ₹26 lakh crore, formal channels only provide around ₹12 lakh crore funding to MSMEs. A part of the gap is currently being covered by informal sources – as per estimates, 90 per cent of all MSMEs in the country depend on informal financing in some form or the other. This in itself is a worrying sign. However, things are now moving in the right direction. Small finance bank licences will enhance the reach of the formal banking system. Non-bank enterprises, including NBFCs as well as new-age fintech start-ups, have also been expanding at a rapid clip, and will play a significant role in MSME financing. The advantage enjoyed by these organisations is reflective not only in the newer and more comprehensive underwriting models, but also a swifter decision-making mechanism, enabling timely loan disbursals, a common source of complaint across MSMEs. This has been visible in NBFC credit to MSMEs, which has been growing at a CAGR in excess of 20 per cent.

Another deterrent to credit to MSMEs has been the lack of a viable credit history, making risk assessment a challenging job for financial institutions. However, this area has seen significant innovation in the recent past with financial institutions devising new underwriting mechanisms that take into account a variety of factors, including utility payments, premium payments to insurance companies, transaction history on e-commerce portals and even social media activity. While many of these are at an experimental stage, targeted use of analytics and algorithms can help create a new paradigm in underwriting for these enterprises.

WHAT THE FUTURE HOLDS

Underlying these changes are three broad trends that are redefining credit to MSMEs. The first of these is that credit in India, as a whole, is getting truly democratised. The efficiency that has been seen in equity markets in India has now percolated down to credit – creating credit markets that are on their way to becoming efficient. Secondly, the MSME segment in itself has evolved to be an agglomeration of several distinct sub-segments, each of which has now become significant in size. Specialised skills are required to service each of these segments – who eventually succeeds will be decided by the ability to customise solutions as per requirements in each of these sub-segments. Lastly, the key success factor would be the ability of a business to understand customers' needs – the focus has to be the end customer, with solutions that provide the client a tangible and distinct value. This is the core competency that all institutions providing credit to MSMEs must develop.

The transformation for MSMEs centred on the core of technology is expected to trail the transition in consumer and retail lending. The awareness and capabilities required to deal in a digital world would develop gradually for SMEs. Adoption by financial institutions is already on the rise, be it client acquisition, loan processing, loan disbursal or the underwriting involved. As more and more MSMEs become tech-savvy, pushed by the JAM trilogy and the government's focus on digital payments, this technological adoption will percolate down to end users as well. Once this change is co-opted by both ends, we could see a substantial change in how credit is provided to MSMEs, ushering in what could be a new era for these enterprises. ◆

INDIA'S BEST
SMEs

COLUMN/ SANJAY AGGARWAL

NEED FOR BOLD CHANGES IN POLICY

The writer is Partner and Head, Enterprise Practice, KPMG in India

India's growth story is significantly dependent on developing a strong SME sector. India's GDP is estimated to grow from $2 trillion to $5 trillion by 2025, with significant contribution by the services segment (approximately 60 per cent), followed by manufacturing and agriculture – the growth drivers being significant investment and expenditure by the government and the private sector. These comprise a range of infrastructure projects – smart cities, river waterways, airports, ports, urban transport, power plants, bridges, dams, roads, defence, railways across multiple business segments such as telecommunications, health care, education, aviation, tourism, housing, renewable energy, automobile, digital, skilling, sanitation, mining, industrial and market clusters (Make in India), and many more. These investments are in response to the expected increase in domestic demand arising from significant growth in the number of households and their purchasing power over the next decade. This is likely to lead to significant growth in per capita consumption across business segments.

The ability of large corporates to achieve sustainability and competitive growth both in domestic and global markets is dependent on the development of a strong SME vendor and supply chain ecosystem. India's domestic market is diverse and complex. In order to meet the growth in domestic consumption, the manufacturing and services sectors will have to keep developing their value chain from procurement and sourcing, processing and conversion, to sales and distribution across the growing urban and rurban market segments in an efficient and cost-effective manner. This will require the development of an SME ecosystem at national and regional levels in order to be successful on a sustainable basis. The nature and extent of investment in the SME segment by the government and large private corporates are required to increase significantly.

The SME ecosystem is expected to be the one of the largest employment generators in the country

The government and large corporates should change their mindset and approach towards the SME segment; else, it will be a challenge to develop a strong SME ecosystem to support their own growth plans and efficiencies on a sustainable basis.

The SME ecosystem on its own is continuously developing in response to the growing demands and needs of the government as well as the large corporates. Further, the growth in domestic demand explained earlier, especially in regional, rurban and rural markets, would also be met by the regional and SME segment. Reducing dependence on imports for domestic demand is an important area where SME development and growth can play an important role.

The SME ecosystem is further expected to be the one of the largest employment generators including entrepreneurship as the first career choice. India has to generate new employment for 10 million people on an annual basis, and the government and large corporations are unlikely to be able to meet this requirement entirely on their own. The growth of the SME segment is expected to fill this gap. The ease of doing business issues continue to be a deterrent in the emergence of a stronger SME segment.

SMEs need a supportive environment to develop and grow stronger. SMEs now include many new-age businesses and also the services sector. The change in approach required starts from defining SMEs in India in the global context. The SME investment and turnover threshold need a large correction. The thresholds should be increased in a systematic manner over the next decade in line with the global thresholds.

SMEs not only need significant support to stabilise in their formative years, they also need further support to make constant investment to improve their quality and reliability, adopt new technologies, make processes efficient, develop skills and train employees, and innovate. The typical medium- to long-term gestation period from the time an SME makes these investments to the time it realises additional revenue, margins, net positive cash flows and cost efficiencies is very critical. Further, certain adverse changes or volatility in economic cycles further impact their ability to realise the desired benefits in the planned time-frame. The additional direct and indirect costs arising from the adversities and challenges owing to the lack of sufficient ease of doing business leads to a significant drain on the otherwise constrained management bandwidth and resources at the disposal of SMEs. This impacts their ability to be competitive, to make investments for growth on a regular basis and their ability to sometimes sustain operations in short-term business volatility. This problem is further accentuated by funding long-term growth by short-term resources and increased debt and interest burden.

Entrepreneurship can be encouraged and energised by creating an environment which allows the entrepreneur to focus largely on business and market challenges, and much less on regulatory and administrative issues. ◆

The views expressed herein are those of the author and do not necessarily represent the views and opinions of KPMG in India

THE FOLLOWING CHANGES IN APPROACH AND POLICY ARE VITAL FOR SME GROWTH

1 Classifying the threshold for small and medium enterprises separately and increasing the respective thresholds in line with global levels. A separate policy and increased top-line threshold for micro enterprises, as issues faced by micro, small and medium are different

2 Simplifying the regulatory environment, which is currently wrought with multiple laws, regulators, administrative interactions, prolonged litigations requiring significant management bandwidth and business funds to be deployed in advance and disputed taxes

3 Tax rates for SMEs need to be significantly lower, in the range of 10 - 15 per cent, to enable them to reinvest their current earnings for growth. Higher tax rates may be applicable in case of profit distribution

4 Developing a better banking and financial system for the availability of equity and debt. Large banks' approach to priority sector lending needs further transformation in credit appraisals, credit administration, and speedy short-term restructuring in case of business adversities

5 Ease of doing business in terms of land acquisition, infrastructure in clusters, infrastructure for market place, speedy legal decisions for business disputes, insurance, access to global trade corridors, etc, will require continuous improvement to facilitate and nurture SMEs

INDIA'S BEST
SMEs

COLUMN/ GIRISH MATHRUBOOTHAM

JOINING THE DIGITAL BANDWAGON

The writer is Founder and CEO, Freshdesk

If you were a classic roll-up-your-sleeves, get-it-done type of entrepreneur in the early '90s, the road to success would have been more complicated and long-winded than today. If you were a seer and were able to see the potential of software and the w it provided in scaling and automating your small manufacturing unit, then you know how it rolls. Purchasing software in the early '90s was almost a complicated and expensive affair. It meant buying licences from a software publisher which were definitely pricey. You would need a one-time licence for every computer node running the software. In addition, most software publishers would charge an annual maintenance fee, a customisation fee, etc. Every couple of years, the software publisher would roll out updates and newer versions, and this cycle would repeat ad nauseam. Something as commonplace as payroll management would need months of budgeting, extensive licence purchasing, associated hardware and training costs, and developing a love-hate relationship with your IT team. Pricing models weren't compatible with the average SME budget, leaving them to stick with the traditional 'pen and paper' business culture, and that left a wide and rather competitive gap between SMEs and large enterprises. Recent developments in technology, specifically in cloud computing, have led to reduced entry and exit barriers, and minimal costs, consequently enabling SMEs to grow their businesses faster and punch above their weight to compete against larger businesses.

SaaS services can be scaled up with one's business growth, making them ideal for fast-growing SMEs

The competitive landscape for businesses is rapidly changing. Larger enterprises that have relied on large-scale investments in IT infrastructure as a source of advantage in the past are now seeing a re-balance in power. What seemed to be an advantage then is no longer seen as an advantage.

Until recent times, the prohibitive cost of on-premise solutions and limited resources in skilled IT manpower were putting technology out of reach for SMEs. The tables have now turned with the advent of SaaS and Cloud, giving SMEs access to cutting-edge software, bringing about a democratisation of technology. Many SMEs are increasingly embracing cloud-based SaaS applications. The difference between on-premise and SaaS is akin to the difference between a bulky, old-school cruiser and a snazzy, 'fill it, shut it, forget it' economical motorcycle.

A World Bank study estimated that SMEs account for nearly 95 per cent of existing businesses, and their products and services account for 49.8 per cent of the global economy. According to a report compiled by Google and venture capital firm Accel, global SaaS is projected to grow from $68 billion in 2015 to $132 billion by 2020, driven by demand from SMEs.

The advantages of embracing cloud-based SaaS applications for SMEs are manifold. For most SMEs, getting maximum returns and efficiency out of every resource is vital to their long-term success and profitability. The nature of the SaaS market means there are no physical infrastructure costs and that one pays only in predictable monthly or annual outgoings, rather than a large upfront capital investment, helping with budgeting and cashflow i.e., a nearly zero capex and minimal opex model. Updates to cloud-based SaaS applications are automatically administered as well, thereby saving businesses valuable time and maintenance costs. Cloud-based SaaS applications are inherently built to be accessible round-the-clock and configurable in minutes, reducing the deployment time vis-a-vis on-premise solutions.

Another often cited advantage for SMEs to hop onto the SaaS bandwagon is the lack of a fixed-term contract. Most services are offered on freemium plans or on a rolling monthly basis, which gives businesses the freedom to walk away, absolutely no strings attached, if a particular solution does not fit their business needs. Most SaaS providers also allow a risk-free, try-before-you-buy purchasing mechanism, so that businesses can ensure that the solution that they are evaluating meets their business needs before they pay.

The biggest need for a fast-growing SME is that they need a scalable solution. SaaS services can be scaled with one's business growth, making them ideal for fast growing SMEs. Extra capacity can be purchased on a need basis, rather than making over-allowances for future requirements. To quote an analogy, buying an on-premise solution is like buying a cow, when all you want to do is make a cup of coffee; whereas a SaaS solution is like buying a small quantity of coffee powder, milk and sugar for your cup of coffee.

As technology, talent, and globalisation reshape the nature of work, businesses are shedding layers, widening spans of control and moving towards a more collaborative work environment. Considering that millennials will account for 75 per cent of the workforce by 2025, businesses that provide tools, structures and mechanisms that enable employees to collaborate will have an easier time attracting and retaining talent. A culture of collaboration also supports agility through improved communication and greater ability to change. The adoption of cloud-based SaaS applications makes it easier to distribute information across the organisation via the web in real time, promoting teamwork and collaboration, not only among employees but also with customers.

Indian companies have the potential to corner 8 per cent of the global SME market for SaaS products by 2025, from the current 2.6 per cent

However, taking this leap for SMEs can be a daunting step which may explain why adoption of SaaS in current times is still limited. The benefits for SMEs, however, are undeniable and the sooner small businesses realise this, the faster they can lay a solid foundation for future growth.

The immediate future for SaaS looks to be an extremely exciting one. India currently accounts for 2.6 per cent of the $23 billion global SME market for SaaS products. Indian SaaS companies have the potential to garner 8 per cent of the global SME market for SaaS products by 2025. The booming, vibrant Indian SaaS start-up ecosystem has already seen the rise of a few start-ups that are crafting world-class products for the global SME market. With the ideal mix of strong leadership, quality talent, favourable unit economics, and a conducive ecosystem, we can expect many more Indian SaaS start-up success stories in the future.

According to Nicholas Carr's thesis in *The Big Switch*, we are in the midst of another epochal transformation of "democratisation of technology" that parallels what happened with the "democratisation of electricity" a century ago: "What happened to the generation of power a century ago is now happening to the processing of information. Private computer systems, built and operated by individual companies, are being supplanted by services provided by a common grid – the Internet – by centralized data-processing plants. Computing is turning into a utility, and once again the economic equations that determine the way we work and live are being rewritten."◆

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Winners of the "Best Companies to Work For" with Union Railway Minister Suresh Prabhu and Raj Chengappa, Group Editorial Director (Publishing) of India Today Group

GOOGLE INDIA REMAINS "BEST COMPANY TO WORK FOR"

Accenture retains its slot, while Amazon moves up a rank in the 15th edition of the "Best Companies to Work For" survey, which identifies 25 winners across industry

Internet major Google India and technology consulting and services company Accenture India retained their positions as the most employee-friendly companies for the second consecutive year in the *Business Today*-PeopleStrong "Best Companies to Work For" survey. E-commerce giant Amazon displaced long-time incumbent Tata Consulting Services, to become the third most sought-after company to work in India.

The employees' survey was conducted by *Business Today* with help of knowledge partner PeopleStrong, a leading HR solution company. The other companies

PHOTOGRAPHS BY RACHIT GOSWAMI & MILIND SHELTE

(Clockwise, from top right): K. Suryanarayana, Google; Parag Pande, Accenture; Deepti Varma, Amazon; Ashwani Prashara, RIL; Guenter Butschek, Tata Motors; and Vlasta Dusil, SAP Labs India, receiving the Best Companies to Work For awards from Railways Minister S. Prabhu

(Top row, L-R): LG's Umesh Dhal, BHEL's Atul Sobti, Cisco's Christian Barrios; **(2nd row):** Facebook's Umang Bedi, HP Enterprises's Som Satsangi, ITC's Navaneel Kar; **(3rd row):** ICICI Bank's T.K. Srirang, IBM's Dilpreet Singh, Tata Steel's Suresh Dutt Tripathi; **(Last row):** Mahindra & Mahindra's Pravin Shah, Indian Hotels's P.V.R. Murthy, and Abbott India's Sandeep Sengupta receiving the awards

(L to R): Airtel's Srikanth Balachandran, Lifestyle International's Kabir Lumba, and Adobe's representative receiving the awards

(L to R): Ashwani Prashara of RIL, Sunita Cherian of Wipro, K. Sudarshan of EMA Partners, Irfan Abdulla of LinkedIn, Avani Davda of Godrej Nature's Basket and Vishalli Dongrie of KPMG at a panel discussion

"WE HAVE CREATED 12 KEY RESULT AREAS FOR EMPLOYEES TO CREATE ACCOUNTABILITY IN THE ORGANISATION. PEOPLE MUST WORK WITH A PURPOSE"

which made it to the top 10 are Microsoft, Infosys Technologies, Facebook, ICICI Bank, IBM, and HP Enterprise.

The awards were given by Union Railways Minister Suresh Prabhu at a glittering function in Mumbai on February 22. In his address to the who's who of corporate India, Prabhu said,"Organisations succeed because of people and companies need to have the best talent."

Prabhu also talked about how his ministry has tried to transform Indian Railways, which has the largest workforce in the country into a professionally-managed organisation by making each and every employee accountable to the growth of the organisation. "We have created 12 key result areas for employees to create accountability in the organisation. People must work with a purpose."

Raj Chengappa, Group Editorial Director (Publishing), India Today Group, in his address to the gathering said, "Our winners have one thing in common. They are a people-first company."

Speaking on the occasion, Prosenjit Datta, Editor, *Business Today*, said, getting talent is only the first step. "Keeping them constantly motivated, providing them with interesting, challenging and fulfilling work, offering them growth opportunities and helping them to achieve their full potential are the other things that organisations need to do if they want to get the best out of the talent they hire."

The *Business Today*-PeopleStrong survey also had 11 sectoral winners. While Abbott India was the best

(L to R): T.K. Srirang of ICICI Bank, Yogi Sriram of L&T, K. Suryanarayana of Google India, S.V. Nathan of Deloitte, R. Mahalakshmi of Mondelez, Dilpreet Singh of IBM India, and *Business Today*'s Ajita Shashidhar at another panel discussion

company to work for in the pharmaceutical sector, Indian Hotels won the award in the hospitality sector, LG in manufacturing, Airtel in telecom, and Tata Steel in the core sector. The best company to work for in the engineering and automotive sector was Mahindra & Mahindra, while retailer Lifestyle International won the award in the others and diversified category. ICICI Bank won the award for the BFSI sector

Google, the overall winner of the Best Companies to Work For awards, also bagged the award in software, hardware and information technology category. Amazon was the winner in the Internet businesses sector, while IBM got the award in the BPO, KPO and ITES category.

"WE HAVE ALWAYS STRIVEN TO CREATE A WORKPLACE AND CULTURE THAT CELEBRATES ENTREPRENEURIAL SPIRIT THAT ALLOWS EVERYONE TO CONTRIBUTE IN SOLVING REAL HARD PROBLEMS"

Speaking on the sidelines of the event about Google India's people strategy, K. Suryanarayana, Director, People Operations, Google India, said, "We have always striven to create a workplace and culture that celebrates entrepreneurial spirit and provides an environment that allows everyone to contribute in solving real hard problems." The event was sponsored by VIT University. ◆

Raj Chengappa, Group Editorial Director of India Today Group, giving his address, and Prosenjit Datta, Editor of *Business Today*

ILLUSTRATIONS BY RAJ VERMA

SOUTH ASIA Harvard Business Review

HOW TO HEDGE YOUR STRATEGIC BETS

Make short-term investments to test opportunities.

By GEORGE STALK JR. and ASHISH IYER

To cope with growing uncertainty and volatility, most companies try to improve their forecasting and increase their agility. While important, both tactics have limitations. In times of rapid change, forecasts become obsolete almost as soon as the ink dries on them. And though responding quickly to market shifts is crucial, "perfect" flexibility and agility are costly to achieve – if not impossible.

A complementary – and potentially more effective – approach for established companies is to use "strategic options" as a hedge against uncertainty. Just as financial options can shield investors from risk and help them profit from fluctuations in securities and commodity markets, strategic options can protect companies and allow them to thrive in the face of the unexpected: moves by competitors, disruptive advances in technology, the rise of new markets, sudden swings in demand, and other surprises. By using strategic options, companies can test the waters, conserve capital, and delay final decisions until the tea leaves become clearer.

Some strategic options – such as buying an option for mineral rights or locking in a delivery slot for a new airliner – have long been widely used. Others, however, are much less familiar or are underexploited, including three that we'll focus on in this article: temporary organisations, exploratory acquisitions, and disposable factories.

All strategic options are small-enough bets that a company can walk away from them. But they do incur monetary costs, which in the short term may be high. That explains why they aren't employed more frequently: Many executives see them as wasteful, risky, and ambiguous. Often executives want to "get it right the first time" rather than experiment.

With temporary organisations, you can hit the ground running and avoid massive layoffs if the new venture fails

But because they tie up less capital and are easy to unwind if trends prove unfavourable, strategic options can save money in the long run. Equally important, they help companies learn and build their experience, positioning them to capture valuable opportunities they otherwise might miss.

