HAVELLS
Durable Bet

FMCG
Rise of Boutique brands

MUDRA
The NPA worries

business today

for managing tomorrow

INDIA TODAY GROUP
April 9, 2017 ₹70
www.businesstoday.in

FIXING THE SKILLS DEFICIT

How to rev up India's massive plan to skill 400 million people in 7 years

9 770974 365009


OWNERSHIP IS A CELEBRATION.
PRESENTING LOANS FOR MSMEs.
• Speedy Loan Processing • Loans upto 2 crores
• Simple Documentation • Easy Repayment Options
Visit www.capitalfirst.com • Call: 1860 500 9900
Terms and conditions apply. Credit at sole discretion of Capital First Ltd.
CAPITAL FIRST
MSME LOANS
scarecrow/capitalfirst/15/12/44

From the Editor

The Skilling Enigma

India's "demographic dividend" is often cited as a major reason for India becoming an economic superpower in the next couple of decades. The term refers to the fact that the country is in that sweet spot where the bulk of the population is in the working age group (15-64), and is expected to remain so over the next decade or more. By 2020, India is expected to have the world's largest population of working people, and the average Indian will be 29 years old compared to a 37 for China and US, 45 for Western Europe, and 48 for Japan. According to the labour ministry data, roughly one million Indian youth are joining the workforce every month.

The demographic dividend is expected to increase economic activity and production rapidly, thus increasing the GDP growth rates, and propelling India from the sixth-biggest economy in nominal terms to the third-largest economy by 2030.

But to reap the benefits of the economic dividend, India needs to create a lot of jobs – a point the prime minister has made many times. (And hence programmes such as Make in India, which is expected to eventually create a lot of jobs.) Equally, it needs to make sure that the youth joining the workforce are employable.

The latter is a fairly thorny issue. By some estimates, barely 9.3 per cent of the population joining the workforce have graduate degrees. Even among these, only a fraction is actually employable. Industrialists often grumble that Indian colleges churn out graduates and postgraduates, but most of them are incapable of the basic work demanded by a large company. More acute is the problem of the number of blue-collar workers. Here, in many cases, there is neither a basic college degree, nor any kind of skills that will make a person employable.

When the Narendra Modi government took charge in 2014, it created a new ministry – the Skill Development Ministry – with Rajiv Pratap Singh Rudy as the Minister of State with Independent Charge, specifically to look at the problem of skilling blue-collar workers. In the past three Budgets, roughly ₹6,000 crore has been allocated to the ministry. The goal of the ministry is ambitious – to skill 40 crore workers by 2022.

Since its inception, the skill development ministry has been busy trying to create the necessary ecosystem to provide skills to youth and also help them find jobs or create new professions. It is handicapped by the fact that India's education system at the school level is broken and the ITIs – the original institutes created to impart skills to blue-collar workers – often have obsolete equipment and redundant courses. Till last year, barely 17.58 lakh youth have been trained up, and 81,978 have found jobs through their flagship PMKVY (Pradhan Mantri Kaushal Vikas Yojana) scheme.

India's demographic dividend is real. But so is the prospect of the demographic nightmare if enough jobs are not created and enough workers are not skilled. Our cover this issue puts the skilling programme under the scanner.

Prosenjit Datta

prosenjit.datta@intoday.com
@ProsaicView

business today

http://www.businesstoday.in

Vol. 26, No. 7, for the fortnight March 27 to April 9, 2017. Released on March 27, 2017.

• Editorial Office: India Today Mediaplex, FC 8, Sector 16/A, Film City, Noida-201301; Tel: 0120-4807100; Fax: 0120-4807150 • Advertising Office (Gurgaon): A1-A2, Enkay Centre, Ground Floor, V.N. Commercial Complex, Udyog Vihar, Phase 5, Gurgaon-122001; Tel: 0124-4948400; Fax: 0124-4030919; Mumbai: 1201, 12th Floor, Tower 2 A, One Indiabulls Centre (Jupiter Mills), S.B. Marg, Lower Parel (West), Mumbai-400013; Tel: 022-66063355; Fax: 022-66063226; Chennai: 5th Floor, Main Building No. 443, Guna Complex, Anna Salai, Teynampet, Chennai-600018; Tel: 044-28478525; Fax: 044-24361942; Bangalore: 202-204 Richmond Towers, 2nd Floor, 12, Richmond Road, Bangalore-560025; Tel: 080-22212448, 080-30374106; Fax: 080-22218335; Kolkata: 52, J.L. Road, 4th floor, Kolkata-700071; Tel: 033-22825398, 033-22827726, 033-22821922; Fax: 033-22827254; Hyderabad: 6-3-885/7/B, Raj Bhawan Road, Somajiguda, Hyderabad-500082; Tel: 040-23401657, 040-23400479; Ahmedabad: 2nd Floor, 2C, Surya Rath Building, Behind White House, Panchwati, Off: C.G. Road, Ahmedabad-380006; Tel: 079-6560393, 079-6560929; Fax: 079-6565293; Kochi: Karakkatt Road, Kochi-682016; Tel: 0484-2377057, 0484-2377058; Fax: 0484-370962 • Subscriptions: For assistance contact Customer Care, India Today Group, A-61, Sector-57, Noida (U.P.) - 201301; Tel: 0120-2479900 from Delhi & Faridabad; 0120-2479900 (Monday-Friday, 10 am-6 pm) from Rest of India; Toll free no: 1800 1800 100 (from BSNL/ MTNL lines); Fax: 0120-4078080; E-mail: wecarebg@intoday.com • Sales: General Manager Sales, Living Media India Ltd, B-45, 3rd Floor, Sector-57, Noida (U.P.) - 201301; Tel: 0120-4019500; Fax: 0120-4019664

• **Printed & published by Manoj Sharma on behalf of Living Media India Limited. Printed at Thomson Press India Limited, 18-35, Milestone, Delhi-Mathura Road, Faridabad-121007, (Haryana). Published at K-9, Connaught Circus, New Delhi-110 001. Editor: Prosenjit Datta**

Re: Letters to the Editor

Unicorns Hurtling Helter-skelter

This refers to your cover story on start-ups (*The Fall of the Unicorns*, March 26). It was a unique study of Indian unicorns explaining in detail what failed them, what turned them frail, and what should be done on priority to resuscitate them and revitalise their operations. The unicorns have largely failed to read the writing on the wall regarding revenue realisation, increasing operational costs, meagre cash flows and profit impact. In fact, it is a case of chasing the mirage of progress, with unicorns hurtling helter-skelter and caught in the trap of growth tantrums. Instead of growing profitably on the back of high demand by customers, the unicorns dictated their own terms in the deals, and have hit mounds of business difficulties. Their puerile belief that venture capital will look at only gross merchandise value has unfortunately made them enlarge their business volume ignoring the return on investment proposition. Their business play is not worth the candle. Also, the Centre's indifference to shore them up economically has affected them seriously and this will definitely dampen the spirit of entrepreneurs. The arena of start-ups is already having few takers and operatives and this policy vacuum will hardly entice "green horns". The unicorns should refresh their business models, develop customer-centric applications, enrich revenue paths, broaden profit channels and adopt measures to inspire wide-ranging confidence of stakeholders to qualify for the status of unicorns.

B. Rajasekaran, *Bangalore*

Need to Boost Rural Banking

This refers to your feature on co-operative banks (*Cooperative Dilemma*, March 26). The challenge to take digital payment to rural India is huge, especially after the demonetisation of high-value notes by the Centre in November 2016.The rural population must be encouraged to open and run their own bank accounts. They also need to start their small businesses, and for this, the banks must offer them attractive loan schemes. After the demonetisation move, it has been witnessed that banking facilities are inadequate in rural areas. There is a need to open more bank branches in every nook and corner of rural areas. This will facilitate and encourage more banking transactions across the country, boosting online payments as well.

Mahesh Kapasi, *New Delhi*

Clarification

In the article *Hits & Misses* (*BT*, dated February 12, 2017), it is incorrect to state that the power ministry is not active in spending money. The total expenditure on Plan schemes during Apr-Nov 2016 was ₹5,893.23 crore against ₹4,160.33 crore during the same period of the previous financial year. This is a 41.65 per cent increase on an overall basis and is due to increased expenditure in the Deen Dayal Upadhyaya Gram Jyoti Yojna and Integrated Power Development Scheme. Against an expenditure of ₹3,437.19 crore during Apr-Nov 2015 in these two schemes, the expenditure during the same period of FY 2016-17 was ₹4,770.85 crore, an increase of ₹1,333.66 crore (38.8 per cent).

Our correspondent states: Our comparison was not between actual amounts spent during the same period in two years. It was an overview of the percentage of total budgetary allocation that was spent during Apr-Nov 2015 and 2016. The story clearly mentions the government has almost doubled the total budgetary allocation.

Send all your comments to: editor.bt@intoday.com

HOW TO CONTACT BT

WRITE TO:
The Editor, Business Today, India Today Mediaplex, FC-8, Sector 16/A, Film City, Noida-201301.
Email: letters.bt@intoday.com/editor.bt@intoday.com
Website: www.businesstoday.in
Unsolicited articles will not be returned or acknowledged.
Business Today reserves the right to edit letters for brevity and clarity before publication.

FOR SUBSCRIPTION ASSISTANCE WRITE TO:
Customer Care, India Today Group, A-61, Sector-57, Noida (U.P.) – 201 301
Phone: (0120) 2479900 from Delhi & Faridabad; (0120) 2479900 (Monday-Friday; 10 am-6 pm) from Rest of India; Toll free no. 1800 1800 100 (from BSNL/ MTNL lines); Fax: (0120) 4078080
E-mail: wecarebg@intoday.com

BT SCRAPBOOK
- React to articles in BT
- Suggest story ideas
- Share your experience as consumer or SME
- See what others have to say on our stories

on scrapbook at www.businesstoday.in

CONTENTS

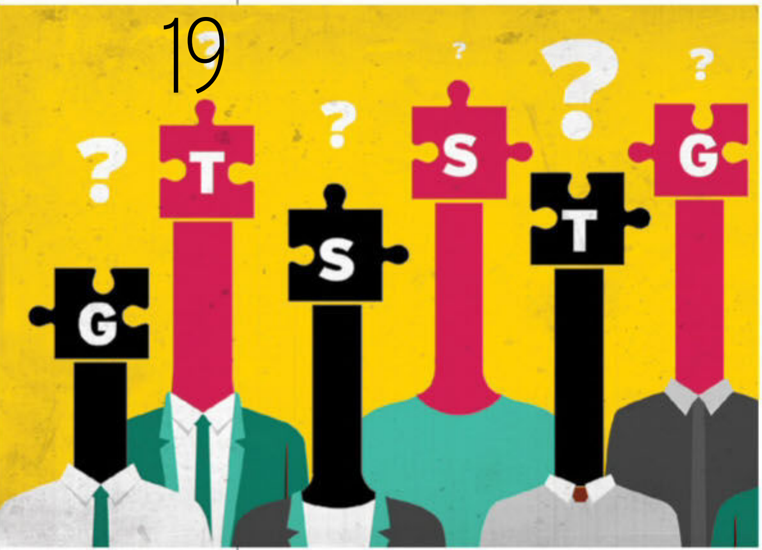
COVER BY NILANJAN DAS

APRIL/9/2017
VOLUME 26/NUMBER 7

AJAY THAKURI

UPFRONT

FOCUS



FEATURES

CONTENTS

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

businesstoday.in

STAY CONNECTED WITH US ON
www.facebook.com/BusinessToday
@BT_India

NEWS

From Polls to RBI Policy: How Recent Events Strengthened ₹
Though there are major contributors to rupee appreciation, it is too early to say that the currency is on its way towards a long 'strengthening cycle'
businesstoday.in/rbi-rupee

Siam Predicts Three Million Cars to Be Sold in the Current Fiscal
The April-February passenger cars growth stands at 9.16 per cent, keeping alive the chances of double-digit growth for the current year
businesstoday.in/passengercars-salesmark

Be Wary of the Indian Equity Market
It's time to be wary about the gains in the market and sit on sidelines as the market is running too quickly in a short period
businesstoday.in/equitymarket-economy

AI Will Impact IT and Make in India
Automation may not lead to the mass obsolescence of manual labour, but it would definitely lead to shrinkage of jobs in many industries
businesstoday.in/artificialintelligence-jobs

Have a PF Account? Check Out What's Changed
EPFO has made it mandatory for both subscribers and pensioners to submit their Aadhaar numbers , which will help link the EPF account, pension account, and bank account
businesstoday.in/epf-aadhaar

COLUMNS

The Curious Case of GDP Estimates
According to the economists, the CSO estimates of demonetisation effects on GDP are perhaps rosier than they should be , says *Business Today* Editor **Prosenjit Datta**
businesstoday.in/demonetisation-gdpgrowth

Pul's Perversity Tale
The tales of political corruption and judicial corruption in India are not new. But the former Arunanchal CM's suicide note accuses the judiciary of exchanging cash for judgments at its very apex, says **Ranjeev C. Dubey** of *BT*
businesstoday.in/cash-judiciary

QUOTE

REUBEN SINGH

"Safety and security of Indians is our top-most priority. It is not possible for this government to remain silent while an Indian is in problem elsewhere"

External Affairs Minister Sushma Swaraj, speaking in Parliament on attacks on Indians in the US

₹82,606 crore

This is the net amount that has flowed into equity mutual funds in the first 11 months of the year. It is set to cross the peak of ₹82,748 crore during 2015/16.

SUN, GLENMARK GET USFDA RELIEF

Sun Pharmaceutical, India's biggest drug company, has said the US Food and Drug Administration (FDA) has decided to lift the 2013 import alert against its Mohali plant. Sun had got this plant after it bought Ranbaxy in 2015. The US FDA has also cleared Glenmark Pharmaceuticals' active pharmaceutical ingredient plant at Ankleshwar in Gujarat.

CAIRN ASKED TO PAY ₹10,247 CRORE TAX

The Income Tax Appellate Tribunal has ruled that Cairn UK Holdings will have to pay ₹10,247 crore short-term capital gains tax on an internal share sale done 10 years ago. The tribunal, however, rejected the tax department's demand for interest of ₹18,800 crore.

SHEKHAR GHOSH

SBI FINE WITH FARM LOAN HAIRCUT

The country's largest bank, State Bank of India (SBI), has said that it will allow one-time settlement for tractor and farm equipment loans. These loans account for ₹6,000 crore doubtful/loss assets. The bank is willing to take up to 40 per cent haircut on such loans.

STAYZILLA CEO ARRESTED

Yogendra Vasupal, the founder and chief executive of room aggregator Stayzilla, has been arrested by the Chennai police after an advertising firm slapped charges of fraud against the company for non-payment of dues of ₹1.7 crore. Vasupal had shut Stayzilla last month.

21 LABOUR REFORMS

WHAT: Summit on Labour and Product Market Reforms in Advanced Economies
WHEN: March 21, Tokyo
WHAT TO LOOK FOR: Cohosted by the IMF and Asian Development Bank Institute, the meet will discuss new empirical analysis, numerical simulations, and case studies for assessing the fiscal impact of labour and product market reforms in advanced economies. It will also evaluate the case for complementing reforms with fiscal support.

24 THE SKILLING CHALLENGE

WHAT: Conference on Transforming Youth through Skilling in Uttar Pradesh
WHEN: March 24, Lucknow
WHAT TO LOOK FOR: Skill development is critical for achieving faster, sustainable and inclusive growth besides providing employment opportunities to the youth. The Assocham conference will focus on knowledge sharing of best practices in skill development, creating better job opportunities for the youth in Uttar Pradesh, networking and encouraging participation from government and private sectors.

30 LEADERSHIP LESSONS

WHAT: CII Workshop on Leadership Excellence
WHEN: March 30, New Delhi
WHAT TO LOOK FOR: This one day workshop would help participants master the art of being an efficient leader. Participants will given an understanding of the psychology of leadership to help them develop the much needed self-awareness, mental flexibility and emotional well-being for excellence in personal and professional life.

21 - 23 BACK TO BASICS

WHAT: Jakarta Basic Education Conference 2017
WHEN: March 21-23, Jakarta, Indonesia
WHAT TO LOOK FOR: The World Bank forum will aim to share lessons from best practices and "excellent systems" in basic education globally as well as to facilitate new networks and partnerships. Participants at the conference will include government officials and education, experts from the World Bank Group and other development partners, education institutions, researchers and technical experts, and representatives from the private sector.

23 - 24 PUTTING CLIMATE FIRST

WHAT: The India Climate Policy and Business Conclave
WHEN: March 23-24, New Delhi
WHAT TO LOOK FOR: In the last nine years, the FICCI conclave has garnered global participation from over 30 countries. It will offering private sector and public stakeholders an opportunity to deliberate on climate policy and business priorities required for accelerated climate action in the period before 2020 and in the new post-2020 climate regime.

30 LAWS AND ETHICS

WHAT: Session on Role of Laws in Promotion of Business Ethics
WHEN: March 30, 2017
WHAT TO LOOK FOR: To increase awareness about the role of laws in strengthening the corporate governance structure in India, CII is organising a session aimed at a focused discussion between various stakeholders. The debate would focus on whether Indian laws promote ethics in organisation or only promote compliance with the corporate governance standards.

03 AGENDA FOR SCHOOLS

WHAT: Re-Imagining School Education Conference 2017
WHEN: April 3, New Delhi
WHAT TO LOOK FOR: The FICCI conference will take on board views from various stakeholders on achieving India's vision of becoming a knowledge and human resource hub. The conference will focus on how the governments' policies can create an enabling environment for independent schools to make a difference.

ONE ENTRANCE EXAMINATION | ONE COURSE
ONE COUNSELING | ONE FEE

Academics

Choice-based Flexible Credit System (CFCS)
- Aggregation of credits through flexible ways
- Opportunity to enter Honours College
- Earn credits through MOOCs, Industry Modules, and International Competitions
- Choice of subjects, teacher and time of study
- Students are taught by Scientists of SRM Research Institute

National Level Facilities and Industry Partners
- UNESCO Bioethic India Nodal Center
- SRM DBT Platform for Advanced Life Science Technologies
- SRM-ZOLLER Professional Tranining Center for Tool Management Solutions
- Bosch Rexroth Hydraulic and Pneumatic Training Center

Center for Higher Order Thinking (CHOT)
e-Lab | e-Learn | e-Think

Center for Cultural and Language Studies (CCLS)
ELS English Language Center
Taiwan Education Center
European Language Center
Asia and Far East Language Center

Student Abroad and Transfer Program (SATP)

Semester Abroad
- Sponsored by SRM to study one semester abroad • 500+ Students • 13 Countries • 25+ Universities such as MIT, CMU, CORNELL, HARVARD, UC Davis, Warwick, Kyushu University

Dual Degree

USA	: University of Pittsburgh | Illinois Institute of Technology | Dayton | Virginia CW | Missouri State
UK	: Warwick | Lancaster | Birmingham City
Australia	: New South Wales | Royal Melbourne Institute of Technology (RMIT) | LaTrobe University
France	: Polytechnic Tours
Germany	: University of Applied Sciences Bochum

Twinning

USA	: Carnegie Mellon University
UK	: Lancaster University

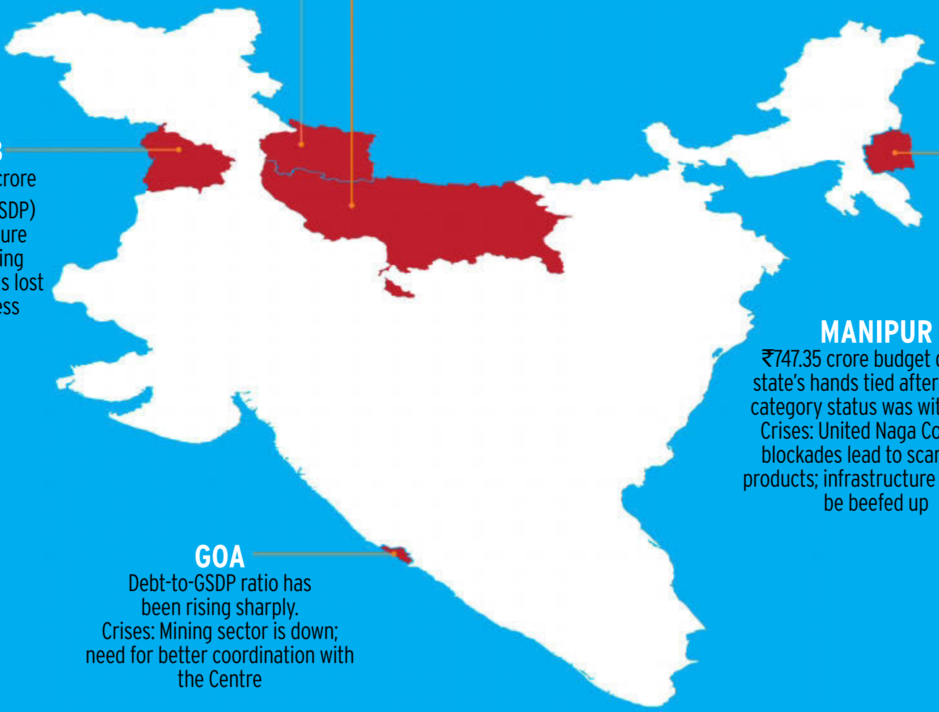
MoUs 80+ with top ranked universities & Industries for exchanges & internships

*No.1 Private Engineering University by Times Engineering, Times of India - i3 Research Consultant Survey 2016 | 2015 | 2014

Online applications open from 18th November 2016 onwards

Please visit **www.srmuniv.ac.in** to know about courses offered, eligibility, fees, etc.
For any queries contact: +91-44-2745 5510, 4743 7500. Email: admissions.india@srmuniv.ac.in

FOCUS



Job at Hand

New governments in five states have their task cut out for kick-starting growth. By ANILESH S. MAHAJAN

RAJ VERMA

Punjab's new chief minister, Captain Amarinder Singh, took people by surprise when he opted for a simple swearing-in ceremony. It neither suits his personality nor the convention in Punjab. Many thought a grander event would mark Singh's return to power after a decade and that too after a fierce battle. But this move is an extension of Singh's poll agenda. Punjab's economy is in bad shape and needs to be overhauled. The state's outstanding debt, at ₹125,320 crore, is estimated to be 31.4 per cent of the GSDP. The challenge for the government would be to find avenues to increase revenues while cutting down on expenditure. While agriculture growth has slowed, industry, too, has lost competitiveness.

Financial problems are not restricted to Punjab. Among the five states that have got new governments, Goa has also seen its debt-to-GSDP ratio rise steeply. The new government also needs to resolve the mining crisis quickly. With Manohar Parrikar, former defence minister, sent there as chief minister, industry is confident that its issues will be resolved efficiently. In 2012, the then government, led by Parrikar, had banned mining after reports of corruption and irregularities. It was opened in 2014 but in a restricted manner. Parrikar will also need to focus on fiscal numbers. In the last two years, the debt-to-GSDP ratio has worsened from 27.2 to around 31. The unemployment rate, at 9 per cent, is also high.

BOTH THE CONGRESS IN PUNJAB AND THE BJP IN UP HAVE PROMISED TO WAIVE OFF LOANS TO SMALL & MARGINAL FARMERS AND PROVIDE THEM INTEREST-FREE LOANS... ON MARCH 16, IN THE LOK SABHA, AGRICULTURE MINISTER RADHA MOHAN SINGH SAID THE UNION GOVERNMENT WOULD BEAR THE BURDEN OF THE UP GOVERNMENT. BUT THERE IS SILENCE ON PUNJAB

In Manipur, the new government will have to find ways to end the crisis with the United Naga Council. Regular conflicts have led to blockages and shortage of essential commodities. After the 14th Finance Commission recommendations were accepted, Manipur is no longer a special category state. But because of its forest cover, it got higher devolution of funds. Out of ₹10,500 crore revenue receipts, only ₹667 crore is from state taxes. No new taxes were introduced in the last two years and revenue receipts are just enough to meet expenditure. This will make things more difficult for Chief Minister N. Biren Singh.

The BJP is keen to showcase Manipur as a state where centrally-sponsored projects are well executed to improve its prospects in other north-eastern states. This includes effective and speedy construction of the trans-Asian highway connecting Thailand and Myanmar via Manipur, the Integrated Infrastructural Development Project at Moreh, the Export Promotion Industrial Park project at Khunuta Chingjin in Thoubal district, the industrial growth centre project at Lamlai-Napet, and a food park at Nilakuthi.

Uttarakhand's new CM, Trivendra Singh Rawat, is the only one who may find it slightly easier. Among the five, the state has the lowest debt-to-GSDP ratio (24.4 per cent). Uttarakhand also had the lowest fiscal deficit at 2.23 per cent in FY16. But the challenge is to maintain growth. Industry contributes 50 per cent to Uttarakhand's net SGDP. The challenge is to back industry's demand for investments in roads, railways and power.

The critical sates are Punjab and Uttar Pradesh. Both Singh in Punjab and the BJP in UP have promised to waive off loans to small and marginal farmers and provide them interest-free loans. The total outstanding against UP's farmers alone is ₹75,000 crore, of which 10 per cent is from institutions. The Reserve Bank of India has expressed its reservation as this may impact credit discipline of farmers. On March 16, in the Lok Sabha, Agriculture Minister Radha Mohan Singh confirmed that the union government will bear the burden of the UP government. But there is complete silence on Punjab. The state's agriculture is almost stagnant with compounded annual growth of 1.6 per cent from 2004/05 to 2014/15. In the last 20 years, several efforts have been made to diversify, but have failed and led to this crisis. Even for UP, there is still no clarity on how many farmers will qualify for the benefit.

In rural UP, where three out of four households are dependent on agriculture, the state has seen a mere 2.9 per cent compounded growth rate in farming and allied sectors during the last decade, much lower than the national average of 3.7 per cent. Industrial growth has been hovering below 2 per cent for a decade, and the state was ranked 20 among 21 in the ease of doing business. Kanpur's leather industry has seen 146 of the 400 tanning units down shutters in the past decade. In Punjab, pharmaceutical units have moved out to Himachal Pradesh because of tax exemptions. The traditional hosiery and small business, too, has moved out to Madhya Pradesh and Haryana.

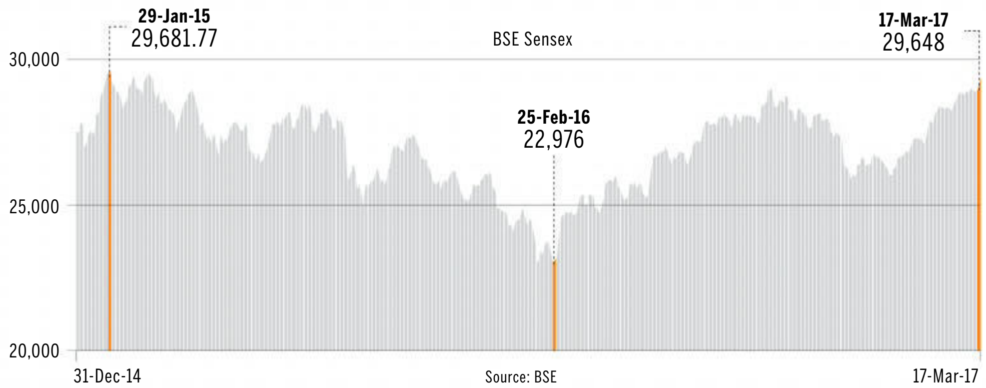
In January this year, Assocham came out with a paper 'Action Agenda for New Government of Punjab'. It showed that the state's overall economic growth rate was at a low 4.9 per cent in 2014/15 compared to 10.2 per cent in 2006/07. It also pointed that Punjab's contribution to India's economy has declined from 3.3 per cent in 2004/05 to 2.9 per cent in 2015/16.

The overwhelming verdict in the elections has been for change. One can only hope that the change is for the better.

@anileshmahajan

In Bull Territory

Stock markets are close to all-time highs on the back of Assembly election results. Further gains look unlikely. By MAHESH NAYAK



In the past one year, Pramod Gubbi, Head, Equities, Ambit Capital, has reduced his monthly investment in equity mutual funds by 75 per cent. "Fundamentals don't support valuations. It's not a cheap market. We have suggested to our investors to book profits and enter when markets correct."

But markets don't seem to be obliging Gubbi. The main stock indices hit a 52-week high on March 17, when the BSE Sensex, at 29,824, was at a two-year high, just 200 points short of the all-time high of March 5, 2015.

"Fund flows, sentiment and fundamentals are working in favour of markets," says Nilesh Shah, Managing Director & CEO, Kotak Mutual Fund. He says three events note ban, Union Budget and state elections considered risks a few months ago have turned out well. The impact of the note ban fizzled out by January, the Budget stuck to fiscal prudence, while elections strengthened the hands of the government at the Centre. "The sentiment has improved on the hope the government will be able to deliver on labour reforms, improve the ease of doing business, recapitalise banks and improve the NPA situation," he says.

IN 2017, FIIs HAVE INVESTED $3.7 BILLION, WHILE MUTUAL FUNDS HAVE PUMPED IN CLOSE TO $1 BILLION

For now, the market is riding on the back of strong fund inflows. In 2017, FIIs have invested $3.7 billion, while mutual funds have pumped in close to $1 billion. Gubbi says the rise is not supported by earnings growth and so is risky.

Abhay Laijawala, Head of Research, Deutsche Equities, agrees. "Over the past few years, in the absence of earnings growth, markets have not been able to break out from levels where valuations are over 17 times earnings. Despite the liquidity, it will be difficult for markets to sustain at these levels without support from earnings growth."

"Even for 2017/18, consensus earnings growth estimates have come down from 26 per cent to 18 per cent. My guess is that by the time the GST is implemented, the estimates will fall to 10-12 per cent. We should not chase markets in such an environment," he says.

Global events can cause hiccups but may not have a major bearing on our markets. "With domestic flows remaining strong, my concerns are that they should not push the market in the overvalued zone. Mutual funds are receiving ₹4,000 crore every month through SIPs. For the first time in my 25 years in the market I am praying that FIIs should play the role of a balancer and turn sellers. Otherwise, with limited supply and sustained inflows, our markets can be on fire."

So, what next? "Momentum players can take a call to play this market but they have to know when to pull back," says Gubbi.

However, Shah is confident. "I will be a buyer in this market but not invest everything in one go. Systematic investment route is the best as the market isn't cheap. However, you won't find valuations drifting to lows seen in the middle of 2013 or 2008. It is difficult to predict where markets are headed but we are certainly in a long-term bull market that can be volatile. This market will reward patient investors," he says. ◆

@maheshnayak

Mining Slide

To make mining more attractive, the government must ensure clarity in policy and fast action. By ANILESH S. MAHAJAN

RAJ VERMA

Even as the BJP celebrates its wins in the recent assembly polls, there is a new crisis brewing. As per the latest report of Fraser Institute, India has slipped to the 97th spot out of 104 mining countries in the overall Investment Attractiveness Index from its previous ranking of 73 in 2015 (out of 109). India has been placed among the 10 lowest countries along with Afghanistan, Zimbabwe and Mozambique, while China is ranked 54th.

In 2014, Prime Minister Narendra Modi had promised ease of doing business and continued the discourse to date. But the current ranking is an eye-opener as the key reasons behind India's poor showing include lack of clarity in policy perception, enforcement of existing regulations, inconsistencies and multiple taxes, legal tangles and uncertainty concerning disputed land claims.

