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Founder Chairman & Managing Director,
Samsika Marketing Consultants

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EVs: Low on Charge

Business Today

February 23, 2020 ₹100

WHAT WILL WORK
BUDGET 2020
WHAT WILL NOT

INDIA TODAY GROUP

From the Editor

Good Things in Small Packages

There is a reason why Piyush Goyal's Interim Budget and Nirmala Sitharaman's Budget 2019 failed to kick-start India's growth engines – but Budget 2020 could.

Goyal's Interim Budget was tasked with winning the elections with sops to the poor and the farmers. It succeeded there but failed to revive the economy. Sitharaman's first Budget, the Economic Survey and subsequent announcements idealistically pointed at China's growth model and aimed at rekindling the "animal spirits" in the economy, cutting corporate taxes, consolidating banks, incentivising exports and real estate and injecting liquidity.

But the assumption in both the Budgets that India's slowdown was deepening due to failing investment cycle and lack of growth in exports was a woefully wrong diagnosis. India's exports have been flat since 2013, and private investments have been slowing for at least seven years. But the economy was still chugging along at 7-8 per cent. GDP's sharp deceleration in previous quarters (from over 8 per cent to 4.5 per cent) wasn't triggered by that. Instead, it was due to failing CONSUMPTION.

Ignoring the need to stoke demand in the economy proved to be a mistake as the nation wasted four-five quarters waiting for the turnaround.

But since then, having toured the length and breadth of the country as finance minister to meet with industries, SMEs and economists, Sitharaman acknowledges the consumption crisis and has finally got around to working on it. That's the most heartening aspect of Budget 2020.

Higher disposable income with individuals and higher investible surplus with companies were the two prerequisites to restart the consumption cycle. Within the constraints of a tax shortfall and rising fiscal deficit, Sitharaman appears to have worked at both ends.

The benefits of the new personal income tax regime being limited to income up to ₹15 lakh per annum has a vital significance. New tax rates will not make sense for those availing all or most of the tax exemptions. But only 9 per cent of taxpayers avail all exemptions. The new scheme still makes sense for 91 per cent of those earning up to ₹15 lakh per annum. Given that over 85 per cent of India's 5.5 crore taxpayers earn less than ₹15 lakh, they may choose to switch to the new regime with higher disposable income. Extension of ₹1.5 lakh exemption of interest payment on loan availed for affordable housing by another year and deferring tax on ESOPs by five years will all provide confidence to the middle class to spend.

Businesses can look forward to "Vivad Se Vishwas" – the new direct tax amnesty scheme, the only one of its kind to exempt both interest and penalty from tax dispute. If settlements could unlock even a fraction of the ₹9.41 lakh crore stuck in 4.83 lakh direct tax disputes, it would release enormous money into the economy to invest in plants, new offices and in creating jobs.

The other big move of massive hikes in protectionist import tariffs in many sectors may be a regressive move that will raise cost of products for consumers but will strengthen balance sheets of companies impacted by cheaper imports. Something that could trigger their investment cycles and possibly jobs. Push for infrastructure spending (despite relatively small hikes in allocation) will likely keep the public expenditure engine going strong, if not stronger.

Even though Budget 2020 may be remembered for the new personal tax regime, thanks to a host of small initiatives, history may remember it as the Budget that restarted – however slowly – India's consumption and investment engines following the "deep slowdown".