Temporary Organisations

Some opportunities can't be pursued within the structure of the core business. They may require completely different capabilities or a business model that could cannibalise the core. But if an opportunity or threat is uncertain, building a separate permanent organisation around it can be hard to justify. One solution is to create a temporary organisation – with a management team staffed by a mix of contract workers and consultants. This approach makes it possible to hit the ground running and avoid massive layoffs if the new venture fails. If the venture succeeds, permanent staff can be hired.

A temporary organisation can help a company test a response to a competitive threat, evaluate a new strategy or concept, explore a joint venture, or capitalise on a fleeting opportunity without disrupting the operations of the existing business. It can be an attractive choice if, say, there are conflicting priorities or when an unexpected competitor emerges, making rapid market penetration critical.

Orbitz, the online travel agency, was launched in this fashion. (Full disclosure: The Boston Consulting Group was involved in the start-up of Orbitz and has relationships with the other companies featured in this article.) In late 1999 and early 2000, during a period of slow growth for airlines, five major US carriers – Delta, United, Northwest, Continental, and American – joined forces to create the travel site. Unlike Expedia and other online services that charged airlines a fee for favourable placement of their flights, Orbitz planned to list in an unbiased order all available flights (with the exception of those of Southwest, which did not share information with third parties). The airlines believed that value proposition would appeal to customers and would be difficult for rival online travel services to match, since their sites were designed to display only the most common flights between cities.

Orbitz had a good strategy, but its success was far from assured. A new IT system, including the core search algorithm, had to be built. The website had to be user-friendly and easy to navigate. Both would require a major investment of time and money. What's more, to compete with Travelocity and Expedia, Orbitz had to grow rapidly, leaving little time to test the concept with customers. If the new business failed, the partners would be stuck with costly assets that they'd have to sell at a loss and people they'd have to jettison.

Because they were competitors, the partners ruled out incubating the venture inside one of their own organisations. They also realised that a traditional start-up approach – building the business one employee at a time – would take far too long. So they created a temporary organisation staffed largely with contract employees and managers from professional services firms, who cost about two to four times more than permanent employees (excluding full-time benefits). Orbitz started with five managers from BCG, who oversaw operations, finance, IT, corporate development, and HR, and eventually grew to 60 workers, including lawyers, accountants, engineers, IT developers, and human resource experts. Once it was clear, three months into the launch, that the site was a success, Orbitz began replacing the contractors with permanent hires, a process that took half a year.

The temporary organisation paid big dividends. The total cost to build and fund Orbitz until it reached self-sustaining profitability was about $250 million. In 2004, Cendant bought the company for $1.25 billion, netting the partners $1 billion in profits.

Exploratory Acquisitions

Companies seeking to diversify through acquisitions face a lot of risks and unknowns. Although acquisitions

IDEA IN BRIEF

THE PROBLEM
To cope with uncertainty and volatility, companies try to improve their forecasting and increase their agility. But these tactics have limitations. Forecasts quickly become obsolete, and perfect flexibility is costly to achieve – if not impossible

THE SOLUTION
Complement your efforts with "strategic options" that serve as a hedge against uncertainty. These include temporary organisations, exploratory acquisitions, and disposable or modular factories

IMPLEMENTATION CHALLENGES
Persuading employees that the long-term benefits of options outweigh their high short-term costs. Building skills – for instance, in acquiring and integrating acquisitions. Changing the forecasting culture and focusing more on understanding risks

can be a quick way to gain market entry and new customers, technical expertise, and lines of business, they typically involve enormous integration challenges and have notoriously high failure rates. This is particularly true with large deals in non-core markets.

With smaller acquisitions, the cost of failure is lower and integration goes more quickly. While lots of companies use small deals to expand into new geographies, we haven't seen many use them as a low-risk way to explore new businesses. The best approach is to focus on complementary markets where a company can leverage its current strengths and capabilities.

If an acquisition is small and is viewed as a highly targeted trial run with specific objectives, it's better able to avoid the pitfalls of mergers. It affords an opportunity for learning – for walking before running. And it can be disposed of relatively painlessly if it doesn't deliver value. However, if the acquisition succeeds in helping the parent company get a foothold in a new area, it provides a foundation and framework for the parent to acquire more complementary businesses and become the market leader.

This was the path taken by Brooks Automation, based in Chelmsford, Massachusetts. Brooks was a leading producer of precision-materials-handling equipment, environmental controls, instruments, and subsystem components used in semiconductor manufacturing. In the early 2000s, industry growth began to slow and the business became more cyclical. In response, Brooks began to consider diversifying into areas with more potential. Mindful of the challenges and poor outcomes of many large-scale diversification efforts – especially those that involved mergers and acquisitions – the management team chose an options-based approach. After inventorying its capabilities, Brooks determined that its ability to move materials in scientific cryogenic environmental chambers while precisely controlling atmosphere and temperature could be applied to the growing life-sciences industry – particularly pharmaceuticals and biotech. At that time, industry researchers were storing formulations and tissue samples in the equivalent of dormitory refrigerators, with lax controls that allowed temperature swings that could interfere with cell activity. Materials transport, storage, and record keeping were all done manually. Pharma and biotech researchers were unhappy with this state of affairs. Besides being automated, Brooks's equipment kept digital records of the movement and placement of all formulations and sample tests – a critical benefit given the emphasis that regulators such as the US Food and Drug Administration were placing on the "traceability" of materials.

Brooks's management team recognised that while the life-sciences market seemed promising, it was very different from the semiconductor industry. The latter was highly consolidated among a handful of manufacturers and equipment suppliers that were concentrated geographically. Brooks had been working very closely with a relatively small number of customers and often based its service people onsite at key accounts to minimise equipment downtime – and help chip makers maintain the high volume and low costs they required. The buyers and other decision makers tended to be engineers centrally located in semiconductor factories. The chip makers also planned capital investments far in advance and involved Brooks in those discussions, giving the company a clear window into future demand.

By contrast, the life-sciences industry was fragmented. Equipment manufacturers had thousands of customers – who typically were researchers and doctors, not engineers. Instead of being centralised, the buyers and other decision makers were distributed across the supply chain and included funders and regulatory agencies. Equipment purchases tended to be less predictable and involved shorter decision cycles, which made capacity planning more difficult.

Deciding it needed to get a jump on other likely competitors and that developing full-blown operations from scratch would take too long, Brooks made two exploratory acquisitions. In 2011, it paid $3 million to buy RTS

Life Sciences, a small British company with a contract to handle medical samples for the UK's National Health Service; and about $80 million for Nexus, a 100-person company in the same line of work. Nexus had materials-handling equipment, but even more important to Brooks was the company's experience with customers in life sciences. Brooks expanded that capability, invested in further developing the Nexus product line, and worked to bring large-company discipline to both acquisitions.

As it won more materials-handling contracts in life sciences, Brooks gained confidence. Over the next four years it bought all or part of four more companies for a total of $156 million. In the process it acquired a new capability (-150 degrees Celsius cryogenics) and grew its offerings to include new services and consumables such as storage containers.

Today, Brooks is the market leader in materials handling for life sciences, which now accounts for about 20 per cent of its revenues of $500 million. The company intends to follow the same approach in other markets: identify opportunities where it can apply its capabilities, acquire small companies to test the waters, improve and extend the product and service offerings by transferring its technical skills, and then buy more companies that complement and grow its market position.

Disposable Factories

When building factories, companies often strive to use scale and automation to lower the per-unit cost of production. But big state-of-the art plants are expensive and time-consuming to construct – and typically they can add capacity only in large amounts. When demand is volatile or uncertain, these facilities may become albatrosses.

In businesses where profit margins are high, first movers seize the advantage, or the cost of stock-outs is large, relatively small "disposable" factories are a good alternative. They can offer a better way to deal with the unknowns of a new market and provide early data on costs, capacity, and product mix that informs the design of permanent factories (should the company decide it needs them).

Disposable factories inevitably have higher per-unit production costs than full-scale facilities do. That and the reluctance to "throw away" a factory is why many executives are hesitant to resort to them. But the added costs usually are more than offset by benefits such as a lower up-front investment, faster time to market, and greater ability to match supply and demand.

> Small disposable factories can be placed closer to centres of demand, allowing companies to reduce transportation costs

Of course, companies can also use outsourcing to achieve production flexibility. Firms can even buy an option to increase the amount that a contract manufacturer produces. But when a company has a proprietary production technology or process that can give it a competitive advantage, a disposable factory is the way to go.

Disposable factories typically have 5 five per cent to 10 per cent of the capacity of a permanent facility and can be built in months versus the usual years. Because they're smaller, they can be placed closer to centres of demand, which allows companies to better serve local tastes and to decrease transportation costs – an underappreciated benefit, given that logistics costs exceed manufacturing costs (minus purchased materials) by wide margins in many businesses.

Chinese companies are using low-tech disposable factories to compete in the pharmaceuticals industry, as some of our colleagues found during an assignment for a major US drug company. The US firm's Chinese factory was highly automated and engineered for large-scale, flexible, low-cost production, but it had an inflexible cost structure with a 30-year life. In sharp contrast, the Chinese competitors' plants were small, simple, manual, and dedicated. Instead of using computer-controlled process-monitoring equipment, for instance, the Chinese relied on repeated visual inspections. In other words, they threw people at the process to get it on spec. If demand did not materialise, it was no big deal to the Chinese. They could swap the inexpensive equipment out or tear down the cheaply built plant and move on.

Modular factories are a variant on this theme, though they're usually not intended to be disposed of. In some cases, they are preassembled in special plants, which dramatically cuts the time required to get them up and running. Another advantage is their mobility. They can be dispatched to match output with near-term demand –

but if local sociopolitical conditions deteriorate, they can be moved to a more stable location. If and when enough demand materialises, modular plants can be replaced with a global-scale facility.

Procter & Gamble is now using modular factories to make some products. One is surfactants, an ingredient in detergent, fabric softener, hair conditioner, shampoo, and toothpaste. Surfactants had long been produced in large centralised factories, using a decades-old technology, but a new greener technology now allows them to be made in distributed factories, shortening the supply chain and response time and lowering transportation costs and investment risks.

The Challenges of Execution

While there won't be strategic options for every situation, our experience suggests that they're powerful tools and could be used far more often. But in most organisations they're easier to identify and design than to implement – mainly because of management resistance. Three factors explain this foot dragging.

First, higher near-term costs are easier to calculate than long-term benefits. Without equal clarity on long-term benefits, how can a company justify pursuing an option? A review of past investments may help executives overcome this reaction. How far off were previous estimates of demand? What were the costs of underestimating – and being unable to meet – demand? What were the capital costs of overestimating demand? If the costs of inaccurate forecasts were high, management will probably feel more comfortable moving ahead.

Second, strategic options often require capabilities an organisation lacks – and the task of building those new skills can be daunting. Brooks, for example, had to learn the art of acquisitions: how to identify targets with the right technologies and skills, evaluate candidates, and do deals, as well as integrate and manage the acquired businesses. With disposable and modular factories, engineers who have long focused on building low-cost facilities with global scale have to learn to think and design in different ways.

Finally, a forecasting culture is hard to move beyond. Forecasting is embedded deeply into the way that managers operate. Most organisations plan for uncertainty by creating scenarios with high, medium, and low probabilities. Then, all too often, they take the middle course. While we're certainly not advocating an end to forecasting, we are suggesting that companies should recognise its limitations. The strategic options approach enables management to spend less time and resources on trying to foresee an unpredictable future and more time on understanding upside opportunities and downside risks and how they can be mitigated. If organisations can begin to imagine how high-, medium-, and low-probability outcomes could be accommodated with a single approach (such as disposable or modular factories), strategic options will become more popular.

The three factors bias companies towards inaction or a "wait and see" approach that may not be in their best long-term interests. In many situations, companies that find lower-risk ways to gain experience and market intelligence and build relationships will be able to outmanoeuvre their more cautious and less creative rivals.

But the transition to an organisation that can take initiative despite uncertainty requires action on multiple fronts. Leaders have to introduce options into their regular strategic dialogues with business unit and functional heads. The assessment of critical unknowns and the development of responses to them need an organisational home and must be integrated into strategy development. There should be rewards for the artful use of strategic options – and executives and engineers who fail to embrace them may need to be replaced or transferred to other roles.

We are often asked, When should a company *not* consider strategic options? Our response is that management teams should carefully take them into account whenever they're contemplating *any* investment for which the payoff is far in the future and uncertainty is high. Given today's competitive and volatile environment, strategic options are often the best choice. ◆

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COLUMN Rashmi Bansal

The Space Between Us

More women in B-schools is not enough. Unless we value time over money, they will continue to opt out of the workforce

I recently attended a seminar on work-life balance. The keynote speaker was a forty-something frequent-flier with 14 credit cards and a supportive spouse. He shared his personal experience of handling this sensitive issue.

"I am a busy chap with a crazy schedule but no matter what, I fly back home for the weekend."

Wow. That's so thoughtful. It's good for the kids to know they have a father (mom didn't just make him up). It's good for the wife to know she has a husband (and declare it with a 'what a cute family' pic on Facebook).

There are more and more jobs in corporate India where one middle-aged mutant management warrior is expected to do the work of three normal human beings. To compensate, they are paid 3X the salary of a normal human being. However, time is finite and there is no Scotty to beam you up from BKC to Bengaluru. Hence these corporate ninjas spend most of their life in transit, in lounges and in hotels. Away from family.

Which brings me to the crucial point of this article. If a woman took up such a job profile, would she have a family? Would her husband be lonely and depressed but put up a brave front every Friday evening? Would he unpack a suitcase filled with creased clothes and dirty underwear? Would he ask the kids to be quiet so mummy 'can get some rest' before she is ready to play? You know the answer to all of the above is 'no'. Hence, the entire premise of balance is flawed. We are designing jobs which are all-work, no-life – and these are the 'Day Zero' jobs our brightest and best aspire for.

The only way a man can do the work of three people is if he has outsourced vast chunks of 'life' to someone else. One such guy I met recently compared the life of a CEO to that of an athelete. If an Olympic gold winner needs a nutritionist, physiotherapist, psychologist and coach so does the CEO. Hence the corporate ninja has a secretary, driver, travel agent, yoga instructor, and financial planner. But as they say at Mastercard, there are some things money can't buy. And that's why you need a good wife.

The good wife manages the maid who makes the lunch, the driver who picks up the kids, the in-laws who complain their son has no time. She attends PTA meetings, poojas and pays the paperwallah. In short, she heads a multi-dimensional domestic empire.

But she is neither the housewife her mother was nor the career woman she aspired to be. Who exactly is she? A stay-at-home mom? Or a work-for-home professional?

The notion of work-life balance has to be tilted at the very top. Punish the CEO who keeps a punishing schedule. Everyone should travel less, use more technology. Limit the hours at work and make those hours super-productive.

Because one day all these women with yellowing certificates will refuse to unpack that suitcase. Men will have to deal with the stink of underwear and the stench of unrealised dreams. ◆

Everyone should travel less, use more technology. Limit the hours at work and make those hours super-productive

Rashmi Bansal is a bestselling author

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Engelberg - Demonstration cheese dairy, Monastery tour, Valley Museum, Via ferrata, Forest rope course, Barbecue, Golf Gerschnialp - Trotti bike, Cheese making in the Alps, Whey bath

Trübsee Alpine Lodge.

If you are looking for a peaceful place to hold a meeting, a conference or a workshop during the summer, then Lake Trübsee is the right location for you. It is situated in idyllic natural surroundings, 1800 m above sea level. In addition to a state-of-the-art seminar room, the hotel offers overnight accommodation in the form of 31 comfortably furnished rooms. They not only pamper you and your guests with delightful culinary highlights during the event but also provide a comprehensive social programme that leaves nothing to be desired.

Activities you can do:

Lake Trübsee - Rowing boat, Kayak, Devil bike, Barbecue, Mountain flower trail & in winter you can try the snow-bikes, try your hand at basic skiing and visit an Igloo Hotel for an apero.

Titlis Panorama Restaurant.

A special event in the lofty heights – enriched by a magical view: this is exactly it offers you on the summit of the Titlis. The panorama restaurant situated at 3,020 m above sea level is ideal for company events and seminars, anniversaries and other group events on a large or small scale.

Tennishalle Kongress

Activities you can do:

Titlis - Glacier Park, Ice Flyer chairlift, Summit and glacier excursion, Glacier cave, Crevasse abseiling, Guided glacier hikes.

Getting There:

By road - In just 30 minutes from Lucerne or 60 minutes from Zurich you will reach the fresh air mountain village of Engelberg which is the starting point of the Titlis excursion. Actually reachable from almost all of Switzerland as a day trip.

Meetings and Conferences: Get results in SouthWest Germany

Ludwigsburg Castle

Indian tourists at Cuckoo Clock Factory in the Black Forest

With its efficient, world-class hotels, restaurants and transport infrastructure, SouthWest Germany is the perfect venue for meetings, conventions and conferences. Cities such as Stuttgart, Mannheim, Baden-Baden, and Ulm offer not only the latest technology and planning facilities, but also variety and inspiration when work is finished for the day. In an attempt to facilitate affordable travel for Indian business travellers to South West Germany, six cities, namely, Stuttgart, Manheim, Freiburg, Karlsruhe, Constance, Heidelberg & the Black Forest Highland Region have introduced a travel card which offers free use of public transport, monument entrances at subsidised rates and offer discounts on shopping and restaurant outlets

Getting There:

Stuttgart Airport welcomes direct flights from countries around the world. The airport is only 8 miles (13 km) from the city center. The S2 and S3 urban train lines provide a fast, direct connection to the main railway station in just 27 minutes. The airport is just off the A8 Karlsruhe–Munich Autobahn (highway). Further information on www.stuttgart-airport.com. Two additional airports, Karlsruhe/Baden-Baden Airport (www.badenairpark.de) and Friedrichshafen Airport (www.fly-away.de), have flights to and from European cities.


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ANDHRA'S DIGITAL LEAP

At the heart of the governance model of Andhra is, "problem-solving approach led by data, information and technology."

Digital transformation has been one of the top three priorities for the government of Andhra Pradesh. The state has been spearheading the movement towards an inclusive, efficient and a transformed digital future and has several initiatives that it has put in place in this direction. Under the Andhra government's Vision 2029, it has strategized various initiatives in which the Internet of Things (IoT) and technology are being used to increase transparency, efficiency and overall development of the society. Adoption of IoT and technology is today integral to achieving the targets of the Vision 2029. This includes figuring among the top three states in India by 2022 and being the best state in India by 2029 and a leading global investment destination by 2050.

At the heart of the governance model of Andhra is, what its chief minister Nara Chandrababu Naidu, calls, the "problem-solving approach led by data, information and technology." Take for instance, Andhra's 'Kutumba Vikasam (family welfare) and Samaja Vikasam (welfare of society). Kutumba Vikasam is a about giving assurance to each family on the 15 types of social and economic securities. These include security in areas such as: social, nutrition, insurance, electricity, health, Gas (called Deepam), water, housing, sanitation, education, fodder, employment, information (leveraging the fibre net), individual and on livelihood. As for Samaja Vikasam, the approach is to provide 10 types of basic facilities in each village. These include access to: quality education to all, health, agriculture and allied development, industrial development, service sector development, 24x7 power supply, roads and infrastructure development, information technology, citizen services and inclusive development.

To facility the smooth digital transformation of the state, the technology is deployed on two ends. One, that is behind the scenes and aimed at improving the governance and the other is citizen facing. One of the critical components in this is the CORE dashboard that the state has put in place. CORE, which stands for CM Office Real Time Executive is a dashboard through which the chief minister and the entire state administration officials can directly monitor the progress and implementation of government schemes. It is an integrated dashboard set up to monitor key performance indicators of the various departments, existing schemes and programmes on a real-time basis. This had helped put in place a robust system of monitoring and evaluation and covers all departments and involves some 1300 parameters. It is to successfully use real time data to devise solutions to ease development constraints. The CORE dashboard provides access to data and information to make strategic and timely decisions backed by data. This dashboard helps officials monitor information on key parameters across departments and also on the economy of Andhra Pradesh, schemes and programs of the various departments, status

of the infrastructure projects, investment tracking, real-time government revenues, health and welfare parameters and indicators, rainfall and ground water levels and crime.