INDIA SLIPPED 24 PLACES TO THE 97TH SPOT OUT OF 104 MINING NATIONS IN 2016 OVERALL INVESTMENT ATTRACTIVENESS INDEX

Both coal and non-coal segments have witnessed a significant slump. Although domestic coal production increased during the first two years of the current NDA government, growth stalled due to low power demand. To bring in more transparency, the Narendra Modi-led central government amended the Mines and Minerals (Development and Regulation) Act in June 2015, making the reverse auction route mandatory and doing away with states' power of discretion. The new method also requires reworking of mining blocks and more comprehensive data which are not yet available. As a result, over the past 20 months, only 20 mines have been allocated.

It can be easily seen why the mining sector is in such a mess. From double taxation to ore export bans to allegations of underpricing by PSUs, disputes galore, and some cases have gone right up to the apex court. To make reverse bids successful, India also needs a robust database and comprehensive mapping of its land resources. However, the country has only mapped about 6 per cent of its land mass.

Since last year, India has started working on a national geo-scientific data repository to collate all baseline and mineral exploration information generated by various central and state government agencies as well as mineral concession holders and maintain the data in a geospatial database. It is also trying to bring in digital interventions to speed up the process.

The worst-hit in this industry is iron ore mining. After being battered by production caps, environment-related clampdowns, taxes and duties, and export restrictions, the threat of a price ceiling is now looming large. The nationalist government has its own logic--it wants to ensure plentiful and cheaper iron ore supplies to steel manufacturers in a bid to rein in prices of finished products.

This year, however, most of the states are ready to get back into action as they have updated their data and reworked the block sizes. The Ministry of Coal is also ready with its commercial mining policy and infrastructure. So India has to cut the time lag to grant environment and forest clearances while states need to deal with land acquisition. Also, India is one of the heavily taxed mining countries. Against the global average band of 10-15 per cent, it levies more than 15 per cent besides a corporate tax of about 30 per cent. Understandably, there will be a long road ahead to overcome these hurdles. ◆

@anileshmahajan

Info Wall

Is RBI right in stonewalling the RTI query on note ban?

By JOE C. MATHEW

भारतीय रिज़र्व बैंक
मुद्रा प्रबंध विभाग
आरटीआई क्र RBIND/R/2017/50506- श्री जोई मैथ्यू

Query No.	Query	Information proposed to be provided
1	When was the last date when the currency printing presses printed old high denomination notes of Rs. 500 and Rs 1000	The information sought is not available with us. Bank notes are printed by presses under BRBNMPL and SPMCIL. The query is therefore transferred under Section 6(3) of Right to Information Act, to 1) The CPIO, Bharatiya Reserve Bank Note Mudran Pvt. Ltd. Nos. 3 & 4, 1st Stage, 1st Phase, BTM Layout, Bannerghatta Road, Bangalore – 560 029. 2) The CPIO, Security Printing and Minting Corporation Ltd. Corporate Office, 16th Floor, Jawahar Vyapar Bhavan, Janpath, New Delhi – 110001
2	What was the percentage of old high denomination of old high denomination notes of Rs.500 and Rs.1000 among the total number of rupee notes printed in India during the October 2016	The information is not available in the form in which it is sought and collating the same would divert disproportionately the resources of the Bank and hence cannot be provided in terms of Section 7(9) of the RTI Act, 2005.
3	When did the government and RBI officially asked the printing presses to stop printing currencies of old high denomination	Information sought is secret / sensitive and confidential in nature hence is exempt under section 8(1) (a) of the RTI Act 2005.

CPIO
07-03-2017

On March 13, all restrictions that the Reserve Bank of India (RBI) had imposed on cash withdrawal after the demonetisation of high-value currency (accounting for 86 per cent cash in circulation four months ago) came to an end. The apex bank and the central government, however, continue to stall all information regarding the decision, its purpose and its real impact.

In response to an RTI query by *Business Today*, the RBI has said that it cannot disclose the date when it had instructed currency printing presses to stop printing the now withdrawn ₹500 and ₹1,000 notes as the information is confidential and sensitive in nature. To a related query meant to understand the quantum of those old high-denomination currencies that were printed just before Prime Minister Narendra Modi announced the demonetisation move on November 8, 2016, the RBI replied that the information was not available in the format in which it was sought. It maintained that to collate the information what percentage of the old high-denomination currency constituted the total currency that was printed in October 2016 the bank would have to divert its resources disproportionately.

The official stand taken by the government is that the decision was well thought through, and the timing of the announcement was deliberately kept a secret as otherwise it would not have met the objective of curtailing counterfeit currency and black money in circulation. But the government is yet to quantify the outcome of its demonetisation exercise.

Last month, in a written reply to a question in the Rajya Sabha, Arjun Ram Meghwal, Minister of State in the Ministry of Finance, had said that as on December 10, 2016, ₹12.44 lakh crore in ₹500 and ₹1,000 notes had been submitted by banks to the RBI. The minister could not clarify the extent of black money or counterfeit notes that had been wiped out during the exercise. "The data obtained in this regard would need to be reconciled with physical cash balances to eliminate counterfeit notes, accounting errors, possible double counts, etc., after which only the final figure will be arrived at," Meghwal stated.

The government has also informed Parliament that the impact of demonetisation on business and industry, apart from jobs and poverty, can only be known over a period of time.

By March 3, 2017, the RBI had put currency notes worth ₹11.7 lakh crore in circulation. Although it was still short of the ₹6.1 lakh crore currency that was in circulation a year ago, it was good enough for lifting all restrictions on currency withdrawals that were in place since November.

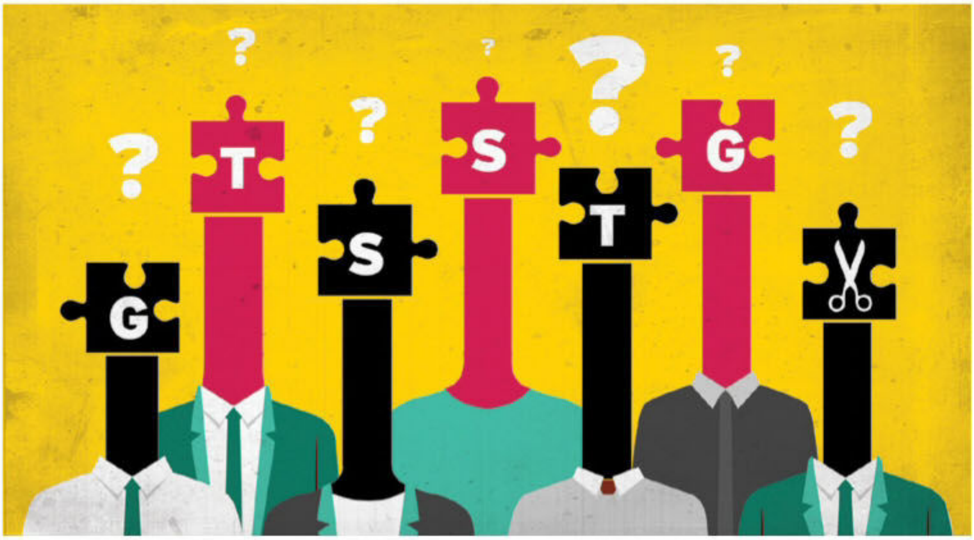
The government has succeeded in normalising the money supply situation. But that cannot justify the demonetisation decision. ◆

@joecmathew

THE GOVERNMENT IS YET TO QUANTIFY THE OUTCOME OF ITS DEMONETISATION EXERCISE

Dashed Hopes

The way things are moving, chances of a moderate GST regime are low. By DIPAK MONDAL



RAJ VERMA

When the Goods and Services Tax (GST) was conceived and debated, the objective was to end the multiple layers of taxation at the Central and state government levels, curb tax avoidance, and bring down the tax rates to moderate levels. But that seems like a distant dream, going by the deliberations in the GST Council.

After putting an enabling clause in the law to increase the peak GST rate to 40 per cent from the proposed 28 per cent, the council has now proposed a maximum compensation cess of 15 per cent which would be levied on the total taxable price of the goods and services, and not just on the tax, as is the case with Education Cess.

The proposed cess, also called sin tax, is likely to be levied on demerit and luxury goods such as aerated drinks and luxury cars, only for the first five years. However, government sources hint that the cess could be extended beyond this time period. The funds collected through the cess would be used to compensate states for the losses incurred by them due to the implementation of GST. The states would be fully compensated for losses in the first five years.

FUNDS COLLECTED THROUGH THE CESS WILL COMPENSATE STATES FOR LOSSES INCURRED BY THEM DUE TO GST IMPLEMENTATION

While tax experts and analysts have welcomed the announcement of 15 per cent cap on the cess, bringing in much-needed certainty, not many of them are encouraged by the signals that the government and the GST Council have been sending with regard to the tax rates.

Though the expectation is that the cess would be levied only on luxury and demerit goods, the law on compensation cess does not clearly state that it won't be levied on any other goods. That in itself is a bit of a worry for the industry.

Besides, the government is yet to define luxury goods. Would a Honda City car be categorised as a luxury item or would only cars and automobiles priced over ₹25 lakh be labelled as luxury items there is still no clarity on this.

There is already speculation that the inclusion of the enabling provision in the GST law to increase the peak rate from 28 per cent to 40 per cent was done with the intention of increasing the peak rate as soon as the compensation cess ceases to exist after the first five years.

May be apt to say that the developments in the past six months have pointed to a rather unfavourable GST regime. ◆

@Dipak_Journo

By GOPAL KRISHNA

Will Aadhaar Cause Death of Civil Rights?

Denial of civil rights in the absence of Aadhaar can be interpreted as an act of coercion

In the Central Identities Data Repository (CIDR) of 12-digit biometric Unique Identification (UID)/Aadhaar numbers, an Indian resident can be seen by anyone from any part of the planet, but they can't see the person who is looking at them. He/she is the object of information, but never a subject in communication as in a panopticon, an architectural configuration that enables a single guard to view all the inmates in a prison, but prevents those inmates from knowing exactly when they are being watched and from where. This design is a general model of defining power relations in everyday life.

The Supreme Court issued its first order on September 23, 2012, making it clear that UID/Aadhaar is voluntary and cannot be made mandatory. The decision came nearly two years after its launch. The Apex Court's last order is the law of the land and UID/Aadhaar cannot be made compulsory because of the order of Supreme Court's Constitution Bench dated October 15, 2015, which was reiterated on September 14, 2016. The passage of the Act by the Parliament does not automatically imply that any agency can make UID/Aadhaar compulsory disregarding the Supreme Court's orders.

In a related case, the Supreme Court, in SLP (CRL) 2524/2014 Unique Identification Authority of India (UIDAI) vs Central Bureau of Investigation (CBI), passed an order dated March 24, 2014, which reads as follows: "No person shall be deprived of any service for want of Aadhaar number in case he/she is otherwise eligible/entitled. All the authorities are directed to modify their forms/circulars/likes so as to not compulsorily require the Aadhaar number in order to meet the requirement of the interim order passed by this Court forthwith."

AS AADHAAR ACT 2016 DOES NOT HAVE ANY PROVISION FOR SEEDING UID/AADHAAR WITH OTHER SCHEMES, IT IS CLEAR THAT THE INDIAN GOVERNMENT IS STEPPING BEYOND THE MANDATE OF THE ACT AND ACTING IN CONTEMPT OF PARLIAMENT

Thus, it is eminently clear that even after the notification of 'coming into force' of Aadhaar Act 2016, it cannot be made compulsory given the fact the Supreme Court reiterated its order on September 14, 2016, subsequent to the notification in the Gazette of India on September 12, 2016. The order dated October 15, 2015, states: "We impress upon the Union of India that it shall strictly follow all the earlier orders passed by this Court commencing from 23.09.2013. We will also make it clear that the Aadhaar Card Scheme is purely voluntary and it cannot be made mandatory till the matter is finally decided by this Court one way or the other."

This makes it abundantly clear that the categorical order of the Court in UIDAI vs CBI case is mandatory. The UID/Aadhaar-related matter is listed for hearing on March 27, 2017, by an appropriate Bench.

There is clear indication that the government is stepping beyond the mandate of the Aadhaar Act 2016. Although the Act does not have any provision of seeding of UID/Aadhaar with other schemes, the government is acting in contempt of Parliament.

It is apparent that the JAM Trinity–Jan Dhan Yojana, Aadhaar and Mobile numbers–may well be a fish bait to trap unsuspecting citizens into the world's biggest transnational biometric database to turn them into subjects under surveillance forever in the name of a set of welfare and anti-poverty policies.

Linking of biometric UID/Aadhaar number to all public services is designed to cause civil death. Civil death is the loss of all or almost all civil rights by a person, caused by the government of a country. The declaration of a person as an outlaw has been a common form of civil death. Now it is apparent that the denial of rights in the absence of UID/

Aadhaar is an act of coercion wherein people are being compelled to share their personal, sensitive biological information; else they will face civil death.

As to concerns regarding violation of fundamental right to privacy, on UID/Aadhaar number, the Central Government's Draft Paper on Privacy Bill states, "Data privacy and the need to protect personal information is almost never a concern when data is stored in a decentralised manner. Data that is maintained in silos is largely useless outside that silo and consequently has a low likelihood of causing any damage. However, all this is likely to change with the implementation of the UID Project. One of the inevitable consequences of the UID Project will be that the UID Number will unify multiple databases. As more and more agencies of the government sign on to the UID Project, the UID Number will become the common thread that links all those databases together. Over time, private enterprise could also adopt the UID Number as an identifier for the purposes of the delivery of their services or even for enrolment as a customer."

It is quite revealing that the Draft Paper on Privacy Bill asserts: "Once this happens, the separation of data that currently exists between multiple databases will vanish." This poses a threat to the identity of citizens and the idea of residents of the state as private persons will be forever abandoned.

THE JAM TRINITY COULD BE A FISH BAIT TO TRAP CITIZENS INTO THE WORLD'S BIGGEST TRANSNATIONAL BIOMETRIC DATABASE TO TURN THEM INTO SUBJECTS UNDER SURVEILLANCE IN THE NAME OF A SET OF WELFARE AND ANTI-POVERTY POLICIES

The crucial issue of fundamental right to privacy is linked with the issue of denial of constitutionally guaranteed natural rights of citizens in the absence of biometric profiling based UID/Aadhaar. This approach of the government implies that the right to have public services is now dependent on having biometric UID/Aadhaar number.

While the proponents of CIDR of UID/Aadhaar talked about those being quite sensitive to privacy concerns and referred to the Privacy Bill (which was under circulation in 2010) that should have preceded initiatives like UID/Aadhaar or the very purpose of the proposed legislation will be defeated, they are now openly dismissive about it.

After compromising the privacy and data security of more than 100 crore Indians residents, the Central Government has come out with a five-page long Draft Information Technology (Security of Prepaid Payment Instruments) Rules 2017 on March 8 which mentions "Aadhaar numbers, biometric attributes or any other data", "cyber security breach" and "privacy policy".

Biometrics "means the technologies that measure and analyse human body characteristics, such as 'fingerprints', 'eye retinas and irises', 'voice patterns', 'facial patterns', 'hand measurements' and 'DNA' for authentication purposes" as per the Information Technology (Reasonable security practices and procedures and sensitive personal data or information) Rules 2011, under section 87, read with section 43A of the Information Technology Act 2000. The minutes of the Approach Paper for legislation on Privacy, communicated by the Department of Personnel and Training, defined 'Personal Sensitive Data' as what includes biometric data and genetic information.

The creation of CIDR is an act of political record-keeping, using the human body as data. The UID/Aadhaar for CIDR can always act as a "unique personal identifier". This identifier to everyday surveillance is like the discovery of longitude to navigation. The fixation with identification, based on the 'biological attributes of an individual' provided under the Aadhaar Act, has unprecedented political implications.

An article titled "Defense Department Under Pressure to Share Biometric Data", published in the US-based *National Defense Magazine*, underline that concerns regarding violation of fundamental right to privacy are linked to deeper strategic implications of biometric surveillance as a political and economic operator.

West Bengal Chief Minister Mamata Banerjee has aptly noted, "In the name of Aadhaar, privacy is being lost and there is extortion. Why is this Govt so negative? As a nation, we must condemn this." Left Parties, too, officially communicated that involvement of questionable foreign agencies in UID/Aadhaar is compromising national security. Of course, not all agencies are acting unwisely. The Election Commission of India and the unanimous resolution of the West Bengal Assembly have sought compliance with the Supreme Court's order in letter and spirit.

Apparently, under some external influence, the Central Government's stance has been insincere from the outset. The total estimated budget of the project has not been disclosed till date. Unless the total estimated budget is revealed, all claims of benefits are suspect and untrustworthy. ◆

The author is a member of Citizens Forum for Civil Liberties. He is a public policy and law researcher, and editor of www.toxicswatch.org.

WHAT'S TRENDING

Auto Incorrect

Why automating social media processes blindly is a bad idea.

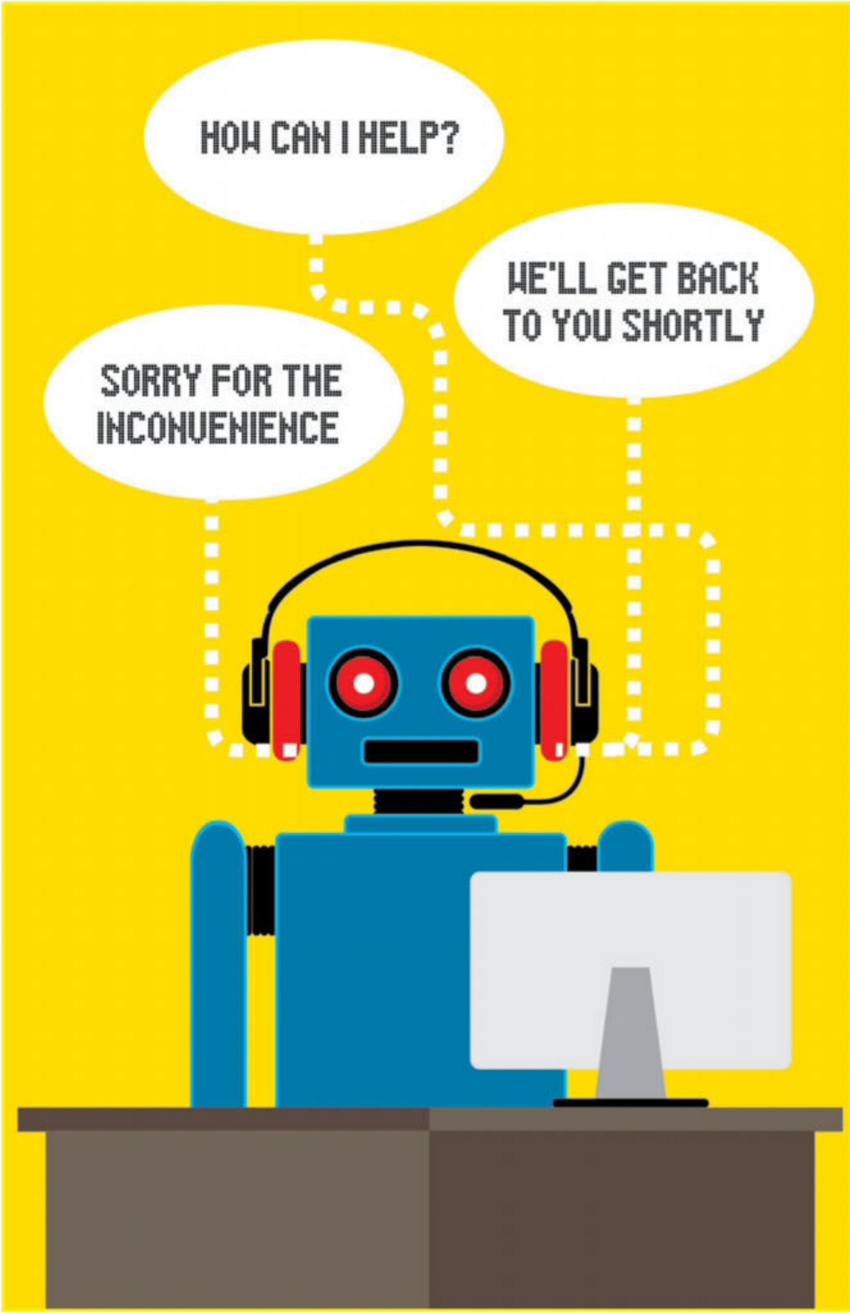
By **SONAL KHETARPAL**

When Archana, a travel enthusiast, tweeted to a telecom company about how good the phone network was throughout her week-long travel to rural Punjab, the response she got was befuddling. Instead of a heartfelt acknowledgement from the company, she received this: "Thank you for your message. Our executive will reach out to you shortly. We regret the inconvenience."

Thanks to automation, such mismatched (bordering on inane) replies have been on the rise on social media platforms. Digital marketers laud automation for the speed and scalability it offers. But generic responses, such as the one above, under the garb of 'always listening to consumers' usually backfire and do more harm to the company than good.

"Machine learning is in its early days, so it is important to bring in the right checks and balances. Overdependence on automation can lead brands to lose consumers, instead of winning them, because the responses can often be mundane, insensitive and lacking in human touch," says Rubeena Singh, CEO, iProspect.

Companies employ social media automation at several levels. Brands have to publish

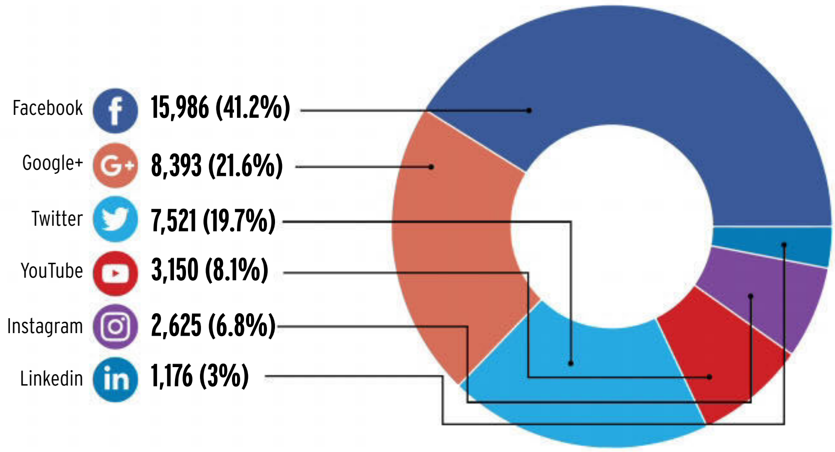


RAJ VERMA

DIGITAL DASHBOARD

Oh Phish!

The extent of impersonation on social networks



Source: Zerofox Research

content across platforms several times a day, through the week. It is thanks to software such as Hootsuite which lets them schedule tweets and ensure continuous engagement with consumers that social media executives can afford to take the weekend off.

The biggest blunder, says Saurabh Mishra, Digital Marketing Head, Kestone IMS, is auto-replies adding another layer to the engagement process by directing the user to an executive or asking the user to call on a certain number. "Getting an automated reply is equivalent to calling a call centre where the call is first managed by the IVR, followed by the long wait before it finally reaches the customer care executive." He adds that when a user is making an effort to go to your company's page to type the query, a similar effort has to be made by brands. "You need to have humans there."

Companies use chatbots to answer queries, give product/service recommendations, personalised experiences for repeat visitors or users, and guerrilla marketing. Swapnil Puranik, Head, Customer Experience Strategy-West, SapientRazorfish India, says this is especially important for sectors such as telecom, retail, BFSI, travel and hospitality and auto, where the volume of communication is high and human intervention is not possible at all levels. HDFC Life recently launched a life insurance chatbot in collaboration with Haptik, which will act as a financial guide to users. Sure, such initiatives will enable a company to resolve queries in real time with minimum manpower. However, to what extent should automation be encouraged?

Digital marketers ought to strike a balance. Aakriti Bhargava, Co-founder of Boring Brands, advises companies to distinguish queries into functional and emotional. "The matter-of-fact questions on timings, price or location can go to the bot, and the others can be directed to the customer care executive, all in real time."

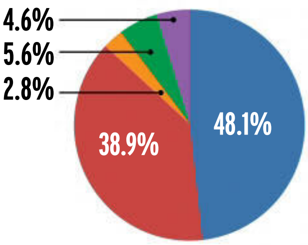
Brands can leverage automation by integrating their tools with customer relationship management (CRM), suggests Puranik. Seamless CRM integration would enable businesses to send personalised/relevant communication to users. For example, a follow-up e-mail with more information about the product or offer to the user who clicked on the ad on Facebook, but left the website without purchasing. In fact, such instances can be leveraged by competition by offering consumers a better value proposition.

Brands have to reach the user directly; there is no substitute for that. Successful brands are those that connect the dots across multiple touch points in a consumer's journey online and offline to deliver a highly personalised experience to the user. ◆

@sonalkhetarpal7

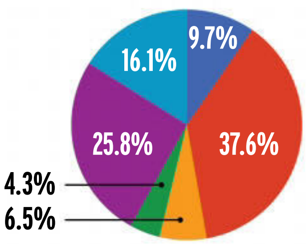
IMPERSONATOR THREAT TACTICS

- Fake Giveaway, Contest, Coupon
- Brand Hijacking
- Fake Recuiter
- Fake Support
- Financial Scam



IMPERSONATOR THREAT PAYLOADS

- Malware
- Phishing
- Adware
- Scam/fraud
- Unrelated merchandise
- Farming followers



LISTENING POST

Bots Invasion

A study by the University of Southern California and Indiana University suggests that about 9-15 per cent of active accounts on Twitter are bots. Twitter currently has 319 million monthly active users and 15 per cent of this figure would amount to 48 million profiles on the social networking site. The research used more than 1,000 features across six categories and analysed user accounts for profile appearance, content produced and retweeted, and interactions with other users in terms of retweets and mentions, to decide whether the profile was used by a bot or a human. In a recent filing to US Securities and Exchange Commission, Twitter had said that about 8.5 per cent (27 million) of its users are automated accounts – a figure it had given in 2014, too. Other studies, however, have pegged the number to be higher.

Closed Chapter

Microsoft shut down Socl – a social network it had made public in 2012 which did not gain much popularity – on March 15. The network, in its initial days, was a research tool primarily aimed at students and social searches, and later was introduced as a social networking site by Microsoft. "In supporting you, Socl's unique community of creators, we have learned invaluable lessons in what it takes to establish and maintain a community as well as introduce novel new ways to make, share and collect digital stuff we love," the network's developer team wrote in a blog post. The site was an interesting mix of social interaction, sharing and search, but was never able to gain traction like its other competitors and remained a research project.