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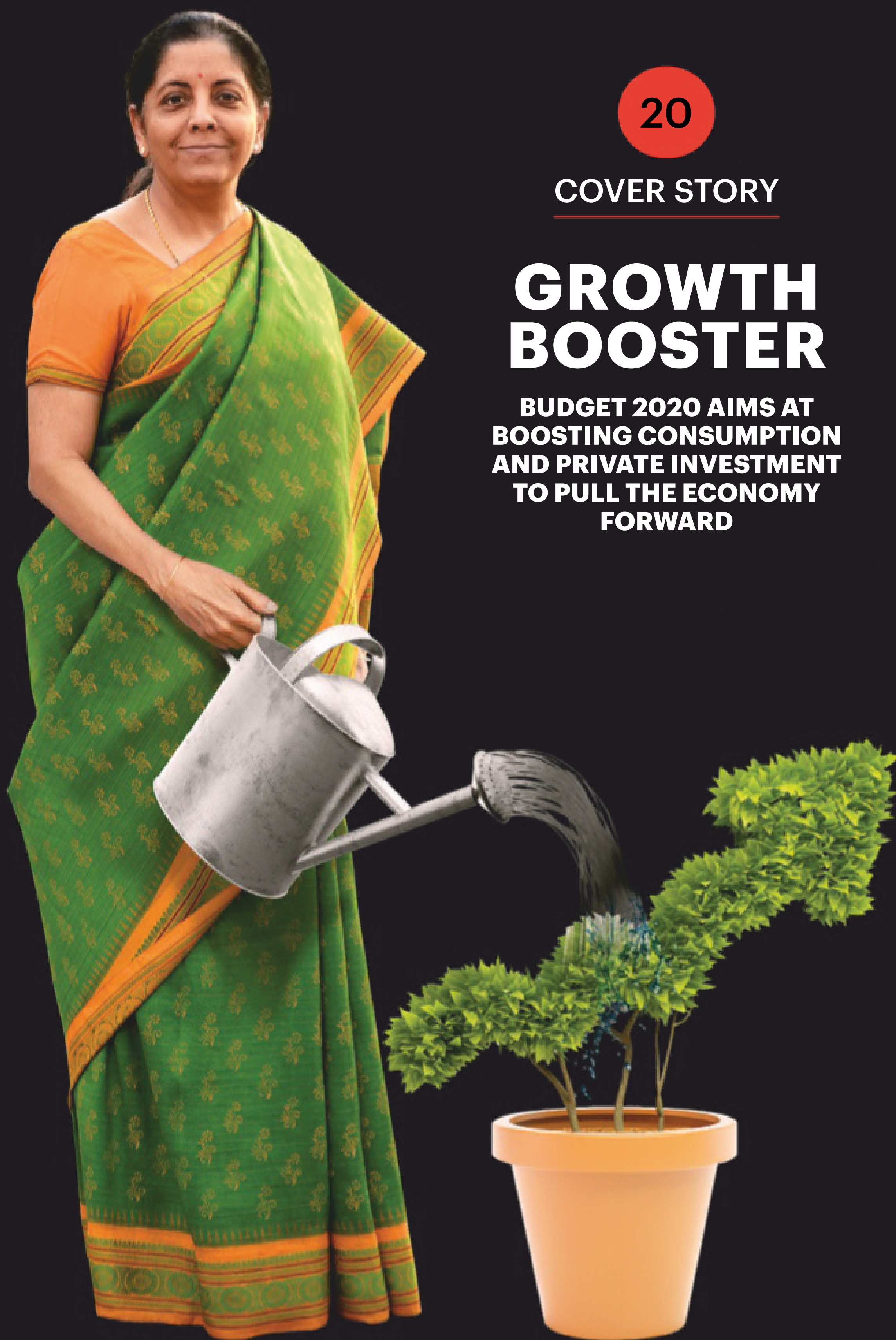

PHOTOGRAPH BY RAJ VERMA

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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.

Overall, the budget is well-intentioned, balanced and focussed on long term growth despite the constraints says Mr. Vineet Mittal – Chairman, Avaada Group. In an interview he says the budget has taken steps both on the investment as well as the demand side to boost growth. Excerpts:

Economic Survey 2019-20 presents "Thalinomics"- an attempt to relate economics to the common person using something that he or she encounters every day, what is your overview?

The Union Budget 2020 is inspired from Kautilya's Arthashastra, 4th Century B.C., which spells out : "The King (i.e. the State) shall promote trade & commerce by setting up trade routes by land & by water & establishing market towns & ports". Hon'ble Prime Minister Shri Narendra Modi highlighted in India's 73rd Independence Day Speech that "Only when wealth is created will wealth be distributed." and he implemented the same in Union Budget 2020 by creating an enabling and stable business environment and reassuring industry that all contracts will be honoured. The budget is an ACE taking care of Aspirational India, Caring society and focusing on Economic growth. Government's intention is noble and caring in focusing on Antyodya i.e. the last person.

Do you think, this budget will help the government to accelerate the economy?

Yes, given the constraints the budget has done a fine balancing act. The Union budget 2020 will work to accelerate the economy, financially empower every citizen of the country and strengthen the foundation of the economy in this decade. It unveils the Government's vision for the economy and charts a roadmap for achieving the $5 trillion milestone by 2025.