> **What stands out about the digital transformation of the state and the enablers in this journey, is the e-Pragati initiative of the state. Andhra, chief minister Naidu, often mentions, "is the first state in the country to conceive and execute architecture called e-Pragati."**

It is a comprehensive framework for implementing e-governance and provides 745 e-services to citizens of the state. It extends to 33 secretariat departments and over 300 government agencies in Andhra Pradesh. What may be worth mentioning is that advanced technology like 'block chain' are being evaluated for security and authentication of the transactions on the e-Pragati platform . That apart, a cyber security policy is also be implemented. The results are there to see already. Andhra Pradesh had the maximum number of e-transactions in 2016-17 (as of December 2016) at over 1.01 billion e-transactions. Incidently, Andhra is the first government in Asia to introduce block-chain technology to fight cyber crime apart from introducing sophisticated algorithms to ensure systems are made 'hack-proof.' The state is also in advanced stages of discussion with the University of California, Berkeley to set up a 'block-chain Institute of Technology in Visakhapatnam to usher in the next generation technology that ensures safety and transparency.

One of the important medium that the state has deployed to bridge the digital divide is through the use of Fiber Grid. This is to help in access of information from across the globe, enabling entrepreneurship, skill development and access to global markets among other things . Instead of laying underground cables, the state teamed up with Cisco to use electric poles to carry optic fiber . The AP Fiber Net will give connection at Rs 149 per month for a 15 mbps line to 1.3 crore households and on-demand availability of 100 Mbps – 1 Gbps connections for business enterprises. The optic fiber has reached over 9,000 gram panchayats across the state.

A crucial component in going digital is also getting to be paperless. In this direction, Andhra Pradesh has made significant progress. After, its creation, it soon launched it's ambitious E-office project making the state offices paperless. It was started with 20 departments and the number of digitized files (as on December 2016) stood at 9.78 lakh. It is a moving number and the number keeps growing. The departmental files of two districts of Krishna and West Godavari have been completely transferred online ensuring transparency, accountability and easy access. The state today has an e-cabinet that does not use paper and is budget is e-budget.

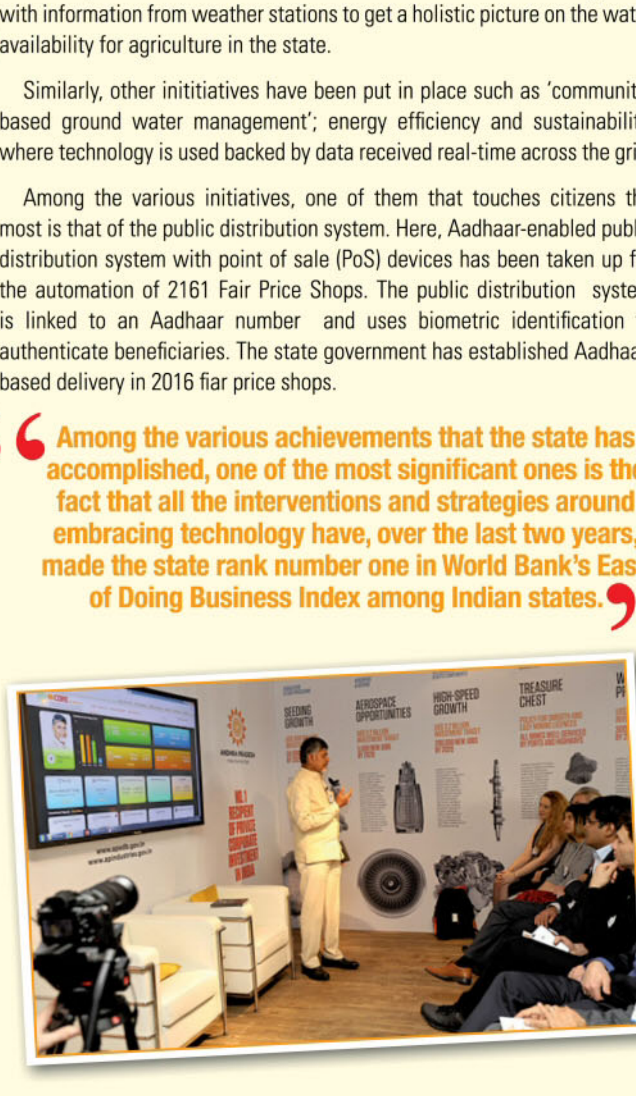
Drought Resilient

Despite a 28 per cent deficit in rainfall- agriculture and allied services have registered a growth of over 24.5 per cent in the first half of 2016-17. The government installed thousands of sensors across the state to capture information on the moisture content in soil, underground water levels, water availability in reservoirs without human intervention and combining them with information from weather stations to get a holistic picture on the water availability for agriculture in the state.

Similarly, other inititiatives have been put in place such as 'community-based ground water management'; energy efficiency and sustainability, where technology is used backed by data received real-time across the grid.

Among the various initiatives, one of them that touches citizens the most is that of the public distribution system. Here, Aadhaar-enabled public distribution system with point of sale (PoS) devices has been taken up for the automation of 2161 Fair Price Shops. The public distribution system is linked to an Aadhaar number and uses biometric identification to authenticate beneficiaries. The state government has established Aadhaar-based delivery in 2016 fiar price shops.

> **Among the various achievements that the state has accomplished, one of the most significant ones is the fact that all the interventions and strategies around embracing technology have, over the last two years, made the state rank number one in World Bank's Ease of Doing Business Index among Indian states.**



PERSONAL TECH

THE BUZZ @MCW 2017

Dual-lens camera smartphones, 2-in-1 Windows hybrids, and Android Wear 2.0 were the highlights of the Mobile World Congress in Barcelona. **By NIDHI SINGAL**

Mobile World Congress (MWC), the much-awaited annual event where new smartphones are unveiled, has set the tone for the year. With iconic brands such as Nokia and BlackBerry slated to make a stylish re-entry, dual-camera lens phones set to become the rage in flagship phones, and Windows hybrids taking centrestage, consumers have much to look forward to.

Here are the highlights from MWC 2017

The Return Of...

Nokia and BlackBerry ruled the roost before Apple crashed their party with the first iPhone in 2007 and changed the game altogether. Nokia and BlackBerry gradually lost their grip on the market. The two brands are set to make a comeback, banking heavily on the nostalgia factor.

HMD Global, which has the brand rights for Nokia, is reintroducing the brand with Android-powered smartphones (yes, finally). But the bigger piece of news is the return of the Nokia 3310 – the humble feature phone with monochrome display, no camera, the famous Snake game, and long-lasting battery launched way back in 2000. While it will continue to boast basic specifications, a few additions have been made – a 2.4-inch QVGA display, a 2-MP camera with LED flash, 2,100-mAh battery, and support for a microSD card slot.

The revamped version will be available in different colours. It runs on Nokia Symbian 30+ and has apps such as FM Radio, MP 3 Player, Opera Mini for browsing, and, of course, the Snake game. It may seem too rudimentary for today's smartphone age, but let's not forget that there is still a large market for feature phones. And, perhaps, large-hearted Nokia loyalists may choose to buy one for old times' sake.

BlackBerry is bringing its QWERTY keyboard back with the BlackBerry KeyOne. It has a 4.5-inch touch display with the 52-key QWERTY keyboard, and a fingerprint sensor that has been built into the home button. Interestingly, the physical keyboard enables multiple tricks – for instance, swiping the keyboard switches screens – and one can assign shortcuts to launch apps and tasks to all the keys. It runs on the Android Nougat (v7.1) operating system with BlackBerry's DTEK security app.

BlackBerry KeyOne

LG G6

HP X2 Pro

Huawei Watch 2

Dual Power

Smartphone manufacturers are waking up to the popularity of dual-lens camera modules. The MWC saw the launch of several new smartphones with dual-lens cameras.

Huawei has been adding dual-lens cameras to quite a few of its smartphones, and has now announced a new premium smartphone with Leica-branded cameras. Successors to the Huawei P9 – P10 and P10 Plus – are equipped with a 20-MP monochrome sensor and a 12-MP camera for colour. It also has a Portrait mode similar to that of the iPhone 7 Plus. The P10 Plus has a wider f/1.8 aperture compared to P10's f/2.2.

LG is ditching the modular design introduced in the G5 and adopting a 'glassy' form for the G6. It has added a dual-lens 13-MP camera to the rear. But unlike iPhone's telephoto lens, the extra lens in this smartphone is a wide angle one. There is also a dual shot mode using which you can take both wide-angle and standard short at the same time.

Oppo has gone a step further and announced a '5X dual camera zoom' technology with a periscope-style set-up for smartphones. The company says that by shifting the angle of the telephoto lens by 90 degrees, it will have the space it needs for a deep zoom. A periscope-style prism then directs the path of light entering the camera by 90 degrees, and sends the image through the telephoto lens when the user zooms in on a subject or object. Sounds fascinating? But there is no word on when the first smartphone with this technology will be launched.

2-in-1s in Vogue

Apart from smartphones, several tablets and wearables were announced, too. Banking on the popularity of Microsoft Surface Pro 4 – a brilliant fusion of a tablet and a laptop – companies are

OTHER HIGHLIGHTS

Samsung Gear VR with Controller

Samsung's new Gear VR comes with a controller, and a 42-mm lens with 101-degree field of view. The controller, powered by AAA batteries, has a touchpad that makes for easy navigation. There are buttons to point, drag and drop, tilt, shoot; the Trigger takes the gaming experience to another level. Designed for single-hand use, it also has integrated home, volume, and back buttons.

Nokia Android Smartphones

HMD Global will launch a series of mid-range Android smartphones – Nokia 6, Nokia 5 and Nokia 3. The Nokia 6 will feature a 5.5-inch full HD display, and run on Qualcomm Snapdragon 430 processor with 3 GB RAM; the Nokia 5 will have a 5.2-inch display, Qualcomm 430 processor paired with 2 GB RAM; and the smallest of them, the Nokia 3, will have a 5-inch display and run on Mediatek processor.

DJI M200

Designed for industrial use, such as search and rescue missions, the M200 Series drones fold and unfold quickly, as the gimbal mounting plates and aircraft arms stay mounted during transportation. This ensures that one is ready to fly within minutes. Its high-performance motors paired with 17-inch propellers ensure a stable flight even in strong wind conditions. The new dual-battery power system automatically heats up the batteries when flying in sub-zero temperatures.

announcing 2-in-1 Windows hybrids. HP announced its new 2-in-1 detachable targeted at professionals. It runs on 7th generation Intel processor and features a presentation mode, inking mode for taking notes, tablet mode for data collection, and a notebook mode. HP also has a rugged case designed for extreme work environments with a 360-degree rotating hand strap, shoulder strap, stylus holder and optional port plugs.

Samsung took to the stage to announce not the Galaxy S8, but the 12-inch Galaxy Book. With a 2-in-1 form factor, it has a detachable keyboard and an S Pen stylus. Featuring a 12-inch super AMOLED display, it will be powered by 7th generation Intel Core i5 processor, 4/ 8 GB RAM, 128/ 256 GB eMMC, and will run on Windows 10. Samsung has also announced a 10.6-inch Windows 2-in-1 with detachable keyboard and an S Pen Stylus running on Intel mCore processor.

Lenovo has upgraded its Yoga line-up and also announced the Miix 320 Detachable. This detachable comes with a 10.1-inch full-HD screen, is powered by Intel Atom X5 processor with up to 4 GB RAM and up to 128 GB eMMC storage.

Watch Out for Smartwatches

There hasn't been much action in the smartwatches space recently. But wearable manufacturers are betting big on Google's OS for smartwatches, Android Wear 2.0, to launch a slew of smartwatches. The highlight of the Android Wear 2.0 platform is the new scrolling mechanism that makes it refreshing and easy to use. Huawei announced its Watch 2 this year. This is a 4G smartwatch that runs on Android Wear 2.0 and has a 1.2-inch circular display packed in a 12.6-mm thick dial. It is a perfect workout companion with features such as live mapping, heart rate monitoring, real-time guidance, workout data report, and offline music. It also has Google Assistant and Watch Pay support.

LG Watch Style and Sport were the first two Android Wear 2.0 smartwatches announced earlier in February. The Style is a slim smartwatch with a 1.2-inch display, with a dial that can be pressed or rotated. This is water and dust resistant with a 240 mAh battery, 1.1 GHz Snapdragon Wear processor, 4 GB internal storage, and 512 MB RAM.◆

@nidhisingal

> "Since the real estate market remained a hot-bed for the indiscriminate use of black money in Haryana, the government's surprise demonetisation move has clamped down on black money hoarders in the state."

VIJENDER
a real estate stakeholder in Haryana

> "After demonetisation, we have seen an increase in our e-wallet usage and online bookings. Not only did we enable our customers to transition towards digital economy but also our drivers."

VIKRAM
runs a taxi business in Panipat

Ravi Shankar Prasad, union minister of law and justice and minister of information technology and electronics (left) and Manohar Lal Khattar, chief minister, Haryana (right) addressing the audience during the Mail Today Smart Money Conclave, held recently at Hotel Taj Mansingh, New Delhi.

CHANNELING MONEY TOWARDS FINANCIAL INCLUSION

The past few months have witnessed a digital revolution with PM Narendra Modi's Digital India campaign reaching the nooks and crannies of the country. As the demonetisation move pulled the money out of people's vaults, they were encouraged to use the digital mode for transactions making the economy go cashless. In sync with the theme, Mail Today Smart Money Conclave brought together bureaucrats, industry representatives and common people on one platform to deliberate on various topics such as the role of digitalisation in financial inclusion, Haryana's cashless economy and the blueprint set for cashless society.

Elaborating on how the demonetisation move was an answer to various issues related to money, **Manohar Lal Khattar, CM, Haryana**, said,"The decision was not just the answer to problems like terrorism, black money, disproportionate assets and revenue loss due to tax avoidance, but also to promote transparency in money transactions more and more through electronic banking and cashless facilities."

MAIL TODAY
SMART MONEY CONCLAVE
Driving Towards **Digital India**

Throwing light on the government's motive of making Indians a digitally empowered society, **Ravi Shankar Prasad, union minister of law and justice and minister of information technology and electronics,** elucidated, "We have linked 11 crore Aadhaar to 27 crore Jan Dhan accounts. With all these accounts becoming Aadhaar-enabled linked to the mobile, we started delivering subsi-

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(L-R) Anuj Mathur, CEO, Canara HSBC Oriental Bank of Commerce Life Insurance; Naveen Kukreja, co-founder and CEO, Paisabazaar.com ; Naresh Kumar Gupta, director, BSNL; Sanjeev Pandey, senior president, Yes Bank Ltd. at one of the sessions.

"BSNL is committed to play a pivotal role by providing tools for cashless transactions & high-speed connectivity."

ANUPAM SHRIVASTAVA
CMD, BSNL

"The real estate regulatory act had been passed and GST had the go ahead which will broaden the tax base."

BIBEK DEBROY
Economist & member of NITI Aayog

(L-R) Vijender, a real estate stakeholder in Haryana; Rajneesh, an MSc student in Faridabad Government College; Vikram, who runs a taxi business in Panipat; Manmohan, a farmer in Karnal; the speakers sharing their experiences during and after demonetisation, at the Conclave.

dies to the poor and underprivileged from kerosene, gas and ration to MNREGA payments. About 350 million people were given the benefit and we have saved ₹50,000 crore which used to be pocketed by middlemen or fictitious claimant."

During the session 'Setting the Blue Print for Cashless Society', **Bibek Debroy, economist and member of NITI Aayog**, brought focus on how even before November 8 happened, there were other factors which affected sectors like real estate which are prone to excessive use of cash far more than a normal transaction. "The real estate regulatory act had been passed and GST had the go ahead which somewhere down the line will broaden the tax base in terms of extending the distribution chain. These are triggers which over the period of time will discourage the excessive use of cash," Debroy informed.

Discussing on the role of technology in financial inclusion, a panel consisting of **Naresh Kumar Gupta, director, BSNL; Anuj Mathur, CEO, Canara HSBC Oriental Bank of Commerce Life Insurance; Sanjeev Pandey, senior president, Yes Bank Ltd.; and Naveen Kukreja, co-founder and CEO, Paisabazaar.com**, brainstormed over topics ranging from the need of internet connectivity to the advent of payment banks. Gupta pointed out that for any digital transaction, bandwidth is required and there is a need for having internet connectivity, 3G, 4G or WiFi technology throughout the country. "The government of India will be covering 2.5 lakh villages through Bharat Net project which is already in the advanced stage," he said.

Talking about the direct link between internet connectivity and banking, Pandey stated, "There is a great scope of using the mobile as a channel to transfer and receive money within this current user base of internet."

On one hand, Mathur stated that payment banks are going to revolutionise the entire distribution system. On the other hand, Kukreja was of the view that payments banks will eventually evolve a model where they will work closely with one or two banks instead of creating a marketplace like them.

"Now in our college and other institutions in Haryana, digital biometric attendance system with thumb impression has been started for both students and teachers to improve their efficiencies of daily timing and attendance."

RAJNEESH,
an MSc student in Faridabad Government College

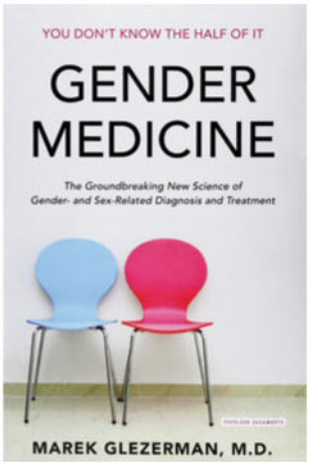
"No doubt, cash shortage has affected us badly after November 8, but now we are not facing any problem since we have been given cashless payment cards to easily buy seeds and fertilisers on subsidised rates from the market."

MANMOHAN,
a farmer in Karnal

EX-LIBRIS

Divide by Gender

There's plenty of evidence here to convince modern medicine practitioners to take cognisance of gender-based health care. BY DR. KESHAV RAO



Gender Medicine

BY MAREK GLEZERMAN
PAGES: 320
PRICE: ₹499
BLOOMSBURY PUBLISHING

The Thalidomide tragedy shook the world in 1961. Thousands of mothers took this new anti-nausea drug to control morning sickness. It led to birth of 10,000 babies with absent or stump-like limbs along with other horrifying deformities. A decade later, girls born of mothers given a drug called DES in pregnancy were found to be prone to developing genital cancer. That was it. Researchers stopped enrolling women in clinical drug trials. Even today, laments Professor Glezerman in *Gender Medicine*, women are disregarded or misrepresented in medical research and data gleaned from a largely male cohort is irrationally applied in assessment, investigation, diagnosis and treatment of diseases among the women of the world.

At the outset, the author clarifies that gender is not synonymous with sex. Gender refers to socially constructed roles, behaviours, activities and attributes that a given society considers appropriate for men and women. Gender medicine views an individual as having an inner core of genetic material, surrounded by a sphere of biological changes that are the result of millions of years of evolution – the male hunter, and female gatherer and child bearer, with an outer cover of environmentally-engineered attributes. All put together, men and women differ significantly in their susceptibility to disease, their defence mechanisms and bodily responses to disease, the expression of symptoms, and response to therapy. As the book unravels, Glezerman presents realms of anatomical, physiological and psychological evidence to support his claim that modern medicine can no longer ignore these gender-specific differences, and the need of the hour is individualised gender-based health care.