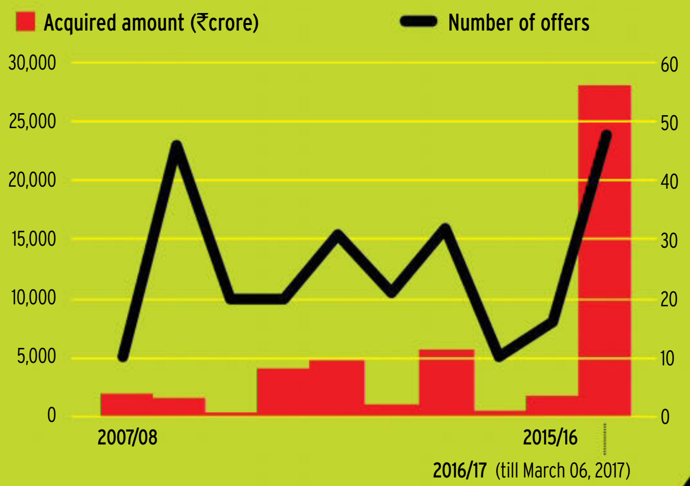
ON SHOPPING SPREE

Share buybacks have touched a record high in 2016/17. The reasons are imposition of 10 per cent tax on dividend income above ₹10 lakh in last year's Budget, over and above the 15 per cent dividend distribution tax that is deducted by the company at the time of dividend payment. We crunch the numbers for you

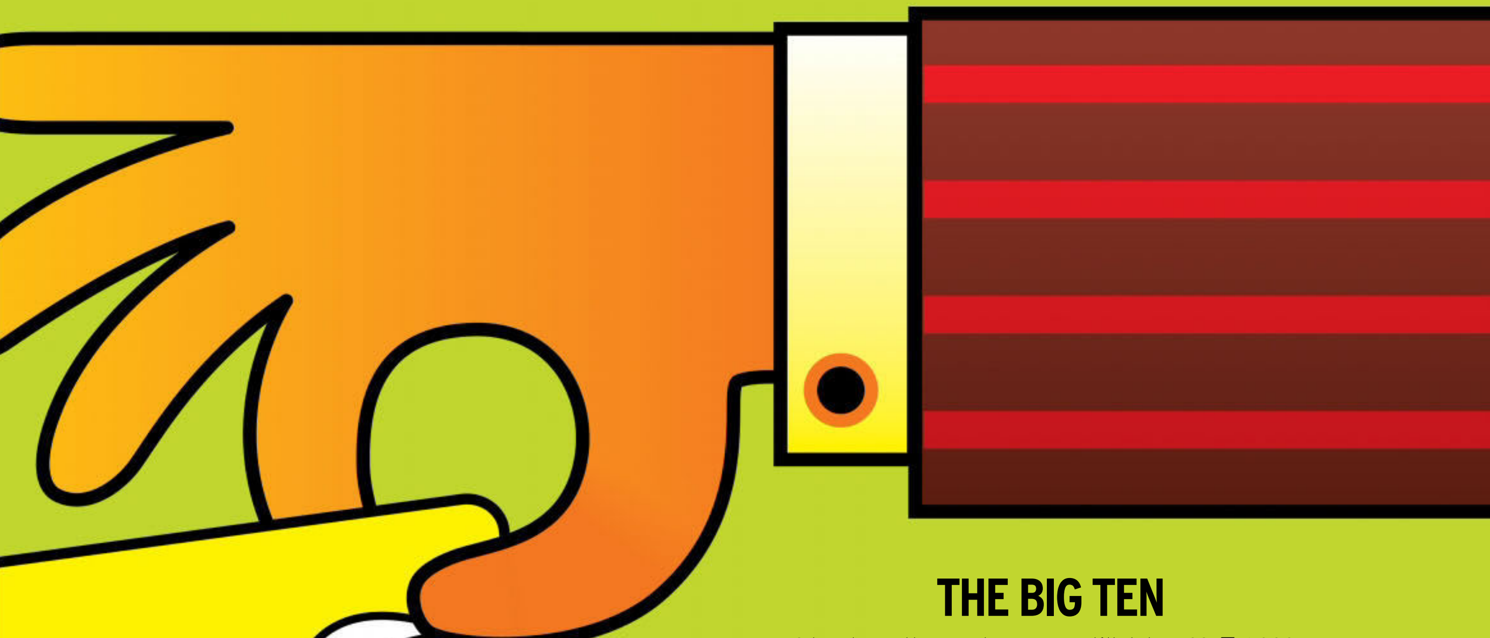
Graphic by: **Tanmoy Chakraborty** Research by: **Avneet Kaur**

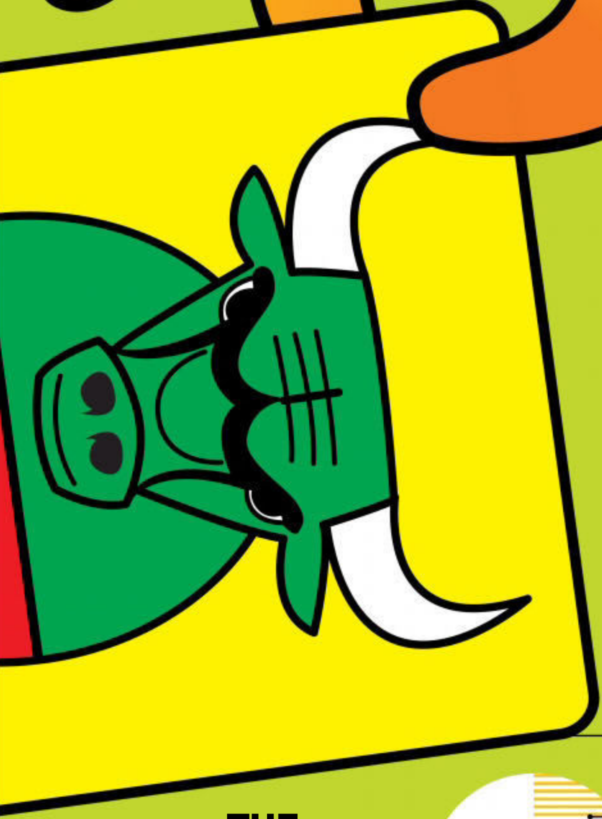
THE BUYBACK SPIKE

The buyback amount is 16 times more than in 2015/16



Source: PRIME Database, Institutional Investor Advisory Services





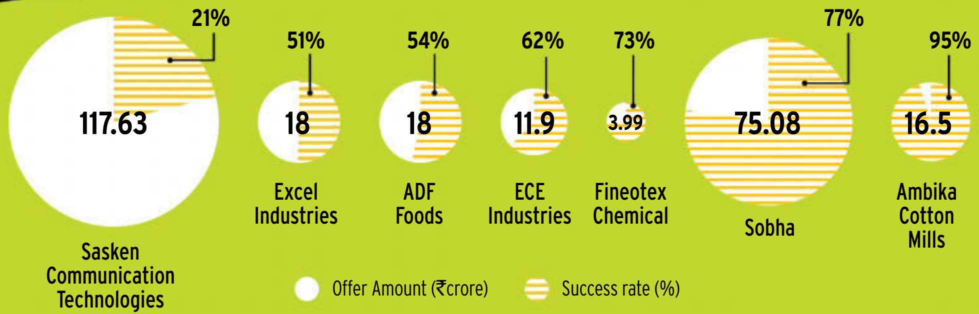
THE BIG TEN

NMDC has been the most generous till date; TCS' ₹16,000 crore offer may, of course, pip it in the coming months

Company	Acquired amount (₹Crore)	Promoter holding before offer (%)	Promoter's holding after offer (%)
NMDC	7,528	80.00	74.94
COAL INDIA	3,650	79.65	79.78
RELIANCE INDUSTRIES	3,361	44.70	45.34
NATIONAL ALUMINIUM CO	2,835	80.93	74.58
PIRAMAL HEALTHCARE	2,508	53.32	53.53
WIPRO	2,500	73.34	73.25
NHPC	2,368	86.36	85.96
BHARAT ELECTRONICS	2,171	75.02	74.41
BOSCH	2,020	71.18	70.49
BHARTI INFRATEL	2,000	71.70	71.96

THE SUCCESS RATE

In 2016/17, Sasken's offer got the least enthusiastic response

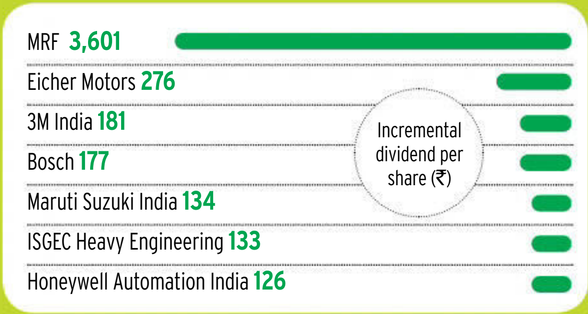


₹ 16,000 CRORE
TCS' buyback offer, India's biggest till date

₹ 27,600 CRORE
As per an IiAS report, 88 companies can pay this much to shareholders (as dividend or through buybacks)

THE ₹100-PLUS CLUB

These companies can pay more than ₹100 per share to shareholders



CORPORATE Havells

INTO THE BIG LEAGUE

The acquisition of Lloyd's consumer durables business gives Havells an entry into this high-growth segment. But the company has a challenging task ahead if it has to compete with MNCs and other home-grown biggies. **By SUMANT BANERJI**

IN 2010, a group of distributors and dealers asked Anil Rai Gupta, the Chairman and Managing Director of Havells India, if he had any plan to manufacture air-conditioners (ACs). Havells had by then transformed itself from a pure industrial to a consumer business and established itself in the premium ceiling fan category. It was these fan buyers who were enquiring about ACs. The dealers decided to put the thought into Gupta's mind.

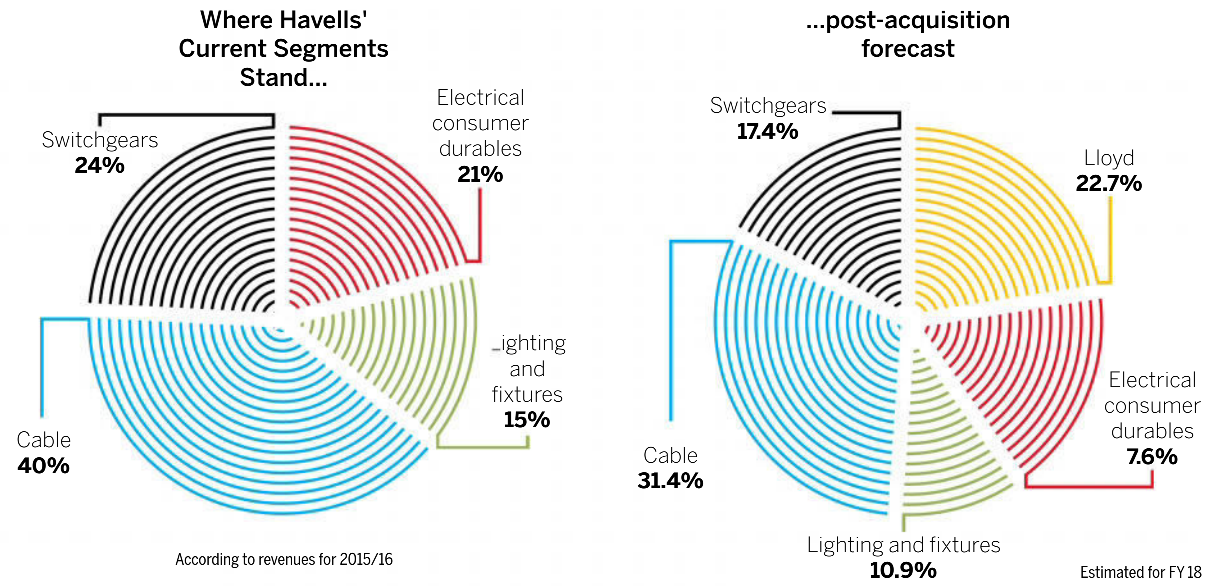
The company, which has a long history of making acquisitions to enter new areas, was not averse to the idea. Gupta hired a team for a feasibility study. The segment, it found, was under-penetrated; just 2 per cent households owned an AC. Opportunities were huge. However, after six months of studying the market, the company concluded that it did not have the technological know-how or distribution prowess to get into the business. The aggression of the Korean companies —Samsung and LG — was another worry.

"Havells invests in technology and manufacturing of every product category it enters. Lloyd will also have to do the same. Over time, we do not want to be considered as an air-conditioner firm but a full-fledged consumer durables player."

Anil Rai Gupta, Chairman and Managing Director, Havells

VIVAN MEHRA

THE BREAK-UP



"There was some apprehension that if they could change the TV industry in a way that companies such as BPL and Videocon were out of the picture, would they do the same in ACs?," says Gupta. "The threat of the Koreans was clear. We decided against making an organic entry. We thought if we got an opportunity to make an entry through an acquisition, we would do that," he says.

Last month, the company did just that by acquiring the consumer durables business of Lloyd for ₹1,600 crore. The addition of Lloyd's portfolio of ACs, LED televisions and washing machines to Havells' domestic appliances such as fans, water heaters and lights, makes the latter a full-fledged consumer durables player. This also pits it, for the first time, against global heavyweights such as LG and Samsung, as well as domestic leaders such as Voltas. Will Havells be able to hold on to its own? Or has it bitten more than it can chew?

Good Match?

On February 20, the day after the acquisition was announced, share prices of both the companies fell on the Bombay Stock Exchange. Havells fell 2.66 per cent while Lloyd fell 16.75 per cent. Over the course of the week, Havells fell another 3 per cent, before recovering. These movements were first indication that investors had some concerns about the deal, though there was little to dispute the valuation — Havells was essentially paying for the brand and the network. Neither does it look like that funding will be an issue as Havells has ₹1,400 crore cash and no debt. It plans to raise some debt and pay the rest from its cash pile.

However, what is worrying investors is the low profitability of Lloyd and its impact on the combined entity's balance sheet. Even though the stock market seems to have absorbed this for now, the concern is still valid.

"The cost is fair considering that Havells gets an entry into the fast-growing consumer durables segment. However, turning around the business could be a challenge considering the relaxed terms of trade offered by Lloyd and competition from companies with strong financials such as LG, Samsung, Voltas and Daikin," Chirag Muchhala, Research Analyst, Nirmal Bang Equities, wrote in a report. "Further, it will dilute Havells' financials in the near term (next two years) as Lloyd has a much weaker margin profile. While the entry into consumer durables could aid long-term growth (assuming it successfully turns around Lloyd), in the transition phase we will be cautious."

10 mn
Expected annual AC sales by 2020, from four million in 2016

Lloyd's operating margins are 6 per cent; the figure for peers is 10-13 per cent. The brand recall, too, is limited, which is a surprise, as brand value has been central to the acquisition. There is a reason for this. After its re-entry into the consumer market in 2008 — Fedders Lloyd was one of the oldest AC maker in India but went bankrupt in 1990 — Lloyd sought out markets in smaller towns and rural areas, where competition is relatively less intense. Its serious foray into big cities is recent. As a result, its brand recall is not that strong. Analysts say it will have to continue investing in marketing and advertising, which means a quick improvement in margins can be ruled out.

"Margins are thin, which makes the company that much riskier. If they were 13-14 per cent, it would have been a better play. But I sense an opportunity here as the company has good potential," says Gupta. "It is work in progress. They have been smart in distribution by first focussing on Tier-II and Tier-III markets. So, from the point of view of a very premium customer from a big city, the mind space is less, but from product, distribution, relationship and service point of view, they are right up there with the A brands. All Lloyd needs is a bit of confidence," he says.

Fighting the Big Boys

Of the three product categories in Lloyd's portfolio, ACs contribute 70 per cent to revenues. This is the only segment where it has a sizeable presence (14 per cent) and is the third-largest player, behind Voltas and LG. Its presence in TV and washing machines is minuscule. India's residential AC market is grossly under-penetrated. Sales are expected to more than double, from four million in 2016 to 10 million by 2020, which offers sufficient room for Havells to grow. That is why, for some time, the focus will be on ACs and television; washing machines will be on the back burner. "ACs will be the mainstay. We believe that over the next two-three years, an investment of ₹200-300 crore will be needed to set up a manufacturing facility, change the perception of the consumer, and for new technology. There will be lot to do in ACs," says Gupta. "I am not too concerned about profitability at this point in time. The industry is not as competitive as they (analysts) say. Most players have double-digit margins. Lloyd has invested heavily in building the brand in the past 10 years. Now is the time to leverage that. We are not in the game of growth versus profitability."

The ambition is clear. Havells is not content playing second fiddle in any segment and wants Lloyd to challenge Voltas at the top. In his vision for the group, Gupta wants Havells and Standard (its electrical value-for-money brand) to retain and strengthen its appeal as a consumer electric brand while Lloyd becomes the group's main consumer appliance brand.

"In 2007, Havells' turnover was ₹1,600 crore. This year, it will be ₹6,000 crore. We have grown at 15-16 per cent a year. During this period, our margins also grew from 7 per cent to 14 per cent," he says. "We have grown faster than the market and at the same time improved margins. This is what we will do in Lloyd as well. We will strive to grow faster than Voltas and maintain margins similar to that of the industry."

Though the Lloyd story under Havells will begin with ACs, it will gradually extend to other products too. Gupta admits that breaking into the LED panel market will not be easy but is up for the challenge. "We will continue to leverage the distribution network for LED panels and washing machines too. And, over a period, refrigerators as well. We will not take back any product," he says. "Over a period, we do not want to be considered as an AC manufacturing company but a full-fledged consumer durables player."

The next round of growth is taking the company into uncharted territory but promises to be challenging and rewarding. ◆

@sumantbanerji

TWO TO TANGO

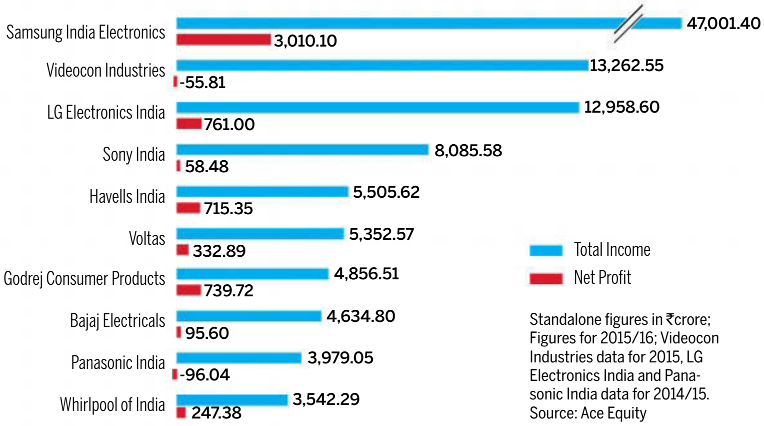
Where the combined entity could be by 2017/18

	Havells	Lloyd	Combined entity
Revenues (₹cr)	7,225.80	2,127.50	9,353.30
EBITDA (₹cr)	952.7	138.3	1,091
EBITDA margin (%)	13.2	6.5	11.7
PAT (₹cr)	719.3	96.8	694.7
Earnings per share (₹)	11.5	NA	11.1

Estimates for FY18; Source: Nirmal Bang Institutional Equities Research

WHAT IT IS UP AGAINST

Havells is right now at the fifth position in revenues



Standalone figures in ₹crore; Figures for 2015/16; Videocon Industries data for 2015, LG Electronics India and Panasonic India data for 2014/15. Source: Ace Equity

RAJ VERMA

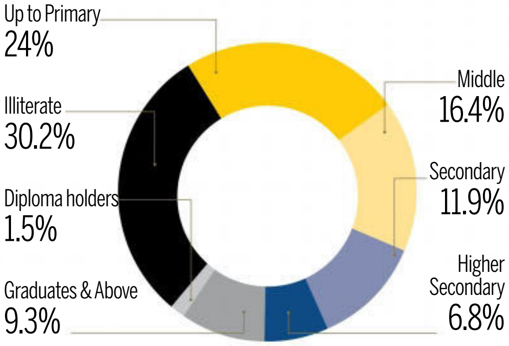
SKILLING JUGGERNAUT

INDIA HAS EMBARKED ON THE WORLD'S BIGGEST SKILL DEVELOPMENT PROGRAMME. CAN THIS BRIDGE THE TALENT GAP?

BY ANILESH S. MAHAJAN

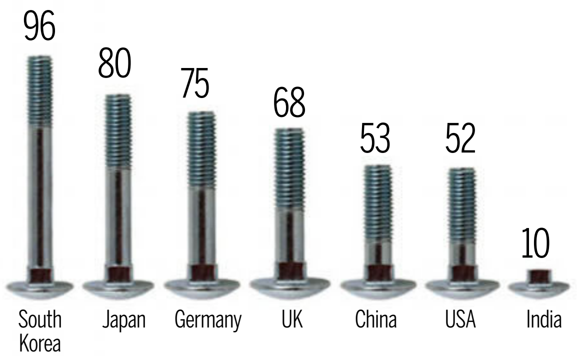
When Shruti Malik drives past farmland being ploughed on the outskirts of Yamunanagar, Haryana, she has reason to feel proud. She knows one of the men on the tractors at work was once her student at IRIS Learning, the skilling institute she runs in the town, which has so far trained 2,400 young people in sugarcane cultivation, polyhouse farming and the use of different kinds of agricultural implements. After a month-long training stint at IRIS, Rakesh Sandhu bought a tractor with a loan from the Pradhan Mantri Mudra Yojna – a scheme to facilitate micro business ventures begun in 2016 – which he hires out (with himself as driver) for a fee to farmers around Yamunanagar

EDUCATION DEFICIT...



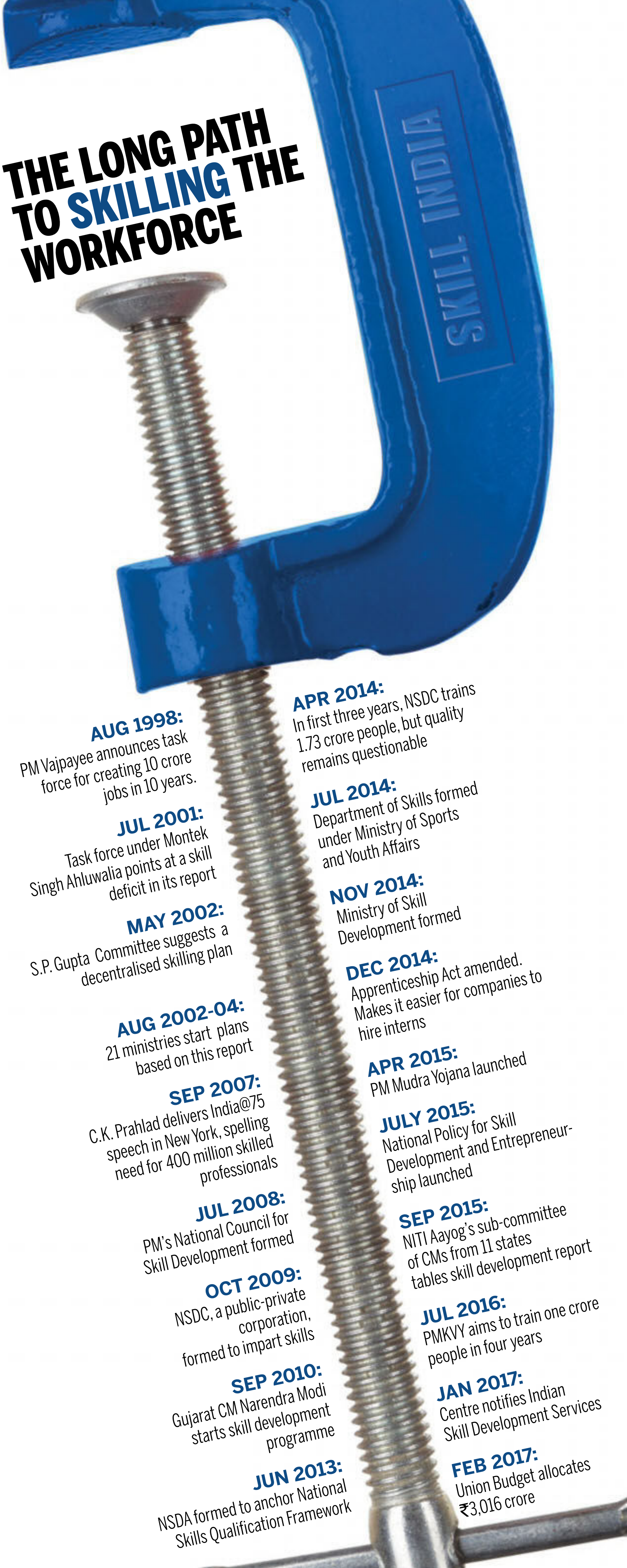
Source: NSSO data from Unemployment Survey 2011-12

...MEANS FEWER TRAINED PEOPLE



The figures are percentage of trained workforce

Source: Eleventh Five-Year Plan



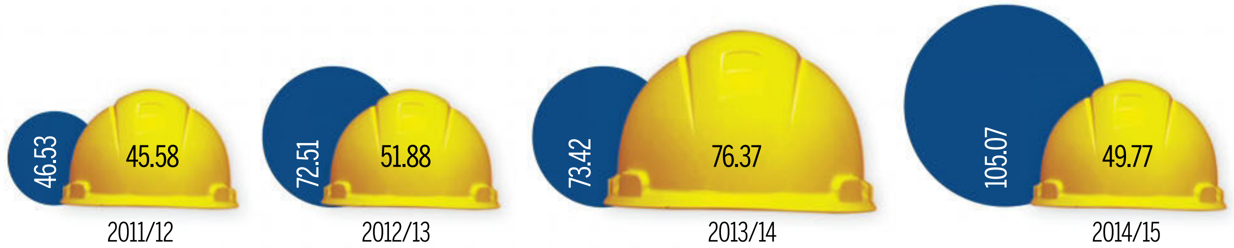
who need their fields ploughed.

"After the training, my students command a premium," says Malik. "Many of them are in great demand in neighbouring districts as well." Malik herself quit her job with Sapient Nitro in Gurgaon within six months of joining to pursue her dream of becoming an entrepreneur. IRIS Learning, which she set up in 2015, is one of the 4,526 skilling centres in the country which partner with the National Skill Development Corporation (NSDC) – under the National Skills Qualification Framework – to combat India's gigantic skills shortage. Apart from agriculture-related skills, IRIS also provides training for prospective electricians, fitters, mobile phone repairers and more. "I don't regret my decision to give up my well-paying job at all," she says.

India's youthful demographic ensures it produces 10-12 million job seekers a year, but only 10 per cent of them are trained in some employable skill. The education most receive does not equip them to land jobs. In comparison, 96 per cent of similar job aspirants in South Korea, 80 per cent in Japan and 75 per cent in Germany, are trained. Yet India needs skilled labour much more than these other countries – the late management guru C.K. Prahalad had estimated in 2007 that the country would require a skilled workforce of 400 million by 2022, including 130 million for newly-created jobs. It is lack of skills rather than absence of employment opportunities that is responsible for the unemployment rate in the country being around five per cent. Also, according to the Economic Survey 2014/15, 92 per cent of all employment is in the unorganised sector. Economists have estimated that India's skills shortage constrains its gross domestic product (GDP) by as much as two percentage points.

To reconcile the situation, the government has embarked on a massive exercise, setting up a separate Ministry of Skill Development and Entrepreneurship (MSDE), with Rajiv Pratap Rudy in charge, and allocating it a budget of ₹6,000 crore over three years. The ministry has its task cut out – to convince more young people with limited means to attain specific skills rather than pursue graduation; to get companies to pay skilled entrants better than their unskilled counterparts; to convince companies to employ skilled aspirants rather than train their own; to combat lack of infrastructure, bureau-

WHAT'S BEEN ACHIEVED



Source: National Skill Development Agency

Skilling target (in lakh) for India   Persons skilled (in lakh)

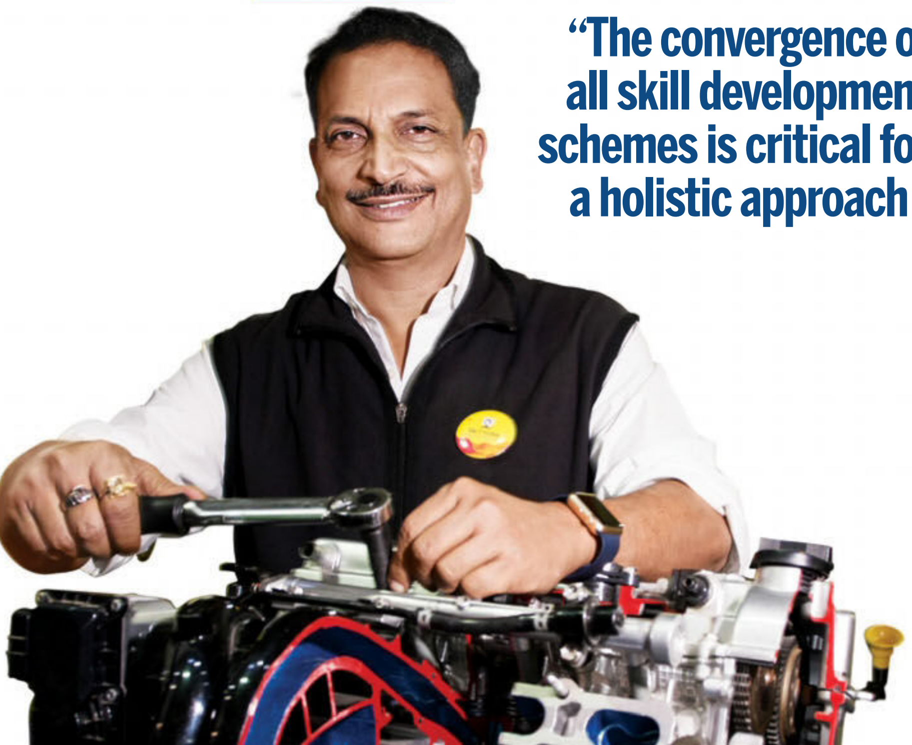
WHERE INDIA NEEDS TALENT

	Employment Base 2013 (mn)	Projected Employment 2022 (mn)	Incremental HR need 2013-2022 (mn)
Building, Construction and Real Estate	45.42	76.55	31.13
Retail	38.6	55.95	17.35
Transportation and Logistics	16.74	28.4	11.66
Beauty and Wellness	4.21	14.27	10.06
Furniture and Furnishing	4.11	11.29	7.18
Total	**109.08**	**186.46**	**77.38**
Total for all 24 sectors	461.1	581.89	120.79
% share of Top 5	**23.7**	**32.0**	**64.1**

Source: NSDC

RAJIV PRATAP RUDY Union Minister for Skill Development and Entrepreneurship

"The convergence of all skill development schemes is critical for a holistic approach"



WHO DOES WHAT

NSDA: Sets qualifications for skill programmes along with sector skill councils

NSDC: Is a public-private JV, funds skill development academies

Sector Skill Councils: An industry body that works both with NSDC and NSDA to set national skills qualification frameworks, national occupational standards as required by industries

Ministry of Skills Development and Entrepreneurship: Provides funds under PMKVY and runs programmes for ITIs

State governments: All state and union territory governments have skill development programmes

21 nodal ministries, including Urban Development, Textile, Rural Development, Chemicals, Civil Aviation, Heavy Industries, Agriculture, also run skill development programmes

Various corporates also run in-house skill development programmes

PHOTOGRAPHS BY VIVAN MEHRA & SHEKHAR GHOSH

PRAMOD BHASIN Founder of Genpact, who runs Skill Academy, headquartered in Gurgaon.

"It makes sense to push skill development with a single concentrated force ... and scope for failure is none"

cratic sloth and growing automation. But most of all, it has to anticipate demand and provide the right courses which lead to prompt employment.

Industrial Training Institutes (ITIs), run by the National Council for Vocational Training, now under the MSDE's purview, have been around for decades. There are 13,106 of them, both government and privately run, with a capacity to train 1.87 million aspirants a year in 127 different trades. But in practice, the ITIs run only two courses – that of fitter and electrician – which have any demand: they attract 1.1 million students a year. The remaining courses struggle to attract candidates. Indeed, many employers confided that most ITIs were in bad shape, with obsolete training equipment, outdated courses and uninterested teachers.

SKILL DEFICIT

When Rajat Goel was setting up EyeQ in 2007 – a chain of eye-care centres in Tier-III/IV towns – he did not have much of a problem enlisting ophthalmologists. The problem arose while trying to recruit his support staff of operation managers, operation theatre technologists and hospital managers: employable ones were few and far between. "The courses required to train such people are either not available or obsolete," he says. Finally, in 2013, Goel decided to set up his own training institute for these particular skills at his eye hospital in Rohtak, Haryana, even though, for a company like his with a modest turnover of ₹45 crore, investing ₹2 crore in skilling alone was a risk. The step has proved unexpectedly successful, with 459 people having been trained by EyeQ so far, while the demand for such training has seen the company's turnover rise close to ₹100 crore.

"The availability of skilled labour determines the capacity of any business to take advantage of new opportunities," says Anil Chaudhry, Country President and Managing Director, Schneider Electric India. But it is precisely that which is lacking. To make up for it, like Goel, innumerable companies – from the smallest to the widely known – run their own in-house training programmes. "We are investing around ₹55 crore to train certified carpenters, retail store staffers, managers and more," says Juvenico Maetzu, CEO, IKEA India, which is set to open its first store in the country, in Hyderabad, later this year, and is investing ₹1,000 crore in the project. Small enterprises, however, find it difficult to afford such investment, more so because, as one industrialist, who prefers anonymity, says: "Within a year, people we train move out, getting more lucrative opportunities."

OBSESSION WITH DEGREES

A recent EY report notes that though India produces six million graduates every year, most of them are not "industry ready" – cannot be employed immediately. EY's figures are frightening – the 'unprepared' include 93 per cent of MBAs, 80 per cent of engineering graduates, 83 per cent of hotel management graduates and 97 per cent of accounts graduates. "My cook recently asked me if I could employ his son in any of my factories," says R.V. Kanoria, Chairman and Managing Director, Kanoria Chemicals and Industries. "But the boy could not write a simple job application." To add to the problem, educated youth fail to realise how ill-equipped they are for the jobs they think are their due. The Employment and Unemployment Survey (EUS) 2016 notes that 58 per cent of unemployed graduates and 62 per cent of such post graduates said they were jobless because they were not being offered jobs worthy of their education. "It is a painful task to tell such people that graduation does not help to find jobs and they should acquire skills instead," says Rohit Nandan, former MSDE Secretary.

Maetzu, IKEA India's head, notes many of those he interviews for blue collar jobs, lack aspiration. "They ought to take pride in their work, which they don't," he says. "I began my career on the shop floor and gradually rose in the organisation." Yet Indian youth remain obsessed with graduation and white collar jobs. "My family wanted me to do a BA and get a good job," says Rajiv Kumar, a student at a Delhi ITI. "I came to ITI only because my close friend joined it and I wanted to be with him." Ikram Hussain, learning hairdressing at an upmarket Delhi salon, was already ambivalent about the profession. "I think I would have earned more and led a more respectable life had I done my graduation and got an office job," he says.

Those who know better, from Kanoria to Malik of IRIS, despair of this attitude. "The mindset needs to change," says Kanoria. "The world is changing, job profiles are changing." Malik notes that IRIS holds *kaushal shivirs* (skilling camps) every month to convince more young people to seek skills, but the conversion rate – between those attend the camps and those taking up courses – is barely 30 per cent. "Young people think only school dropouts should learn skills of the sort we teach," she adds. "We try hard to convince them it is not so."