At COP-21, Paris Hon'ble Prime Minister had committed to reduce fossil fuel dependency, has budget proposed to target sustainable future?

At COP-21 Paris, Government had committed to achieve the target of 175 GW by 2022. Government is clearly focused on climate change and the same is visible in policies in budget like facelift kusum policy, implementation of smart meters and providing Right to consumers to choose power suppliers. This is a gamechanger policy and will promote manufacturing in India by providing economical and sustainable power. India aims to boost solar power generation by encouraging the installation of panels along rail tracks and on barren land. Further in order to provide sustainable development union government has finally listened to my longstanding plea and announced to retire old Thermal plants having higher carbon emissions and that land will be used for alternative energy purposes.

Vineet Mittal
Chairman - Avaada Group

After the success of a scheme to resolve indirect-tax disputes, the government has announced a similar programme to settle litigation, what is your comment?

Government has taken cognizance of feedback given by industry thinktanks like implementing the tax scheme proposed by me viz. Vivad se Vishwas tak and also shown decisive leadership in implementing it . Based on my inputs & industry feedback during the pre-budget meetings, Government has launched "Vivad se Vishwas" scheme. Launch of "Vivad se Vishwas" to resolve 4,83,000 direct tax disputes pending in various tribunals & help the Government unlock significant revenues.

To sum up, the budget attempts to balance growth impetus measures with fiscal prudence. Further, it continues to walk the path of long-term development and capacity building, that is widespread important for a nation like India, which needs to ensure sustainable development.

The Point

99%

Fall in cottonseed oil production. Production of only two out of five dairy products (ghee and ice cream) has increased

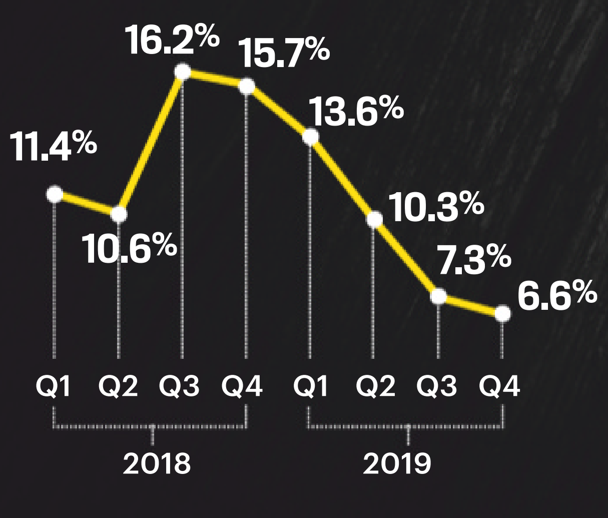
FMCG, DURABLES CONSUMPTION TAKES A TUMBLE

FMCG and consumer durables sectors have been on a slow growth trajectory over the past four quarters, beginning Q4-FY19. Initial signs of slowdown came when the large players saw demand softening. Multiple factors, including the liquidity crisis that began in Q2-FY20, had a ripple effect on the economy, and impacted the FMCG sector, which is dependent on sufficient availability of cash in the economy

By **Shivani Sharma**
Graphics by **Tanmoy Chakraborty**

FMCG GROWTH DOWN TO SINGLE DIGITS

FY19 was tough for FMCG. Growth in traditional trade, which forms a large part of FMCG sales, was much slower in the last quarter of FY19, due to shrinking consumption



90%

Share of traditional trade in FMCG

2.6%

Growth in FMCG consumption in Q4 FY19; much less than 12% in Q4 FY18

₹41,279 CRORE

Net FMCG sales in Q2FY20; 3.3% lower than in Q1

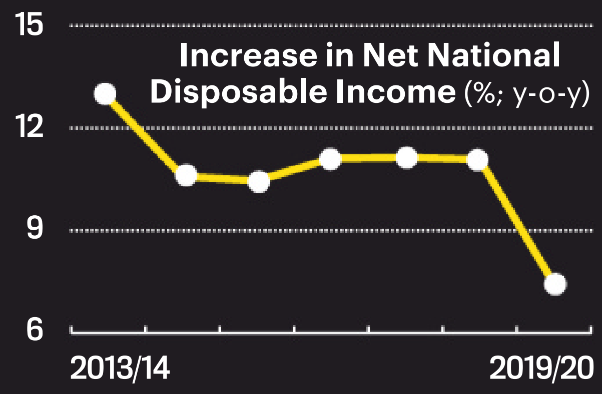
Source: Nielsen, RBI, MOSPI, CMIE, Ace Equity, Industry Outlook, CARE Ratings