The book grabs one's attention from the very first page where the author describes a young girl with uncontrolled epilepsy. Evaluation reveals her fits increased during her menstrual cycle. The natural surge of hormone progesterone that occurs during the second phase of the menstrual cycle partially neutralised her medication. An upward tweak of the dose during menstruation solved a seemingly complex problem.

While discussing how gender affects the way a foetus develops in the womb, the author simplifies a complex topic – genetics, the blueprint inherited from parents, epigenetics, as the chemical changes that affect the way genes are expressed, genotype as the root, and phenotype the plant that grows into the environment. The Trivers-Willard effect is described as an evolutionary concept wherein weak male fetuses with probable low fertility are spontaneously aborted so that a pregnancy with a female or a stronger male foetus could quickly follow. Foetal programming is described, in which exposure to high intra-uterine testosterone levels may have an inverse relationship to a child's social skills or vocabulary and maternal factors like stress or diet can significantly affect behaviour, learning ability or weight. What a mother reads, the music she listens to, or the flavour of the food she eats all get transmitted to her baby by subtle alterations in the intra-uterine environment. Holistic pre-natal care, therefore, is the key to prevention of disease in adulthood. "How we are ushered into life decides how we leave it".

A gender-medicine approach is the only way forward, stresses Glezerman, as he outlines with precision the nuances of heart disease as being different in men and women. A young woman is protected from heart disease by the hormone estrogen, but this protection wears off with menopause when, with the advent of obesity, hypertension and high cholesterol, a woman is as likely as a man to get heart disease. The dramatic scenario of severe central chest pain, sweating, anxiety and breathlessness that herald a heart attack in men may not be so prominent in women. A woman may feel generalised weakness and fatigue or a typical pain in jaw, shoulder or back – often leading to missed or delayed diagnosis. While a stress test or SPECT scan is suited for a man, a stress Echocardiograph is a better test for a woman. Women react differently to medication. Aspirin, which helps prevent heart attacks in men, is more effective in preventing brain strokes in women. Pregnancy offers a window of opportunity to monitor pregnancy associated high blood pressure or high sugar, which are often harbingers of hypertension and diabetes in later life.

Men and women differ significantly in their susceptibility to disease and their defence mechanisms

Every chapter of this riveting book is strewn with nuggets of information such as some of these – food takes twice as much time to traverse the intestine in women as in men (should women eat twice a day and men four times?); the intestinal nerve network, the second brain, has one hundred million nerve cells and can function independent of the brain except for swallowing and excretion which thankfully are under voluntary control; 40 trillion microbes live in the intestines...indiscriminate use of antibiotics or excessive artificial sweeteners that disturb this flora are deleterious to health; a man produces a hundred million sperms per day but a woman does not produce any eggs after birth; the sweetness of a kiss is not dependent on affection but on ovulation; and redheads are more sensitive to pain than blondes or brunettes, and require larger doses of anaesthesia.

Gender medicine, the author says in conclusion, is still a young field. There is an urgent need for education and awareness of the general public and the media. Health administrators and medical institutions need to be sensitised, and medical colleges should include gender medicine in training curricula. Only once the principles of gender medicine are established in all doctors' clinics will patients receive individualised evidence-based treatment they all deserve. I couldn't agree more. ◆

The reviewer is Regional Medical Director at Fortis Healthcare Ltd

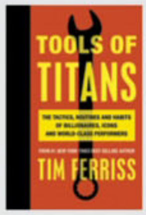
UNDERSTANDING THE BLACK ECONOMY

THE FORTNIGHTLY PICK

By Arun Kumar
Price: ₹399

The country's leading authority on the black economy shows us the way in which the problem can be rooted out, provided the government has the political will and determination to act.

BUSINESS BESTSELLERS*



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Random House
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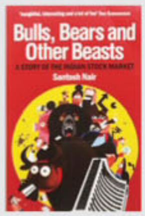

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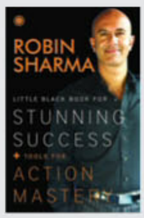
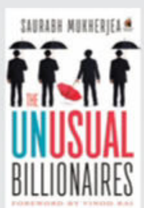


Little Black Book for Stunning Success

By Robin Sharma
Jaico Publishing House
Price: ₹250



The Unusual Billionaires

By Saurabh Mukherjea
Penguin
Price: ₹499

*Top books by sales for Feb 13 - 26, 2017;
Includes only books released after Jan 1, 2015;
Information provided by amazon.in

Women of Steel

Stories of women who unabashedly challenged the status quo, and chased their ambitions. BY SAPNA NAIR PUROHIT

Devi, Diva or She-devil: The Smart Career Woman's Survival Guide

BY SUDHA MENON
PAGES: 208
PRICE: ₹499
PENGUIN RANDOM HOUSE

In the much-acclaimed Hollywood movie *Million Dollar Baby*, protagonist Maggie Fitzgerald (played by Hilary Swank) faces several jibes and unsolicited remarks her own coach addresses her as 'girlie' and fellow male boxers question her femininity as she invincibly pursues her boxing dream. Closer home and closer to reality, Olympic winner and five-time world champion M.C. Mary Kom did not have it easy either. Nor did Sharda Ugra, who became a sports journalist in the late 80s, breaching what otherwise was a male bastion.

Sudha Menon's *Devi, Diva or She-devil* brings to the fore stories of women who dared to break away from stereotypes, faced brickbats and challenges along the way, and continued in their career pursuits tenaciously. The book is a compilation of recommendations and anecdotes from the likes of corporate honchos Nisaba Godrej, Devita Saraf and Mallika Srinivasan, as well as other accomplished women from the realms of banking, movies and sports. For some, the journey to the top was laden with sacrifices and setbacks; for the more privileged, it was a test of their capabilities. But they all have one thing in common having dealt with prejudice at some point in their lives, be it from bosses, colleagues, neighbours, or stay-at-home mothers.

There's inspiration in every story, albeit in varying degrees. For instance, for food writer and chef Karen Anand and actor Lillete Dubey, it was a call of passion. Anand started out by writing food columns with her limited knowledge of European cuisine, and Dubey's love for acting and performances drove her to set up a theatre company. Manisha Girotra, CEO, Moelis & Company India, while cutting her teeth in banking, has had to don the role of a 'pizza girl'. Her ascent from PYT (pretty, young thing) to CEO – she went on to head two reputed investment banks later on required a gritty resolve and a "thick skin". Pankajam Sridevi, MD, ANZ Bengaluru, has a zero-tolerance policy towards sexual harassment, having had an adverse experience in her younger days. Sports writer Ugra's perseverant journey from the being the "odd one out" to being one among the boys, and ackowledged for her work is laudable.

The perception that women are not driven by their careers for the long haul and that marriage and children eventually rein them in – translates into many not getting their due. While these instances are prevalent, the author's unreserved statement that "there are as many stories of gender cynicism as there are (career) women" is, perhaps, a gross generalisation.

The book offers solace and solutions to women who are bogged down by family commitments, or the guilt of leaving their kids in day care or not being around for the important milestones. A strong support system at home is one of the prime catalysts for the successes of the women profiled in the book.

The book strives to be a confidence booster for working mothers. However, the inclusion of more lesser-known women and their survival tales would have resonated better with a 'career woman' like me. ◆

Team LLOYD with some of the Winners from the Night

The Winning Team 'Kolkata Kosmics' with Ranjan Mohapatra (IOCL)

BT EVENT Golf

KOLKATA KOSMICS

Amit Basu

Amit Bhowmik

Kolkata, February 10, 2017 It was a warm afternoon as corporate honchos from the city of joy teed off at the Tollygunge Club for the LLOYD Business Today Pro-Am of Champions 2017.

The winning team comprising of Deepak Tandon, Harsh Jhunjhunwala, Viresh Oberoi & Harvinder Singh with a combined score of 99 points, were crowned the "Kolkata Kosmics" and would compete in the finale in Delhi against the winners from other 9 cities.

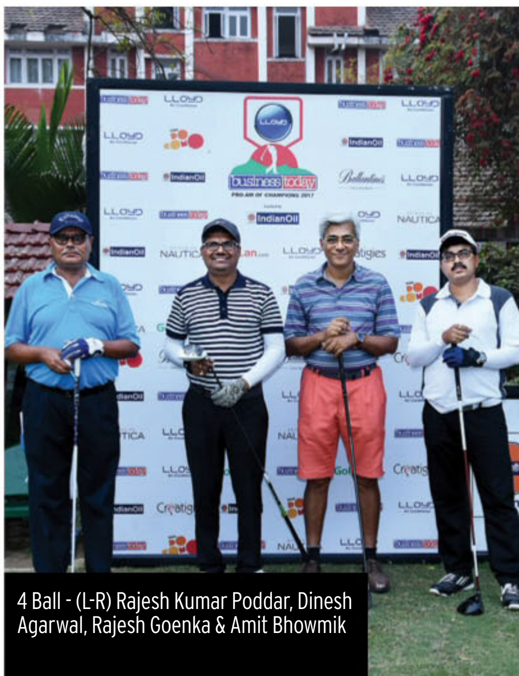
The team comprising Dipankar Talukdar, Kallol Datta, Niraj Tiwatia & Feroze Khan finished Runners Up with 99 points.

In the Individual prizes, Subhrato Lahiri was the winner with 37 points in the 15-24 handicap category and Feroze Khan won with 36 points in the 0- 14 handicap category.

LLOYD Electric & Engineering - the Co-title sponsor, Indian Oil - the Fuelled By sponsor, Tata Docomo– the Telecom Partner, Golflan.com - the Digital Partner, Nautica – Style Partner, Ballantine's - Partner & Creatigies – the Marketing Partner of the event. ◆

LLOYD business today PRO-AM OF CHAMPIONS 2017 Fuelled by IndianOil

Individual Winner, Subhrato Lahiri (Handicap Category 15-24)



4 Ball - (L-R) Rajesh Kumar Poddar, Dinesh Agarwal, Rajesh Goenka & Amit Bhowmik

Individual Winner, Feroze Khan (Handicap Category 0-14)

Winner on the Simulator Pravin Agarwal with Nitin Trehan (LLOYD)


Amit Kumar


Dinesh Agarwal


Kaushik Pyne


Saibal Roy Choudhury


Team IOCL

Samir Cupta from Golflan.com with the Lucky Draw Winner

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Description: Looking for MBA or CA graduate with min: 3years to Max: 5years of experience in Product control .

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Designation: Sr. Manager Talent Acquisition
Location: Delhi,
Job ID: 20196081
Description: Hardcore experience in Talent Acquisition for IT- Recruitment & Non-IT-Recruitment.

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TIBCO Software India Private Limited
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Lowes Services India Private Limited
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Description: Hands on development experience is required on J2EE, Java, and JSP Development Technologies.

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Hexaware Technologies Limited
Designation: Power BI Developers
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Job ID: 19882542
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Location: Chennai
Job ID: 20210277
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Husys Consulting Limited
Designation: Sales Manager
Location: Delhi
Job ID: 20028288
Description: Hands-on experience in sales and customer service, Good communication skills and customer service experience.

Synergy HRD Consultant Private Limited
Designation: VP, AVP - Executive Search Consulting
Location: Delhi, Gurgaon
Job ID: 20210861
Description: The ideal candidates will be self-driven with excellent communication and presentation skills, initiative, diligence and smart innovative working.

WNS Global Services Private Limited
Designation: Content Manager (public Relations)
Location: Gurgaon
Job ID: 20152690
Description: Writing thought leadership articles, blogs, talking points based on in-depth research, and analysis.

dEEVOiR Consulting Services Private Limited
Designation: Business Development Manager
Location: Mumbai
Job ID: 20151360
Description: Any Graduate with 2+ years of experience in Sales, Should have good Business Development skills.

E Centric Solutions Private Limited
Designation: Business Development Manager
Location: Mumbai
Job ID: 20207396
Description: Responsible for the entire gamut of lead management, sales and business development for the region.

NTTF
Designation: Regional Coordinator
Location: Bengaluru / Bangalore, Chennai
Job ID: 20209262
Description: Coordinating in the region appointed for Trainee acquisition and placements activities for all Programs.

KRM Global
Designation: Branch Sales.
Location: Delhi
Job ID: 20201961
Description: Candidate should have min. 10 year of experience in Operation profile.

Talish Solutions
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Allianz Cornhill Information Services Pvt Ltd
Designation: Credit Control
Location: Thiruvananthapuram / Trivandrum
Job ID: 20191868
Description: 1-4 years of experience into collection/overdue/receivables.

Talent Corner Hr Services Private Limited
Designation: Accounts Executive - Gems/ Jewelers
Location: Mumbai
Job ID: 20201258
Description: Prepare, examine, and analyze accounting records, financial statements, and other financial reports to assess accuracy.

GlobalHunt India Private Limited
Designation: Audit Manager
Location: Gurgaon
Job ID: 20199945
Description: Conduct detailed audits and reviews for providing independent assurance that control framework and governance systems are functioning as intended.

Akshay Software Technologies
Designation: Sr. Position in Finance & Accounts
Location: Mumbai
Job ID: 20194366
Description: Looking for Sr. Position in Finance & Accounts for our company Akshay Software Technologies Ltd, Navi Mumbai.

Black Turtle India Private Limited
Designation: Chartered Accountant
Location: Mumbai
Job ID: 20197591
Description: Min 1-2 yrs of experience in derivative, UK or US GAAP, IFRS.

Evolution Services
Designation: Senior Accountant/Accounts Manager
Location: Delhi, Gurgaon
Job ID: 19792641
Description: 2-6 Years in Accounts & Finance Background (Accounts Receivable, R2R).

Roljobs Technology Services Private Limited
Designation: Finance Assistant
Location: Bengaluru / Bangalore
Job ID: 20193504
Description: Having Experience 1 - 5 years in Bengaluru / Bangalore location.

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Debt Riddance

K.P. Singh and family, the promoters of real estate company DLF Ltd, are selling their stake in flagship company DLF Cyber City Developers Ltd (DCCDL) to Singapore-based private equity firm GIC. Although the company has not disclosed the financial details of the deal, reports suggest that the deal size is around ₹14,000 crore. At this price, the valuation of DCCDL comes to ₹35,000-40,000 crore. The proceeds from the sale would be injected back into the parent firm to reduce its debt, which stood at ₹24,397 crore as of December 2016. The family had, in 2015, planned to sell its 40 per cent stake in DCCDL by March 2016, but deferred it by a year. The development comes as a relief to the company, which has been trying to reduce its debt.

K.P. SINGH
Chairman, DLF Limited

VIVAN MEHRA

TRAVIS KALANICK
CEO, Uber

AMIT SINGHAL
Former SVP - Engineering, Uber

Turbulent Ride

There seems to be no end to Uber's woes; it continues to make headlines for the wrong reasons. It all started when a former Uber employee Susan Fowler wrote a blog post alleging sexual harassment by a senior manager during her tenure in the company. She wrote that Uber did not respond to her complaints. Subsequent to her post, CEO **Travis Kalanick** apologised to employees for 'cultural failings' at his company. He asked Uber's SVP of Engineering, **Amit Singhal**, to resign for not disclosing to the company that he had been asked by his previous employer Google to leave on allegations of sexual harassment. Singhal, however, has denied any wrongdoing. Two days later, Kalanick had to apologise again after a video of his squabble with a Uber driver went viral. Travis wrote a post on Uber's website: "It's clear this video is a reflection of me – and the criticism we've received is a stark reminder that I must fundamentally change as a leader and grow up."

J.S. DEEPAK
Former Telecom Secretary

Talking Trade

Telecom Secretary **J.S. Deepak** has been appointed as India's ambassador to the World Trade Organisation (WTO). A 1982-batch IAS officer from Uttar Pradesh, Deepak will take on the new role from June this year. Before taking over, he will serve as Officer on Special Duty in the Department of Commerce till May 31. Deepak has earlier worked as Additional Secretary in the Ministry of Commerce, and was responsible for negotiations at the WTO and for the Regional Comprehensive Economic Partnership agreement.

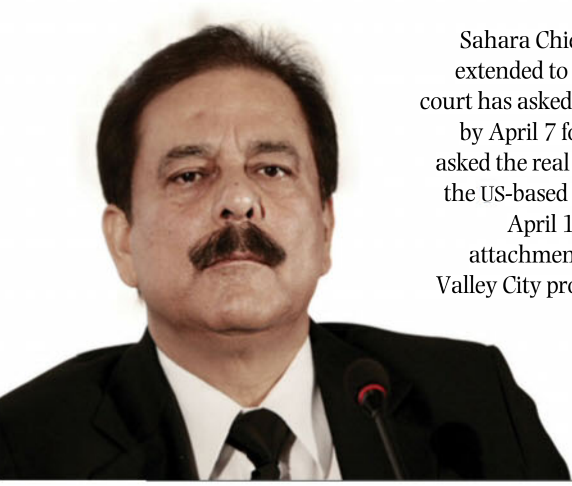
New Rules

Ajit Pai, Chairman of the US Federal Communications Commission (FCC), is creating ripples with his new policies. Pai, who has promised 'light-touch regulation' in areas such as the Internet, has set aside rules introduced by the earlier government which subjected broadband providers to stricter scrutiny rather than websites to protect private data of consumers. He has also changed the net neutrality rules and blocked companies from offering discounted high-speed internet services to low-income individuals.

AJIT PAI
Chairman, US FCC

Heavy Price

Sahara Chief **Subrata Roy**'s parole was recently extended to April 17 by the Supreme Court. The court has asked the group to deposit ₹5,092.6 crore by April 7 for Roy to get bail. The court has also asked the real estate firm buying Sahara's stake in the US-based Plaza Hotel to deposit ₹750 crore by April 10. The court had earlier ordered the attachment of Sahara's ₹39,000-crore Aamby Valley City property in Pune to ensure payment of dues to investors.