Why not include some of the skills employers seek in the school curriculum itself? "We are working with governments in the states of Haryana, Himachal Pradesh and Kerala to make some vocational courses compulsory, on a pilot basis, from Classes VIII to X," says a Human Resource Development Ministry official. "The learning from this effort will be applied in other states." In Germany, for instance, basic courses in carpentry, knitting and electrical work, were introduced in schools in the 1990s. Other countries, including the US, the UK, China and South Korea, have followed suit. "It is the educational system we have that is responsible for the obsession with graduation," says Anirban Roy, founder of SEED, which works with corporate houses to impart skills.

GREAT INDIAN GAME PLAN

But in the last few years, a concerted effort has been made. Nor is the MSDE working alone. Already, 21 other ministries have taken up the gauntlet of providing skill training, for which a staggering ₹17,273 crore has been budgeted this year. The textile ministry, for example, has programmes for training in traditional handloom, handicrafts, wool knitting and silk weaving, apart from courses in spinning, weaving and other aspects of garment manufacture. The rural development ministry, as also the ministry for minority affairs, are also supporting courses in handloom weaving and handicrafts. The civil aviation ministry is working with Boeing and Airbus to create a one-year course to make diploma holders employable in the aviation ministry. Others like the Tatas, BHEL, Alstom, GE, Siemens and Toshiba are also working with engineering colleges to make their course content more industry oriented.

Indeed, a Committee of Secretaries (CoS) is working on a plan to converge

UNDERSTANDING THE WORKFORCE

AGRICULTURE
49%

MANUFACTURING
12.6%

CONSTRUCTION
27%

OTHERS
11.4%

17.99%
of workforce works as unpaid helpers (as family members)

30%
are engaged as casual labour

17%
are engaged in the organised sector

54%
is informal employment within the organised sector

NILOTPAL BARUAH

MANISH SABHARWAL Chairman, TeamLease

“SSCs need to be flexible in creating job roles. New job seekers need to be ready to grab new opportunities”

all these training efforts by ministries other than the MSDE. It has already shifted the training institutes run by the ministry of small and medium enterprises, the ministry of tourism and the ministry of north east region to the MSDE. “The convergence of all skill development schemes is critical to ensure a holistic, outcome oriented approach,” Minister Rudy told *Business Today*. “It will not only enable consolidated and well-thought programmes, but also avoid overlap and minimise the chances of leakages.” He wants a synergised skill implementation effort, with the ITI network strengthened further and modernised, the NSDC’s own training centres called Pradhan Mantri Kaushal Kendras extended to every district headquarters. He is also keen that the sector skill councils (SSCs) be made more flexible and industry oriented. He even wants the All India Council for Technical Education (AICTE), which grants recognition to technical institutes and is currently with the HRD ministry under his ministry’s ambit.

There are three aspects to the MSDE’s skilling programme: creating a pool of labour with the skills modern industry needs, setting up finishing schools where white collar workers acquire the additional skills needed to be competent at their jobs and involving states more actively in the effort. Finance Minister Arun Jaitley has promised to provide funds to increase the number of Kaushal Kendras from 60 to 600, as well as to set up another 100 Indian International Skill Centres, which will train Indians to take up overseas jobs. Financial provision for these projects has been raised from ₹2,173 crore in the last financial year to ₹3,016 crore in 2017/18. Rudy is also working with the Central Board of Secondary Education (CBSE) to give ITI students the equivalent of a Class X or XII school leaving certificate and offer a parallel academic pathway after completing the ITI course.

There are also numerous skilling programmes being conducted by state governments. But the Centre now wants common norms, common qualifications and curriculum. The respective industry bodies have set up 46 SSCs and norms are being developed in partnership with them from plumbing to finance to IT & ITES and including, beauty & wellness, construction, hospitality, retail, tailoring, accountancy, travel and tourism, soft skills and spoken English. These norms provide common definitions of training, placement, expected duration of courses and procedure to seek finance. “It makes sense to push skill development with a single concentrated force. The task is huge, and scope for failure is none,” says Pramod Bhasin, founder of Genpact, who now, along with DLF’s Pia Singh, run Skill Academy, headquartered in Gurgaon.

A consolidated skilling programme also helps skilling entrepreneurs. “We can then focus on skilling rather than diverting our energies towards compliance and chasing payments,” says Mansi Agarwal of Mumbai-based UpSkill, which runs vocational training courses in Rajasthan and Gujarat. “At present, every ministry has its own targets and compliances. But thanks to the MSDE, common norms, qualifications and curriculums are being developed.” But convergence doesn’t come easy. “There is always turf conflict in government,” says a department secretary. But others differ, insisting the glitches can be overcome. “The job is huge, so we need to avoid duplication, bring in some rationality,” says a secretary from another ministry. “The turf war is passé; now the discussion is on who can provide the training better,” says Nandan.

The functioning of the Pradhan Mantri Kaushal Vikas Yojana (PMVKY), under which the government provides short-term courses of all kinds, has already benefitted from being under a single ministry, the MSDE. Synergy will only help programmes currently under other ministers. "The institutes carrying out R&D, or providing higher professional qualifications in addition to skilling, will remain with the same ministry as before," adds Nandan.

HURDLES TO EMPLOYMENT

"Most job aspirants don't lack the hard skills required to do a particular job, but the softer ones," says Agarwal of Upskill. "This includes self confidence, high standards of personal hygiene, a sense of discipline, an ability to adapt to the new world." She has found that as important as imparting knowledge related to a course is the job of teaching her students, for instance, how to use a western-style toilet, prevent body odour, wear ironed clothes and speak confidently.

Relevant skill training could also put the brakes on migration to big urban centres which are already overcrowded. "If you give people good working conditions in the place where they are based, opportunities to grow and inspirational jobs, they will not feel the need to migrate," says former CEO of NSDC, Dilip Chenoy. It is also important for industry to appreciate the skills aspirants bring with them, "There are still companies that prefer to hire unskilled labour and train it themselves," says R.C. Bhargava, Chairman, Maruti Suzuki India Ltd. "This allows them to get away with paying lower wages." There is also overall industry reluctance to hire, mainly due to the complex web of labour laws. Skill does not get the appreciation it deserves. "Leave aside industry, do we pay extra to an electrician for doing a job efficiently," says R.C.M. Reddy, CEO and Managing Director, IL&FS Education.

But at the same time, the shift of certain industries such as retail or beauty and wellness from the informal to the formal sector is helping skilled aspirants. "Mere skill development doesn't solve all problems. One needs to put one's heart and soul into the job," says Ajay Shriram, Chairman, DCM Shriram Group. He advocates more liberal labour laws and pins hope on the return of the investment cycle post the implementation of the Goods and Services Tax and other key reforms for employment to pick up.

Again, increasing automation is another looming threat for job seekers. "Smart factories are the in thing," says an industrialist, preferring anonymity. "Automation makes operations management efficient and also reduces the chances of defects in products." Many are looking at increasing their use of machines and robots in areas such as packing, fitting, welding, painting, and more. "Technology is changing every day," says Manish Sabharwal, Chairman and co-founder of recruiting company TeamLease. "SSCs need to be flexible in creating these job roles. New job seekers need to be ready to grab new opportunities."

In mid-2015, the National Democratic Alliance (NDA) government amended the Apprentices Act, 1961, to allow employers to fix hours of work and leave as per their discretion and provide apprenticeship training to non-engineering graduates and diploma holders as well. This has opened up employment for trainees in new trades, including IT-enabled services.

It was followed by the National Apprenticeship Promotion Scheme in September, by which the government promised to reimburse 25 per cent of the stipend paid to trainees to employers directly. "The idea was to encourage more on-job training," says Nandan.

S. RAMADORAI Former Chairman, NSDC & NSDA

"During the UPA's tenure, skilling was like a start-up, but now it has transformed into a full-fledged scaled-up project"

RACHIT GOSWAMI

SHRUTI MALIK She runs a skilling institute, IRIS Learning, on the outskirts of Yamunanagar, Haryana

"After the training, my students command a premium. Many of them are in great demand in neighbouring districts as well"

BRINGING STATES ON BOARD

The states have their own problems, which Rudy has to grapple with. A sub-committee of chief ministers decided that there should be state chapters of SSCs as well. These are being set up, but challenges remain. Five states – Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh and West Bengal – make for more than half the 239 million people projected to be added to India's population between 2009 and 2026. "Not only do these states score low on many development indicators, they lag on economic parameters as well compared to the southern and western states," says Ashok Varma, Partner at PricewaterhouseCoopers. Most of the jobs will be created in the better-off states, while most of the job aspirants will be in the less developed ones. Now that the BJP has won a massive mandate in Uttar Pradesh, the challenge for the new government would be to make the state a skills hub.

The NSDC has been asked to carry out a district-wise mapping of skills requirements and gaps. "We are also trying to understand the requirement of skills elsewhere in the world. Our candidates should be competent enough to seek a job anywhere," says Nandan.

On October 17 last year, the MSDE revamped the flagship PMKVY scheme, linking payments to training partners with completion of training and achievement of a certain minimum placement (roughly 70 per cent). The new plan made it mandatory for training partners to track placements of students. "Once you start tracking your student for a year, you can understand where your course content may be going wrong," says Reddy of IL&FS Education. "This pushes skill centres to offer those courses which ensure job placement," says the head of another skill centre, preferring anonymity. According to official data till April 25, 2016, only 81,978 of the 1.76 million trained candidates were placed, while only 577,000 candidates have been certified since the launch of the scheme in July 2015. "Placements will improve if job creation improves," says Malik of IRIS. "The payment cycle from the MSDE has improved. We get 80 per cent of the payment by the time the student completes the course and the remaining only if we manage 70 per cent placement."

Indeed, the ministry bears the entire training cost under PMKVY, which varies from a minimum of ₹7,600 to a maximum of ₹20,000. Training of unarmed security guard, for instance, requiring 150-200 training hours, costs around ₹7,600; while that of a technician for the auto sector, which takes about 500 training hours, costs

₹20,000. Admission is open to youth from poor families with the minimum qualification of having passed Class X. Aspirants have to take a basic aptitude test to determine the interests and abilities. Course material and even practical training are all provided by the centre.

TRAINING THE TRAINERS

Another challenge is creating a pool of competent trainers. Rudy has tied up with the ministry of defence to rope in retired officers for the job, but agrees that more needs to be done. "Many of the sector skill councils have not achieved the standards required for trainers either," says Anita Rajan, Chief Operating Office, Tata Strive, the Tata Group's skilling initiative. "To even teach in school, people undergo formal training, but there is no such training for trainers here." Reddy of IL&FS Education sees a solution in technology. "We have standardised the course content, and through the internet we can stream it even to remote areas," he says.

In the meantime, ex-servicemen are being roped in to impart training, especially in electronics, signals and logistics. "We hired a few of the trainees and trained them further to be training partners," says Malik. Many corporate houses are also urging employees to undergo the trainers' programme. The centres at and near bigger cities still attract reasonably good trainers, but the challenge lies in providing them in the hinterland.

CHANGED STRATEGY

The ruling NDA is pursuing a skilling strategy which differs in some ways from that of the erstwhile United Progressive Alliance (UPA) government's. Between 2008 and 2012, the UPA government formed three bodies to further skill development: the Prime Minister's Office-led Council on Skill Development, the National Skill Development Coordination Board and the NSDC. Former TCS CEO S. Ramadorai was roped in with the rank of cabinet minister to assist the effort.

The NDA government has brought in the states too, with the MSDE given the responsibility to coordinate all efforts. In December 2015, NITI Aayog's Sub-Group of Chief Ministers, led by the then Punjab Chief Minister, Parkash Singh Badal, submitted its report asking for more knowledge sharing with states on programmes and experiences of skill administration. Seven sub-missions were set up which would work alongside the NSDC, the NSDA and Directorate of Training. "Every state has its own priority and preferences," one of the chief ministers pointed out.

Madhya Pradesh Chief Minister Shivraj Singh Chouhan told BT that he is taking skill development as a mission and has roped in Symbiosis Group of Institutes, Pune, to set up a skills university in the state. Similarly, Chief Minister of Jharkhand, Raghubar Das, roped in Singapore-based Institute of Technical Education to set up a skilling centre in the state. The two have very different plans. Chouhan is looking to cater to the demands of local industry, while Das is looking at opportunities across the world. "India has the potential to become a hub of skilled labour, and must leverage this demographic dividend," he told BT.

Meanwhile, Rudy has also got clearance to recruit a new cadre of officers for skill development alone. These officers will man most of the skill development-related activities at

STATES' MODELS

Gujarat
Decentralised model of opening skill centres at block level, depending upon the need and requirements of local areas

Rajasthan
Floated a separate company and synergised all skill development programmes under one umbrella

Madhya Pradesh
Symbosis Pune started university. Private players are encouraged to start formal skill training institutes along with partnering with ITIs.

Uttar Pradesh
Floated a separate ministry; most of the work is done by government alone.

Andhra Pradesh
Encouraged big corporates to put CSR funds into skills along with the government setting up new ITIs and revamping older ones

Tamil Nadu
Private players partner with the state government to push skills

state and district levels. Similarly, states also have been asked to recruit dedicated provincial officers a distinct step away from the UPA's strategy of working through private players. "During the UPA's tenure, skilling was like a start-up, but now it has transformed into a full-fledged scaled up project," Ramadorai told BT, a fortnight before he resigned his position.

However, in the UPA's tenure, many states, including Gujarat, then led by Narendra Modi, refused to follow the UPA model of skill development but devised their own. The Gujarat model included settings up of Kaushal Kendras at block level, after mapping local aspirations and business needs. Madhya Pradesh announced its own technical education and skill development policy in 2012, and other states like Tamil Nadu, Uttar Pradesh, Karnataka and Punjab followed suit. But coordination with the Centre despite the National Skill Development Coordination Board, headed by the then Planning Commission Deputy Chairman Montek Singh Ahluwalia remained a challenge.

Earlier semi-autonomous, the NSDC and NSDA now have to work under Rudy's MSDE. There have been murmurs over the past year that government role in skill development has been increasing to the detriment of private players. The murmurs were especially loud when former NSDC CEO Dilip Chenoy and his COO Atul Bhatnagar abruptly resigned in October 2015. A Comptroller and Auditor General report was subsequently critical of NSDC's functioning under Chenoy and Bhatnagar, maintaining that while almost all the capital in NSDC came from the government's coffers, private parties held 49 per cent equity. "Rules were laid down before I took over and private parties adhered to them," says Chenoy, defending himself. Minister Rudy feels differently. "We can't let private players make bounty on the government exchequer," he says. "I feel there was some bungling somewhere."

Clearly, the Modi government is firing on all cylinders to skill India. If it succeeds in its mission, it will not only provide employment opportunities to the youth but also boost economic growth significantly.◆

@anileshmahajan

LEAKAGE POINTS

74% of dropouts happen before students reach matriculation

Vocational training is still not part of the school curriculum, like in Europe

Credit system not in place, where graduation to multiple skills or moving towards formal degree is also encouraged

Overlap, with 21 ministries doing skilling along with 31 state governments; synergy still low

No system of standardisation of trainers

Job creation is still a challenge

VIVAN MEHRA

COVER STORY Interview

"THERE IS MUCH MORE PRIVATE SECTOR PARTICIPATION NOW"

Companies that have understood the ecosystem are partnering with us in our skilling initiative in a big way, Union Minister of State For Skill Development and Entrepreneurship, **Rajiv Pratap Rudy,** *tells Anilesh S. Mahajan. Edited excerpts.*

The Pradhan Mantri Kaushal Vikas Yojana, or PMKVY, is one of the main focus areas of this government. How do you envisage skill development through this scheme?

The PMKVY is our flagship scheme. It enables the youth to undergo outcome-based skill training and become employable. It was launched to create a strong workforce at the entry level by extending help to those who are school dropouts or are not able to pay for their skill training. It is a 100 per cent grant scheme. Those who enrol in this skill certification scheme are able to acquire industry-relevant skills. This will create employment opportunities and promote entrepreneurship. A young girl aspiring to become a beautician can easily enrol in a course, learn the skills and earn her own living. Her life transformation will inspire many others to join in.

There are 1,500 job roles under the short-term skilling programme. Individuals with prior learning experience or skills are also assessed and certified under the Recognition of Prior Learning programme under the scheme.

For training partners, this is a for-profit model. We are also looking at partnering with states. In the PMKVY, 25 per cent funds and targets have been allocated to state governments and union territories for building institutional capacity. To date, we have trained 1.98 million youth. The Union cabinet recently approved the scheme for 2016-2020 with a mandate to impart skills to 10 million youth, with an outlay of ₹12,000 crore. A total of 75 per cent of the funds will be available to the Centre and 25 per cent to the states. Finance Minister Arun Jaitley also announced in his Budget speech a proposal to increase the number of Pradhan Mantri Kaushal Kendras from 60 to over 600 this year.

How do you envisage the role of India Inc?

The companies are mandated to spend at least 2 per cent profit on corporate social responsibility or CSR; this money can be spent on skill development too. They have to understand that they will be the beneficiaries. Industrial bodies always complain about not having a trained workforce. We understand that this deficit is primarily in entry-level jobs. Several have shown interest in partnerships; many have already joined us.

We have evolved six models for tying up with companies. These include focus on: (i) leveraging unused infrastructure in public and private sector for imparting skills; (ii) setting up greenfield and brownfield centres; (iii) setting up trade specialisation labs in existing centres; (iv) donation of high-cost equipment; (v) certification of on-roll workers/contract workers through formal skill certification process; (vi) giving of CSR money to the National Skill Development Fund or NSDF.

Who all are coming forward in this?

Major agreements have been signed with PSUs such as CIL, NTPC, REC, PowerGrid, SAIL, RINL, AAI, NALCO, among others. But there are equally good enthusiasts in the private sector, including JSW, Uber, JCB, Schneider, Hindustan Zinc and Indo-US Aviation Cooperation Program. We are talking to other biggies as well. We expect to bring 30 leading companies on board in the next couple of months.

But when we did our research, the sense we got from corporate houses is that they are putting in money under CSR, also making favourable noises. But on ground things are not happening.

Where do they want to put money?

The sense we get is that they are willing to put money in any initiative that the government wants to take. How are you seeing things?

No, that is not the case. Industries and corporates that have understood the ecosystem are already partnering with us in a big way. Let me make it clear that we are not asking for just CSR funding — we are asking for their knowledge, know-how and support through various models I just mentioned. Contributions of over ₹80 crore to the NSDF, for supporting over 60,000 youth, have been received from public and private sector companies. There is special focus on utilising the technical competence of retired and current personnel as trainers and assessors. We are also focusing big time on workforce requirement in infrastructure projects. We are also creating job linkages with the private sector for hiring skilled personnel through outreach activities. Jindal Steel recently agreed to skill nearly one lakh people. Hindustan Zinc and Tata Motors have also agreed to put in efforts. JCB is giving us equipment, funded from CSR money, for training earthmover operators.

Is there any mechanism through which you can understand what is happening on the ground?

Certainly. What cannot be measured cannot be managed. We have put in place a strong monitoring mechanism. The ecosystem was spread widely. But now we can see everything on a single window dashboard and map the progress. We are implementing biometric attendance at all centres. We have set up a project monitoring unit at both the NSDC (National Skill Development Council) and the ministry; it takes feedback and visits sites. Moreover, we have linked reward disbursements with Aadhaar. At the NSDC, we already have a Skill Development Monitoring System to monitor the implementation of schemes and programmes.

How are you planning to rework the NSDA (National Skill Development Agency) and the NSDC?

No change is planned in the basic NSDC structure. We are only strengthening its role further and making it more robust and accountable. There might be some structural changes to the NSDA in light of the proposed National Skill Certification Board.

Last year CAG made some scathing remarks on the way the NSDC and its relationship with private players was worked out.

That is a past matter and happened prior to formation of this ministry (under UPA-II). There were some issues earlier. In the absence of strong monitoring, it was a running as a freelance operation, and a lot of misappropriation was happening. All that has been checked. We are giving a fresh blue print now.

One of the arguments was that now there is more government intervention

The idea was that the private sector would take the lead and put in money. There has been a gap there. Most of the investment is done by the government. In other countries, 70 per cent investment is from the private sector and 30 per cent is from the government. But we are seeing things change for the better. There is much more private sector participation now.

How do you see the role of state governments?

I must applaud their participation and contribution. Recently, we had first state ministers' conference where we discussed state-wise plans for the PMKVY, the National Apprenticeship Scheme, ITIs and other short-term skill development course modules. In the PMKVY, we are giving 25 per cent financial and physical targets to states. Plans have been approved, pilots have been approved, and we are ready to see the results in the coming times.

How has been the experience for you in the past three years?

Very nice. We have been successful in putting things in place and ensuring smooth coordination and convergence across stakeholders. ◆

@anileshmahajan

COLUMN Rekha Sethi

SKILLING FOR CHANGE

A sustainable skilling ecosystem is needed to produce a globally competitive workforce which can stay ahead of automation and obsolescence.

Skills are finally gaining recognition and there is a new appreciation of the importance of performing tasks in a culture that has put a premium on theoretical knowledge in the past. The growing pressure to create jobs for millions of youngsters, combined with increasing demand for talent, has put skill development at the centre of economic policymaking.

The latest data on unemployment have only stressed the need for rapid skill development. The Labour Bureau report puts the national unemployment rate at 5 per cent, the highest since 2010. Moreover, it is nearly equal in the supposedly booming urban economy and the laggard rural economy. In fact, this situation is an extension of the long-term trend. According to the Census and the National Sample Survey (NSS) numbers, the aggregate employment growth rate in the country slipped from 2 per cent in the 1990s to about 1.6 per cent during the 2000s. And that was in spite of the fact that the first decade of the new millennium enjoyed a 2 per cent higher average GDP growth rate over the 1990s.

Automation is the usual suspect for jobless growth. However, considering that labour offers significant cost and flexibility advantages over automation in India, the explanation must lie somewhere else. Even as job growth lagged economic growth over the past decade, Indian companies flagged the lack of talent at all levels as a key constraint on their growth. This simultaneous coexistence of unemployment and unemployability has been a cause for concern.

Over the past decade, there has been a growing policy emphasis on skill development. But so far, there has been an overwhelming emphasis on traditional industrial skills such as fitting, welding and plumbing while technology and the global economy are changing fast. In the drive to make up for the past skill deficit, there is a risk of rapid skill obsolescence.

India's approach to skilling is still evolving as the country tries to equip hundreds of millions of people with economic skills quickly while addressing the changing character of the economy. The present skilling strategy is rooted in the classic theory that manufacturing is the refuge of surplus farm hands, which India has in abundance. The current Make in India and Skill India programmes have their genesis in the National Strategy for Manufacturing, prepared in 2006, and the formation of the National Skills Development Council in 2008. It was then envisaged that at least a quarter of India's GDP must come from manufacturing and 500 million people should be trained in contemporary skills by 2022. But the massive programme was slow to take off; only 5.5 million people have been trained so far and only half of them have been placed.

The good news is that the structure for such an ambitious plan is now falling in place. A slew of schemes for funding and facilitating training are up and running, and the private sector has created 40 Sector Skill Councils to provide standardised, certified training in hundreds of skills that the industry needs. In addition to the manufacturing and services skills required by specific sectors, some sector skill councils have come up to arm the workforce with vital add-on skills required across all sectors. For instance, the Management, Professional and Entrepreneurship Skills Council (MEPSC) has been set up by All India Management Association (AIMA) to provide essential business skills to workers at all levels and in every sector. NASSCOM's skill council is also training workers in essential IT skills.

However, the predominant concern--that of producing skilled workers in large numbers with a few weeks or a few months of training--should change as there is limited value for both workers and employers in such training. India can draw on the German model of vocational learning to create a sustainable skilling ecosystem.

In Germany, children can choose their trade when they are only 10, and they can switch between pure academics and vocational learning any time. While studying at vocational schools, they have to divide their time between classes and actual work done for their prospective employers. More important, being a certified master craftsman has as much social and economic value as being a doctor or an engineer. The key to the success of this system is the intensive involvement of the industryw, which accepts young apprentices so that they can maintain a robust pipeline of talent with the latest knowledge and skills. The employers are best positioned to forecast skills and employee requirements and by investing in training, they are able to control the supply of trained workforce according to market movements.

VIVAN MEHRA

Success of new skilling programmes will depend upon intensive involvement of industry.

India has taken initial steps towards such a dual learning system by creating the National Skills Qualifications Framework, which allows mobility between vocational and academic studies and recognises learning across streams.

Amid the pursuit of technical efficiency, there is not enough appreciation of the change in technology that is redefining jobs and creating the need for enhanced skill sets. Increasingly, technology is allowing consolidation of tasks and functions, and fewer people are required to do more work. The repetitive, non-creative tasks are easily automated and machines are controlling other machines. Therefore, skill training has to ensure a higher level of digital proficiency and people must be prepared for creating solutions instead of just executing tasks.

An effective skilling strategy should not only focus beyond the immediate term but should also prioritise resources for sectors with the highest growth potential and employment intensity. Although significant job growth is expected in the manufacturing sector, the services sector will remain less vulnerable to skill obsolescence as people will be able to compete better with machines in areas such as logistics, health care, hospitality and retail.

Globalisation of skills has to be an essential element of any skilling strategy. India will be struggling to accommodate an (approximately) 800-million-strong workforce in the coming years. To reap its demographic dividend, it has to attract overseas work and also has to give its workers the capability to ply their trades elsewhere. It means India's national occupation standards and certification benchmarks have to be in sync with the best markets.

In spite of the prevailing economic jingoism, the movement of work and workers across borders is only going to grow. The ageing rich countries and the skill-short developing nations will have to either send work overseas or invite workers home. Japan, for example, is desperately short of health care workers and it is unlikely that robots alone will solve its care-giving problem.

In a changing and unpredictable scenario, India's skilling strategy must focus on skills that can withstand technological change and global competition. It must focus on investing in training for jobs in high-growth sectors, with high employment intensity. Given the demographics, India must give up on its obsession with academic degrees and should integrate skill learning in the education system. In the new world, income and status are about what one can do and not about what one knows. ◆

The writer is Director General, All India Management Association

"All these three-month skilling programmes are useless"

On February 23, the Ministry of Skill Development and Entrepreneurship announced a partnership with US-based billionaire Romesh Wadhwani's philanthropic initiative, Wadhwani Operating Foundation, for the Pradhan Mantri Yuva Udyamita Vikas Abhiyaan (YUVA), the central government's entrepreneurship development mission. The aim of the mission is to provide entrepreneurship education/training in 2,200 colleges, 300 schools, 500 government industrial training institutes and 50 vocational training centres through massive open online courses. YUVA will also connect entrepreneurs, especially from remote areas, with mentors and credit markets. **Ajay Kela,** *Chief Executive Officer of Wadhwani Foundation, talks to Joe C. Mathew about the ambitious programme. Edited Excerpts:*

What is the connection between the foundation and YUVA?

Our primary aim is to accelerate development in emerging economies through large-scale job creation. When we started this journey 10 years ago, India was entering a demographic boom. Even if seven million people out of the 12 million who turn 18 every year seek jobs, it is a very large number. The Birlas and the Ambanis are not creating these many jobs. On the other hand, thousands of problems are screaming for solutions. So, we realised if we can take the best and brightest from IITs and IIMs and get them to solve the nation's problems, and in turn create companies and jobs, it will be a win-win for all.

Did you have a template which the government adopted as YUVA?

Our goal was to create entrepreneurs en masse. We started with IITs and IIMs. Entrepreneurship is tough. Even in Silicon Valley, 80-90 per cent start-ups fail. So, you need the best ingredients, and then you need to train and coach them. Even then you expect that only eight out of 10 will make it. So, in 2003, our journey started with signing up with institutes and telling them to start entrepreneurial courses. We developed the content and trained their faculty members. We continued to add colleges. We have trained around 3,000 faculty members in 500 institutes over the past 12 years. Around three years ago, we said we have a proven model, and so let's scale up. We realised the dependency on faculty and decided to digitise content to target students directly and have faculty members as facilitators. The YUVA project (modelled on this) is delivered in a class room, with teacher as a facilitator, but the content is online. We approached the government with the model, and after two years of discussions and scrutiny, signed the partnership.

What will be the government's contribution?

We designed the structure for them. The government has identified more than half the participating institutions. Now, it will select the faculty members. Then, we will train the faculty members and give them the content. In the YUVA model, the beneficiary is the institute; it gets courses on entrepreneurship that it can offer to students. To make that happen, you need content, which we will provide, you need bandwidth, for which he government has to pay. Faculty also has to be paid, either by

SHEKHAR GHOSH

the institute or the government. We train the faculty. Faculty salary and infrastructure/training costs will be taken care of by the government. Institutes can also charge the students. The government is paying ₹3-5 lakh per institution.

Do you also give ideas?

We don't come up with ideas, the students do. An entrepreneur has to learn a lot of things. The first thing is how to identify an idea. How to validate that idea to know if it will have market value? How do you select team members? These are six-semester courses.

Is there a timeframe? Are any targets set?

It is for five years. Along with the 3,000 institutes through YUVA, we will have 1,500 (including the existing 500 colleges) of our own too. The programme we are running now is for entrepreneurship. Once the person starts a company, the failure rate is high. You need to minimise that. Three years ago, we started a programme called Entrepreneur Support, which will also be scaled up. We already have this ecosystem in Bangalore, Delhi and Mumbai. But if India has to progress, you need to get to both Tier-I and Tier-II cities. So, our goal is to get somewhere near 50-100 Silicon Valley ecosystems, where institutes produce entrepreneurs, and once you step out, your meet mentor and investor networks. We also train high net worth individuals to become angel investors. They have the money, ₹50 lakh is not an issue for most of them, but they don't know how to find a deal, how to structure a deal, how to evaluate a deal. We are working on that. Our goal is to create 5,000 angels across the country.

Which are the most promising sectors?

There are certainly some sectors such as health care, education, retail, etc, that are growing. There are opportunities there. But entrepreneurs have to go deep and find a niche; it can be in any sector. The opportunity can be across sectors. You have to identify the consumer, your target segment. Just like you need machines, you also need drama classes. You need beautician stores and beautician chains.

How many success stories so far?

Over a hundred. Practo is an example. As I said, success is not easy. These 100 are from the thousands that we have trained.

How much money has the foundation put in so far?

We have spent more than $100 million in the past 10 years.

Do you have partnerships with governments on skilling also?

Multiple. We have partnerships with Haryana, Orissa and Rajasthan governments. Here, we upgrade skills of high school students. It's a four-year journey. It begins with 9th grade. All these three-month skilling programmes are useless. You cannot take 12th graders with a power to earn ₹5,000 to ₹6,000 a month, give them a month's training and equip them for a better task. All these short-term skilling plans are in the name only. You need at least 12-18 months training.◆

@joecmathew

THE DISRUPTORS

A host of small FMCG brands are set to challenge the biggies with new-age innovations. Will they succeed?

by Ajita Shashidhar

There isn't a single day when fashion designing student Alina Mehta does not coordinate her outfit with matching nail paint. The 18-year-old has a collection of over 100 nail paints, including Lakme, L'Oréal and Maybelline, besides many unheard-off online brands. One of her favourites is Stay Quirky, which offers her over 500 shades to choose from. "They have shades such as fluorescent orange and paints with glitters that none of the big brands offer," says Mehta, displaying her freshly painted fluorescent orange nails, which perfectly matches her bright orange outfit.