4.28%

Per capita GDP growth in FY20, lower than the 5.53% in FY19. Private consumption has been a victim of falling per capita GDP, resulting in lower demand and production

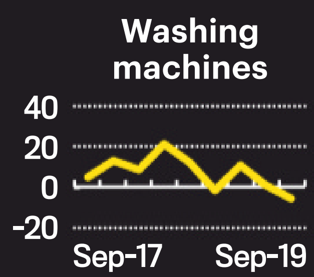
LESS TO SPEND

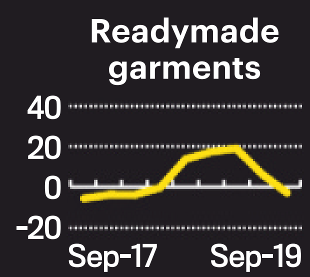
At 7.4%, disposable income growth in 2019/20 is the lowest in six years

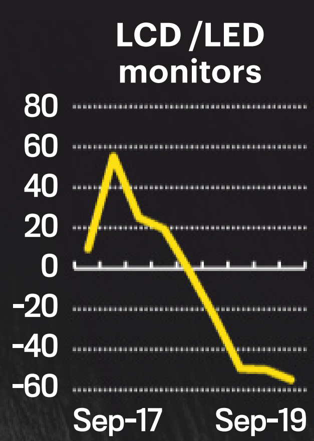


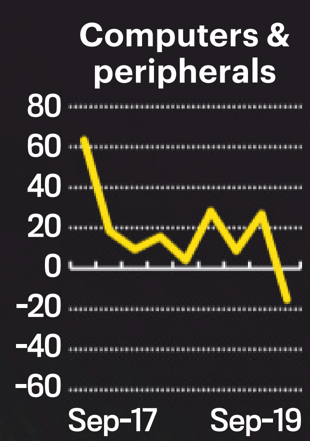
DURABLES FEEL THE HEAT

Production of consumer durables fell 9.9% in quarter ended September 2019. LCD/LED monitors saw the sharpest fall of 55%



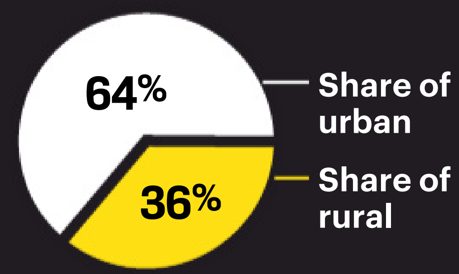


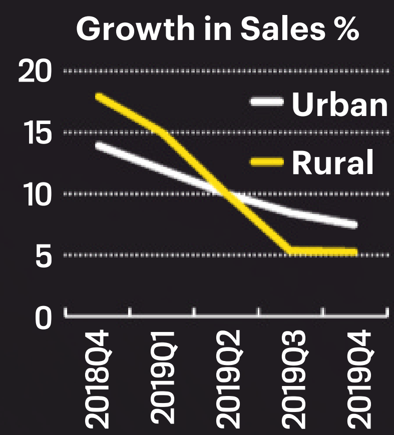




Rural Stable; Urban Decelerates

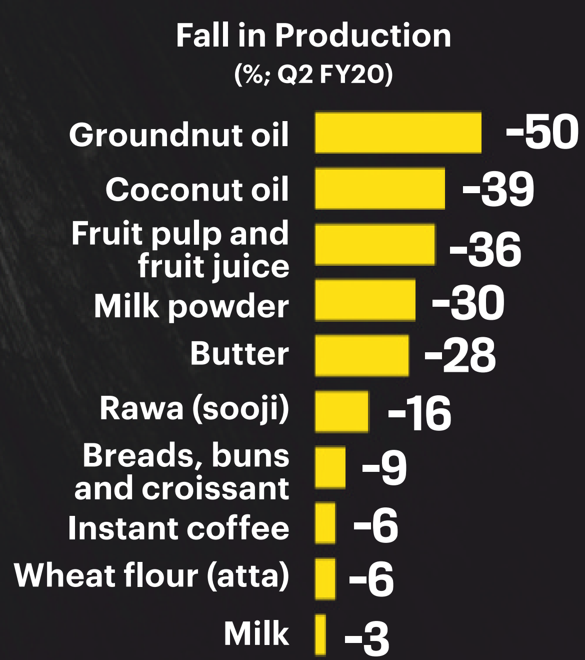
In the fourth quarter of 2019, growth in rural sales remained stable at 5.2% as against 5.3% in the previous quarter. But urban continued to decelerate - 8.4% in Q3, 7.4% in Q4 2019