SUBRATA ROY
Founder and Chairman, Sahara India

RACHIT GOSWAMI

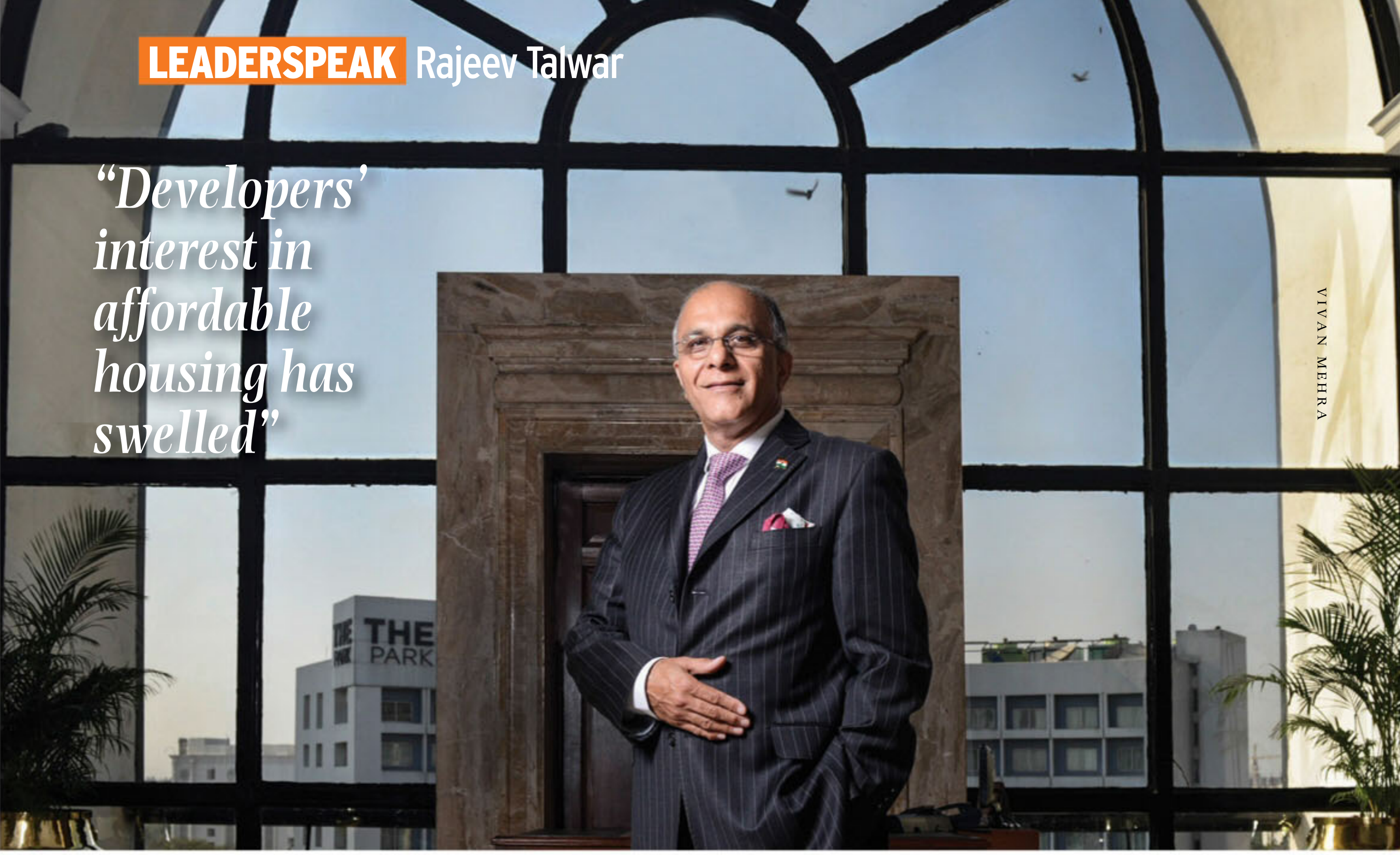
RAJEEV SURI
President and CEO, Nokia

Blast from the Past

Nokia's President and CEO, **Rajeev Suri**, has applauded HMD Global's move to bring back the iconic Nokia 3310 phone in a rehashed avatar to the market. "Now we are celebrating the new era of Nokia brand...that is the reason we are with HMD Global. Let me also be very clear that we would not license the Nokia brand to just anybody," Suri said on the development. The phone, which was showcased in a revamped version at the Mobile World Congress, will be available in India from the next quarter for ₹3,500.

COMPILED BY DEVIKA SINGH

"Developers' interest in affordable housing has swelled"



VIVAN MEHRA

Rajeev Talwar, CEO, DLF, and Chairman, National Real Estate Development Council, tells **Chanchal Pal Chauhan** about the changes unfolding in the real estate sector.

What has been the impact of the Budget on the real estate sector?

The Budget brought in some positive zeal for the sector with a slew of benefits incentivising affordable housing, reduction in holding period for levy of long-term capital gains tax, and putting more disposable income in the hands of the customer. The surfeit of liquidity in the banking system has resulted in reduction in interest rates on home loans.

Are realtors on board the government's 'Housing for All by 2022' goal, despite the slender margins?

We fully support the government in this mammoth endeavour. Developers' interest in the affordable housing segment, after the slew of incentives announced in the Budget, has swelled. However, whether a developer enters this segment will depend on his business model, ability to raise money at competitive rates, and keep costs under check.

Do you think the Budget has been able to address the issue of transparency in the sector?

The real estate sector has gone through a prolonged period of muted sales for a number of reasons. All these factors and concerns, whether from the developers' side or the buyers' side, are now being addressed. Reforms like RERA (Real Estate Regulatory Authority) and GST will further boost sentiment and eventually improve transparency.

Why hasn't the government's push on Real Estate Investment Trusts (REITs) yielded even a single listing?

Developers want to assess the impact of GST before they opt for REITs. We may have to wait till GST is implemented to see some positive results as tax efficiency is very critical for the success of REITs. Stamp duty exemption is another key issue to be resolved; that is needed to make REITs successful. REITs have emerged as a vibrant asset class in countries that have exempted the instrument from stamp duties. ◆

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MARCH 2017

Money Today

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INVESTING IN DEBT

With markets unsure about which way interest rates are headed, we tell you how to invest in fixed-income securities

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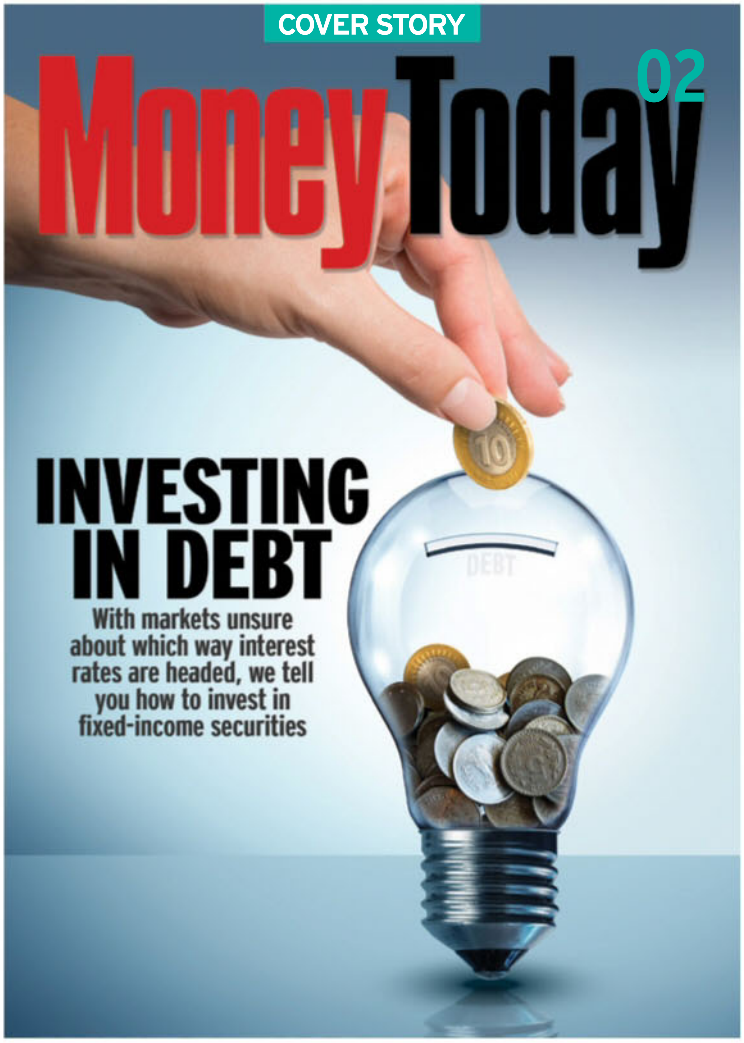
COVER STORY



Cover by AJAY THAKURI

Illustrations by RAJ VERMA

UNCERTAIN TIMES

With little clarity on the way interest rates are headed, we tell you how you can make money from fixed-income instruments.

BY RENU YADAV

Always expect the unexpected. This is the lesson from the latest monetary policy review of the Reserve Bank of India (RBI). While most people were expecting that the RBI will continue its "accommodative" stance and cut the repo rate by 25 basis points or bps (100 basis points is equal to one per cent), the central bank decided to keep the rate steady at 6.25 per cent in its first monetary policy review of 2017.

What surprised the market more was the change in the RBI's stance from "accommodative" to "neutral". It cited the sticky core (non-food/fuel) inflation, firming up of global commodity prices, especially of oil, and strengthening of the US dollar as reasons for the change in stance. This means the RBI has kept options open to move interest rates in either direction. Experts are anticipating that this could be the end of the rate cut cycle that began in 2015.

"Having changed stance from accommodative to neutral on account of upside risks to inflation and excess liquidity, the RBI has hinted at restricted scope for further easing in the near term," says Santosh Kamath, CIO and MD, Local Asset Management, Fixed Income Franklin Templeton Investments, India.

"The RBI left the repo rate unchanged at 6.25 per cent despite lowering its inflation outlook and GDP growth projections. There seems to be a greater concern about global oil/commodity prices. This indicates a higher bar for rate cuts. The change in stance from accommodative to neutral suggests we might have reached the end of the rate cut cycle," says Arvind Chari, Head of Fixed Income & Alternatives, Quantum Advisors.

STRENGTHENING YIELDS

While 2016 saw a correction in long-term bond yields (coupon rate divided by the bond's market price) in most regions, including Europe, Asia and other emerging economies, including India, 2017 has seen a reversal of the trend. "The start of 2017 has seen a reversal in the trend of falling bond yields as economies shift gears to grapple with strengthening fuel and metal prices, which have a tendency to stoke inflationary expectations," says Kamath of Franklin.

After falling to a multi-year low in 2016, the yield on 10-year benchmark government securities spiked by 30 bps to 6.75 per cent after the RBI's policy announcement on February 7. G-Sec yields rose from 6.43 per cent to 6.85 per cent between February 7 and February 10. The

Plunging G-Secs

FALLING 10-YR YIELDS (%) MAKE THINGS DIFFICULT FOR INVESTORS

BIG INTEREST

INTEREST RATES ON SMALL SAVINGS SCHEMES CONTINUE TO BE ATTRACTIVE

	Interest rate for quarter ended March 2017 (%)
ONE-YEAR TIME DEPOSIT	7.00
FIVE-YEAR TIME DEPOSIT	7.80
FIVE-YEAR SENIOR CITIZENS SAVINGS SCHEME	8.50
FIVE-YEAR MONTHLY INCOME ACCOUNT SCHEME	7.70
FIVE-YEAR NATIONAL SAVINGS CERTIFICATE	8.00
PUBLIC PROVIDENT FUND SCHEME	8.00
KISAN VIKAS PATRA	7.70

Source: CMIE

SMALL BANK BONANZA

FIXED DEPOSIT RATES OFFERED BY SMALL FINANCE BANKS (FOR NON-SENIOR CITIZENS)

BANK	Highest FD interest rate (%)	TENURE
SURYODAY SMALL FINANCE BANK	9.00	12 MONTHS TO LESS THAN 24 MONTHS
UJJIVAN SMALL FINANCE BANK	8.00	ONE YEAR TO LESS THAN TWO YEARS
EQUITAS SMALL FINANCE BANK	7.25	ONE-THREE YEARS
CAPITAL SMALL FINANCE BANK	7.20	400 DAYS

Source:Paisabazaar.com

yields are now at the pre-demonetisation level. Experts expect a lot of volatility in yields in the short term.

"In the near term, the yield will be primarily influenced by liquidity, supply of G-Sec paper, and buybacks. In our opinion, yields on long-term instruments will remain more volatile than those on short-term instruments," says Rupa Rege Nitsure, Group Chief Economist, L&T Financial Services.

"Ten-year yields could touch around 7.25 per cent if the RBI remains on a pause mode in 2017. If a 25 bps cut materialises, they could settle around 7 per cent. In both cases, the assumption is that liquidity will remain in the surplus territory," says Gaurav Kapur, Chief Economist, IndusInd Bank.

WILL RBI HIKE?

Strengthening bond yields indicate that interest rates may not fall from here. Experts say the RBI's call on interest rates will depend on both domestic and global factors. However, they add that given the fall in GDP growth and poor credit offtake, the RBI will increase rates only if global or domestic macro factors deteriorate more than expected.

"We expect inflation to remain at less than 5 per cent in 2017. If monsoon is normal, food prices, too, will remain under control. But in case of a rise in global commodity prices, especially if oil shoots above $70, the RBI may consider increasing the repo rate. Otherwise, it is unlikely that it will go for a rate increase," says Chari of Quantum Advisors.

"The upside in interest rates is likely to be restricted by ample liquidity and weak credit demand," says Gaurav Kapur, Chief Economist, IndusInd Bank.

Nitsure of L&T Financial Services believes interest rates will remain volatile rather than move in any one direction during 2017/18.

Here's how investors can gain from these trends.

FIXED DEPOSIT INVESTORS

Fixed deposits provide safety of capital and guaranteed interest. This makes them the most sought-after debt investment despite the fact that the interest earned is tax-

BIG BANKS OFFER ROCK-BOTTOM RATES...

FD RATES (%) ON COMMERCIAL BANK DEPOSITS FOR NON-SENIOR CITIZENS HAVE TURNED UNATTRACTIVE

BANK	1 YEAR	3 YEARS	5 YEARS	10 YEARS
AXIS BANK	7.00	6.75	6.75	6.75
BANK OF BARODA	7.00	6.85	6.50	6.50
ICICI BANK	6.90	6.75	6.75	6.50
HDFC BANK	6.90	6.00	6.00	6.00
SBI	6.90	6.50	6.50	6.50

...SMALLER PLAYERS SMELL AN OPPORTUNITY

SMALL BANKS ARE OFFERING MORE ON FDs THAN THE BIG COUNTERPARTS

BANK	TENURE	RATE (%)
RBL BANK	24 MONTHS TO LESS THAN 36 MONTHS	7.85
BANDHAN BANK	ONE YEAR	7.70
IDFC BANK	366 DAYS	7.50
DBS BANK	TWO-THREE YEARS	7.50
DCB BANK	36 MONTHS TO 60 MONTHS	7.25

Source: Paisabazaar.com

able. At present, interest rates on bank fixed deposits are at a 10-year low. The RBI has cut the repo rate by 175 bps since 2015. Flushed with liquidity after demonetisation, banks slashed interest rates substantially. Right now, State Bank of India is offering 6.90 per cent on a one-year fixed deposit; in 2015, it was 8.5 per cent. After tax, the effective rate for a person in the highest tax bracket of 30 per cent works out to be 4.83 per cent, which is very low.

As repo rates are unlikely to fall further, fixed deposit rates may not go down from here. This will be good news for many investors, especially retirees, several of whom park their retirement savings in bank deposits for regular income.

"As the repo rate, at which banks borrow from the RBI, goes down, banks generally cut fixed deposit rates. This has been the trend in the past. But as the RBI has signalled that it is unlikely to go for a rate cut in the near future, fixed deposit rates may not go down further by much," says Chari of Quantum.

"It will depend on the liquidity in the banking system and the pace of re-monetisation. Bank rates are at very low levels. I don't see any significant correction. Also, bank fixed deposits compete against small savings schemes (SSS), which are offering higher rates. If fixed deposit rates go down from here, investors may shift to SSS, which banks wouldn't want to happen," says Lakshmi Iyer, Chief Investment Officer (Debt) and Head of Products, Kotak Mutual Fund.

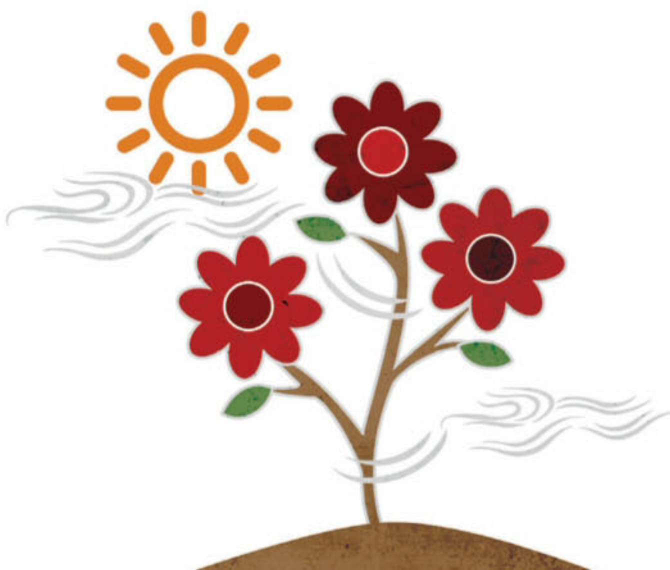
However, some new small banks are paying higher interest than commercial banks to expand their customer base.

DEBT FUNDS

Investors in higher tax brackets have to look beyond fixed deposits as taxes can substantially erode the value of the interest earned. Debt mutual funds are one of the most recommended alternatives. These have the potential of delivering better returns. Plus, their returns are less lightly taxed (gains over three years qualify for indexation benefits).

For instance, in 2016, falling interest rates and softening bond yields helped long-term bond funds and dynamic bond funds deliver double-digit returns. Interest rates and bond prices move in opposite directions. As interest rates fall, bond prices go up, and vice versa. Debt mutual funds, especially those that invest in longer maturity papers, perform better when interest rates are falling. This is because the demand for higher-coupon bonds held by them rises in such a case. As a result, their net asset value increases. Long-term bond funds invest in papers with long maturity, including G-Secs, which are highly traded and, hence, volatile. Dynamic bond funds have the flexibility to change the average maturity of the portfolio as per the interest rate scenario.

However, the RBI's recent move came as a shocker and many experts, including fund managers of debt mutual funds, were caught off-guard. After the monetary policy announcement, bond yields strengthened, and most debt funds, barring liquid funds that invest in debt papers of up to 61 days, delivered negative returns of 0.30-2 per cent. Some funds in the medium- to long-term category, such as L&T Triple Ace Bond Fund, fell as much as 2.57 per cent on February 8, as per the data provided by Morningstar India. Debt funds generally take two-



THE GILT EDGE

2016 WAS THE YEAR OF LONG-TERM BOND FUNDS

Debt Fund Categories	3 MONTHS	6 MONTHS	1 YEAR	3 YEARS	2015	2016	YTD
ULTRASHORT BOND	1.73	3.42	7.31	7.26	6.65	7.14	-0.13
SHORT-TERM BOND	1.99	4.04	8.59	8.26	6.91	8.25	-0.54
INTERMEDIATE BOND	2.54	5.21	11.86	9.77	5.91	11.12	-1.33
SHORT-TERM GOVERNMENT BOND	2.21	4.32	9.82	8.79	6.94	10.00	-0.56
INTERMEDIATE GOVERNMENT BOND	3.27	6.46	14.83	11.12	5.40	13.77	-1.56
LONG-TERM GOVERNMENT BOND	3.31	6.31	15.55	11.37	4.62	14.57	-1.81
CORPORATE CREDIT	2.32	4.88	9.84	9.51	8.24	9.19	-0.50

All trailing returns as on Jan '17-end; YTD is year-to-date (as on February 18); returns over one-year period are annualised
Source: Morningstar India

three months to deliver such returns. So, what should be the strategy in such a scenario?

Continue To Hold Dynamic Bond Funds: Experts say long-term bond funds, especially those that invest only in long-term G-Secs, are not for retail investors. This is because timing the entry and exit in these funds is very important. But dynamic bond funds are still a good option for the long term given that they have the flexibility to change the average maturity of the portfolio as per the changes in the interest rate scenario.

Vidya Bala, Head of Mutual Fund Research, FundsIndia.com, says, "Investor should enter debt funds with a minimum time frame. They shouldn't rush to sell dynamic bond funds after seeing volatility in the short term as these are for investors with a holding period of at least three years."

"The RBI definitely surprised markets by changing its stance from 'accommodative' to 'neutral'. As yields rose nearly 35-40 bps, duration funds were impacted. But we believe that investors can continue to remain invested in debt funds as the country's macro fundamentals are quite favourable," says Rahul Goswami, CIO- Fixed Income, ICICI Prudential AMC.

However, investors will have to temper expectations from dynamic funds, as they may not give double-digit returns like they delivered in 2016.

Short-Term Funds To Perform Well: Conservative investors who are risk-averse even in the short term can look at short duration funds; these are likely to do better than long duration funds.

"Fresh investments can be made in ultra-short-term and short-term debt funds holding good quality paper based on one's investment horizon. Allocation to long duration bond funds such as gilt and income funds (medium- to long-term bond funds) can be avoided. Investors with allocation to long duration bond funds such as gilt and income funds could reduce exposure (subject to exit loads and tax implications)," says Dhaval Kapadia, Director, Portfolio Specialist, Morningstar Investment Adviser India (see table to know which funds to hold as per your investment tenure, as recommended by Vidya Bala of FundsIndia).