Mehta's best riend Anaya Raj, not just buys nail paints but shops for her entire beauty needs online. Her favourite skincare brand is neither Garnier nor Olay, but online brand Plum Goodness. Raj, who has recently bought a four-in-one face care set of Plum Goodness, which consists of an aloe vera face wash and moisturiser, grape seed night cream and face mask, says that they are perfect for her dry and sensitive skin. Her favourite hair care brand, again, is neither Pantene or Sunsilk, but Hair For Sure, which, she claims, is an effective solution for hair fall.

No wonder FMCG stalwarts, such as Hindustan Unilever, P&G or Colgate, are struggling with low volume growth. It is not just that the ₹5,000-crore Patanjali Ayurveda has challenged their supremacy with disruptive products, or the turbulent state of the economy has been giving them sleepless nights, they are also having to worry about the myriad new-age brands that are fast gearing up to challenge them in the ₹20.53 lakh crore FMCG industry, out of which personal care and beauty is a ₹74,700 crore market. Patanjali Ayurveda, which has a 1.2 per cent in the beauty and personal care market, broke the decades-old belief that consumers of Colgate Dental Cream were the most loyal bunch   the Danti Kanti Dental Cream, in fact, forced Colgate to come up with 12-13 variants in a span of just two-three years. In fact, Patanjali, already has 2 per cent market share in the ₹4,000 crore oral care market in India in just three years. Colgate, which has 55 per cent market share of oral care, has lost over 1 per cent. The other big disruptor has been the ₹700-crore Vini Cosmetics, whose deodorant brand, Fogg, has emerged as the market leader in the ₹3,000-crore deodorant market with 20 per cent share, displacing HUL's Axe.

These new-age start-ups are also toeing Patanjali by launching disruptive and

THE OPPORTUNITIES

1. New-age FMCG brands account for about 15 per cent sales on certain e-commerce platforms
2. The products are not necessarily low-priced. They challenge the big brands on quality
3. The innovation cycle of these FMCG companies is much faster
4. Most are betting big on the fast growth in online sales

NILANJAN DAS

RACHIT GOSWAMI

SHANKAR PRASAD, CEO, Plum Goodness

“To me quality is more important than scale. Therefore, playing in the premium segment suits my working style better”

innovative products. While the most popular dandruff treatment solution for consumers in India are anti-dandruff shampoos, Ahmedabad-based Athena Lifesciences has introduced an overnight dandruff lotion called D'Free, which not only promises to cure dandruff, but also comes with a claim to prevent re-occurrence. “Shampoos never took care of dandruff, so we came up with an overnight lotion,” says Prabhu Karthikeyan, MD and CEO of the three-year-old, Athena Life Sciences. D'Free, which is mostly retailed out of modern retail stores and online platforms, such as Purplle.com and Amazon, is already a sizeable brand within a year of its launch. “New-age FMCG brands constitute almost 15 per cent of our overall sales. In fact, in categories such as colour cosmetics the share goes up to 20 per cent,” says Manish Taneja, CEO, Purplle.com.

Chennai-based Syona Cosmetics is trying to disrupt the ₹100-crore salon products market dominated by the likes of L'Oréal and Schwarzkopf by becoming the only brand that caters to hair, skin and body. Most existing salon brands, says Raja Varatharaju, Founder, Syona, are operating in the hair care segment. “We are looking at becoming a one-stop option for salons.” The ₹9-crore company, which aspires to have a turnover of ₹300 crore-₹400 crore in the next three-four years, is also going to launch a premium retail brand, Nutribios, which will have natural soaps, massage bars and so on.

Unlike Patanjali and Vini, which play in the mass FMCG space, most of these new-age brands operate in the masstige to premium segment. While Patanjali's preferred retail platform is its six million brick and mortar retail outlets across the country, and its 1,000-odd *chikitsalyas*, most new brands prefer the e-commerce route.

While one would imagine that these new brands would be cheaper than the established ones especially since they are available online, they are actually not. A 100-ml bottle of D'Free for instance costs ₹200. Similarly, while a Lakmé lipstick costs ₹350-₹400 and a L'Oréal or Maybelline is priced at ₹600-700, a Sugar lipstick is priced at ₹800. Similarly, an 8-ml bottle of Stay Quirky nail paint with glitters or multiple effects can be as expensive as ₹350. “We play our game on the back of innovative products that are not available in the market. If we play the

SHAILESH RAVAL

PRABHU KARTHIKEYAN
MD & CEO, Athena Life Sciences

"Shampoos never took care of dandruff, so we came up with an overnight lotion"

pricing game, we will be wiped out," says Varatha-raju of Syona. "My motivation is not about toppling Lakmé or Maybelline by replicating their products and selling at a lower price. The idea is to give consumers what they are not giving," adds Pratik Sonthalia, Founder, Stay Quirky. Similarly, Amit Sarda, CEO of premium natural products brand, Soulflower, claims that his hair oils occupy the top 20 per cent market share on most e-commerce platforms, despite being retailed at an over 20 per cent premium. "We are constantly listening to consumers and are trying to offer solutions as per their needs. Since we do not have deep pockets to advertise, we are trying to be loyal to the customers by being part of their beauty journey."

The Economics

While a product roll out from the Unilever or P&G stable takes one to two years, the innovation cycle of new-age companies are much faster. For instance, while Athena has built a portfolio of five categories with multiple stock keeping units (SKUs) in three years, Plum Goodness has over 29 SKUs.

The FMCG biggies are definitely losing out in terms of the pace of innovation and it is definitely one of the reasons for their lacklustre growth. In fact, the number of new product launches in the past two years has dropped by over 50 per cent and overall consumption has also fallen, points out Govind Shrikhande, CEO, Shoppers Stop. "Entrenched brands are sitting ducks and they need to think differently to bring in consumer loyalty. Consumers are no longer driven by cost but by value. If marketers are hesitating to put that extra zip lock in their packaging just to save ₹1, it is a bad idea," says Alpana Parida, MD, DY Works, a marketing consultancy.

When an FMCG major looks at an innovation, the foremost criteria is scalability. It has to cater to a larger customer base. "The innovation has to meet a revenue and profit benchmark. If it does not have the potential to be a $200 million-$300 million brand in two-three years, it will not even enter the category," explains S. Raghunandan, former CEO, Jyothy Laboratories.

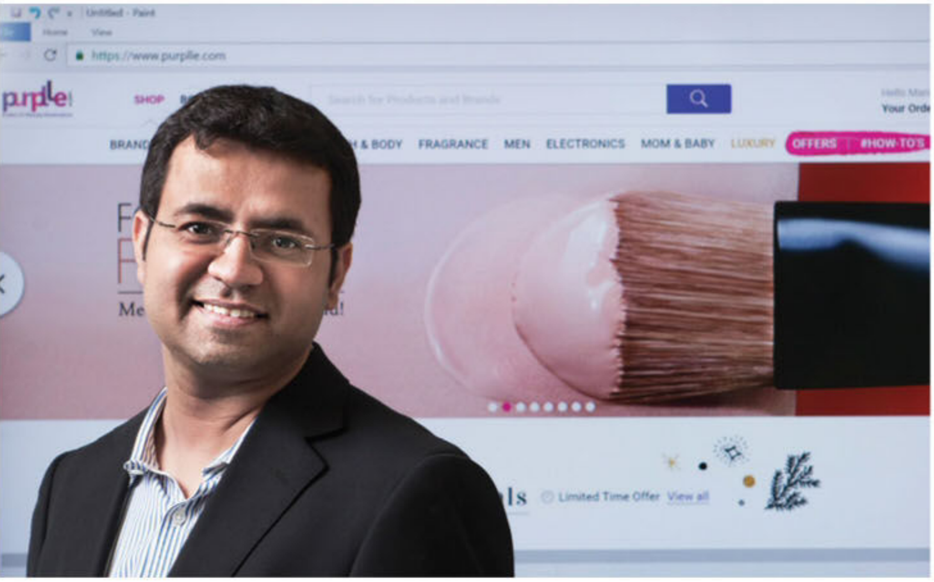
No wonder, newcomers with faster innovation cycles are beginning to capture the consumer mindspace and, e-commerce as a cheap retail platform, is enabling a huge number of start-ups to experiment with new offerings.

The question, however, is whether there is a mass market for so many SKUs. Even though the margins for most personal care categories are as high as 80 per cent, the challenge in a mass environment would be inventory management. "A make-up brand should typically have its own stores, but for a start-up it could be challenging as it involves huge costs," says Taneja of Purplle.

Scaling Up Challenges

The reason for Patanjali to become such a huge brand is undoubtedly its mass market approach. "One has to be a mass market brand to get scale and better volume growth," agrees Darshan Patel, Founder and CMD, Vini Cosmetics. In order to be in the mass market, Patel says that it is also imperative to be retailed out of the six million traditional retail stores. "Our approach has been to disrupt the mass market by doing something different in terms of product and belief. We got traction and consumers latched on to us." When the company launched its first product, Fogg Deodorant, in 2012, it played on the product proposition by telling consumers that it had no gas and was all about fragrance.

Though many of these new-age companies aspire to be ₹200-crore brands in three years, they are wary about expanding through the traditional retail route. Therefore, the biggest advantage the entrenched companies have over the newcomers is their offline distribution might. "The mass category needs huge investments and risk-taking appetite. I like to take risks, but would rather take calculated risks. To me quality is more important than scale. Therefore, playing in the premium segment suits my working style better," says Shankar



RACHIT GOSWAMI

MANISH TANEJA
CEO and Co-founder
Purplle.com

"New-age FMCG brands constitute 15 per cent of our sales. For colour cosmetics the share goes up to 20 per cent"

Prasad, CEO, Plum Goodness.

Former Godrej Consumer managing director, A. Mahendran, who runs his own consumer product company, Global Consumer, is skeptical about the future of these new-age FMCG brands. "The challenge for these brands would be to get traffic to their site and their ability to deliver to the consumer, as supply chain requires huge capital. After a year or so when volume growth will become a challenge, no investor will have confidence on them, as the concept itself would have already failed."

While companies such as Athena are already retailing through modern stores and have also started advertising on mass media, they do not wish to go beyond cosmetic stores and pharmacies. Chennai-based Syona and Mumbai-based Soulflower also plan to follow suit. "My target is to touch the lives of six crore Indians in the next six years. My product does not require to be retailed out of the traditional retail stores," says Sarda of Soulflower.

Kamal Kumar Johari, MD and Founder, Nobel Hygiene, which entered the ₹5,000-crore baby diaper market in 2011, has already captured a 5 per cent share of the market dominated by the likes of Pampers and Mamy Poko. Johari wants to take it up to 10 per cent. "I don't aspire to be a market leader as that needs deep pockets. I am happy being a strong challenger brand." Johari has, however, ensured his brand is available at brick and mortar stores.

Abhay Pandey, MD, Sequoia Capital, says as an investor, he would look at a business only if it has the capability to scale up into a ₹500-crore brand in four or five years. "If one wants to be a strong challenger, one has to have the capability of taking the biggies head on. To do that one has to play the masses." The private equity company invested in the Ahmedabad-based Vini Cosmetics in 2013, within a year of the company's launch. "The reason we invested in Vini was because it had products that fitted into the market needs. Moreover, its deodorant brand was already making a dent in a hugely fragmented market."

Raghunandan says most new-age brands are playing in niche categories, be it natural products, premium products or categories where the large ones are not present at all, and that will make it difficult for them to scale up. "They will either remain small or become niche and profitable and later get acquired by a large Indian company."

However, Taneja of Purplle is confident that if Internet sales in the next few years are 15-20 per cent of retail sales, these new brands will have the potential to scale up. "If Internet is small, then there is a challenge, as they will have to expand offline and offline distribution is not easy to crack."

But the industry is optimistic that there will be outliers, such as Patanjali, which will eventually challenge the biggies. "Most will be happy being niche, some may close shop, but I am quite sure that the next wave of global MNCs will come from Indian start-ups," says Parida. ◆

@AjitaShashidhar

CHALLENGES

1. It is unlikely that all players will be able to do what Patanjali Ayurveda has already achieved

2. Most brands are either too niche or priced at a huge premium. So, scaling up could be a challenge

3. Most do not have the wherewithal to distribute through the traditional retail routes

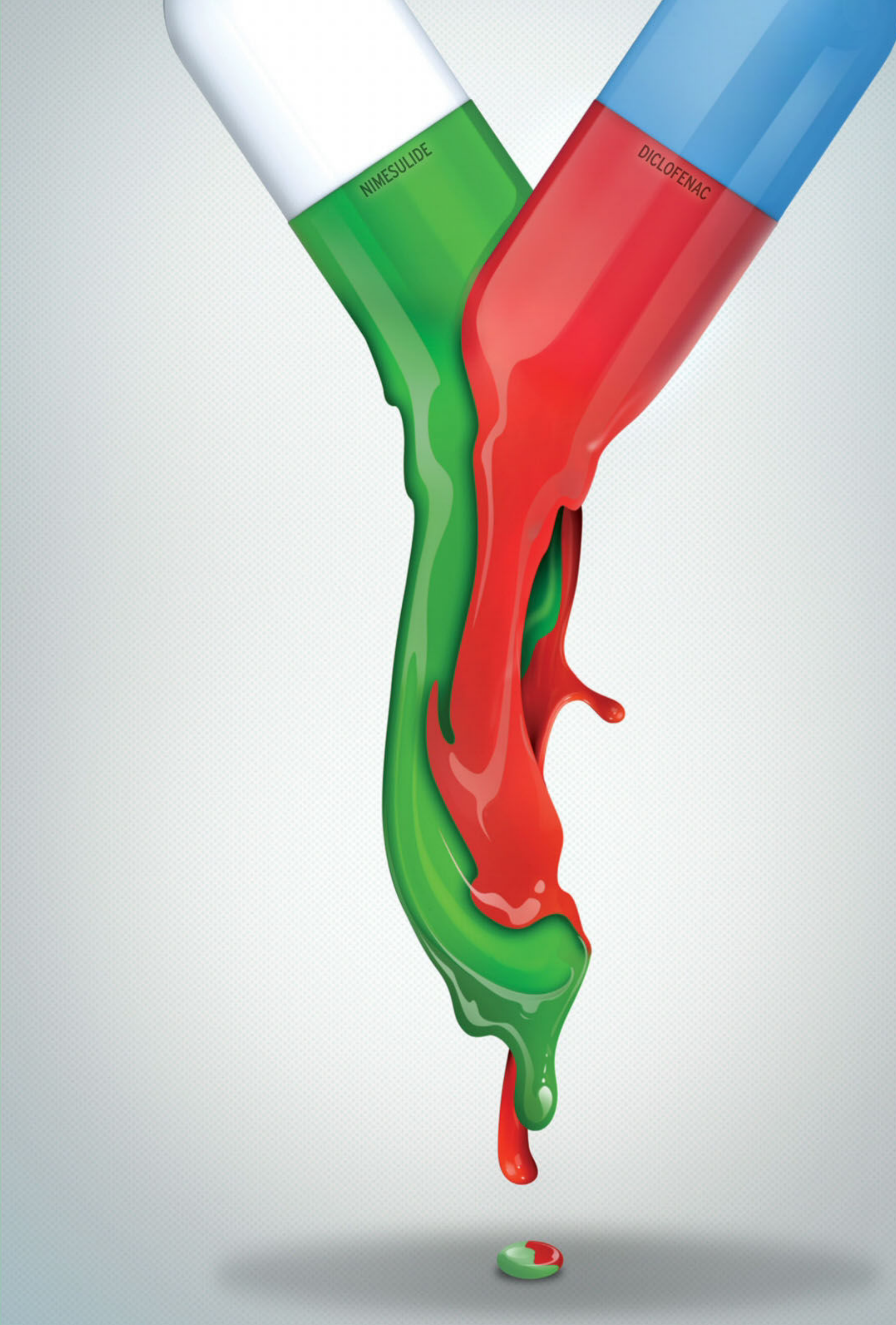
4. As entry costs are huge, the foremost challenge will be survival and, after that, growth

LOST INTEREST

In spite of favourable court verdicts, top pharmaceutical companies are losing enthusiasm for fixed dose combination medicines. By JOE C. MATHEW

Early this year, the Indian arm of Pfizer decided to discontinue the manufacture and sale of Corex cough syrup, the crown jewel in its domestic portfolio. Corex was its biggest revenue generator and among the country's top five drug brands. What made the decision more surprising was that Pfizer had fought a legal battle against a March 2016 Central government ban on sale of this fixed dose combination, or FDC, medicine, along with 333 others, and won. The decision to discontinue the syrup came a month after the court ruling. The government had banned these FDC drugs in March 2016 after a committee of experts found that they were likely to pose a risk to patients and safer alternatives were available. An FDC drug includes two or more active pharmaceutical ingredients combined in a single dosage form.

Pfizer says the decision was based on a review of "respiratory offerings" that happened independent of the legal issues. "We decided to discontinue the manufacture of the erstwhile Corex cough syrup. At the same time, we decided to launch a series of line extensions of



AJAY THAKURI

THE STORY SO FAR

On December 1, 2016, Delhi High Court quashed a government notification that banned the manufacture and sale of 344 fixed dose combination (FDC) drugs citing risks to patient health; India has been battling the problem of unapproved and irrational FDCs for close to two decades now

But data show that the market share of these drugs has been shrinking for quite some time now; top MNCs are, in fact, withdrawing some of their top-selling FDC drugs from the market

The trend, some fear, may harm patient interest, as FDCs are considered cost-effective

the Corex brand that will address specific sub-therapeutic areas under the broad respiratory segment," says a Pfizer spokesperson.

Perhaps, that was not the only reason. By winning the case, Pfizer proved its argument that there was no legal basis for banning Corex (a combination of chlorpheniramine maleate, codeine phosphate and some colorants). At the same time, the decision to discontinue the sale of the specific FDC drug made a bigger point — that Pfizer was not opposing the spirit behind the government decision, which was to stop the sale of 'irrational' and 'unapproved' FDC drugs. An FDC is called 'irrational' when there is no scientific rationale for combining two or more individual drugs in a particular combination.

Pfizer is not alone. In spite of the court staying the ban just a few days after it was imposed, the share of FDC drugs in total sales has been going down (see *The Lost Cause*). One reason could be the uncertainty about the final court verdict and government policy. The other could be pharmaceutical companies, too, being alive to the safety concerns around some of these drugs.

For instance, Pfizer, in response to queries from *BT*, said while it welcomed the high court order that allowed the company to continue the manufacture and sale of Corex, it is also "fully supportive of any process that is aimed at weeding out medicines that are irrational or not duly approved by the central and state regulators".

Market research firm AIOCD-AWACS has estimated that the market of all these FDC drugs, at the time of the ban, was worth ₹4,000 crore or about 4 per cent of the Indian pharmaceutical market. Early estimates by AWACS put Pfizer's potential loss at 12 per cent of revenues. Abbott, affected the most, was staring at a potential 15 per cent revenue loss, it said.

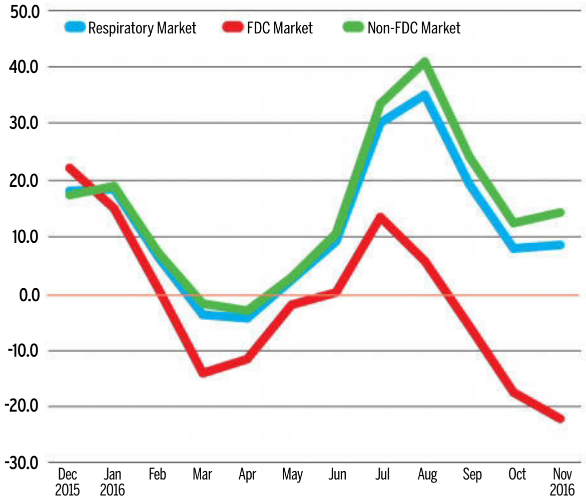
THE ISSUES

India has been battling the problem of unapproved and irrational FDCs for two decades. While FDCs account for a small percentage of new drugs approved globally, in India, almost every second medicine that gets marketing approval is a combination drug. The combination of two or more medicines is not a problem in itself. It is, in fact, preferred for several conditions such as HIV-AIDS and diabetes that are lifelong or life threatening, as fewer drugs means lower cost and better patient compliance. However, the presence of hundreds of drug combinations with untested efficacy/safety was an India-specific problem that the government had no option but to sort out.

What is worse is that India's regulatory system was indirectly contributing to the mess till 2002. The companies were, until then, exploiting the ambiguity over the powers of state drug regulatory authorities and the central drug regulator, the Drugs Controller General of India or DCGI. This allowed them to launch FDC drugs after state regulators' approval, though laws (clarified again in 2002) stipulated that all new drugs, including new combinations of approved medicines, could be approved only by the central regulator. By 2007, the DCGI had identified 294 unapproved FDC drugs and asked state drug authorities to ban these. The decision was not im-

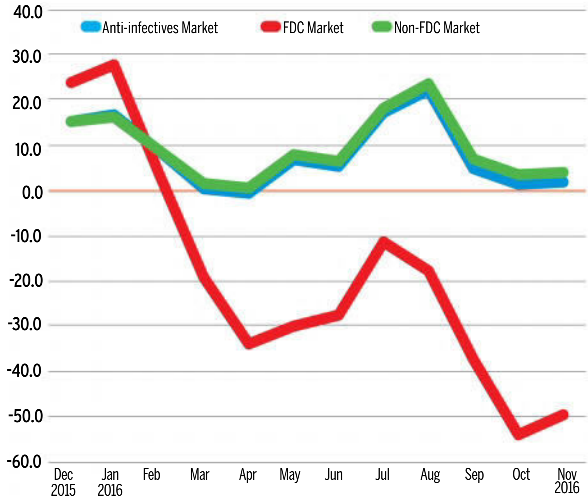
BREATHLESS

In the most-affected respiratory market, FDC sales fell 22 per cent in November 2016



DOWNHILL RIDE

The fall has been the steepest in the anti-infectives category



Figures in per cent; Source: AIOCD-AWACS

plemented due to a Madras High Court stay order. The matter is still sub judice.

The second move to weed out irrational drug combinations came in 2012, when the Parliamentary Standing Committee on Health came out with startling revelations about unapproved and FDC drugs. The committee called for a transparent policy for approving FDC drugs based on scientific principles. As a result, in 2013, the DCGI asked drug manufacturers for proof of safety and efficacy of medicines that had only "state approval". In the next 18 months, it got 6,300 applications. An expert committee scrutinised these and recommended ban on 344 FDC drugs. It was government action on this recommendation that was challenged by companies such as Pfizer in the Delhi High Court, which quashed it on December 1, 2016. Since all 454 petitioners, including Pfizer, had anyways got a stay on the order immediately after it was notified in March 2016, the companies were free to sell these medicines.

Almost every major player *Business Today* contacted either refused to comment or stood by the FDCs it was selling. "No comments," said a spokesperson for Sun Pharmaceuticals, India's biggest drug company. The India arm of US major Abbott, the most impacted, said the "judgment provides thousands of patients continued access to Abbott's doctor-prescribed products, which have the necessary regulatory approvals for manufacture, distribution and sale in India". Abbott's FDC drugs in question were mostly from Piramal Healthcare, whose formulations business it had acquired years ago.

THE LOST CAUSE

FDC drugs shrink 34.9 per cent, while non-FDCs grow 8.4 per cent in February

	MONTH		MOVING ANNUAL TOTAL		QUARTER	
	VAL	GROWTH	VAL	GROWTH	VAL	GROWTH
Indian pharmaceutical market	8,980	7.1	1,10,149	10.2	27,274	8.2
FDC drugs	160	-34.9	2,235	-22.3	510	-33.2
NON-FDC drugs	8,820	8.4	1,07,914	11.2	26,764	9.5

Growth in %; Value in ₹crore; February 2017 data; Moving annual total figures for 12 months ended February 2017
Source: AIOCD-AWACS

THE FUTURE

The drugs controller, G.N. Singh, was on an official visit to Washington when the ban was notified. Among the visitors, immediately after the news about the ban spread, were some senior executives of Pfizer. "They met me there. I made it clear that we expected companies to be fair. They shouldn't go by the technicalities of approvals when their medicines are creating a public health issue. If people are getting addicted by your medicine, and if the government decides to ban the drug in public interest, there is no point in saying you have the approval," Singh recalls his message to the Pfizer team.

The problem with Corex and similar syrups was not whether they had all the approvals or whether the combinations were 'rational' or not. The issue was misuse. Codeine, its key ingredient, was a derivative of opium, and addictive. Singh, too, was referring to the alleged rampant misuse, which was the key reason for its inclusion among other 'irrational' and 'unapproved' FDC drugs.

Singh recalls that the executives of the global drug major assured to look into the 'ethics' of the problem. That perhaps explains the voluntary recall after the favourable court ruling.

Was Pfizer's response an exception? Not likely. Numbers suggest it has not been business-as-usual in the FDC segment ever since the ban order. Despite the high court stay on the ban, sale of FDCs, growing steadily before the ban, started falling. The fall has been severe in categories that most banned FDCs belonged to — respiratory, pain, anti-diabetic, dermatology and gastro-intestinal. AIOCD-AWACS data say the sale of FDC drugs fell 34.9 per cent in February 2017, when the overall domestic market grew7.1 per cent. In the preceding 12 months, the average fall in revenues was 22.3 per cent. The drugs controller says there has been a fall in the number of new FDC applications too. "Unfortunately, whenever there is confusion, the sentiment of manufacturers is hit. It will also impact development of FDC drugs. I hope the trend goes away," says Singh.

"The future (of FDCs in trouble) is doubtful. So, companies are not pushing such products. Not much brand building is happening. This is a short-term impact," says D.G. Shah, Secretary General of the Indian Pharmaceutical Alliance, which represents leading 20 drug makers that together account for 46 per cent domestic drug market.

While sales do indicate broad trends, they do not capture the complete reality of the market, served by close to 10,000 — majority of them tiny — pharmaceutical formulation manufacturing and marketing companies. While sales data tracked by market intelligence agencies capture the traditional wholesale and stockist channels, a big chunk of drugs, including FDCs approved by states, is marketed directly through medical practitioners, especially in rural markets. There are hundreds of companies that focus on these small pockets. The problem will end when one can ensure that even the smallest of such entities also stop making unethical and 'irrational' FDC drugs.

Unfortunately, the DCGI office has no database to track approvals given by state authorities on a real-time basis. Even past data are not fully available. One can only hope that state regulators are approving only those combinations that have undergone clinical trials as per the central protocol and received approval from the central regulator. "I don't think they will be giving fresh licences, as we have already informed them that these drugs are 'irrational' and that they should not clear FDC drugs that we have not approved. Since there is status quo, the companies that have old approvals from states continue to market these drugs but not the new ones," says Singh.

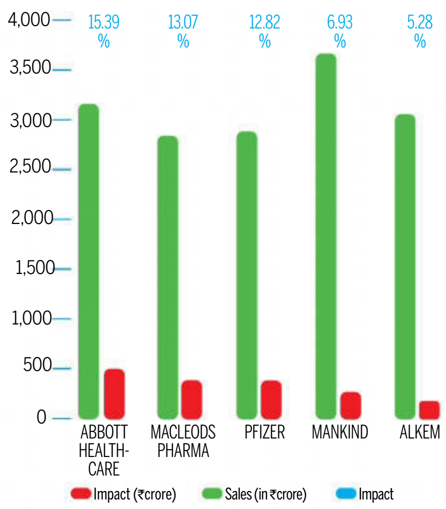
The irrationality of drugs approved by the central authority was also questioned by a parliamentary panel in 2013. The DCGI says it has since then set up 25 expert committees within the central drug administration to track medicines that may become 'irrational' on the basis of latest scientific developments. "We are making extra efforts. Our inspections are now meaningful as we are handholding state administrations. We are strengthening our surveillance systems so that no wrong-doer can get away. The WHO has declared us a stringent regulatory authority and we are in the same league as the US FDA and the UK's MHRA. We need to sustain that. The message is clear. Wrong-doers will be thrown out," says Singh.