Slump Hits Food Products Output

Falling consumption has hit production of various food products. Vegetable oils have suffered the most; production of groundnut and coconut oil has fallen drastically. Fruit pulp and fruit juice declined 36% compared to 64% growth in the year-ago period



The Point

SPIKE IN NEW INVESTMENTS

In the December 2019/20 quarter, new investments announced by the public and the private sector touched ₹4.27 lakh crore, the highest in seven quarters. This is almost double the ₹2.5 lakh crore announced in the first two quarters of 2019/20

₹8.76

LAKH CRORE

New projects announced in March 2010 quarter, the highest in 10 years

₹2.34

LAKH CRORE

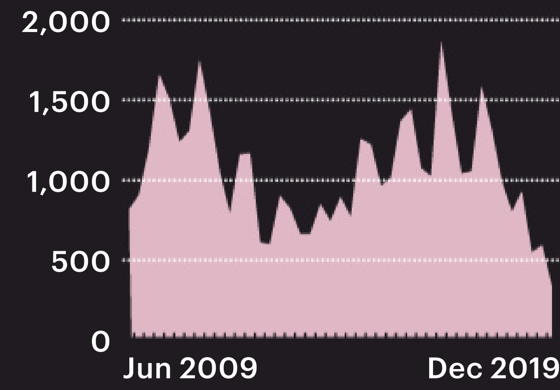
The spike is mostly due to the largest project announced – Interglobe Aviation's proposal to purchase 300 A320neo aircraft

₹26,000

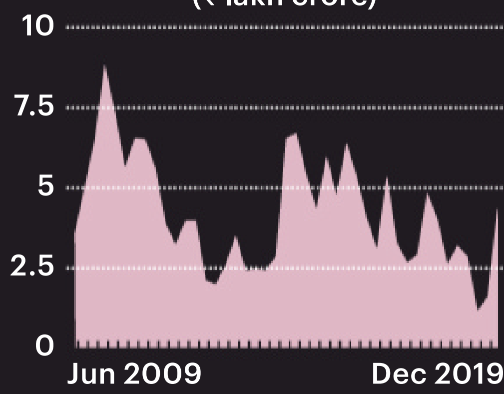
CRORE

The cost of the largest public sector project announced – the Andhra Pradesh government's solar power project in Kurnool district

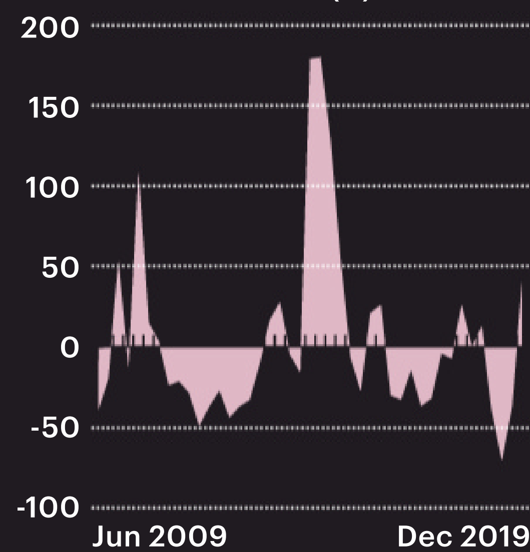
NO. OF NEW PROJECTS



VALUE
(₹ lakh crore)