"The debt portfolio needs to be designed keeping risk tolerance in mind. Investors with low/moderate risk appetite should use ultra-short-term and short-term hold-to maturity strategies for debt funds. Investors with a higher risk appetite can additionally look at some credit opportunities and dynamic bond funds. It is good if investors stagger their fixed income strategy with different maturities depending on cash flow needs to reduce the reinvestment risk," says Vishal Dhawan, Founder, Plan Ahead Wealth Advisors.

Accrual Funds To Do Better: Debt fund returns come from accrued interest and capital appreciation. Funds that follow accrual strategy invest in short- to medium-term debt instruments and maintain average portfolio maturity of four-five years, thereby generating a substantial portion of their returns from yields.

WHICH FUNDS TO GO FOR

CATEGORY	INVESTMENT HORIZON
LIQUID	LESS THAN 6 MONTHS
ULTRA SHORT-TERM	SIX MONTHS TO ONE YEAR
SHORT-TERM	ONE-THREE YEARS
MIX OF INCOME ACCRUAL AND DYNAMIC FUNDS	MORE THAN THREE YEARS
CREDIT OPPORTUNITIES	MORE THAN THREE YEARS

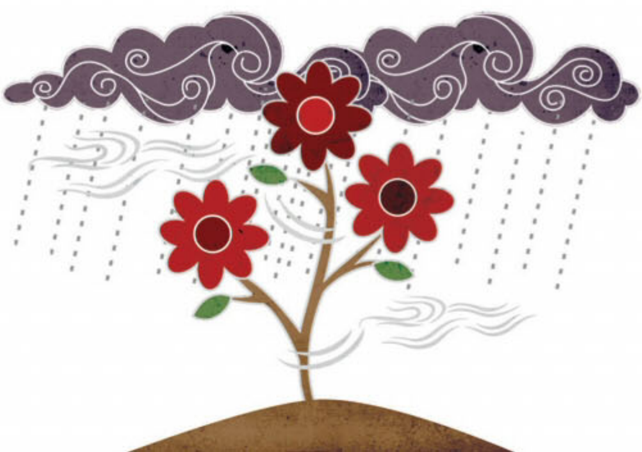
KNOW YOUR DEBT FUND

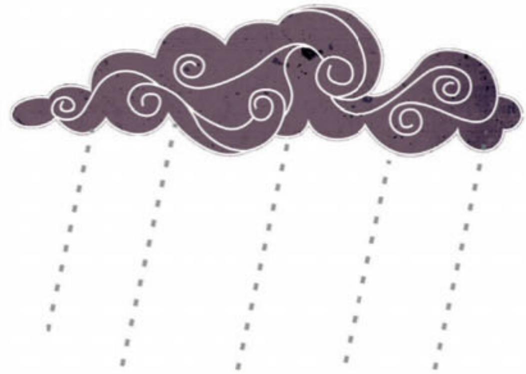
LIQUID FUNDS	INVEST IN SECURITIES OF UP TO 61 DAYS
ULTRA SHORT-TERM FUNDS	INVEST IN PAPERS UP TO ONE-YEAR MATURITY
SHORT-TERM FUNDS	INVEST IN PAPERS OF MATURITY BETWEEN ONE AND FOUR YEARS
DYNAMIC BOND FUNDS	THE FUND MANAGER HAS THE FLEXIBILITY TO CHANGE THE MATURITY AS PER THE CHANGING INTEREST RATE SCENARIO
CREDIT OPPORTUNITIES FUNDS	THESE FUNDS TAKE HIGHER RISK BY INVESTING IN SLIGHTLY LOWER RATED PAPERS OFFERING HIGHER INTEREST RATES
INTERMEDIATE BOND FUNDS	INVEST IN DEBT PAPERS HAVING A MATURITY OF FOUR-SEVEN YEARS
GILT FUNDS	THESE FUNDS INVEST ONLY IN GOVERNMENT SECURITIES

"These funds are ideal for an investment horizon of one-three years in an environment of stable or rising interest rates. Accrual funds can be broadly categorised on the basis of average portfolio maturities (liquid, ultra-short term and short-term) and credit quality of portfolios," says Kapadia of Morningstar. Funds that follow a duration strategy invest in longer maturity bonds and generate returns primarily from capital appreciation as a result of interest rate fluctuations. "Such funds are ideal for an investment horizon of two to three years in an environment of easing interest rates," he added.

Given the uncertain interest rate scenario, accrual funds are a good option right now if you want lower volatility in returns.

"General global risk aversion, rise in inflation expec-





tations and little scope for policy rate cuts are likely to further steepen the yield curve. Hence, we believe that the primary focus of investors should be protecting the downside risk in a rising interest rate scenario. Lowering portfolio duration and adding to accrual strategies to diversify the portfolio can provide both downside protection and attractive carry to the fixed income portfolio," says Kamath of Franklin Templeton.

BEWARE OF THE RISK

Debt funds are not safe as bank fixed deposits. The returns are not guaranteed. The change in the RBI's stance and subsequent losses incurred by debt funds has highlighted the interest rate risk in these funds. In another case, Taurus Mutual Fund's four debt funds suffered losses of 7-11 per cent as the rating of debt papers of Ballarpur Industries, in which the funds had invested around 10-12 per cent of their assets, were downgraded. This has highlighted the credit risk (risk of fall in the value of the debt paper that the fund has invested in) that debt funds take. So, while investing in these funds, investors should also be aware about the type of risk they are taking.

BEYOND DEBT FUNDS

Tax-free bonds: The interest earned on these bonds, issued by government entities to fund infrastructure projects, is not taxed. Therefore, the risk of default is low. They are also rated by ratings agencies. Tax-free bonds are a preferred choice when interest rates are falling. In 2016, some of these returned 22-25 per cent as interest rates fell and their value went up (as they are giving higher returns, set when they were launched). There are two ways in which one benefits from investing in tax-free bonds — interest and capital appreciation (these bonds are listed on exchanges).

"In 2016, as interest rates fell, some of these bonds saw a 13-14 per cent surge in prices. Due to the coupon rate of 7.5 per cent, the returns came to 22-25 per cent," says Vikram Dalal, Managing Director, Synergee Capital.

At present, yields on these bonds are in the range of 6.05-6.15 per cent, says Dalal; before the last monetary policy, they were around 5.90 per cent, he added. Dalal says these bonds are a good option for those in the 30 per

CHOOSE YOUR TAX-FREE BOND

Bonds	COUPON RATE (%)	Issue Date	INTEREST PAYMENT DATE EVERY YEAR	MATURITY DATE	FACE VALUE (Rs)	PREMIUM (Rs)	ACCRUED INTEREST (Rs)	TOTAL PRICE (Rs)	Yield to Maturity (%)
IRFC	7.53%	21-12-2015	15-OCT	21-12-2030	1,000	125	26	1151	6.15
IRFC	7.64%	22-03-2016	15-OCT	22-03-2031	1,000	135	27	1162	6.17
NABARD	7.64%	23-03-2016	23-MAR	23-03-2031	1,000	126	70	1196	6.26
NHAI	7.60%	11-01-2016	01-APR	11-01-2031	1,000	132	68	1200	6.15
NHAI	7.69%	09-03-2016	01-OCT	09-03-2031	1,000	155	30	1185	6.02

Source: Synergee Capital

cent tax bracket as their effective yield turns out to be 8.85 per cent on a bond offering a yield of 6.10 per cent.

These bonds have maturities of 10, 15 and 20 years. One can exit before maturity as these are listed on exchanges. But in such a case, you will be liable to pay tax on capital gains. If you sell before one year, the gain will be added to your income and taxed. If you sell after one year, the gains are taxed at 10 per cent without indexation and 20 per cent after indexation. This year, no entity is likely to issue these bonds.

THE 8 PER CENT GOVERNMENT BOND

These bonds, with a maturity of six years, are getting a lot of attention due to the 8 per cent interest. "These are a good option for those in the 10-20 per cent tax bracket as under the semi-annual interest rate option the effective yield comes to around 8.16 per cent, higher than what bank fixed deposits are offering," says Dalal of Synergee Capital

Investors can choose the option of getting interest on half-yearly basis or cumulative basis at the end of the tenure. The minimum investment is Rs 1,000; there is no cap. These bonds can be bought from designated banks.

NON-CONVERTIBLE DEBENTURES

An NCD is a debt paper issued by a company. The issuer agrees to pay a fixed interest on the investment. As the name suggests, these cannot be converted into shares like convertible debentures. An NCD can be both secured and unsecured. In case of secured debentures, which are backed by assets, if the issuer is not able to fulfil its obligation, the assets are liquidated to repay investors holding the debentures. Secured NCDs offer lower rates than the unsecured ones. If you want regular income from NCDs, pick those that pay interest on monthly, quarterly or annual basis. If you just want to grow your wealth, you can opt for the cumulative option, where the interest earned is reinvested and paid at maturity.

Dhaval Dalal of Synergee Capital says, "There are many NCDs available in the market but retail investors should not chase higher coupon rates and compromise on quality. Some good quality NCDs offer yields of 7.25-8.5 per cent, which is better than fixed deposits. Those who fall in the 10-20 per cent tax bracket can invest in NCDs."

SMALL SAVINGS SCHEMES

Falling yields of the benchmark G-Secs have also led to a fall in interest rates on small savings schemes such as Public Provident Fund (PPF), Kisan Vikas Patra and Sukanya Samriddhi Scheme. Interest rates offered by PPF and other small saving schemes are linked G-Sec yields of respective maturities.

Despite this, small saving schemes are offering higher interest rates compared with bank fixed deposits. Also, the tax advantage offered by some of these instruments such as PPF, which offers a tax break at all three stages — investment, interest and withdrawal — gives them an edge over bank fixed deposits.

Experts say small saving schemes will continue to deliver better returns than fixed deposits. "The interests rate on these schemes are unlikely to see any sharp fall given the rising bond yields," said Iyer of Kotak Mutual fund. ◆

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

"INSTEAD OF LONG-DATED GILTS, INVESTORS SHOULD LOOK AT SHORT-TERM BONDS"

R. Sivakumar, Head - Fixed Income, Axis MF, talks to **Renu Yadav** about the Reserve Bank of India's decision to maintain status quo in repo rates, its impact on bond yields and debt funds, and how the next year will pan out.

The Reserve Bank of India's decision to keep the repo rate unchanged, in the latest monetary policy review, took many by surprise. Were you also anticipating a repo rate cut?

The RBI had indicated in the previous two monetary policy decisions that it was maintaining an accommodative monetary stance. This suggested that the central bank would cut interest rates though, of course, the timing would be uncertain. Thus, the change in stance to neutral in the February policy was a surprise.

How justified are the inflation concerns of the RBI?

Core inflation appears stable at just under 5 per cent, while it is the soft food inflation (1.3 per cent) which has led the overall inflation down to 3.2 per cent. In particular, it is the fall in fruit and vegetable prices in the wake of demonetisation that has contributed to the largest fall in food inflation. RBI points out that food inflation could easily reverse in the months to come – which would, in turn, take overall inflation back to the 4.5-5 per cent range.

This concern is justified. However, the RBI should have held similar concerns earlier. After all, falling food inflation was one key justification for the October rate cut. Going with the same information (similar core inflation), RBI has delivered three different monetary policy outcomes in the last four months.

The 10-year benchmark bond yields have risen sharply after RBI's monetary policy announcement. Is this the end of the bond rally? Where do you see bond yields in the next one year?

Bond yields have risen as the RBI changed its monetary policy stance to neutral. This indicates that the RBI

does not expect to cut interest rates in the upcoming policy meetings. This is a significant change from the previous two meetings when the RBI maintained an accommodative stance. Investors who buy long bonds anticipate returns from the yield and any potential capital gain from a fall in rates. In the absence of rate cuts, yields have to rise to compensate. Thus, we expect market yields to remain elevated in the near term.

What does the RBI's change in stance from "accommodative" to "neutral" mean for debt investors?

The RBI has signaled that interest rates are not going to be cut in upcoming policies. This suggests that investors should not look to long-dated gilts from the point of view of making gains. Instead, investors should look to short-term bonds as they offer higher yields and have less price risk.

Do you see the RBI increasing repo rate by the end of 2017 or cutting it?

We are faced with two opposing macro forces at the moment. The impact of demonetisation is to lower growth and potentially inflation in the near term. But globally we are seeing a resurgence of inflationary pressures, especially in commodities like oil. For the RBI to change rates this year, we should see either the domestic macro deteriorate more than expected or global commodity prices rise more than expected. At the moment, we are not expecting RBI to hike rates in the coming year. But should the impact of demonetisation prove deeper or longer lasting than currently anticipated, we may see rate cuts in the coming months.

Debt fund investors suffered losses due to the change in the stance of the RBI. What would be your advice to them?

Risk and return go hand in hand. Duration/ dynamic funds have given great returns in the past three years. In the recent past also, they have seen large MTM gains post demonetisation. It's not fair to look at MTM risk only on the way down. Further, investors should not confuse between near-term market volatility and their longer-term investment objectives.

Given that we are approaching the end of the rate-cut cycle, we do not expect big MTM gains from duration strategies going forward especially with a three-year perspective. Our preferred segment is the short-term segment, which provides a much better risk-return trade-off. Further within that segment, funds with a tilt towards corporate bonds on a diversified basis can be considered.

More people are opting for SIPs in equity funds and the share of B15 cities in equity AUM is rising. Has there been any improvement in retail participation in debt funds?

We have certainly seen a broadening of investor participation in debt funds in line with the increase in their corpus over the past few years. However, these funds are still more popular within HNI investors rather than smaller ticket retail investors.

As far as debt investments are concerned, Indians still prefer fixed deposits and post office savings schemes. What will it take to make investors look beyond FDs?

The trend is definitely changing. The big trigger is making of savings and PF rates market-linked. That's when people realise that there is a market risk element in other products as well, and not just debt funds. The MF industry has also done a good job in creating product structures that are more relevant to retail investors. As MFs keep delivering superior risk-adjusted returns, more and more investors will be willing to give MFs a chance. This is the same process we have seen happen in equities as well. ◆

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झारखण्ड सरकार

Thank you

The momentum has begun !

Narendra Modi, Prime Minister, India

Raghubar Das, Chief Minister, Jharkhand

"The State of Jharkhand has indeed been enriched by your presence and participation in our Investors' Summit. Over the past two days, the mineral capital of India has showcased its mettle to the captains of industries and delegates from across the world. We are greatly encouraged by the outcome of the summit, however, what gives us greater satisfaction is the level of bonding and relationships that have been built up – a state of affairs that we pledge to strengthen and sustain."

- Raghubar Das

MoUs SIGNED
210

FOREIGN DELEGATES
600

DELEGATES
11,209

POTENTIAL INVESTMENTS
3,10,277 Cr

EMPLOYMENT POTENTIAL
6,02,326

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Illustrations by RAJ VERMA

TAKING STOCK

With interest rates on a downhill ride, it may pay to invest in high dividend paying stocks. BY TANVI VARMA

The days of earning double-digit returns from fixed deposits are long gone. Fixed deposit rates across tenures have tumbled in the past few quarters. Private sector banks, for instance, have reduced their rate to 6.5 per cent for deposits of 180 to 364 days. As you increase the tenure of the deposit – from 365 to 390 days – the rate goes up by a marginal 25 basis points, or bps, to 6.75 per cent. This is perhaps the highest rate one can currently earn on fixed deposits across tenures. While you may earn a tad more (0.50 bps) if you walked over to a public sector bank, it's not really high.

In fact, the key benchmark interest rates are currently at multi-year lows. Repo and reverse repo rates are 6.25 per cent and 5.75 per cent, respectively. "Low inflation in the past few years has helped the Reserve Bank of India (RBI) reduce interest rates consistently," says Dinesh Rohira, Founder & CEO, 5nance.com. Further, banks are flushed with huge deposits owing to demonetisation (close to Rs 15 lakh crore), with little credit growth. This has allowed them to lower their lending and

deposit rates considerably, in order to push lending. According to experts this isn't the end, and rates could fall up to 0.50 per cent this year.

LOW INTEREST RATES ARE HERE TO STAY

Although this spells great news for the economy, as businesses will be able to borrow money at lower rates, borrowing rates for individuals, too, will fall, enabling them to spend more. However, this does not augur so well for your investments. Returns from fixed deposits, for instance, are at multi-year lows of 7 per cent, or even less. This means if you invest Rs 1 lakh in a five-year fixed deposit, you will earn Rs 7,000 as interest per year. Now, if you are in the highest tax bracket, you will pay 30 per cent of the interest earned as income tax, that is, Rs 2,100, bringing down your net earnings to Rs 5,000, a return of 5 per cent. This hardly beats inflation.

WHAT THEN?

Look for options that not only offer consistency in returns but are also low-risk. One good option meeting these criterion are high dividend-paying stocks and funds. "Dividend yielding stocks often offer investors the safety of annualised payouts (and also the benefit of zero tax if certain thresholds such as dividend income of Rs 10 lakh are not crossed), irrespective of the volatility in price movements of the underlying stock," says Siddharth Purohit, Senior Equity Research Analyst, Angel Broking. Going ahead, lower interest rates will help consumption, which may also improve corporate credit offtake in the midium term. "Considering all this, the equity market is positioned reasonably well to deliver above average growth. Hence, investing in dividend yielding stocks makes sense from the risk-averse investor's perspective," adds Rohira. Companies that pay high dividends are known to be less risky when compared with others considering they offer consistent growth and have large cash on their books. Owing to this, these stocks tend to fall less than growth stocks during a downturn in the market. Moreover, many companies shy away from cutting dividends even in tough conditions, since this sends a negative signal to the market. "If there is uncertainty on the earnings trajectory and general macro or micro economic indicators are weak, these high dividend paying companies offer solace to investors," adds Purohit.

TOP PICKS
HIGH-DIVIDEND STOCKS ONE CAN CONSIDER

Hindustan Zinc, CMP Rs 303
Current dividend yield is 9.19 per cent; is consistent in high dividend payout
Trading at a P/E of 17.3, CMP to Book Value of 3, RoE (return on equity) of 19.6 per cent
Subsidiary of Vedanta Group; quality management along with some government control, it is likely to continue with consistent profit distribution over the medium to long term

Hexaware Technologies, CMP Rs 208
Current dividend yield is 4.1 per cent
Available at reasonable valuations and expected to distribute high income to shareholders
Trading at a P/E of 15.1, CMP to Book Value of 3.4, consistently high RoE of 28 per cent over the past five years
One of the leading IT companies with global presence, promoter holdings are on higher side (about 71 per cent)

Greaves Cotton, CMP Rs 136
Virtually a debt-free company with a dividend yield of around 4 per cent
Has maintained a healthy dividend payout of 58 per cent
Fairly priced at around 20 times of FY16 earnings
RoE of 19.4 per cent over the past five years; CMP to Book Value of 3.6

PTC India, CMP Rs 84
Debt-free and consistent in dividend payout with healthy average margin of 36 per cent for the past 10 years
Trading at a P/E of 9.2, and at a discount at 0.84 times of its book value
CMP to Book Value of 0.8, RoE of 9.1 per cent. Although its RoE is on the lower side, it has shown consistent growth

BEST OF THE LOT

SOME OF THE BEST PERFORMING DIVIDEND YIELD FUNDS HAVE RETURNED MORE THAN 20 PER CENT OVER THE PAST 3 YEARS

Fund	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Birla Sun Life Dividend Yield Plus Fund	27.0	20.5	11.9	13.6
BNP Paribas Dividend Yield Fund	24.3	22.9	16.9	13.7
HSBC Dividend Yield Equity Fund	28.0	18.0	12.1	-
ICICI Prudential Dividend Yield Equity Fund	37.5	-	-	-
Principal Dividend Yield Fund	33.9	19.5	12.0	10.0
R*Shares Dividend Opportunities ETF	35.0	-	-	-
Tata Dividend Yield Fund - Regular Plan	28.4	21.5	14.6	14.4
UTI Dividend Yield Fund	26.6	16.8	10.0	12.4
BSE Sensex	20.0	11.6	9.2	7.0

Returns in%; Source: Value Research Online

FACTORS TO CONSIDER

A thorough due diligence before investing in these stocks is critical. "Investors must check the business in which these companies are, and whether these businesses have a viable and sustainable growth outlook," says Purohit. They also need to see if the earnings momentum that these companies show can be maintained.