Incidentally, over 40 per cent FDCs that were scrutinised by the expert committee were given a clean chit. The road ahead for irrational FDCs might be difficult but that might not be the case with rational combinations. ◆

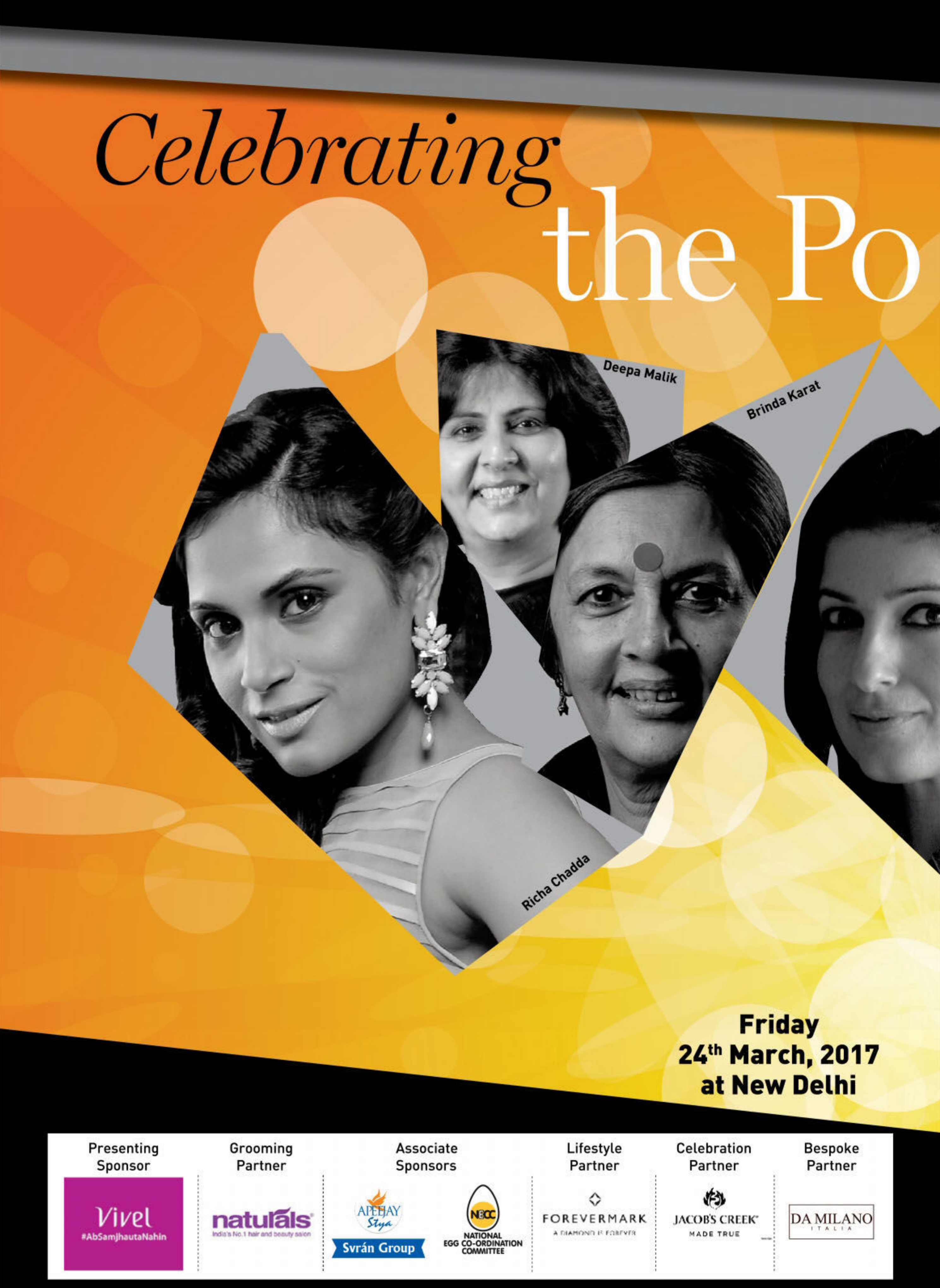
@joecmathew

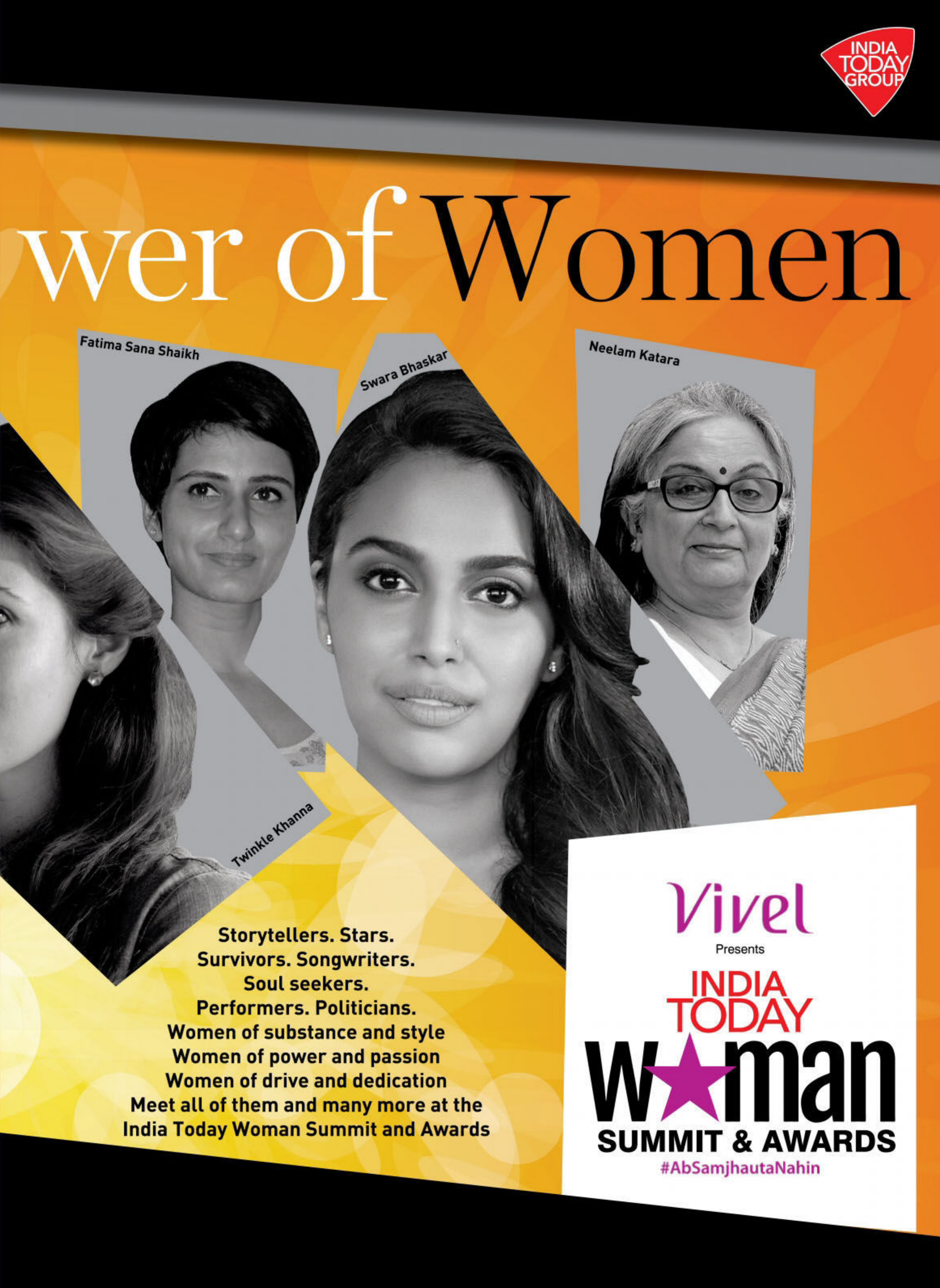
THE BAN HIT

AIOCD-AWACS estimate of loss to companies after the ban



Source: AIOCD-AWACS


Celebrating
the Po
Deepa Malik
Brinda Karat
Richa Chadda
Friday
24th March, 2017
at New Delhi
Presenting Sponsor
Vivel
#AbSamjhautaNahin
Grooming Partner
naturals
India's No.1 hair and beauty salon
Associate Sponsors
APEEJAY Stya
Svrán Group
NECC
NATIONAL EGG CO-ORDINATION COMMITTEE
Lifestyle Partner
FOREVERMARK
A DIAMOND IS FOREVER
Celebration Partner
JACOB'S CREEK
MADE TRUE
Bespoke Partner
DA MILANO
ITALIA


INDIA TODAY GROUP
wer of Women
Fatima Sana Shaikh
Swara Bhaskar
Neelam Katara
Twinkle Khanna
Storytellers. Stars.
Survivors. Songwriters.
Soul seekers.
Performers. Politicians.
Women of substance and style
Women of power and passion
Women of drive and dedication
Meet all of them and many more at the
India Today Woman Summit and Awards
Vivel
Presents
INDIA TODAY
Woman
SUMMIT & AWARDS
#AbSamjhautaNahin

THE 'MUDRA' RISK

Rising exposure under the Mudra scheme can leave banks more vulnerable than before.

By ANAND ADHIKARI

By March next year, micro loans doled out by banks and non-bank entities without any collateral Mudra loans as they are called would cross the ₹5 lakh crore mark. It's huge, given that the outstanding loans of micro and small medium enterprises (MSME) add up to ₹12 lakh crore. The Mudra loans have an alarmingly high level of exposure to small borrowers including women entrepreneurs, SC/STs, tribals and other minorities. Indeed, the doubling of exposure in the risky micro loans category of less than ₹10 lakh in three years by the end of 2017/18 raises eyebrows.

There is actually negligible 'refinancing' as promised by the newly set up Micro Units Development & Refinance Agency Ltd (Mudra). Out of the ₹2.5 lakh crore loans disbursed so far by banks and non-banks, the refinancing is less than ₹5,500 crore. The huge Mudra targets are being met because of loans handed out by banks.

ILLUSTRAIONS BY RAJ VERMA

So, what is driving the otherwise risk averse bankers towards unsecured micro loans? "It's a government diktat. They call it a national mission like the Jan Dhan Yojna," say bankers in private. After the launch of Mudra and Pradhan Mantri Mudra Yojana (PMRY) two years ago, the government has directed banks to lend to micro enterprises or income generating units in manufacturing, processing, trading and services sectors. There are specific targets given to banks. The scheme is also directly monitored by the Ministry of Finance. In fact, there are weekly video conferencing sessions where a Joint Secretary in the Department of Financial Services presides over the progress report meeting with bankers and Mudra officials. "We have no option but to follow suit,"says a public sector banker. In addition, the banks cannot escape by achieving the targets in geographies they are strong. The government is now pushing them to achieve state-wise sub targets within the overall target.

The Mudra scheme like Jan Dhan is nudging the banks, especially public sector banks (PSBs), to direct resources to meet government objectives. Last fortnight, State Bank of India (SBI) chief Arundhati Bhattacharya made a reference to the cost burden of Jan Dhan accounts as the reason for introducing penalties for not maintaining minimum balances in savings accounts. "We have 11 crore Jan Dhan accounts. To manage such a large number, we need some charges," said Bhattacharya. No banker has spoken yet about the risks in funding Mudra loans.

The bankers can't even complain about lack of funds as they are flush with liquidity post demonetisation. In addition, credit offtake has plunged to historic low levels of 3 per cent from 15-16 per cent four years ago. But there are some who question the government's assertion of breaking new ground in terms of funding micro units – the official figures claim to have disbursed ₹2.5 lakh crore plus to over three crore units under the Mudra scheme. "Banks had been doing such micro loans earlier," says a consultant. The government has also told banks to bring all loans of up to ₹10 lakh for income generating activity under the Mudra umbrella, irrespective of refinancing. So, it's more of reclassification of these bank loans into three broad Mudra categories – Shishu (upto ₹50, 000), Kishore (₹50, 000 to ₹5 lakh) and Tarun (₹5 lakh to ₹10 lakh). Karnam Sekar, Deputy Managing Director at State Bank of India (SBI) says the scale of loans has changed now. "There is focused attention on small loans," he says. SBI and associates have a 12 per cent share in Mudra disbursements.

Bankers defend the scheme by pointing out that there is a guarantee cover for Mudra loans, which is a big comfort. In addition, micro loans without any collateral are also part of priority sector advances. Banks have to lend 40 per cent of their net credit to agriculture, micro and small enterprises and also weaker sections of the society. "Mudra loans are a perfect fit for banks to achieve priority sector targets," says the consultant. Under the priority sector, the sub-target for micro and medium enterprises is 7.5 per cent. Last year, the government has also brought micro enterprises working in agriculture and allied industry under the Mudra scheme. There is an 18 per cent sub-target under the priority sector for agriculture related loans. This step would help banks meet their Mudra targets. "The government is actually using the banks' priority sector norms for meeting its social objectives of funding the unfunded," says a consultant on condition of anonymity.

LITTLE BACKING...

The refinancing is grossly inadequate

2015/16

Loans
₹1,33,000Cr

Mudra Refinancing
₹3,300Cr

2016/17

Loans
₹1,21,172#Cr

Mudra Refinancing
Over
₹2,000Cr

2017/18

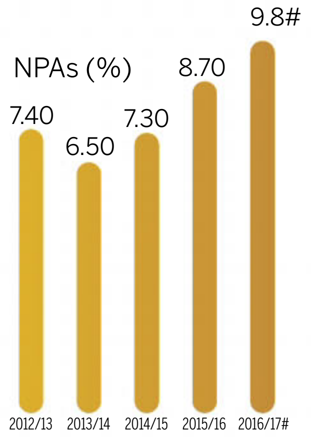
Loans
₹2,44,000@Cr

Mudra Refinancing
Not Known

#till Feb 2017; @target; Source: Mudra

...DESPITE RISING NPAs IN MSMEs

2016/17 is expected to be the worst for bank NPAs in years



NPAs for loans between ₹10 lakh and ₹10 crore; #Projected
Source: TransUnion CIBIL

PHOTOGRAPHS BY MILIND SHELTE

> "The twin issues with regard to micro loans are accessibility and availability of credit. We are addressing accessibility first. We believe that gradually the market forces will take care of the affordability part"
>
> **Jiji Mammen,** CEO, Mudra Bank

Scheme On The Ground

The banks availing refinancing (though it's negligible) have to lend at around the marginal cost of lending rate (MCLR). Currently, banks have an MCLR of 8-9 per cent. "There are few loans which are being done at MCLR plus one per cent, but a majority of loans are done at a higher rates because banks are not availing refinancing," says a private banker. In some cases, the interest rates hover between 12-16 per cent. Jiji Mammen, CEO of newly set up Mudra Bank, says that they have asked banks to charge reasonable interest rates and many have agreed to lend at their base rates or MCLR. "The twin issues with regard to micro loans are accessibility and availability of credit. We are addressing accessibility first. We believe that gradually the affordability part will also be taken care of because of market forces," says Mammen. Experts say accessibility, especially for small entrepreneurs in the 'Shishu' category is still an issue. Currently, bulk of bank loans under Mudra are in the higher category, between ₹50,000 to ₹10 lakh. The Shishu category is being served by MFIs which charge much higher rate than the banks.

Experts say Mudra's guarantee cover with a corpus of ₹3,000 crore is also not sufficient to cover the risk of default in micro loans. If one takes into account the default rate of 10-12 per cent, the Mudra loan of ₹2.55 lakh crore would easily have NPAs of ₹25,000 crore. As per the scheme, the first 5 per cent of the loss would be borne by the lending institution. If the loan exceeds that, the balance would be borne equally by Mudra and the lending institution. Many say Mudra would require a much higher corpus than the current ₹3,000 crore, which would be insufficient to cover the loan losses in future. "There are around 42 banks who have registered with us for covering their Mudra loan under the Credit Guarantee scheme. Of which, 7-8 banks have already taken guarantee cover for their portfolio, which works out to around ₹5000 crore," says Mammen.

Mounting NPAs

The current NPAs in Mudra loans are at 2 per cent. "The risk of default for micro loans is high because of the nature of the loan. The capacity of a micro entrepreneur to withstand shock is limited," says Sekar of SBI. Experts say loans usually take 3-5 years to show signs of stress. For instance, the current bad loan problem had its genesis in the boom period of 2005-2008. That was the time when banks, flush with funds, wrote most of these loans. Currently, some banks are generously charging MCLR rates from MSMEs which could expose their balance sheet in future as the low rates won't be able to cover the 10-12 per cent loan losses in the micro loan segment. The Mudra scheme also forces banks to lend to certain class of borrowers like SC/

RISKY BET

SBI and associate banks have the largest share (%) in big-ticket loans

PLAYERS	SISHU (UP TO ₹50,000)	KISHORE (₹50,000 to ₹5 LAKH)	TARUN (₹5 LAKH TO ₹10 LAKH)
MFI-NBFC	98.07	1.74	0.17
SBI & ASSOCIATES	8.09	40.29	51.6
OTHER PSU BANKS	17.14	50.36	32.42
PRIVATE BANKS	29.65	34.89	35.45

Figures for 2015/16; Source: Mudra

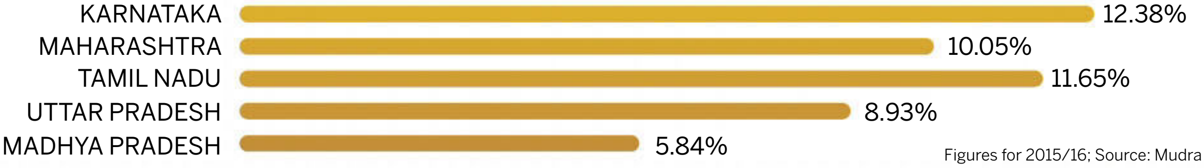
THE BREAK-UP

MFIs and NBFCs are focusing on smaller loans

MUDRA SCHEME	LOAN AMOUNT	WHO IS DOING WHAT
SHISHU	UP TO ₹50,000	Highly risky, so mostly MFIs and NBFCs are lending
KISHORE	₹50,000-₹5 LAKH	Both PSBs and private banks are active
TARUN	₹5 LAKH – ₹10 LAKH	Both PSBs and private banks are active

FOR THE WELL-OFF

One-third loans are concentrated in Karnataka , Maharashtra and Tamil Nadu



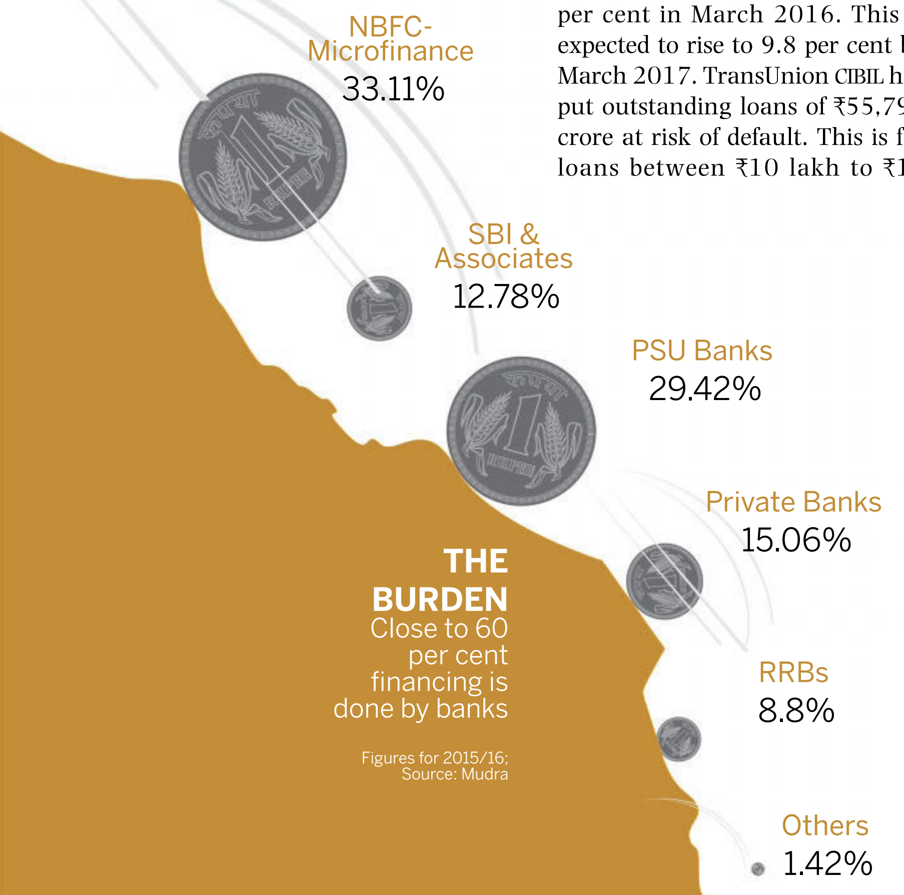
STs, women and tribals with targets. "The bankers first role is to assess the viability of the business or project," says a consultant.

Many question PSBs flawed model of financing micro loans. Unlike MFIs that have a robust model, the full scale banks have failed miserably in financing people as well as enterprises in rural, semi-urban and urban centres. For example, Bandhan Bank, an erstwhile MFI, has been a huge success in offering micro loans.

The last few years have been challenging for MSMEs. According to credit bureau TransUnion CIBIL, the NPA rate for MSMEs have increased over the last few years to reach 8.7 per cent in March 2016. This is expected to rise to 9.8 per cent by March 2017. TransUnion CIBIL has put outstanding loans of ₹55,799 crore at risk of default. This is for loans between ₹10 lakh to ₹10 crore. Mudra loans are less than Rs 10 lakh, which are more prone to default because of smaller ticket size and absence of any collateral. Currently, there is also a geographical concentration of Mudra loans in developed states like Maharashtra and Tamil Nadu. Prakash Sundaram, Chief Strategy and Digital Innovation officer at Fincare Group, whose company-Disha Microfin has also won the small finance banking license, attributes this to the credit culture and credit opportunities. "There have been lot of opportunities in the SME space in these states, which has resulted in their development over the years," says Sundaram.

There are many credit bureaus with whom Mudra can collaborate to mitigate risks in micro loan lending. "We have credit information reports for existing micro customers with less than ₹10 lakh loan exposure. We, however, have no ranking of these customers. But we may look at micro loans in future," says Harshala Chandorkar, Chief Operating Officer at TransUnion CIBIL Ltd.

Mudra Bank is also very keen to have some kind of analytics. "We need to develop some kind of mechanism which can capture



"We have credit information reports for existing micro customers with less than ₹10 lakh loans. We have no ranking of these customers. But we may look at micro loans in future"

Harshala Chandorkar, COO, TransUnion CIBIL

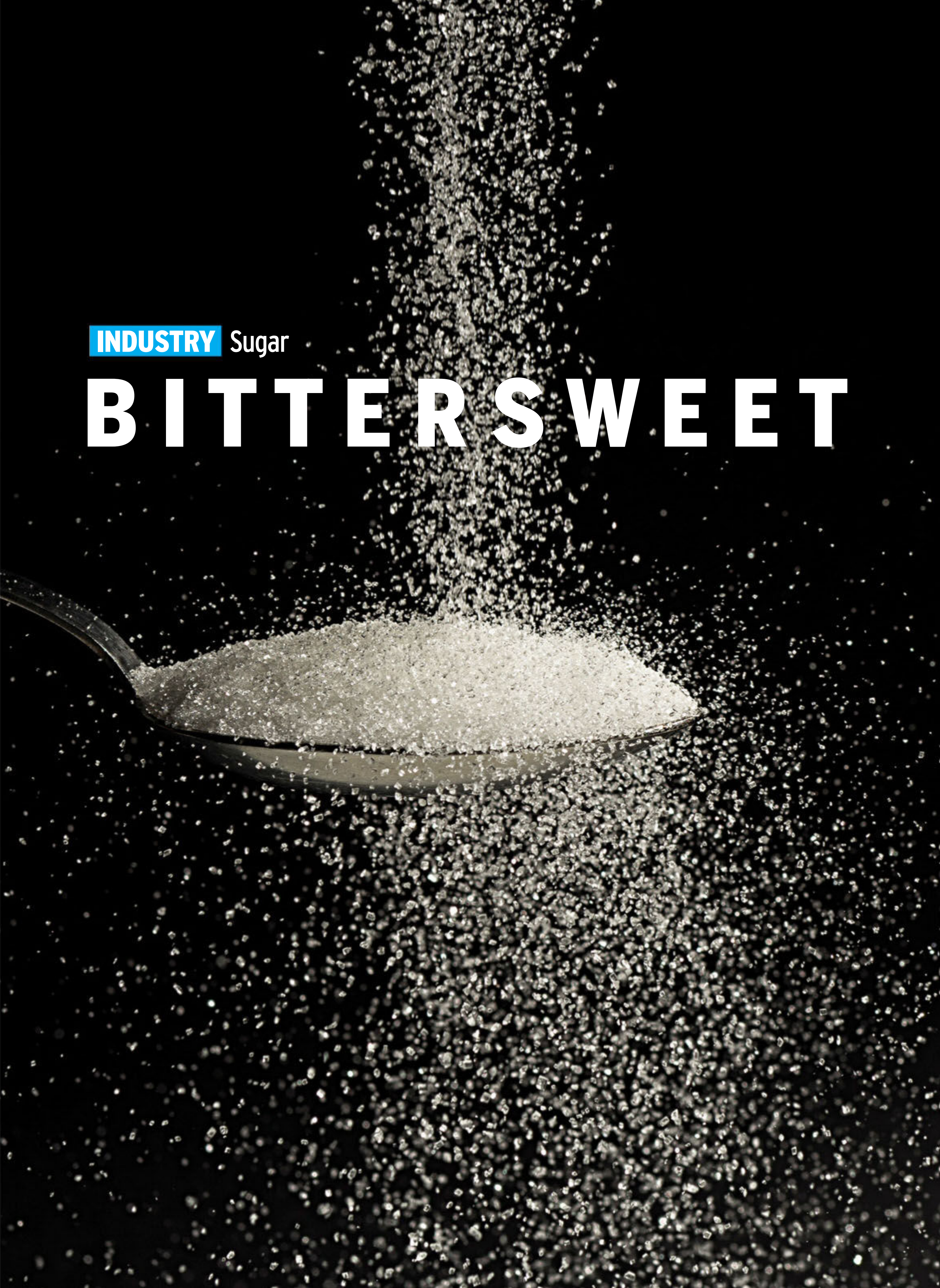
data and have some kind of analytics to give feedback about risk perception in this segment. If that happens, it will make lenders job much easier and there will be an expansion of Mudra credit," says Mammen.The MSMEs also have other issues such as inadequate operational skills and lack of risk diversification strategies. They also need to achieve scale and have governance issues. "We are planning a Mudra application for self learning which will be available shortly," says Mammen of Mudra Bank. Many analysts say that the right vehicle for funding the unfunded is small finance banks and not commercial banks. There are already a dozen MFIs turned small finance banks that are making their debut this year. These small banks are mandated to provide 75 per cent of their net credit to priority sectors. They have to provide at least 50 per cent of their loans at the ticket size of less than ₹25 lakh. The new banks would certainly take five to 10 years to scale up their operations. The Mudra juggernaut is already growing bigger rapidly. The demand potential for MSMEs is estimated to be in excess of ₹26 lakh crore.

Mudra loans will put a huge burden on the banking system. It's time to talk about the inherent risks in micro loans.◆

@anandadhikari

INDUSTRY Sugar

BITTERSWEET



SUGAR

After years of slump, sugar prices are rising. But government intervention may spoil the industry's party.

By SUMANT BANERJI

Santosh Nirwal, a 37-year-old sugar cane farmer, has been growing the crop for the past nine years. In the current sugar year (SY2016/17), spanning from October to April, the yield from his farm in Shamli district of West Uttar Pradesh, has been excellent, thanks to improved seed quality and a good monsoon. It is expected to fetch him a good price as strong demand, coupled with a tight supply situation, has kept sugar prices high. Moreover, states like Uttar Pradesh often raise sugar cane prices based on production costs, yields and sugar recovery rates. This state-advised price can be way above the fair and remunerative pricing determined by the central government.

A bumper crop like the one Nirwal has raised would have normally led to a sugar glut and pulled down prices. However, successive years of drought, from 2014 to 2016, in the key sugar cane-growing states, Maharashtra and Karnataka, has taken a toll on overall sugar production, which fell 18.5 per cent year-on-year to 16.25 million tonnes (MT) between October and February, notwithstanding a good season in Uttar Pradesh, the second-largest sugar-producing state. Sugar prices touched a high of ₹3,957.50 per quintal on the commodity exchange NCDEX in February this year.

Nirwal, although aware of the rising prices, does not feel like celebrating just yet. Sugar mills still owe him money from previous years, he says. Demonetisation meant he had to borrow capital from a money lender at a high interest rate.

"In all these years, I have catered to three sugar mills in the area. One of them shut down three years ago and the other two still owe me money," he recalls. "The owners say they don't have money to pay me but drive luxury

SUGAR FIX ELUDES INDIA

The drought in Maharashtra and Karnataka from 2014-16 may bring production down to a seven-year low

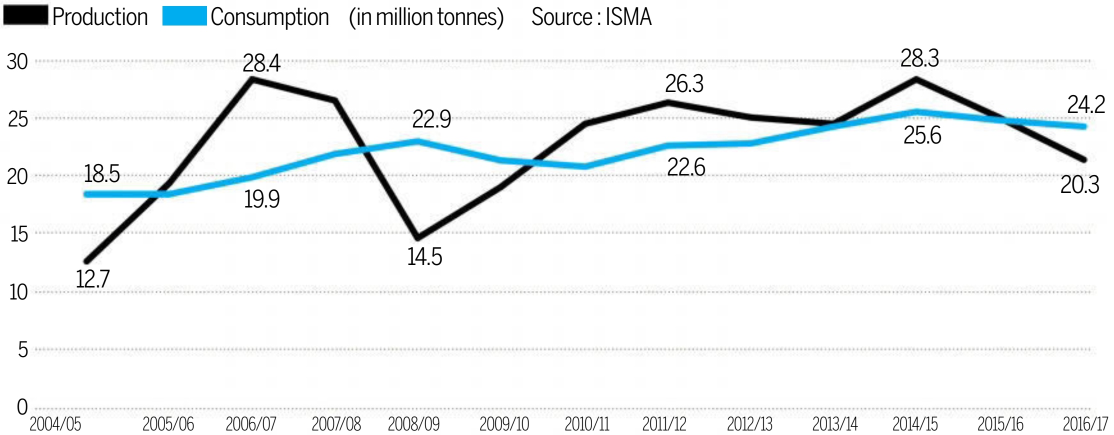
ISMA says sugar cane prices have risen 181 per cent since 2008/09

The debt burden of manufacturers has risen from ₹10,000 to ₹50,000 crore-plus over the past five years

Mills fear the government may cut import duty to keep prices low, hitting their margins

Production Plunge

Sugar production down, but consumption has been steady



cars and own big bungalows. They are bound to gain from the price increase. We may get nothing."

That sugar cane farmers suffer from the vagaries of nature and a volatile sugar market is nothing new. Consequently, in a bid to appease the farmers in the upper Doab region – the patch of fertile land between the Ganga and the Yamuna in western and south-western Uttar Pradesh – governments revise sugar

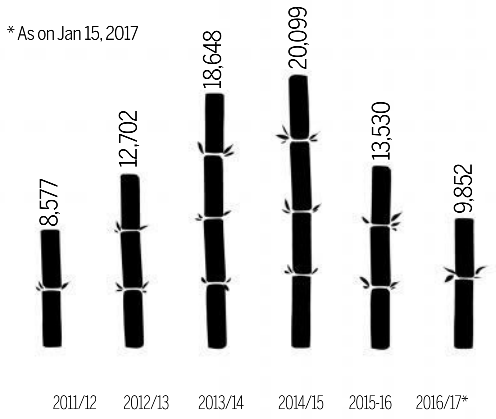
TARUN SAWHNEY, *Vice Chairman and Managing Director, Triveni Engineering and Industries*

"The price today is still less than what it was five years ago. There has not really been much of a price increase"

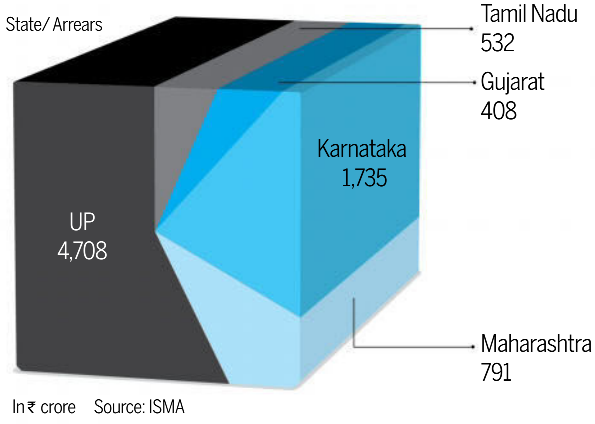
SHEKHAR GHOSH

Clearing Dues

Lower cane arrears this year mean more pressure on financials of companies



Break-up of arrears



cane prices regularly. According to the industry body, Indian Sugar Mills Association (ISMA), sugar cane prices have gone up by 181 per cent since 2008/09. And the corresponding rise in retail prices in Delhi during the same period is a little over 100 per cent. The industry claims that the availability of surplus sugar in the country is the main reason it has not been able to pass on this cost to end consumers, resulting in high arrears and its inability to pay the farmers on time.

"Companies were required to borrow from banks to pay sugar cane growers, and high operating costs led to a rather excessive debt burden. Over the past five years, the debt went up from ₹10,000 crore to well over ₹50,000 crore," says Tarun Sawhney, Vice Chairman and Managing Director of Triveni Engineering and Industries, a leading sugar manufacturer.

"This also included some soft loans, with interest subvention, given by the government. It added to the debt burden and reduced the creditworthiness of the companies. Many had to take the BIFR route to delay legal action for debt recovery," he says.

The Shortfall and After

Going by the industry report card, the rising price curve on the back of a production dip should mean a windfall for farners and companies such as Triveni. But before we discuss the impact of the price increase, let us take a quick look at the shortfall.

To begin with, at an estimated 20.3 MT, this season's production will be at a seven-year low. It will also be the first time since 2009/10 when annual consumption, at 24.2 MT, will be higher than production. There had been a fall in consumption post demonetisation but not enough to balance the supply-demand mismatch.