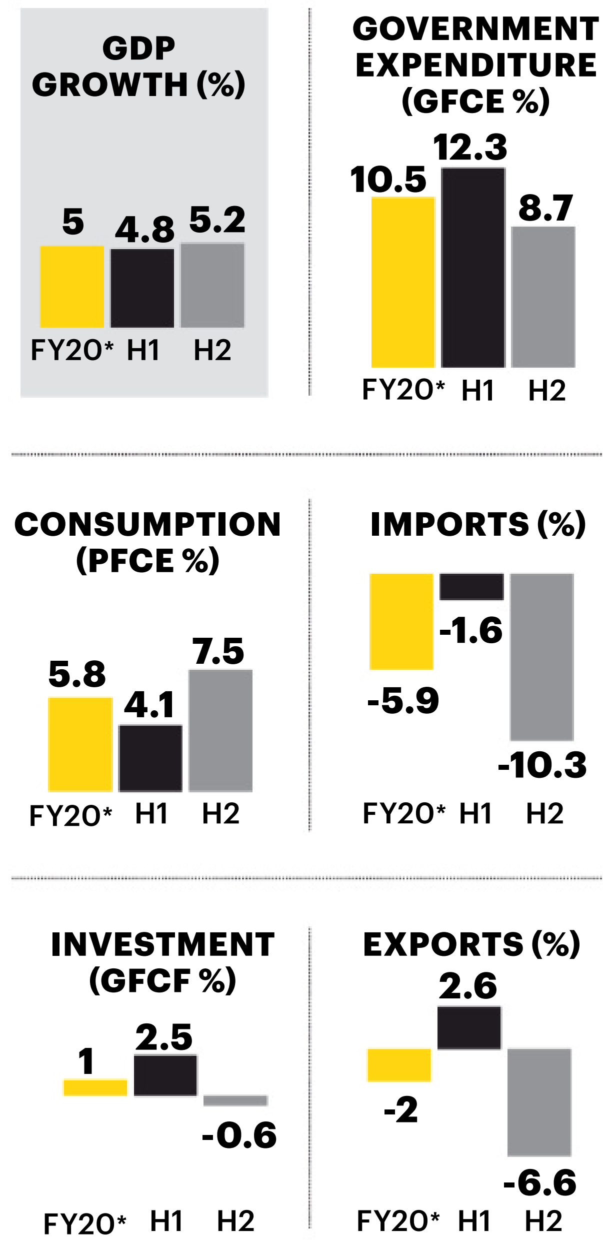
GROWTH IN VALUE
Y-o-Y (%)



Source: CMIE

TOO OPTIMISTIC

According to the first advance estimates released by the Ministry of Statistics and Programme Implementation, GDP growth for FY20 is expected to be 5 per cent, the lowest in 11 years. And even to reach this level, the economy will have to grow at 5.2 per cent in the second half, as the first half saw growth of only 4.8 per cent. This is a tall order considering the tepid growth in exports and gross fixed capital formation



8.7%

Required growth in government expenditure in the second half. This will be difficult to reach since the government breached its yearly fiscal deficit target as early as November 2019

7.5%

Required rise in private consumption in H2, much more than the 4.1% in the first half

FY20*: First advance estimates
H2 numbers calculated by CARE Ratings
PFCE: private final consumption expenditure; **GFCE**: government final consumption expenditure;
GFCF: gross fixed capital formation
Source: CARE Ratings