Another essential point, he adds, is checking the promoter shareholding pattern, as companies with larger promoter holding tend to reward investors with regular dividend payouts as it is accretive both form earnings as well as taxation perspective, subject to limits set by regulators.

The pedigree of the management in running companies definitely matters, and so do the cash-flows these companies generate in the normal course of their business operations. "Market capitalisation, average dividend yield, average profit growth and valuation parameters are some of the good indicators for you to select the best dividend yielding stocks," says Rohira.

CHOOSING RIGHT

Investors typically tend to compare dividend yield on equity investments with their savings bank interest rate. "Therefore, any stock with consistent dividend yields in excess of savings bank interest rate, offering decent capital appreciation, while belonging to a credible promoter group is a sound investment option," says Pankaj Pandey, Head of Research, ICICIDirect. Hence, dividend yielding stocks appear most lucrative in a low-interest rate scenario where fixed income yield is lower.

Having said that, whether these stocks can be a substitute for your regular income must be gauged keeping in mind your risk-taking ability, investment horizon, as well as liquidity requirement. At the end of the day, it is an equity investment. Unlike your interest payments, which are fixed and regular, dividend payouts depend on the performance of the businesses, which may differ from quarter to quarter, not to mention the volatility in stock prices. "One thing is certain: good dividend paying companies shall also deliver better returns in terms of price performance over a longer period of time as their business models and earnings shall grow at a compounded pace," says Purohit.

It must be noted that high dividend yielding stocks with consistent track record usually do well in most market conditions, but underperform in extreme bull markets due to lower growth probability. Generally, mature companies that have passed their stage of explosive growth tend to offer high dividend yields. On the other hand, high-growth companies tend to plough back their surplus cash into the business, thus offering higher growth and, hence, more appreciation in a bull market. ◆

@vtanvi

Illustration by RAJ VERMA

The Refill Benefit

Should you opt for the restore option in your health insurance policy?

BY TEENA JAIN KAUSHAL

Do you know that only 1 per cent health insurance claims are above Rs 3 lakh? In fact, close to 85 per cent are just up to Rs 50,000. This holds true for most top insurers. Considering the small average claim size, does it make sense to opt for the 'restore' feature — which reinstates the sum assured if it is used up in any given policy year — in health insurance policies? While data show that the probability of people utilising this feature is quite low — according to estimates, it is less than 0.5 per cent, as it is generally activated above the Rs 2 lakh sum insured — this does not mean it is not important. Take the example of airbags in cars. They are costly and are activated rarely. But whenever they have to be activated, they save lives. The same applies to the 'restore' feature in health insurance policies.

A typical health insurance policy covers hospitalisation expenses up to the sum insured. However, with rising health-care costs, it is very much possible that the entire sum insured is exhausted in a single hospitalisation. The 'restore' feature kicks in when this happens.

WHAT IT IS ALL ABOUT

The feature restores the entire sum insured if it is exhausted. Imagine that you have bought a family floater policy but use the entire sum insured in the beginning of the year. This means you will have to pay for all health-care expenses from your own pocket if another family member falls ill. This is where the 'restore' feature can be useful. If you have paid more and opted for the 'restore' option, the insurer will reinstate the full amount on exhaustion of the sum insured.

Abhijeet Ghosh, Head, Health

Insurance, Bajaj Allianz General Insurance, says, "In case a family member falls ill or meets with an accident, there are chances that the entire sum insured will be used up, leaving the others family members without any cover for the rest of the year. In such a situation, the 'restore' feature acts as a back-up. The sum insured is replenished for other family members."

THE INS AND OUTS OF RESTORE OPTION

- The feature restores the entire sum insured after it is exhausted during the year.
- Ask your insurer if the feature covers ailments for which a claim was filed earlier during the year.
- A few insurers restore the cover only if sum insured and cumulative bonus are exhausted in one claim.
- You may have to exhaust your sum insured first; only then is the option activated in the next hospitalisation

WATCH OUT FOR

The coverage varies from insurer to insurer. So, before opting for the feature, ask your insurer the following questions to know what is covered and what is not.

1. Does it cover same illnesses? You need to ask if the feature covers ailments for which the policy has been used earlier during the year. For example, if a person has used the sum insured for a paralytic attack, the same person cannot use the replenished sum insured for the same problem again during the year. This is the case with most policies.

M. Ravichandran, President, TATA AIG General Insurance Company, says, "The most common option involves paying for illnesses other than the one for which the claim was filed earlier. If the insured had claimed money for a heart attack, the restored sum insured will not pay for claims related to heart attack and related complications. The restored sum insured can be used by other members." A few policies, however, cover even the same illness. Bajaj Allianz's Health Guard Plan provides the option of reinstatement of sum insured for treatment of the same ailment during a policy year. Similarly, Star Health's Family Health Optima Plan has twin features — restore and recharge. While 'restore' is only for illnesses unrelated to the one for which the claim has been made, the 'recharge' benefit can be used even for illnesses for which the expense has been claimed.

Do you need to exhaust the entire sum insured in one claim?: A few insurers restore the cover only if the entire sum insured and cumulative bonus are exhausted in one claim. You need to ask the exact details of when the feature is triggered. Do you need to exhaust the full sum insured and cumulative bonus in one claim before the restore feature can be utilised in the subsequent hospitalisation? Or is the feature activated immediately without you having to wait till the next hospitalisation?

Nikhil Apte, Chief Product Officer, Accident & Health, Product Factory, Royal Sundaram General Insurance, says, "Some companies have a criterion that you have to exhaust your sum insured first before the feature is activated in the subsequent hospitalisation. But some policies, such as Royal Sundaram's Lifeline, have a feature under which the option is automatically activated while you are in hospital." This is certainly better than the first, where you have to wait for the next hospitalisation.

Do I need to buy higher sum insured for the feature?: Most insurers offer this benefit with policies that have high sum insured. For example, in Star Health, it is available only with policies where sum insured is Rs 3 lakh and above.

There is another important thing that you must know about the feature. Restore is not like the no-claim bonus that can be carried forward if not used in the policy year. Nikhil Apte says, "Restore is not a carry-forward benefit. If you don't utwilise it, you can't get credit in the subsequent policy year."

Hence, it's important for customers to read policy wordings carefully and understand the benefits before making a choice.

RESTORE FEATURE OR BIGGER SUM INSURED?

Higher sum insured is beneficial because of wider coverage. But it comes with additional costs. Restore helps you keep the premium down but at the cost of restrictions on when you can avail of the additional cover. "While the customer decides the adequate sum insured amount, he must also look for the reinstatement feature, especially if he is opting for a family floater plan. It provides additional back-up to the entire family in case a family member exhausts the sum insured during the year," says Ghosh from Bajaj Allianz General.

Do check with your insurer what benefits the feature offers. This will help you lower the chance of surprises at a later stage. ◆

@teena_kaushal

Illustrations by RAJ VERMA

TO BUY OR NOT TO BUY

For first-time buyers, it is a good time to book their dream home, though prices may fall further from here. BY RENU YADAV

The real estate sector has been going through a sluggish phase for almost five years. Prices may not have corrected drastically but have stayed at more or less the same level over the past two-three years. Experts were predicting a sharp dip due to cash crunch after demonetisation. This has not happened. The latest Budget tries to revive the sector but makes it clear that the government's focus is only affordable housing.

So, what should a home buyer do at this stage? Should he wait for prices to fall further or go ahead and make what will, in all probability, be the biggest purchase of his life?

DEMONETISATION IMPACT

The real estate sector was sluggish for three-four years due to poor sales. The ban on higher denomination notes worsened the situation as buyers and sellers went into a wait-and-watch mode. This resulted in a 15 per cent drop in sales in the December quarter, as per a report by Liases Foras, a real estate consultancy.

"Quarterly sales had been showing some upside for three-four quarters but demonetisation made both buyers and sellers go on a standstill mode," says Pankaj Kapoor, Managing Director, Liases Foras.

After demonetisation, it was expected that prices will correct by 30-35 per cent, but that has not happened yet. "Price correction will happen when transactions happen. There is a mismatch between expectations of buyers and sellers. Buyers are expecting prices to go down by 30 per cent while sellers are not willing to cut prices by that much. Therefore, there is status quo," says Surabhi Arora, Senior Associate Director, Research, Colliers International.

Kapoor expects that the March quarter is likely to be better as the sharp fall in interest rates after demonetisation has made loans cheaper and houses more affordable. In January, many banks, including State Bank of India, cut lending rates by as much as 90 basis points (100 basis points is equal to one per cent). Even while keeping the repo rate steady in the last monetary policy review, the Reserve Bank of India had said that banks still had scope to cut lending rates.

Kapoor says builders are unlikely to reduce prices. But there will be an inflation-adjusted correction as prices remain at the same level for some time. "In the last two-three years, there has been a time correction of 15-20 per cent. With interest rates falling, affordability will rise over time and help the sector," he says. Developers, say experts, are already financially stretched and not in a position to reduce prices.

"Prices have corrected over the past two-three years. There is little scope for a steep correction as margins are already low due to the high cost of land and construction. As real estate is a slightly illiquid asset, investors have a certain holding capacity," says Surabhi Arora of Colliers International.

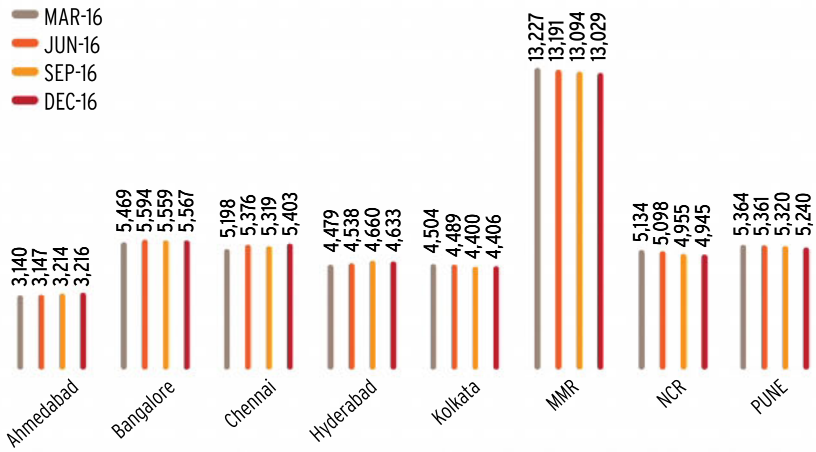
The inventory of 9.5 lakh units in the top eight cities as on December 2016, as per the data by Liases Foras, will take at least five years to be cleared at the current pace of sales.

NEW LAW

The new Real Estate Regulation Act (RERA) can be a game changer for the real estate sector, notorious for unfair practices. It will give it a much-needed regulator and increase transparency. "RERA will be great for the sector. It will protect

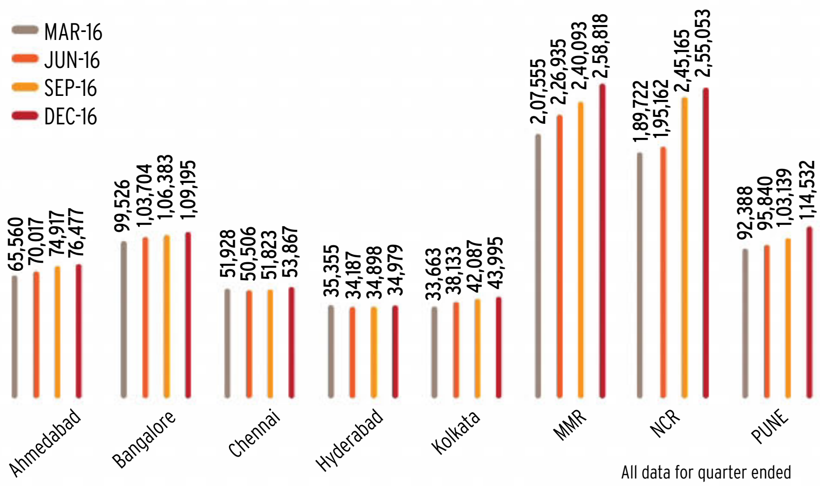
BEARISH TIMES

THERE HAS BEEN A MARGINAL DIP IN PRICES (PER SQ FT)



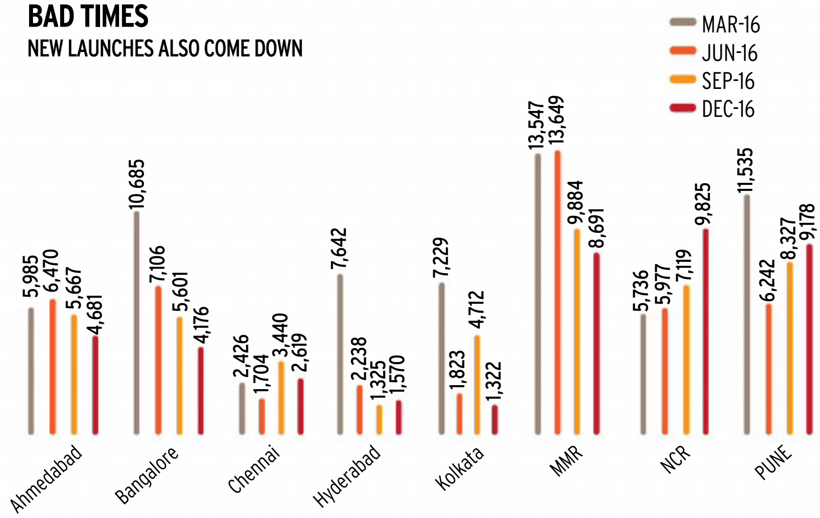
INVENTORY PILE-UP

NUMBER OF UNSOLD UNITS IN TOP EIGHT CITIES SHOWS NO SIGN OF COMING DOWN

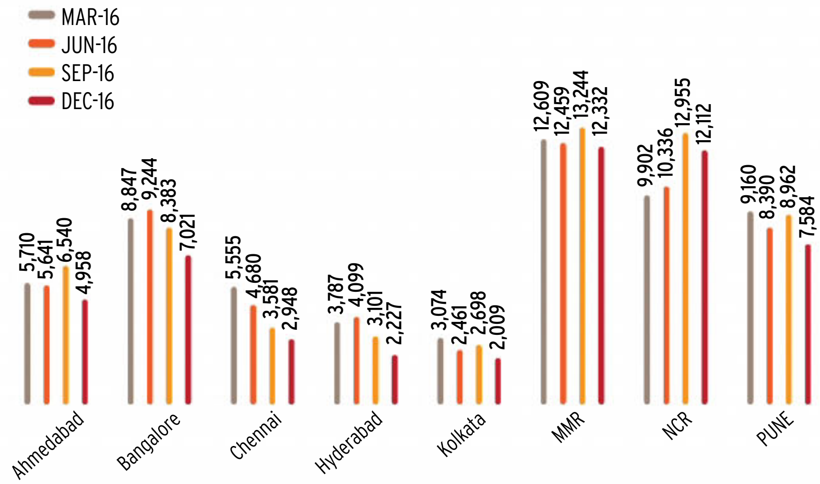


All data for quarter ended
Source Liases Foras

BAD TIMES
NEW LAUNCHES ALSO COME DOWN



FEW TAKERS
SALES HAVE BEEN UNDER PRESSURE FOR THE LAST FOUR QUARTERS



Number of units; all data for quarter ended
Source Liases Foras

home buyers. It will help the sector get an image makeover," says Gaurav Jaggi, Advocate, HKJ & Associates.

Some features of RERA are:

1) Escrow account: The developer will have to transfer 70 per cent money received from home buyers to an escrow account. "This money will be withdrawn as per the stages of construction, approved by engineers and chartered accountants of builders. This will prevent developers from using the money raised for one project for any other project," Narendra Kumar, Advocate on Record, Supreme Court, said at a recent conference on 'Real Estate Sector Post Remonetisation & RERA,' organised by the PHDCCI.

2) Pay for what you get: The buyer will pay only for the carpet area (area within walls). The builder can't charge for the super built-up area, as is the practice at present, where you get 900-1,000 sq. ft. carpet area if you book a 1,300 sq. ft. house (the rest is balconies and common spaces). The new law is expected to stop this practice.

3) Clearances before selling: Developers will be able to sell projects only after the necessary clearances. Under RERA, builders and agents will have to register themselves with the regulator and get all projects with more than eight apartments registered before launch. This will take care of common malpractices such as selling property before getting the necessary clearances. The builder will also have to disclose every detail about the project — number of apartments, carpet area, etc.

4) Five-year warranty: The builder will have to provide for any structural defect in the building for five years. However, the law doesn't define structural defect clearly, which may lead to disputes between builders and home buyers, says Gaurav of HKJ & Associates.

Although RERA is a central law, its implementation will depend on state governments, as real estate is a state subject.

TAX INCENTIVES CUT

The Budget 2017 was a mixed bag for real estate investors. The reduction in the tenure for levy of capital gains tax and change of the base year for indexation from 1984 to 2001 came as good news. However, the reduced limit for "set-off of losses from house property" against any other head of income is a big dampener for investors.

Now, in case of a let-out property, a home buyer can set off losses of only up to Rs 2 lakh in a year against any other head of income. Earlier, in case of a let-out property, the home owner was allowed to deduct the entire interest cost from income from house property, which generally resulted in a loss from house property (given the low rental yield), reducing the tax liability substantially. For example, if the interest cost on a let-property was

Rs 5 lakh a year, this entire amount used to be deductible, which resulted in a tax saving of Rs 1.5 lakh for those in the 30 per cent tax bracket. Now, the tax saving will be limited to Rs 60,000 (30 per cent of Rs 2 lakh). The advantage that the owner of a let-out property had over the owner of a self-occupied property has now vanished. This will impact those who used to buy a second home for saving tax. If such investors go out of the market, prices may come under further pressure.

AFFORDABLE HOUSING

The Budget was expected to give some tax incentives to boost the sentiment in the sector. But the government made its intent clear by giving sops only for affordable housing.

"Relaxing the norms for incentives to affordable housing, especially reclassifying the unit size (30-60 sq. m) from build-up to carpet area, and inclusion of bigger size units in extended areas of metros will boost the supply-side dynamics in affordable housing," says Anil Sachidanand, MD & CEO, Aspire Home Finance Corporation.

The long-pending demand of the industry for infrastructure status to affordable housing has also been accepted. This will ensure that affordable housing projects get cheaper credit. "The infrastructure status to affordable housing will increase supply in the range of Rs 10-40 lakh with corporate houses, builders and developers refocusing their business in this space to take advantage of the infrastructure status. I expect prices to come down by 5-10 per cent in this space as supply improves. The move will also help in credit availability at retail and project levels, increase the housing stock and benefit the end user in this segment, who is usually a first-time buyer," says Sachidanand of Aspire Corporation.

Still, there are still several hurdles before houses become affordable for the masses. "One of the major hurdles is high land prices in cities. This will force developers to build

First-time buyers should look for good bargains given the low interest rates

such houses in peripheral areas, which will make them unattractive for those who work in cities in the absence of connectivity," says Surabhi Arora of Colliers International.

WHAT SHOULD INVESTORS DO

Like other assets, real estate also goes through cycles. After any downfall, there is a recovery, but nobody knows when it will happen. However, prices are unlikely to rise at the pace they did in the past decade or so.