The shortfall in production will also have a direct bearing on the closing stock – the sugar stored post harvest in April that caters to the demand till the next harvest in November. In 2015/16, the closing stock stood at 7.7 MT, but by the industry's own estimates, it is expected to come down to 4.8 MT this year. An early festive season – with both Dussehra and Diwali falling in September-October this year – will see consumption peaking early. The marriage season has also started in northern India and it will soon be summer, when demand usually rises, as per the January report by the National Institute of Commodity Research, or NICR, run by the NCDEX.

Understandably, sugar prices have started inching northwards. Since October 2015, the beginning of SY2015/16, spot prices have risen nearly 55 per cent in the domestic market. As on February 13, 2017, price of sugar in the Delhi market stood at ₹39.60 per kg, up more than 20 per cent over the past 12 months. With a weight of 1.3 per cent in the consumer price index and 2.7 per cent in the wholesale price index, and indications of a further gap in demand-supply, any price rise may push up food inflation.

Nevertheless, the current rise in prices also means companies are in better shape today. On a year-on-year basis, sugar manufacturers made net profits in each quarter during the January-September 2016 period after remaining in the red in each of the seven quarters between April 2014 and December 2015. The operating margin of the industry also stayed in double digits – in the range of 13-23 per cent – in each of these quarters. As a result, farmers have started getting their money back, although the industry still owes them over ₹50,000 crore.

To Import or Not

Unlike India, global sugar prices have gone down by 9 per cent since October 2016. At $534.6 per tonne (for white sugar), they are, on an average, 12-15 per cent

T. SARITA REDDY, *President, Indian Sugar Mills Association*

"There is no shortage of sugar and, therefore, no need for imports. A few speculators and sugar refiners are spreading rumours to suit their vested interests and create opportunities for themselves to import sugar"

lower than the current domestic prices. But till date, the government has been discouraging imports through a prohibitive import duty of 40 per cent, much to the chagrin of sugar dealers. Along with reducing the production forecast, ISMA has also reduced the consumption forecast, saying India will not need to import, much to the disappointment of those who think ISMA's lower consumption estimate is not accurate.

Some experts say the supply shortage is real. "With an expected closing stock of 4.7 MT for 2016/17, India is unlikely to meet the normative requirement of three months' stock for the next year. The country may need to import sugar to ensure adequate supplies," says hagyashree Bhati, research analyst at Care Ratings. "To ensure supplies, the government may reduce the import duty to contain the price rise on the back of a fall in domestic production for the second consecutive year and a tight stock situation during the year."

According to the January report of the NICR, "Import duty must be reduced and import incentives must be given to improve supplies in the medium to long term. This is the most effective way to contain prices."

The clamour for reducing import duties has made the industry jittery and put sugar manufacturers on the back foot. Back in 2008/09, when production had dipped 44.8 per cent, the government had removed duties and allowed imports to bring down prices. But it hurt the domestic industry and pushed it into the red. Sugar manufacturers want to avoid

a repeat at all costs.

"Last time when imports were allowed, it was devastating. It propelled us into a downward spiral for several years. We had a sugar surplus, which took its own sweet time to be exported," says Sawhney of Triveni Engineering. "The industry incurred financial losses while the farming community was affected as farmers could not be paid on time. The industry did not have the money to pay the farmers. For some short-term gains, it's not worth damaging the industry, which is just beginning to correct itself after successive bad years."

This time around, the ISMA says in spite of the recent hikes, existing prices of sugar barely cover production costs. The blame is on speculators, traders and refiners who wish to profit at the behest of the industry and cane growers.

"A few speculators and sugar refiners continue to spread rumours to suit their interests and create opportunities for themselves to import sugar. Their statements on shortage of sugar, mostly made without any analysis and research, are leading to speculation and volatility in the market and a spike in prices," says T. Sarita Reddy, President of ISMA.

"There's no shortage and, therefore, no need to import any sugar. Surplus sugar cane crop and sugar production are expected next year. Any decision should be taken with proper care and certainty as the lives and livelihoods of millions of farmers across the country depend on it."

Analysts believe such fears are exaggerated and the impact of imports on domestic sugar prices will be temporary. As India is the world's largest consumer of sugar, opening up of the market will lead to firming up of international prices.

"If the government decides to reduce the import duty on raw sugar, the Indian market will witness a knee-jerk reaction and prices may come down. But the moment India starts importing, there is strong possibility that international sugar prices will react sharply due to demand from India," says the aforementioned NICR report. "The impact of lower import duty would be nullified due to possibility of a sharp rise in international prices. Once international prices start increasing, Indian prices are bound to rise."

But with the livelihood of 50 million sugar cane farmers and the financial health of sugar manufacturers at stake and fears of a sharp rise in food inflation looming, the government will have a tricky decision to make in the coming months. ◆

@sumantbanerji

AVIATION

TAKING

Sahil Ahlawat is shy, but one cannot help notice his passion for aviation. The 19-year-old student of the Indira Gandhi Rashtriya Uran Akademi, or IGRUA, has just finished training to become a pilot. To get a commercial pilot's licence (CPL), Ahlawat, like his 190 batch mates, had to fly a minimum of 200 hours under different conditions solo flying, night flying, etc.

A commercial pilot's job is coveted due to several reasons starting salaries of ₹2.5lakh per month, international job opportunities, higher retirement age (65), stable yet fast-growing career graph, and great medical benefits, among others. The costs are high as well. While one has to spend between ₹30 lakh and ₹65 lakh to undergo training for CPL, type rating expenses are ₹25 lakh-30 lakh.

SHEKHAR GHOSH

Every IndiGo pilot has to go through flight simulator training once every six months

WING

After a long time, pilots are back in demand. But challenges remain.

By MANU KAUSHIK

Ahlawat's CPL training is over, but that will not ensure a job with an airline. In order to get a job in a scheduled airline, he will also have to undergo type rating training on certain aircraft types such as Boeing 737, Airbus A320, etc. "Very few are type rated. But, depending on each airline's capacity, pilots are hired with varying levels of experience. With the aviation sector growth outlook being positive, it, however, augurs well for pilots," says Roshan Joshi, Senior Vice President, Flight Operations, Vistara.

At present, pilot demand exceeds supply by a huge margin with all major airlines expanding their fleet size. IndiGo, the largest carrier in terms of marketshare, has orders for over 400 Airbus A320neos that will be inducted to its fleet by 2026. Mumbai-based GoAir will add 140 Airbus A320neos. SpiceJet has ordered 42 Boeing 737 MAX 8, and purchase rights for another 50 Boeing 737 MAX 8 and wide-body aircraft. For every aircraft, airlines are required to hire 12 pilots – going by the fleet addition plan – IndiGo, GoAir and SpiceJet will, therefore, need over 8,340 pilots over the next 10 years.

Besides, there is a huge shortage of pilots in the Asia Pacific, given that India, Indonesia, Vietnam and the Philippines are going through a boom phase. According to International Civil Aviation Organization (ICAO), the region will need 230,000 pilots by 2030, while the current training capacity is only about 5,000 a year. "We are adding new aircraft but there is a severe shortage of pilots," says Mark Martin, founder and CEO of aviation consultancy Martin Consulting LLC. According to estimates, the Directorate General of Civil Aviation (DGCA) issues just about 900 commercial pilot licences every year. The number of type-rated candidates is even lower.

Changing Times

Given the present scenario, it is ironical that nearly 8,000 commercial pilots do not have a job with airlines. Besides, if one would seek a job as a trainer, he would not only have to do with far lower salary but also have to clock more flying hours to become eligible for the post. And, a section of experts are of the view that the abysmal quality of training institutes has been at the root of the problem. "My perception is that training institutes in India lack infrastructure," says Capt. Ashim Mittra, Vice President, Flight Operations, IndiGo. Lack of infrastructure and trainers coupled with high costs

However, things seem to be changing. "In a dull market, pilots who do not get jobs in airlines become trainers. But the current boom period is creating enough job opportunities in airlines. In this part of the world, anybody who is learning to fly is finding a job because the opportunities are high. Airlines are growing and hiring," says an expert.

The DGCA has also been at the forefront of the much-needed cleaning-up of the system by taking action against erring institutes. In 2011, for instance, it conducted an audit of 40 flying schools across the country and found discrepancies – fudging of flying hours, lack of infrastructure and experienced trainers, improper syllabus, lack of documentation and poorly maintained airstrips – in almost all. Subsequently, many schools were shut down for non-compliance of guidelines. At present, India has 29 pilot training institutes – 14 are privately owned, six are run by state governments and four are public limited institutes.

In some parts of Europe and the US, the situation is entirely different due to limited job opportunities. People end up becoming instructors,

COCKPIT ACCOUNT

8,000
Number of pilots holding commercial pilot licence but have not found any regular employment

8,340
Estimated pilot demand from just domestic carriers – IndiGo, GoAir and SpiceJet – over the next decade

900
Estimated number of licences issued by DGCA every year

₹55 lakh-85 lakh
The total cost of pilot training in India

29
The number of flying schools in India

200
Hours of flying experience required to obtain commercial pilot licence

₹2.5 lakh
Minimum starting salary for pilots in scheduled airlines

CHECK-IN BAGGAGE

WHAT'S WORKING

The boom in the aviation sector has led to demand for trained pilots

Airlines are developing cadet programmes with flying schools that will keep supply of pilots at required levels

WHAT'S NOT WORKING

An estimated 8,000 pilots with commercial pilot licence do not have a regular job due to inadequate training

Most flying schools lack good infrastructure, many fudge flying hours, and many pilots were caught with fake certificates keep logging, join commuter airlines, gain experience and then get inducted into an airline. "In India, there are a couple of institutes that have the required infrastructure, but there is a huge vacuum of instructors," says IndiGo's Mittra.

Rot Remains

Despite actions by the DGCA, the rot remains. In November, Minister of State for Civil Aviation, Jayant Sinha, informed the Parliament that 17 pilots had obtained licenses on the basis of fake certificates and 19 on the basis of fake flying hours in 2011/12, adding that Delhi crime branch had found involvement of three DGCA officials in the fraud.

V.K. Verma, Director, IGRUA, says the arrival of new carriers – IndiGo, Air Deccan, GoAir and Kingfisher Airlines – in 2004/05 resulted in mushrooming of flying schools across the country. "People with two or three small planes had started flying schools. They had arranged for certificates of flying clubs in Indonesia and Malaysia. None of them did 200 hours of flying. The shortage was so huge that all of them got hired," he says.

Soon pilot training became a murky business – aspiring pilots were duped by flying schools, recruitment officers of leading airlines and middlemen. "They still take money and promise jobs. They dangle a carrot in front of these youngsters and manipulate them. We do not have good flying schools. The existing ones are just about good to teach; they cannot produce outstanding pilots," says Martin. Following the boom period that lasted seven years, things became worse. Says Vivek Nair, Secretary, Federation of Indian Pilots, and a captain in Air India: "In the struggling phase that began in 2011, the airlines fired pilots and re-negotiated their contract terms."

"Our pilots come back to their home cities in the evening. Most other airlines have stopovers"

AMAR ABROL
CEO and Managing Director, AirAsia India

On a Wing and a Prayer

Institutes that are competent have also had limited success. For example, CAE Inc. – a Canadian training services company that trains over 120,000 pilots every year through its network of schools across the globe – was aggressive on the Indian market when it set shop, but lost steam along the way.

In a joint venture with the Airports Authority of India, CAE had taken charge of the National Flying Training Institute (NFTI) in 2007 and a year later was awarded a 10-year management contract to run IGRUA for a management fee of about $500,000 every year. It had said that it will make IGRUA profitable within three years on the condition that it will need diesel engine aircraft. It never happened. The institute has a fleet of 24 aircraft that run on aviation gasoline – a fuel that is three times costlier than aviation turbine fuel. "The institute can turn profitable if we replace existing aircraft with diesel engine planes. The existing fleet can be sold in the US market where there's a demand for them," says Verma. The problems for IGRUA have only multiplied given that it has not been paid its dues. "We haven't been paid by the ministry for the past four years. We are raising the course fee from next batch, starting July this year, from ₹32.5 lakh to ₹38 lakh per student, which should reduce the losses," he adds.

Airlines are offering employment options that will help pilots maintain a better work-life balance

Flying schools following international training standards have not been able to do well financially

The new civil aviation policy talks about providing financial support for type-rating of pilots; this costs ₹25 lakh-30 lakh per pilot

In 2015, the ministry proposed removal of commander pilots from workmen category under Industrial Disputes Act, slashing benefits

Regular audits from the DCGA ensure that non-serious flying schools are closed down

Medical fitness standards followed in India are far more stringent than what are followed globally

That's not all. Till 2008, nearly 75 per cent of IGRUA students were absorbed by Air India. But since then, the state-owned airline has hired only 62 pilots in 2010 and 40 in 2015. FIP's Nair, however, says that students from IGRUA are in demand. "Airlines may not go to the campus for recruitment but when it comes to the open market, IGRUA students are preferred over other candidates."

Doing It Right

Aviation is a serious business and airlines can ill-afford to take risks. Therefore, they have become more stringent in their selection process. IndiGo's pilot hiring process, for example, consists of cadet programme, lateral hiring of senior pilots, and selection through open market.

As part of its cadet programme, the airline has tied up with two training institutes UK-based CTC Aviation and CAE from where they identify 18-19 year olds, and then train them for CPL in India, while type-rating is mostly done in cities such as Dubai, Brussels, Madrid. By the time these candidates are 22, they are ready to qualify as co-pilots.

While CAE works with over 25 leading airlines, IndiGo has set the bar higher than the regulatory requirements and has separate guidelines on how training needs to be conducted. Even the entrance test is jointly monitored. For example, while IndiGo insists on 2,500 flying hours to become a line training captain, DGCA rules put it at 1,500 hours.

"There's a rigorous method of selecting training schools. It includes understanding their infrastructure, faculty and logistics, besides personal visits to look at the standards. We are exploring more institutes. We need continuous influx of cadets who can become captains. For an airline of our size, we have to eventually stop relying on lateral hiring," says Sukhjit S. Pasricha, Vice President, Human Resources, IndiGo. The airline is adding 300 cadets each year to its existing pilot strength of 1,900.

Pain Points

It is not easy to be a pilot in India costly training, stringent regulatory requirements, medical obligations and a list of other occupational hazards have deterred people from pursuing a career as a pilot. In several countries such as Australia and Britain, there are tax rebates on loans for pilot training. In India, similar mechanisms are still in the works.

VIVAN MEHRA

"With the aviation sector growth outlook being positive, it augurs well for pilots"

ROSHAN JOSHI
Senior Vice President,
Flight Operations,
Vistara

Some pilots argue that their working conditions are going from bad to worse. For instance, in 2015, the civil aviation ministry had proposed that commander pilots should be removed from the workmen category under the Industrial Disputes Act. Such a move could affect pilots as they can no longer form trade unions, their salaries can be modified without prior notice and they cannot file an appeal to the labour commissioner against employers. The proposal was later struck down.

In addition, pilots are bound by the law to serve a six-month notice before quitting. The rationale is that if 10 pilots leave at one go, the airline and passengers will suffer. The regulation is unique to India. Some airlines wanted to increase the notice period to one year but the proposal has been trashed. The medical standards followed in India are also much higher than global standards.

"Airlines are sweating aircraft for more hours which is increasing the working hours for pilots," says a commander of a leading airline. In November, a bunch of Jet Airways pilots reported sick after the airline introduced a new automated roster that inadequately accounted for travel fatigue.

Pasricha of IndiGo, however, believes in flexible contracts. "We offer them 6-7 options. They can choose their work schedule; whether they want less flying, more flying, days of flying and leave patterns. For instance, if somebody wants to fly for 11 weeks and take two weeks off, or somebody wants to fly for five months and take a month off." Amar Abrol, CEO, AirAsia India, agrees. The carrier currently flies to metro and semi-metro cities including Delhi, Mumbai, Kolkata, Chennai, Bengaluru and Hyderabad. "Since there are no layovers, our pilots come back to their home cities in the evening. Most other airlines have stopovers."

The boom-and-bust cycle in the aviation sector is closely linked with those at the yoke of an aircraft. The going might still be tough, but hope it gives wings to their dreams. ◆

@manukaushik

The global aviation market is booming. A strong growth in passenger traffic in 2016, especially in India, has prompted both domestic and foreign airlines to focus more on the Indian aviation sector. According to the International Air Transport Association (IATA), passenger traffic rose 6.3 per cent in 2016, which is above the 10-year average annual growth rate of 5.5 per cent. The fourth-largest carrier in terms of total passengers carried on international routes, as per IATA, Lufthansa, which is the largest foreign carrier group operating between India and Europe – with a market share of 15 per cent, recently made Delhi its first global destination to launch the commercial service of its most modern long-haul aircraft, Airbus A350-900. In a conversation with Business Today*'s* **Rajeev Dubey** *and* **Manu Kaushik, Carsten Spohr,** *Chairman of the Executive Board and Chief Executive Officer of Deutsche Lufthansa AG, and* **Wolfgang Will**, *Senior Director, South Asia, Lufthansa Group Airlines, spoke about the emerging trends in international aviation markets and Lufthansa's India plans. Edited excerpts:*

Do you think the worst is over for the global aviation industry? Which way is it headed now in terms of profitability? What about the consolidation happening all over the world?

Carsten Spohr: Let us start with the global perspective. First of all, this industry has never been safer than it is today. This is always worth mentioning when we talk about aviation. Second, the industry has been able to return its cost of capital on a global scale last year, and has been growing faster than the GDP [gross domestic product] around the world. From the global perspective, we are seeing better years than we probably had seen for a long time. It is obvious where markets are as open as they are fair. The markets where consolidation is taking place show better results than those parts of the world where competition is distorted by government subsidies or lack of consolidation.

We will hopefully see more consolidation, like in the US, and more level-playing field in parts of the world where we don't have it yet.

How do you see the Indian market in this context, especially the capping of fares at ₹2,500 for domestic flights with duration of up to two hours?

As a frequent visitor to India, I am glad to see how well the country has understood the importance of aviation for a healthy economy. Obviously, there are huge challenges. Infrastructure is always a challenge when you have fast growth. India needs to make sure that this is a healthy and competitive industry. Again, wherever in the world we are, and in whichever industry we are in, trade can only be as open as it is fair, and that's what regulators have to provide. With that, and the dynamics we see in this market, which is bigger than anywhere else in the world, we definitely see a healthier development of the aviation sector in India than we have seen for a long time.

How do you see capping of fares?

To be honest, as someone who doesn't operate domestically, I leave this to Indian experts, who know more about it than I do. It's probably not an issue for a global European carrier to get involved with.

When you talk about government subsidies, we assume you are referring to some Middle East airlines. How much of a disruption is that for the global aviation industry?

I think it's a huge element of disruption. I see airlines from Europe and Asia leaving routes between Europe and Asia. The WTO [principles] apply to industries all over the world but aviation. We may not be able to bring aviation under the WTO, but nothing keeps us from applying the WTO principles. That's our expectation from governments around the world, including the European Union, which is now assuming a stronger role in negotiating aviation.

Is it [subsidy] largely a Middle East problem or does it happen in other parts of the world too?

When it comes to the network of Lufthansa, the biggest impact comes from the Gulf... It's a global industry, so we should have a global agreement that openness and fairness are in stable relationship with each other.

The biggest subsidies come in which form – capital funding or pricing?

There are various forms of subsidies around the world. The US carriers talk about subsidies of 41 billion euros for one region – the Gulf. In the end, it doesn't matter which

"TRANSPARENCY, FAIR TRADE WILL BOOST AVIATION"

PHOTOGRAPHS BY VIVAN MEHRA

form of subsidy is given. We need to have fairness for all players in one particular market, and that's how other industries have worked.

How will the rise in global fuel prices impact airlines? How are you gearing up for a crude price hike?

We should not be too nervous because the recent increase in fuel prices takes us nowhere near the high we have seen before. This industry has always been able to react to changes, even disruptive changes. I think what we are seeing right now is not unhealthy but something in the range of what we have seen over many years. I am not at all pessimistic about 2017.

Has fuel cost as a percentage of total cost gone down? You do hedging to take care of fuel prices. If oil prices keep rising, do you have some mechanism to keep your profits intact?

The Lufthansa group has shown healthy profits over the past years with varying fuel prices. One way for us to stabilise ourselves is hedging. One very important answer to high fuel price is modernisation of Lufthansa. We are introducing 40 new aircraft this year; we introduced 46 last year. The A350, which brought me here, uses 25 per cent less fuel per seat, and generates 50 per cent less noise. That's the answer of Lufthansa. Modernisation is the answer to challenges. Of course, you need to be healthy to be able to make those investments. We are spending more than 2 billion euros a year on new aircraft and modernising Lufthansa, which not only has an economic output but also an ecological output, making this a healthier industry for our shareholders, people living around airports, and our staff.

What model do you follow for aircraft acquisition?

Lufthansa is one of the few airlines in the world with investment-grade ratings. Historically, we have always been conservative and have been buying aircraft rather than leasing them. Don't forget that we are conservative but innovative Germans.

What are the new trends in financing or buying aircraft? What's the most innovative thing that Lufthansa has done in recent times?

One of the most innovative things Lufthansa has done recently doesn't sound innovative at all. We have been looking at used aircraft in addition to the 250 new aircraft we have ordered for the next few years. There's an oversupply of used aircraft in the market and we have to take advantage of that. We have got used A330s and A320s for our subsidiaries. We are now operating 15 airlines in the group and there are too many aircraft out there.

What's your strategy for the Indian market?

Bringing our brand new Airbus A350 to India first is in line with many other introductions here over the past few years. India is one of the fastest-growing markets. So, our India strategy is to foster our position as the No. 1 European airline in this market. When it comes to frequency, we are operating 70 flights a week. We are also introducing a new service, from Mumbai to Brussels, this summer. As for our product promise, five of our 10 flights that we operate every day have first class. It shows that we are realising the potential of this market, not only in terms of growth–we are growing at 3 per cent a year–but also in terms of the premium demand that we see here. [We have seen] a very successful demand for the premium economy that we introduced three years ago. We are one airline that has a consistent business-class product in all of our aircraft flying to Europe. Those premium investments we did over the past years in India are now paying off, giving us a successful 3 per cent growth.

That 3 per cent growth is passenger growth?

Yes, which is 3,000 passengers a day right now.

What's the configuration of A350?

We have got 48 business-class seats, 21 premium-economy seats and 230 economy seats. Five out of the 10 aircraft we operate every day have first-class seats. We are the No. 1 first-class airline between Europe and India.

Is 3 per cent growth lower than the average growth of the group?

It is a little higher.

Where else do you see higher growth?

Nowhere. India is the fastest-growing market, that's why I am here so often.

"Don't forget that we are conservative but innovative Germans"

What about regional connectivity the government is talking about? Will you tie up with Indian carriers?

We are working closely with Air India. We are also in talks with Jet Airways. We established our airline 20 years ago, so there's probably no other airline in the world with such an extensive partnership network like Lufthansa. We are also expanding that in India.

What's the typical lifecycle of your aircraft?

We tend to not have aircraft that are more than 25 years old. By introducing 40-45 new aircraft every year, we are bringing down the average [fleet] age to 10 years. Usually, we buy and keep it on our balance sheet. If you are as healthy as Lufthansa in terms of balance sheet structure, there are cheaper ways to finance aircraft than most companies do. That is why we buy aircraft.

Do you think operating in India is costlier with airports charging higher landing and parking fees?

That's the general statement from every airline CEO. Airport and air traffic control are too expensive.

How does India compare with the rest of the world?

Wolfgang Will (Senior Director, South Asia): We are not happy about the fact that the price of ATF [aviation turbine fuel] is one of the highest in the world because of taxation. We are proud to have a lot of terminals and good infrastructure, but it comes with a price, and it came with a tremendous hike in airport fees. Unfortunately, that's something we find all over the world. The cost is going up everywhere, but we also cope with it as best as we can and try to stay competitive in this challenging environment.

Are you pushing for more bilaterals in India?

Will: Our bilateral agreement is not yet fully utilised – it's about 75 per cent of the bilaterals, 24,000 seats per week. That's still more that we can handle. ◆

@rajeevdubey, @manukaushik


011-42534300
call us!
advertising space in all sizes
TDI
tdiindia.com
Media Services | Internet & Mobile Advertising
North | Jatinder Singh : + 91 98115 40202 East | Vandana Sharma : + 91 98302 12552
South | Vinod Kumar : + 91 98840 38320 West | Abhijit Kulkarni: +91 8879004651
MAD(Mobile & Internet Advertising) | Sanjay Sharma : +91 98184 53031
TDI Media Services| +91 11 4253 4300

START-UP Tork

GREENING THE TWO-WHEELER

India's first electric motorcycle T6X, from Tork Motorcycles, will soon be launched commercially. **By CHANCHAL PAL CHAUHAN**

As a child, Kapil Shelke was fascinated by gadgets, often tinkering with the insides of his collection of remote-controlled cars to understand their engineering. The passion only increased as he grew older. As a mechanical engineering student at Pune University, he was part of the team which designed the country's first electric motorcycle as a college project in 2009. "Little did we imagine when we started that we would end up creating a high-speed racing motorcycle that runs purely on electricity," he says. "We were barely a year into our research at the time."

The motorcycle, designed and manufactured by 20-something amateurs, went on to win third place in the Isle of Man Tourist Trophy (TT) motorcycle race the same year, perhaps the most prestigious bike race in the world. Shelke set up Tork Motorcycles in Pune the same year, making electric bikes his single, unwavering focus. Almost every year since then, he has designed a new electric bike which improved upon the last one, naming them sequentially T2X, T3X and so on, which have gone on to win other motorcycle races in various parts of Europe and India, competing successfully against products from the biggest in the global business, such as Honda, Brammo, Yamaha and Ducati.

The next logical step was making electric bikes for layman use. Enter the T6X. "After proving our mettle on race tracks, we decided to utilise our expertise in making commercial electric motorcycles," says Shelke. "We converted a petrol engine motorcycle into an electric one and asked some reputed auto magazines to test it. Their encouraging

"WE SEE AN OCEAN OF OPPORTUNITY AHEAD... WE ARE CONFIDENT PEOPLE WILL UNDERSTAND OUR VALUE PROPOSITION AND DEVELOP A LIKING FOR OUR PRODUCT"

Kapil Shelke, Founder & CEO, Tork Motors

reviews gave us confidence. We expanded the size of our team to deliver a reliable machine any bike enthusiast would love to own." With a team of 20 engineers, the T6X was built within a record period of 12 months. Unveiled for the first time in September last year, it attracted 1,000 pre-bookings in the first 24 hours.

Exciting Features

It is not just the green motor of the T6X that has attracted buyers. T6X will also be the first smart bike in the Indian market, boasting features no other motorcycle possesses – cloud connectivity, integrated GPS with navigation assistance, and more. It has a mix of core proprietary technology, created with the help of Tork's in-house R&D, and custom-designed components, as well as a wide vendor base. It is engineered to run more than 100 km on a single charge, can reach a maximum speed of 100 km per hour, and is comparable to any other 125-150 cc bike that runs on fossil fuels. At ₹1.25 lakh, it is also the cheapest electric motorcycle in its segment in the world.

"We've called the technology used the Tork Intuitive Response Operating System (TIROS), which syncs the bike with its user's phone through an in-house app, sharing information about the bike's functioning such as the distance it can go before battery recharging will be necessary, the overall health of the battery, and much more," says Shekle. All parts have been locally sourced, barring two the lithium-ion batteries and the controller. "We are not going to have a large manufacturing set-up," he adds. "Everything has been assembled in-house. This decision has already reduced the cost of development and tooling of the various parts and will make the project much more viable in the long run."

Market Dynamics

What are T6X's market prospects? So far, the government's ambitious National Electric Mobility Mission Plan (NEMMP), which aims at having 6-7 million electric or hybrid vehicles of all kinds on India's roads by 2020, has not made much headway. Only 22,000 electric vehicles four-wheelers and two-wheelers together were sold in India in 2015/16. But long-term trends work in Tork's favour air quality and climate change concerns are bound to lead to more and more stringent curbs on fossil fuel vehicles in coming years. Tork is also using lithium-ion batteries, unlike all other electric or hybrid vehicles in the country which still depend on lead batteries. Lithium-ion battery technology has numerous advantages over lead, and their worldwide use has given a huge fillip to electric vehicle sales. However, the price of such batteries though falling in recent years remains a concern in the value-conscious Indian market. Shelke professes not to be worried. "We see an ocean of opportunity ahead," he says. "We are confident people will understand our value proposition and develop a liking for our product."

A major impediment to the growth of electric and hybrid vehicles is the paucity of charging points along Indian roads. Shelke plans not only to build and sell electric bikes but also provide widespread charging infrastructure. "Electric vehicle players in India must take their cue from the likes of Tesla in the US and the charging facilities it has built," says Shelke. "We cannot copy Tesla blindly, given our obvious dearth of similar resources, but we have to come up with smarter and more cost-competitive models for charging." As Shelke envisages it, Tork's charging stations will be as sophisticated as the T6X, with their locations available to the bike's users through the mobile app. "We will monitor the stations and shift the locations of those which are not being used optimally to the right spots," he says. Other problems with electric vehicles have traditionally included low power, poor pickup and modest mileage, but Shelke believes all of them will be overcome as big national and inter-national brands join the bandwagon.

Funding Prospects

Though Shelke is chary of divulging the exact amount, he has already obtained funding from a number of private investors, including Bhavish Agarwal and Ankit Bhati, co-founders of Ola Cabs, and Harpreet Grover, founder and CEO of assessment and hiring platform CoCubes. Under the NEMMP, subsidies are available from Department of Heavy Industries and Department of Science and Technology for research into electric vehicles, which Tork can avail of. Banks are also increasingly receptive to loan proposals. But competition is also in the offing – Hero Group CEO and Chairman and Managing Director Pawan Munjal, for instance, has invested in Bangalore-based start-up Ather Energy in his personal capacity, which will make electric scooters.

The T6X experience is much more than riding a bike. Its smart features and absence of carbon footprint – and all of it designed indigenously – could well change the two-wheeler landscape in India.

@sablaik

THE T6X POWER

- Tork Motorcycles was founded by Kapil Shelke in 2009, a mechanical engineer with a passion for both racing bikes and electric technology
- The T6X bike can run for 100 km on a single charge
- Its performance is compar- able to that of any fuel-powered 120-150 cc bike available in the market
- It includes an on-board navigation system, cloud connectivity, full digital display and instant charge – features few other two-wheelers possess
- Tork is developing charging plugs, which will be installed in public places across all cities where the T6X is launched
- The company has a strong racing pedigree with five prototypes (T1X - T5X) which have proved their mettle on international racing tracks, but T6X is the first commercial launch
- Will benefit from subsidies under the National Electric Mobility Mission Plan (NEMMP) 2020, which aims to put 7 million electric and hybrid vehicles on Indian roads by 2020

COLUMN Ashok V. Desai

Son of a Somnolent Father

Can BHEL be saved?

Public enterprises are an important part of the economy, but they do not get even a tenth of the attention they should. The general feeling is that they will continue to do badly, that the government will never have the courage to do something about them, and that the taxpayer will continue to pay for their losses as a result.