Those investing in real estate with loans will have fewer tax incentives now. This will lower their effective rental yield. Therefore, they will have to do a cost-benefit analysis before investing in real estate with borrowed capital.

"I don't see gains for real estate investors for the next two to three years. Since the tax incentive has been reduced substantially in case of let-out properties, it doesn't make sense for a retail investor to invest in property with borrowed capital," says Pankaj Kapoor of Liases Foras.

Investors will have to be more realistic about returns and be willing to hold for the long term. "Real estate is still a good investment provided investors have realistic expectations and can hold for at least five-seven years," says Surabhi Arora of Colliers International.

FOR FIRST-TIME BUYERS

First-time buyers should look for good bargains given the low interest rate scenario. If they are paying rent, it might be a good time to buy a house. But don't rush as real estate prices are unlikely to go up in the near future.

"For end users, it is the right time to buy. They are in a good position to bargain as developers are under immense pressure to clear inventories. In the primary market, the developers are offering a lot of freebies. In the secondary market, there are deals at 5-6 per cent discount from current market prices," says Surabhi of Colliers International. ◆

@moneyrenu

SCAN TO SHOP

The government's BharatQR code enables customers to shop without carrying cash and cards.

By PRIYADARSHINI MAJI

The government is leaving no stone unturned in its ambitious goal of making cashless payments the norm in the country. After launching its mobile wallet app – the UPI-based BHIM – the government has introduced BharatQR code which eliminates the need to carry cash or cards in your wallets to make payments.

Here's everything you need to know about it.

WHAT IS BHARATQR CODE?

Before getting to BharatQR code, here's a low-down on what a QR (quick response) code is. It is a 2D barcode contained in a square, which is machine-readable and contains information about the item to which it is attached. QR codes are used for a lot of things –product tracking, item identification, to open website links, tickets, contact information, document management, and general marketing. A QR code, black squares arranged in a square grid on a white background, can be read by any smartphone as all of them come equipped with a barcode scanner.

BharatQR has been developed by payment networks MasterCard, Visa and NPCI (National Payments Corporation of India). Manoj Adlakha, CEO, American Express Banking Corporation, says, "BharatQR is a path-breaking initiative to bring quick, easy and affordable payments to both merchants and consumers."

Mobile apps of multiple banks supporting BharatQR can be used on one smartphone. It is also possible to map multiple cards of the same bank for this service within the bank's mobile app.

BharatQR's interoperability is distinct from mobile wallets which are largely closed-loop systems. Under closed-loop system, both the sender and the receiver have to be on the same payment app. "Even a virtual card mapped to an account can be used to complete the transaction; hence this adoption can leapfrog physical card distribution," says, T .R. Ramachandran, Group Country Manager, India & South Asia, Visa.

HOW TO USE IT

BharatQR promises a simplified mobile payment experience to cardholders. Consumers will be able to make card payments without physically carrying/ using their cards. To make payments through BharatQR, the user needs to go to his bank's mobile app, select the scanning option within the app (for instance, the updated version of ICICI's Pockets app has the 'BharatQR' option to scan the code), scan the BharatQR code provided by the merchant and get the payment processed. All transactions on BharatQR require authentication using an MPIN, which make them safe and secure.

"The cardholder simply has to scan the merchant's QR code using his smartphone, and enter the pin and amount to be paid. Since the card is not swiped, the chances of card loss, theft, or fraud are slim, thereby offering better control and security to the cardholder," explains Vijay Jasuja, CEO, SBI Card.

BharatQR is the common interface for Visa, MasterCard, American Express, and RuPay platforms that does away with this problem of different QR codes for different firms. "With BharatQR code, consumers will not be required to scan different QR codes at the same merchant provided by different payment networks. The merchants will only need to display one QR code at the storefront or through the acquiring bank's mobile application," Adlakha adds.

BharatQR is available on smartphones with Android and iOS operating systems. Places where payments through cards are not possible, and small merchants who do not have physical PoS machines will be able to accept card payments via BharatQR code. Scanning the code and making a payment eliminates the need to enter ID, phone number or other details, which most wallets ask for. So, it's a fairly simple way of transacting.

HOW IT IS DIFFERENT

BharatQR is an all-in-one form of QR code scanning for accepting payments. It is not a wallet; cardholders simply have to use the BharatQR-compatible mobile app of their bank or card issuer, without worrying about acceptance issues. To make transactions using wallets, both the payee and the receiver need to have the same wallet. For example, a Paytm wallet cannot be used to make payment to Ola Money or FreeCharge wallet; whereas with BharatQR, the mobile app of multiple banks supporting QR code scanning can be used on any smartphone.

IS IT SECURE?

Payments made or received using BharatQR are backed by operational rules provided by the four networks – Visa, MasterCard, American Express, and Rupay. If a mobile phone is lost or stolen, the account holder can have his payment account immediately deactivated by contacting the respective banks. "Since all major payment networks have come together to enable the BharatQR platform, resolving the interoperability issues, card payments using BharatQR is a convenient option compared to mobile wallets," Jasuja states.

Moreover, customer data does not rest on the mobile phones; all bank payment apps supporting BharatQR have authentication controls in place for identifying users. Banks follow KYC norms for customer and merchant acquisition, which makes BharatQR a safe, secure and robust payment method.

FOR USERS WITHOUT SMARTPHONES

An option with the USSD code *99# is under process to support non-smartphone users. With about 700 million feature phone users in India and over 750 million debit card holders, this option together with financial literacy programmes could significantly help achieve digital inclusion in semi-urban and rural areas. ◆

@PriyadarshiniM9

CRACK THE CODE

On your smartphone, download the bank app that is compatible with the BharatQR code.

Log in to the respective mobile banking app

Select the option to scan QR codes

Scan the QR code provided by the merchant and enter the transaction amount

Select from where the payment needs to be made – bank a/c, credit or debit card

Put in the MPIN to complete the transaction

Illustrations by AJAY THAKURI

A Complete Guide to Cashless Investing

Ditch the paperwork and embark on a faster, easier investment routine. BY AVNEET KAUR

Demonetisation has made cash dispensable to an extent most of us did not anticipate. Thirty-year-old Ravin Rawat, who works at a Noida-based infrastructure company, does not remember the last time he dealt with cash. He has switched to debit card, mobile banking, and installed mobile payment wallets such as Paytm and MobiKwik. He is not alone. The data from RBI and VC Circle pegs mobile banking transactions at Rs 3.9 lakh crore in Q4 2016 – a fourfold increase from the same quarter last year. The usage of cards has doubled at merchant outlets during Q4 2016 as compared to Q4 last year.

Wouldn't it be ideal if we could also invest our hard-earned money with just a few clicks as against getting caught up in arduous paperwork? Here are ways to go cashless and paperless when investing.

GETTING STARTED

All asset management companies (AMCs), today, are promoting 'paperless', 'presenceless', 'online', 'go green' options on their homepages. Investing online is not new for these companies, but they are now making the process more convenient by allowing investors to purchase and sell without physically visiting them.

To start with online investing, an investor needs to be KYC-compliant, should have a bank account, mobile number and email address. KYC can be done online through Aadhaar card, using the registered mobile number, where verification is done through a one-time password. You may either go to the AMC's website or the mutual fund transfer agency CAMS' website. SEBI has restricted e-KYC holders to invest a maximum of Rs 50,000 per mutual fund per financial year. You will need to upload your signature image in case you wish to invest or redeem through paper-based request in future. Once you are KYC-verified, you can start investing. Fill in the form online and invest funds through net banking or by using your debit/ credit card or UPI. Major AMCs do not even require you to log in; you can do so using the one-time password option.

MFS ON YOUR FINGER TIPS

AMCs are leveraging the increasing penetration of smartphones to make investing convenient. Reliance, Birla Sun Life and ICICI Prudential already have mobile applications which allow users to invest and redeem from their liquid funds 24X7. Liquid funds are suitable for very short-term goals. At the time of need or emergency, these apps allow you to redeem immediately or within a few minutes. What more? They earn you more than a savings bank account can.

Axis and UTI AMCs offer a comprehensive application allowing transactions in all their active schemes. Although DSP BlackRock does not have a mobile application yet, its website has a responsive design – it adapts to the device in use. Santosh Navlani, Senior VP, DSP BlackRock Mutual Fund, says, "Most retail investors do not invest daily or even weekly; they prefer the SIP route.

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I, Manoj Sharma, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Date: 1st March, 2017

Manoj Sharma
Signature of Publisher

So when we launch an app, it will primarily focus on keeping track of portfolios, and their analysis, as well as transactions."

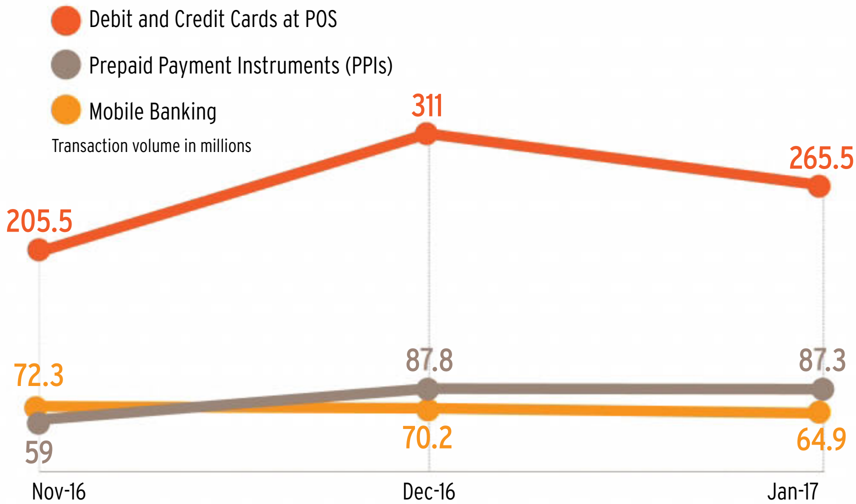
Reliance Mutual Fund's Any Time Money card allows users to take out or spend against their mutual fund investments by providing access at Visa-enabled ATMs and merchant outlets across India. Here, too, investments are primarily made into liquid plans.

What happens if you invest in three different AMCs? Will you have to face the daunting task of compiling your different portfolios every two or three months? Thankfully, there's Mutual Fund Utilities (MFU) – a transaction aggregating portal started by AMFI which allows a KYC-compliant investor to transact in multiple schemes across mutual funds using a single form/ payment, and a common account number (CAN). As of now, 26 AMCs have joined MFU. AMC participants of MFU hold 94 per cent of the total mutual Assets under Management in the industry. It has a mobile app for smartphones which compiles and provides an investor's mutual fund holdings at one place. Use your CAN to request for the log-in ID for the mobile app, by sending an e-mail to clientservices@mfuindia.com from your registered email id. And you are good to go!

BOTS HELP YOU BUY

If, like Ravin Rawat, you are not confident about which funds to choose from, there are several online platforms such as Funds India and Fundsupermart, which can help you in the process. Then there are robo advisors like Arthayantra, AdviseSure and Paisabazaar. Roboadvisors use technology in the form of computer

THE CASHLESS WAVE



Source: RBI

SAVINGS GALORE

BUYING TERM PLANS ONLINE MEANS LOWER PREMIUM

	OFFLINE PLAN	ONLINE PLAN	DIFFERENCE
LIC	23,300	14,600	8,700
SBI Life	12,788	11,680	1,108
HDFC Life Click2 Protect Plus	9,549	9,024	525
ICICI	N.A*	7,778	-
Max Life	12,100	7,100	5,000

Premium amount in Rs for top five life insurers on the basis of first-year premiums;
For a 30-year-old non-smoker male; exclusive of taxes

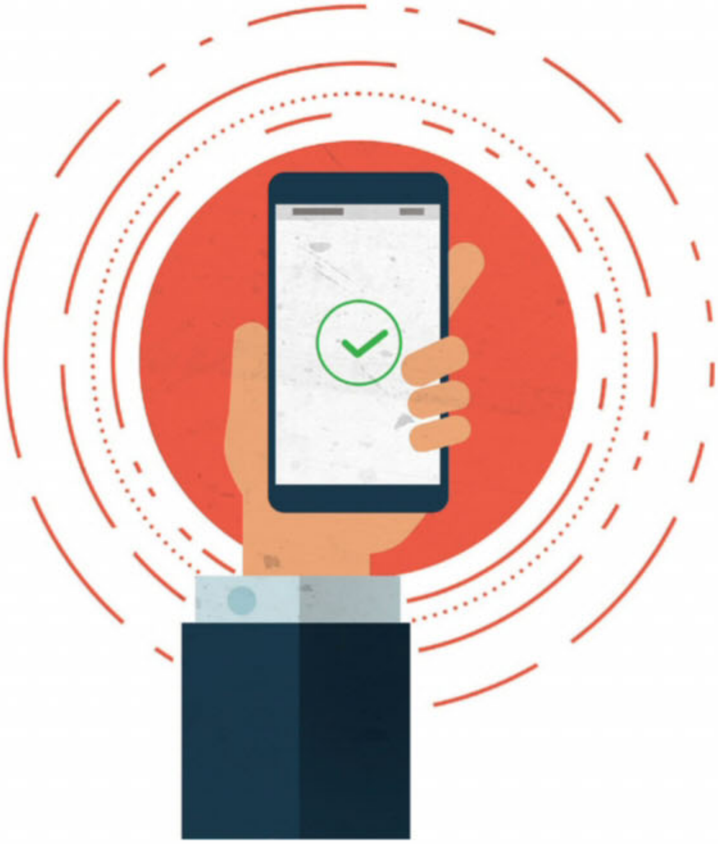
HIGH ALERT

	2014	2015	2016
Cyber crimes under IT Act and IPC	9,622	11,592	-
Cyber secury threats, including phishing, virus or malicious codes	44,679	49,455	50,362
ATM cards and internet banking frauds*	13,083	16,468	8,689**

*data for Apr-Mar financial year; ** upto December 2016
Source: NCRB, CERT-IN, RBI

programmes to decide a portfolio allocation based on your goals and risk profile. Unsure of taking advice from a bot? Here's what Nitin Vyakaranam, Founder & CEO, ArthaYantra, has to say: "It is an algorithm-driven model; we can churn out thousands of financial plans per hour which is not possible for a traditional advisor. Since the human element is used only for delivery of the advice to the client, and not for the creation of the advice, it eliminates the human bias from the entire process of financial planning, thus giving the customer an absolutely unbiased financial plan." Moreover, robo advisors charge lesser than traditional advisors.

Apart from being hassle-free, Naveen Kukreja, CEO and Co-founder, Paisabazaar.com, says, it is swifter, too. "Unlike offline brokers, online portals allow investors to invest or redeem mutual fund units at the same day's NAV, provided you complete the transaction within the stipulated cut-off time. Any lag on the part of your broker or courier service can deprive you from exploiting market opportunities."



STRAIGHT FROM THE WALLETS

According to an Assocham-PwC report, the value of transactions through e-wallets witnessed a 301 per cent growth during November 8 - December 27, 2016. Mobile wallets are, hence, sprucing up their offerings. Paytm and Mobikwik now allow users to pay their insurance premiums for select life, health, and general insurance companies. The glitch, however, is that one cannot buy a new insurance policy via wallets yet. Freecharge, too, has introduced mutual fund investments on its platform. At present, it allows investments into Reliance's Money Market Mutual Fund, but only for Android users. The option will soon be open to iOS users. "We have begun with liquid funds which are a safe alternative to funds lying idle in savings bank account. We are actively working on adding other products to the mix," says Govind Rajan, CEO, FreeCharge.

Mobile wallets are now extending their services to the underbanked. ItzCash, a phygital wallet operates via online and through its 75,000 outlets across 3,000+ tier I and tier II cities. Its USP is that apart from e-wallet, it allows a consumer to visit its store, and the outlet will pay or receive money on the consumer's behalf. The outlets are equipped to do transactions via digital wallets on the consumer's behalf. Naveen Surya, MD, ItzCash, and Chairman, Payments Council of India, says, "Those who earn and spend in cash have 90 per cent of cash lying with them. We are focusing on bringing them onto digital by helping them use online platforms."

MobiKwik, too, is working with Tata Trust and Google India's Internet Saathi aimed at bringing financial inclusion to the grass roots.

CASHLESS HOME BUYS?

Unlike more developed countries, we cannot buy a property purely via online channels. Aggregator websites such as Magicbricks.

com and 99acres.com provide a list of properties depending on your choice. No further assistance is provided. In order to book, one has to contact the developer or builder to inspect the property personally, and carry out the due diligence.

Tata Housing, Puravankara Projects, and Godrej Properties have started selling properties online on their respective websites. But individual developers will only offer their own projects for sale online, which severely restricts a buyer's spread of options. Anuj Puri, Chairman & Country Head, JLL India, says, "Interested buyers can pay only the token amount online, after which they will inspect the property personally. They also need to see all the pertinent documentation for a property before they can make a sound investment decision. Availability of such documentation online is still very scarce in India."

Online retailer Snapdeal started its real estate portal in 2014 and has over 400 listed properties. One can compare and choose from the list of properties, and also get assistance with the entire transaction process. Snapdeal has partnered with JLL's Residential Services division to offer offline support. The team of specialists contacts customers who have expressed interest in a certain category of housing or a particular project online. The team also assists in vetting the listed properties for legal soundness and reliability.

While the importance of e-commerce in real estate market cannot be denied, at present, the buying process can only be initiated online. It cannot be completed online.

To start with online investing, an investor needs to be KYC-compliant and have a bank account, mobile number and email address. KYC can be done online through the Aadhaar card, using the registered mobile number; the verification is done through a one-time password

However, tenants can choose to pay rent via credit cards. This can be handy for those who pay a substantial portion of their income as rent and would like to delay it for a month or two, owing to more pressing needs. One can use RedGiraffe.com to pay home rent through credit card. As long as your landlord is not strictly in favour of cash receipts, you need not seek his/ her permission. The process includes filling an online form and uploading rental details, after which you will receive a unique code from RedGiraffe to register. Manoj Nair, Founder and CEO, RedGiraffe, says, "Paying rent through your credit card will help you build a strong credit score. You can also avail cash backs and other offers." There is no limit on the rental amount, and no change needs to be made in the rental contract. A bank transaction charge of 0.39 per cent per transaction is charged, which is Rs 39 for every Rs 10,000, plus service tax. Moreover, you get credit facility of upto 60 days, and your money continues to earn interest.

WORD OF CAUTION

One of the biggest impediments in going cashless is the vulnerability attached to it. In October 2016, thirty two lakh ATM cards belonging to major banks were hacked. The RBI registered 16,468 cases of fraud involving credit cards, ATM/ debit cards, and internet banking during 2015-16. Sophos, a global player in network and end-point security, in its research revealed that India stood fifth in the world in terms of cyber attacks in 2016.

As per the data maintained by National Crime Records Bureau (NCRB), 11,592 cyber crime cases were registered during the year 2015, more than double the number recorded during 2013. These include cases registered under the IT Act and related sections of the Indian Penal Code, and special and local laws involving computer as a medium/ target. The growing penetration of IT and related services calls for stricter cyber laws and more secure payment gateways.

Until then, upgrade your investment routine while exercising due caution. ◆

@avn_kaur

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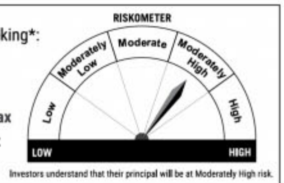

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Scheme specific risk factors: All investments in Franklin India Taxshield are subject to a lock-in-period of 3 years from the date of respective allotment and the unit holders cannot redeem, transfer, assign or pledge the units during this period. The Trustee, AMC, their directors or their employees shall not be liable for any of the tax consequences that may arise, in the event that the Equity Linked Savings Scheme is wound up before the completion of the lock-in period. Investors are requested to review the prospectus carefully and obtain expert professional advice with regard to specific legal, tax and financial implications of the investment/participation in the scheme.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.