But sometimes, such a sweeping prejudice can be inaccurate and unfair – take Bharat Heavy Electricals (BHEL), for instance. For over half a century, BHEL has been erecting power stations and transmission lines for state electricity boards; none of them has had much to complain about. BHEL could have a lot of complaints if it were allowed to express them; but it is a faithful slave of a central minister, and behaves as inconspicuously as a newly married Hindu bride. But if the minister does not wake up and rouse his Prime Minister, he may come to do serious damage to the Indian economy. If he does not believe me, he only has to look at the accounts of BHEL.

Five years ago, BHEL had a turnover of ₹50,000 crore; that made it one of India's heavyweight companies. By the year ending in March 2016, its sales had nearly halved to ₹26,600 crore. Its workers and administrators cost the same. So its enormous profit of ₹11,100 crore of 2012/13 was converted to a loss of ₹500 crore in the last financial year. The latest news has been sold as a turnaround. "Having achieved the immediate target of regaining growth, the company is now enhancing its focus on maintaining leadership status in the power sector while diversifying in the non-thermal power segment and other new areas," said CMD Atul Sobti; and BHEL announced a 40 per cent dividend. But he did not mention that its profit in the third quarter was less than a billion rupees, and that it was going to end the current financial year with flat sales. Inventories, work in progress, net current assets – they all fell because business was declining.

The precipitate fall in sales denotes loss of domestic market; the most important gainers have been manufacturers abroad. The result has been pressure on the government from domestic manufacturers to ban imports from China. Why? Patriotism is the last resort of the scoundrel; it is easy to spread fear that the Chinese must be hiding spying equipment in their machines. The Chinese are good not only at making generators, but also at making power system control instruments. Some Indian cities were attracted to them, and immediately the cry went up from scoundrels – spy! Spy! The noise doubled when China blocked India's call to declare Masood Azhar a terrorist: stupid patriots never consider that China is much more likely to be sensitive to Indian sentiments if India were one of its biggest customers. Importing what the Chinese make cheaply is good economics, and good economics is good patriotism.

It is time BHEL ventured into newer, more promising markets and technologies

Anyway, Chinese power equipment is so cheap, and its main buyers – the state electricity boards – are so influential that the government is unlikely to curb its imports and break WTO rules of fair trade. BHEL has seen the writing on the wall. That is why it has decided to diversify, and is looking at electric vehicles. Electric transportation has long been established on rail, but is in its infancy on road. It has been experimented with for more than thirty years, but commercial success has escaped it till now – largely because a road vehicle has to carry a battery powerful enough to travel fifty or hundred miles before recharging, and such a battery has hitherto weighed too much. When it becomes economical, it is likely to power large vehicles such as trucks and buses; that is what BHEL must concentrate on. BHEL has faithfully served the state power sector for half a century; it is time it ventured into newer, more promising markets and technologies. ◆

The writer is a senior economist and was chief consultant in the finance ministry from 1991 to 1993

Let There Be (Smart) Lights

IOT-powered smart bulbs let you customise the light and can be controlled using your smartphone

Power your homes with smart lighting – they are convenient, energy-saving, and more affordable than you think.

By NIDHI SINGAL

Philips Hue
Sync the light with movies and music; control the bulb from almost anywhere

PERSONAL TECH

Entering home at the end of the day to see the lights and ACs on, the subsequent guilt trip and inflated electricity bill...we have all been there at some point. Enter smart lighting: it detects your presence and turns lights and devices on/off accordingly, or lets your smartphone become the universal switch. The seemingly expensive idea which deftly offers both cost and energy efficiency, is fast catching up.

"Until a while back, smart lighting was only limited to commercial buildings and grand apartments. However, the concept is now transforming immensely as the idea of smart lighting and home automation is finding a place in the lives of many middle-class and upper middle-class families," says Ripu Daman Sharma, Country Manager Sales, India Subcontinent, Lutron. As per a report by Global Market Insights, the smart lighting market is expected to reach $8.5 billion by 2023, growing at a CAGR of over 22 per cent from 2016 to 2023.

Smart lighting can be sensor based or connected/IoT-based (Internet of Things). While sensor-based lighting involves technical know-how and is slightly expensive, IoT solutions are affordable and easy to instal.

Sleight of Sensors

"Incorporating natural light sensors, occupancy sensors and motion sensors, among others, ensure a significant reduction in energy. When used with energy-efficient lighting (like LEDs), smart lighting control systems allow energy savings of 20-50 per cent by tuning the lighting smartly to the patterns of use and environmental dynamics," explains Harshavardhan Chitale, Vice Chairman and Managing Director, Philips Lighting India. Some of the control systems under home automation can be linked to control blinds and home appliances remotely.

Here are a few sensor-based smart lighting options:

Lutron: Module-based Lutron systems offer wireless products like occupancy sensors, keypads and automated shades. Its HomeWorks QS system, designed exclusively for homes, integrates the control of all lights interior and exterior, electric light and daylight. The system can also be integrated with other manufacturers for audio-visual and HVAC (heating, ventilation, and air conditioning) control and allows one to monitor lighting and heating/ cool conditions with an internet connection. Lutron is compatible with Amazon Alexa, and lets you control lights, shades and even temperature using voice commands.

Philips Dynalite: This offers fully integrated, energy-efficient lighting control solutions. The Dynalite sensor range combines motion detection, light level detection and IR (infrared) receiver in one unit. The sensor is capable of turning on the lights after detecting motion, and then dimming the light level once the available sunlight has been measured, thereby providing additional energy savings.

Anchor by Panasonic: The automation range from Anchor works on infrared technology and is capable of room temperature detection. It has 360-degree detection and can be mounted on standard ceiling height in residential and commercial units. It is capable of carrying a load of 330 Watts for CFL and 660 Watts for incandescent light. One can set a delay time from 10 seconds to 30 minutes for the action to take place – turning the light on and off.

Schneider Electric: Schneider's Argus occupancy sensor automates the switching or dimming of lights by detecting movement within a space. The passive infrared occupancy sensors can detect motion by sensing temperature profile changes. It even automates motor load switching for ACs, fans, blinds and curtains.

The cost of installing sensors can vary depending on circuit count and area of the house. A single sensor can cost around ₹4,350, while the installation of sensors for a home could cost ₹2.5 lakh onwards.

Belkin WeMo
This smart plug socket can be used for home appliances such as ACs and TVs, too

Syska Sonic
A combination of a smart light and a Bluetooth speaker; offers three million colours

Smart Sockets

You can also use smart plug sockets. They are WiFi-enabled, can be plugged into a traditional socket and used with an app.

Belkin's WeMo: This is a Wi-Fi-enabled smart switch designed as per international specifications, and comes with a WeMo Motion kit. Plug your lamp into WeMo and control it through the WeMo app. It can be used for home appliances such as ACs and TVs as well. The app monitors electronics and sends energy usage details on the user's smartphone. Price: ₹4,306

D-Link's DSP-W215: This has a thermal sensor that prevents the plug from overheating. Other than controlling devices through the app, you can create multiple schedules for turning on/off connected devices and lights. There is a button on the plug for manual control for when the internet is down. Price: ₹1,999

Oakter: Oakter's smart home kit comprises a Wi-Fi hub and a set of two or more smart plugs. It also offers a 'make your own kit' option where users can buy plugs based on their needs. The Hub can be connected to WiFi or 3G, and used to connect up to 50 appliances. Price: ₹3,360 onwards

Pert: This Indian company offers a range of solutions from plugs to smart switches – 4-node and 8-node – that can be installed in an existing switchboard module. Pert allows you to turn lights on and off from anywhere in the house. The Pert app also monitors energy consumption. Price: ₹5,499 for the 4-node switch; ₹7,999 for the 8-node switch

IoT Power

There are IoT-based smart lighting solutions which, unlike sensor-based solutions, are easy to install. Although still a work-in-progress, IoT is ushering in affordable smart lighting solutions. The devices are connected through software and can be operated from a smartphone or a tablet using the dedicated app. However, a consumer has to download individual apps for each product as they all work on different IoT protocols.

"IoT devices will be on Bluetooth, Wi-Fi, 3G, 4G and many other connectivity protocols, but the consumer should not be hassled by it. Soon, consumers will be able to control all of the devices seamlessly using a single app," says Raj Talluri, Senior Vice President, IoT, Qualcomm Technologies, Inc.

You can choose from the following IoT smart lights:

Philips Hue: One can change the brightness, tone and colour of light, personalise light to suit mood, lifestyle or need right from one's smartphone. The starter kit comprises three LED bulbs that can be plugged into existing sockets. The bridge accompanying the bulbs needs to be connected to a Wi-Fi router using LAN cable, and the bulbs can then be controlled using the Philips Hue app. The lights can be synced with movies and music, and can be controlled from almost anywhere if the bridge and the router are on. This wireless lighting system is compatible with leading smart home platforms including Apple's Homekit on iOS 10, Google's Nest and Amazon Echo. Philips Hue works with over 600 apps.
Price: ₹16,995 for the starter kit.

Reos Smart LED: Unlike Philips Hue, this is an independent bulb which can be operated from a smartphone using the Reos app available on both iOS and Android platforms, and connects via Bluetooth, too. The app interface is simple – one can choose from 16 million colours and adjust brightness using the slider at the bottom. Reos Smart LED can also pick colours from images in your phone and synchronise the light to music. One can also choose and set colours for various modes – reading mode, candle flicker or create a new one. One can schedule it to be turned on or off at a specific time.
Price: ₹1,699

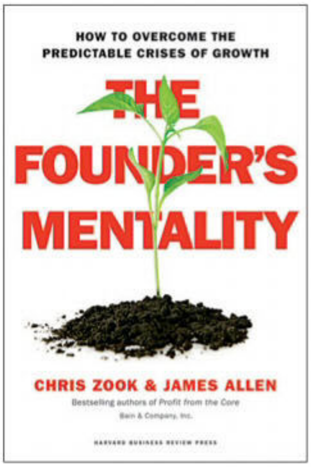
Syska Sonic LED: A step ahead of the Reos Smart LED bulb, Syska's Sonic LED bulb is a connected mood lighting solution with a built-in speaker. It is a combination of a smart light with a Bluetooth speaker, offers three million colours and harmonises the light with music.
Price: ₹2,999.◆

@nidhisingal

EX-LIBRIS

Think Like a Founder

Having the 'owner' mindset, whether you are an employer or an employee, is the key to consistent growth for a company. By KAUSHAL SHUBHANK



The Founder's Mentality

BY CHRIS ZOOK AND JAMES ALLEN
PAGES: 214
PRICE: ₹1,095
HARVARD BUSINESS SCHOOL PUBLISHING

New companies are fragile; one wrong move and everything can fall apart, while the race to become a global force is always on. On the other hand, while established organisations are always under pressure to maintain their stature and grow bigger, they strive to have the spirit of a start-up. *The Founder's Mentality* is a note of advice on how to become a 'scale insurgent' company. Zook and Allen have focused on internal factors that make a company successful for everyone – from the founder to the employees.

According to the authors, the ultimate goal of all organisations is growth. But, as observed, every company witnesses a certain dry period where the fast peaking growth rate suddenly mellows down. Why does this happen? Zook and Allen answer this mystery for us – 'Growth creates complexity and that eventually slows down the corporation. It is inevitable. To regain growth, every employee needs to build a founder's mentality'.

A founder's mentality comes into being by developing three kinds of behavioural changes – insurgent mission, detail orientation, and making decisions as if you're spending your own money. Every employee needs to believe that the company is not simply selling products but is at war with an industry stuck in the past or underserving customers, and they need to be the best of the lot – the company's ambition should be every employee's dream. The second trait focuses on minute details – everything needs to be perfect, without compromise, and the communication from the company's frontline to its employees needs to be crystal clear. Zook and Allen also talk about how every employee should make decisions thinking the company is his own, and that he is spending his own hard-earned money – he should be completely invested in its success.

After having defined the founder's mentality, the authors move on to explain how to put the theory in use. The best part is the use of real-life stories and established names as examples. Throughout the book, Zook and Allen maintain that in order to overcome the inevitable stagnant growth crises that companies will face, they must keep or restore the founder's mentality.

For each of the founders' behavioural traits mentioned in the book, the authors present a systematic usage. For example, the insurgent mission of a company often disappears when it hits overload – there are way too many people, all performing specialised roles. The best response is to engage the employees in defining, understanding and feeling connected to the company's core purpose. The ultimate goal for everyone should be the same, and employees must be engaged so that they feel as invested in the mission as the company's early employees did, as a much smaller group.

Detailed orientation is very important for clear communication. Founders have a frontline obsession. But as a company grows and the team of 10 becomes 10,000, top executives become more and more distant from the frontlines. For progress and uninterrupted clear communication, companies must make special effort to embed frontline obsession in their employees that is as strong as the founder's. Empowerment is the key – if frontline employees are trusted and capable enough to solve tactical problems on the spot, they will take more responsibility and accountability. This would, in a way, also lighten the unnecessary burden on top executives. Problem-solving skills are most important for both quality and quantity of work – employees need to be fast and efficient.

Every employee needs to believe that the company is not simply selling products, but is at war with an industry stuck in the past or underserving customers

As a company grows, employees start becoming self-satisfied with their work and the progress rate. However, as Zook and Allen explain, leaders at best companies avoid complacency – they are never satisfied and always foresee a much brighter day. For a founder, the company can always do better, and that is the spirit they seek in their employees – they demand an owner's mindset from their employees. Companies usually maintain this striving for greater success through a culture of meritocracy and open feedback – every employee is thinking about his betterment and is more accountable for it. For example, if an employee is making a monetary deal, he should think that he is spending his own money and hence be more careful with every penny.

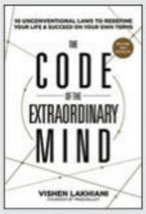
The crux of the book is that everyone should think like a founder. The best example from the book, for me, was of the Oberoi group. The authors quote the Oberoi group founder M.S. Oberoi: "We create restaurant owners, not waiters".

Owing to their corporate background, the authors have definitely put years of observations and learnings into the book. It is a must read for people who think of themselves as corporate slaves – for a new perspective to work harder and with more conviction – or young entrepreneurs working towards making their start-ups global corporations. ◆

The reviewer is Co-founder, Roposo

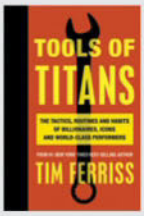
THE FORTNIGHTLY PICK

THE CODE OF THE EXTRAORDINARY MIND



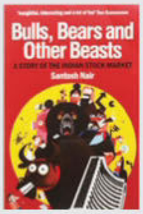
By Vishen Lakhiani
Price: ₹499
This book teaches you to think like some of the greatest non-conformist minds of our era, to question, challenge, hack and create new rules for your life so you can define success on your own terms.

BUSINESS BESTSELLERS*



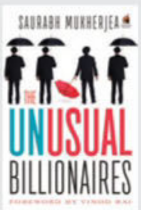
Tools of Titans

By Timothy Ferriss
Random House
Price: ₹799



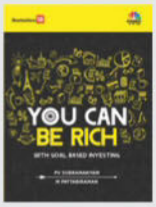
Bulls, Bears and Other Beasts

By Santosh Nair
Pan Macmillan India
Price: ₹499

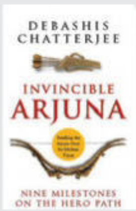


The Unusual Billionaires

By Saurabh Mukherjea
Penguin
Price: ₹499



You Can Be Rich Too: With Goal Based Investing
By P.V. Subramanyam, M. Pattabiraman
TV18 Broadcast Limited
Price: ₹399



Invincible Arjuna

By Debashis Chatterjee
Westland
Price: ₹175

*Top books by sales for Feb 27 - Mar 12, 2017; Includes only books released after Jan 1, 2015; Information provided by amazon.in

Group Photo before Tee Off

BT EVENT Golf

Grand Finale!

New Delhi, February 26th, 2017: The 22nd edition of the Lloyd Business Today Pro Am of Champions 2017, one of India's most prestigious corporate Golf tournaments, was played at the Classic Golf & Country Club.

Ten winning teams representing their city competed in the national Finals.

After a tie, broken by the score of the 4th member, Bangalore Bravos (94 points) comprising Latha Bopanna, Pradeep Singh Randhawa, Tudor Marchis and Raghavendra Karanth emerged as the winning team. Jangoo Mistry, Varun Mohta, Sanjay Sakhuja and Prateek Pant, of Mumbai Mavericks finished Runners Up with 94 points.

Smriti Mehra with a two day total score of 141 won amongst the women professional golfers. Amandeep Drall was runner up at 142 and Vani Kapoor third at 143. A total prize purse of ₹1.5 million was up for grabs for the lady golfers!

Event Co-Title Sponsor was LLOYD Electric & Engineering; India Oil the 'Fuelled by' sponsor; Tata Docomo, Telecom Partner; Golflan.com, Digital Partner; Nautica, the Style partner; Ballantines, the Beverage partner and Creatigies, the Marketing Partner.

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

Ankita Tiwana

Dhruv Shringi

Deepak Ansal

Jaco Cilliers

(L-R) Dev Bhattacharya, Vani Kapoor, Anil Kumar Mehra & Jaco Cilliers

Kavi Arora

Mudit Saxena

Neha Tripathi

Sharmilla Nicollet

Suman Billa

(L-R) A K Ganjoo, Sharmila Nicollet, Ranjanesh Sahai & Subodh Dakwale

Sunil Dutt

Runner Up Team - Delhi Round with V K Mishra (IOCL)

Vani Kapoor, 2nd Runner Up with Aroon Purie (India Today Group) & B R Punj (LLOYD)

Anmol Puri, Individual Winner (Handicap Category 0-14), Delhi Round with Anil Mehra (India Today Group)

Mayank Pandey, Closest to the Pin on Day 2 (Overall) with Nipun Singhal (LLOYD)

Ashish Bagga (India Today Group) with the Winner of the Longest Drive on Day 2 - Tudor Marchis

The Winning Team from the Delhi leg with Nipun Singhal

At the Gala Dinner

Amandeep Drall, Runner up with Aroon Purie & B R Punj

Winner of the Pro Round, Smriti Mehra with Aroon Purie & B R Punj


Women Pro Golfers with Aroon Purie & B R Punj


Mumbai Mavericks, Runner Up Team, National Finals with Aroon Purie & B R Punj


Bangalore Bravos, Winners, National Finals with Aroon Purie & B R Punj

business today | Jobs Today | monster® Find Better.™

Senior Management Jobs brought to you by monster.com

New Era India Consultancy Private Ltd
Designation: Dy. Manager - Project Sales
Location: Hyderabad / Secunderabad
Job ID: 20192837
Description: Should have good contacts with Architects,Contractors, Builders and Private Accounts.

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.

Quotient Consultancy
Designation: Deputy Manager - Credit
Location: Mumbai
Job ID: 20252121
Description: Candidates should have experience into Home Loans, Responsible for supervising the Credit functions of the region.

GlobalHunt India Private Limited
Designation: Head/VP/GM-Finance/Audit
Location: Bengaluru / Bangalore
Job ID: 20270506
Description: Manages a large Hedge Fund Administration operation, supporting 100+ clients in NA, EMEA and APAC regions.

Vitasta Consulting Private Limited
Designation: Cluster Branch Head
Location: Aurangabad
Job ID: 20269724
Description: Graduate with 5 yrs. of in-depth experience in sales, branch banking operations and customer service with a reputed bank with proven track record in liabilities.

Shayona Consultants
Designation: Business Officer
Location: Rudrapur
Job ID: 20258149
Description: Looking for Business Officer Leading MNC consumer durable Company in Rudrapur Location.

NTTF
Designation: Unit Head / Principal
Location: Berhampur, Jamshedpur,
Job ID: 20188277
Description: Coordination of Design, Entrance Examination and common Examination as per the instructions of Director - Training.

Asiapower Overseas Employment Services
Designation: Senior Project Engineers
Location: Cochin / Kochi / Ernakulam, Delhi
Job ID: 20269747
Description: Provide detailed engineering input during all design phases, including interpretation and challenge of standards.

To apply for above jobs logon to www.monster.com >> Type the Job ID in the "Search Jobs" box >> And click the "Go" button.

business today

Jobs Today

monster® Find Better.™

IT Jobs brought to you by monster.com

Roljobs Technology Services Private Limited
Designation: MCU Based Firmware Developer
Location: Cochin / Kochi / Ernakulam
Job ID: 19974002
Description: 8-12 Years experience in Embedded Linux, Experience in MCU Based Firmware Development.

Hexaware Technologies Limited
Designation: Power BI Developers
Location: Chennai
Job ID: 20180402
Description: Should have 6-9 experience in Data warehousing and of which 5 years in Power BI.

Orcapod Consulting Services Private Limited
Designation: Graphic Designer/ Animator
Location: Pune
Job ID: 20273020
Description: Looking for Graphic Designer/ Animator , having Experience 5 - 12 years in Pune location.

Recruise India Consulting
Designation: Hadoop Developer
Location: Bengaluru / Bangalore
Job ID: 20256550
Description: Building, deploying and managing large scale Hadoop based data infrastructure and data pipelines and products.

Oracle India Private Limited
Designation: Sr. consultant- Big data
Location: Bengaluru / Bangalore
Job ID: 20269194
Description: As a Big Data Consultant, you will be working on both offshore and onsite client projects.

Minfy Technologies Private Limited
Designation: Automation Tester
Location: Bengaluru / Bangalore
Job ID: 20274124
Description: Extensively worked in Automation Testing, Strong attention to detail, investigative, and creative problem solving skills.

Teradata
Designation: Senior Performance Testing Engineer **Location:** Hyderabad / Secunderabad , **Job ID:** 20273903
Description: Evaluate performance of features/functions introduced in Teradata and Aster (database /Analytics) by taking appropriate test strategies and designing test plans accordingly.

Zensar Technologies Limited
Designation: SOC Monitoring (Level 1 Support)
Location: Pune
Job ID: 20273398
Description: Knowledge on Malware/Vulnerabilities and should be effectively correlate, analyse, investigate and remediate security events.

To apply for above jobs logon to www.monster.com >> Type the Job ID in the "Search Jobs" box >> And click the "Go" button.

business today

Jobs Today

monster® Find Better.™

Sales and Marketing Jobs brought to you by monster.com

CRY-Child Rights and You
Designation: Manager - Corporate Partnerships
Location: Mumbai
Job ID: 20272836
Description: Responsible for acquiring new corporates and for ensuring their commitment to CRY by working closely with them to meet their child rights agenda.

Techforce Consultant Private Limited
Designation: Sales Executives
Location: Delhi
Job ID: 20272362
Description: Candidates should have car selling experience, Candidates should have valid driving licence and should know Driving.

iSource Services
Designation: Client Acquisition Specialist
Location: Pune
Job ID: 20271811
Description: Customer Acquisition, Customer Retention and Customer Servicing, Will be extensively involved in cold calling.

2COMS Consulting Private Limited
Designation: Sales Admin Manager
Location: Delhi
Job ID: 20256377
Description: Proactively seek and identify requirements from the field sales team and bring them to managements attention for proper action to be taken.

KRM Global
Designation: Sr. Sales Profile - Material Handling Equipment
Location: Chennai, **Job ID:** 20268800
Description: B.E./Diploma or equivalent degree with overall experience of min. 9 year in selling of Access Platform / Aerial Work Platform , Materials Handling Equipment , Fork Lift products.

Hector & Streak Consulting Private Limited
Designation: Chief of L&D
Location: Mumbai
Job ID: 18997968
Description: This position is a leadership position in HR handling the entire gamut of Learning & Development function.

Sampoorna Computer People
Designation: Sales/Business Development
Location: Bengaluru / Bangalore
Job ID: 20270215
Description: 5 years of work experience in healthcare-related sales/business development in India, with a proven track record.

Husys Consulting Limited
Designation: Business Development Executive
Location: Hyderabad / Secunderabad
Job ID: 20133275
Description: Researching organizations and individuals online (especially on social media) to identify new leads and potential new markets.

To apply for above jobs logon to www.monster.com >> Type the Job ID in the "Search Jobs" box >> And click the "Go" button.

business today

Jobs Today

monster
Find Better.™

Finance Jobs brought to you by monster.com

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.

Talent Corner Hr Services Private Limited
Designation: Assistant Manager - Finance
Location: Nagpur
Job ID: 20272698
Description: Fund Planning, Preparation of BGLC, Day-to-day correspondence with bank, Weekly MIS report, Knowledge of ECB, Buyers Cerdits etc.

Indecomm Global Services India
Designation: Accounts Payable
Location: Mumbai
Job ID: 20271574
Description: Accounts payable knowledge, Good in communication.

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.

Capgemini Technology Services
Designation: General Accounting Professionals
Location: Bengaluru / Bangalore
Job ID: 20272701
Description: Should have good experience in General Ledger, Reconciliations, Inter-company etc.

WNS Global Services Private Limited
Designation: AP & AR resources
Location: Chennai
Job ID: 20264348
Description: Should have knowledge to capture, analyse and verify all invoice information.

Datamatics Global Services Limited
Designation: Inter CA - Audit Assistant
Location: Mumbai
Job ID: 20268744
Description: Must be an Inter CA, Must have completed 3 years article ship.

Intelenet Global Services Private Limited
Designation: Finance Executive
Location: Bengaluru / Bangalore
Job ID: 20271002
Description: Basic accounting & intermediate excel skills, Invoice validation, SD Accounting and Receipt accounting.

To apply for above jobs logon to www.monster.com >> Type the Job ID in the "Search Jobs" box >> And click the "Go" button.

INDRA NOOYI
Chairperson and CEO, PepsiCo

AKIO TOYODA
President, Toyota Motor Corporation

O. SUZUKI
Chairman, Suzuki Motor Corporation

Tête-à-tête

The last fortnight saw several business honchos meeting with Prime Minister Narendra Modi. **Indra Nooyi,** Chairperson and CEO of PepsiCo, met him and offered the MNC's participation in the government's efforts for development in the country and for the upliftment of farmers. "PepsiCo is well positioned to help the government deliver on the national development goals he has outlined for farmers, supporting their livelihoods," Nooyi said after the meeting. Nooyi also discussed with the PM the launch of new Quaker Oats products and the company's plan to use more Indian-grown fruits in their beverages. Nooyi has signed a letter of intent with the Maharashtra government for mutual collaboration in skill development of workers in food processing plants, besides modernising industrial training institutes.

In a separate development, Toyota's President **Akio Toyoda** and Suzuki's Chairman **O. Suzuki** called on the PM to discuss technological developments and business opportunities in India. The duo also discussed the Toyota-Suzuki business partnership with him. The two automobile manufacturers had announced their plans to explore a partnership last October. "The partnership is expected to enable India to use technological developments. Further, high volumes will enable local manufacturing of components required for these technologies," the press release from the Prime Minister's Office said.

Forced to Cede

India-born **Preet Bharara**, a prominent US prosecutor, has been sacked by the Trump administration from his position as the US Attorney for the Southern District of New York after he refused to resign. Recently, Trump ordered 42 attorneys including Bharara, appointed during the Obama administration, to step down from their positions. However, Bharara, known for his fight against corruption, stood his ground. "I did not resign. Moments ago I was fired. Being the US Attorney in SDNY will forever be the greatest honour of my professional life," he tweeted. His dismissal was a surprise to many, as he had announced that he would remain in office after a meeting with Trump in November.

PREET BHARARA
Former US Attorney

SANDEEP AGGARWAL (L): Co-founder and former CEO, ShopClues
RADHIKA AGGARWAL: Co-founder & Chief Business Officer, ShopClues

Marital Misery

In a Facebook post, ShopClues Co-founder **Sandeep Aggarwal** accused his wife and Co-founder, **Radhika Aggarwal**, of taking away his voting rights and pushing him out of the company. Aggarwal also alleged that Radhika had an extra-marital affair with the other co-founder of ShopClues Sanjay Sethi, and accused the two for taking away all the credit for building the e-commerce start-up. Radhika retaliated by saying that her husband has "not been able to stomach the fact that the company is a joint effort of all founders" and that it has also been backed by the board. Sandeep Aggarwal had handed over the reins of the company to his wife and Sanjay Sethi in 2013, after he was arrested by the FBI in an insider trading case in the US.

Stake Sale

Uday Kotak recently sold his 1.5 per cent stake in Kotak Mahindra Bank to two Canadian pension fund firms Canada Pension Plan Investment Board and Caisse de Depot et Placement du Quebec in an estimated ₹2,255-crore deal, through open market transactions. Kotak and his family have 33.61 per cent stake, of which 33.30 per cent is held by Kotak. A Reserve Bank of India directive entails that he bring down the promoter shareholding to 30 per cent by June 30, 2017. The stake sale is an effort by the promoter towards the same.

RACHIT GOSWAMI

UDAY KOTAK
Executive Vice Chairman and MD, Kotak Mahindra Bank

B.P. KANUNGO
Executive Director, RBI

New Innings

B.P. Kanungo has been appointed the new Deputy Governor of the Reserve Bank of India (RBI) by the Appointments Committee of Cabinet. Kanungo will take over the charge from April 3, after the current deputy governor R. Gandhi retires. Kanungo was appointed Executive Director of RBI in 2016. Prior to that, he was in charge of the Foreign Exchange Department, and has also held positions of Regional Director at Jaipur and Kolkata Regional Offices of the RBI. He is a Post Graduate in Arts, a certified Associate of Indian Institute of Bankers, and also holds a degree in Law (LLB). The committee has also appointed Dilip S. Shanghvi as Member on the Western Area Local Board of RBI for a period of four years with effect from March 11, 2017, or until further orders.

COMPILED BY DEVIKA SINGH

Keith Bergelt, CEO, Open Invention Network (OIN), the world's largest patent non-aggression community, talks to **Joe C. Mathew** about Linux-based technology cooperation and its significance for India.

How does OIN work?

OIN is designed to be inclusive for every country and company around the world. It provides a protective cover to all participants from an intellectual property (IP) standpoint. OIN members sharing the core functionality of Linux-based open source inventions cannot sue each other. Even if someone from outside the community does, we provide support to the members.

Apart from Reliance and Infosys, not many well-known Indian companies are part of OIN...

Community participation is linked to the level of open source project participation undertaken by the companies. Indian companies are lagging dramatically in their participation in global open source projects. The perception is that they are only using open source technology to develop solutions for their customers. With the emergence of technologies like blockchain and open source mobile solutions, it's time for India to step up engagement. We have almost 150 members and expect major players in the carrier space, banking community, fintech and insurance to join us in six to 10 years.

How can the government help?

The government should make IP policies looking at the patentability of subject matter. Today, 75 per cent software patents in India are by foreign companies. You need to have local companies filing patents and protecting their markets and not allow foreign companies to have patents and hold your companies to hostage. A national policy that promotes that culture is important.

What role will OIN play here?

We want to take the idea of defensive publication ahead. We will work with companies and higher education institutions like IITs and others to train and educate individuals on how to utilise defensive publications to support newer ideas and protect Indian inventions. The idea is to prevent poor quality patents from being issued and, thereby, raise the bar on patent quality. ◆

Vol. 26, No. 7, for the fortnight March 27 to April 9, 2017. Released on March 27, 2017. Total number of pages 108 (including cover)


THE DATEJUST 41
The new generation of the essential classic, with a new movement
and design that keep it at the forefront of watchmaking.
It doesn't just tell time. It tells history.
OYSTER PERPETUAL DATEJUST 41
ROLEX
ROLEX WATCH CO.PVT LTD MUMBAI – 022 6625 3600 WWW.ROLEX.COM