GVA Blues

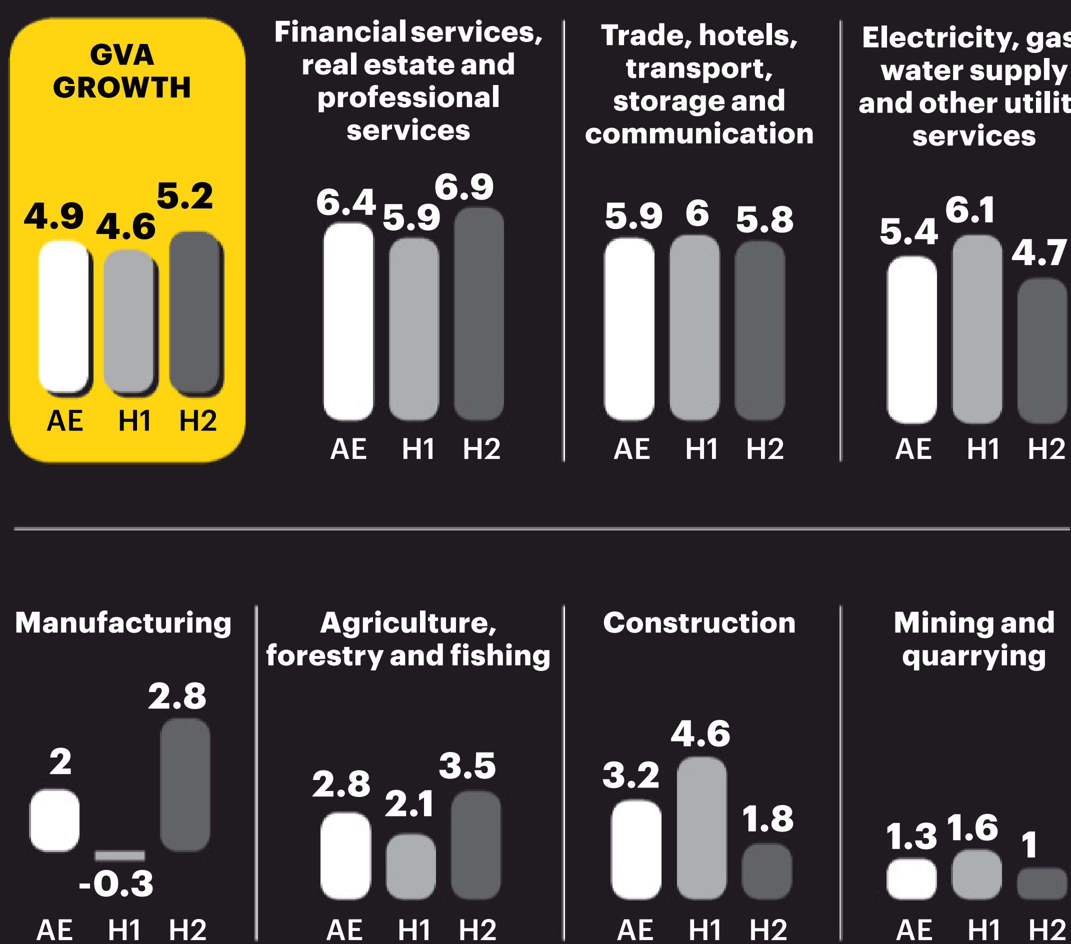
For India to get to the target of 5.2% GVA growth in H2, services and agriculture will have to play a major role, according to CARE Ratings

3.5%

Required growth rate in agriculture in H2, a sharp rise from 2.1% in the first half of the year

H2 numbers calculated by CARE Ratings; AE is advance estimates released by
Ministry of Statistics and Programme Implementation
Source: CARE Ratings

HALF-YEARLY GROWTH (%)

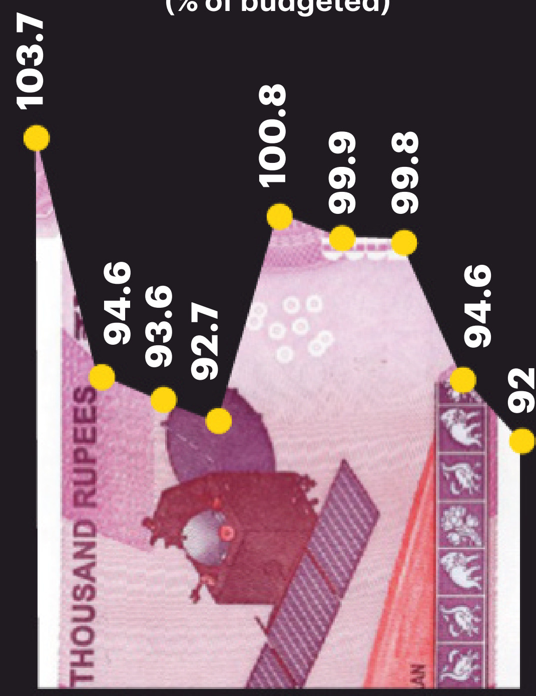


Source: Care Ratings

Central Spending Falls Short of Mark

The Centre is set to keep its expenditure at 92 per cent of the budgeted amount (lower than the budgeted amount by nearly ₹2.2 lakh crore). The actual expenditure is likely to be around ₹25.6 lakh crore. It will be the widest gap since FY15

EXPENDITURE
(% of budgeted)



Source: Mospi

6.94%

Projected growth in states' capital outlay (₹5.8 lakh crore) for FY20. Though the amount is higher than the ₹5.4 lakh crore in FY19, the increase is much lower than the robust 38.1% growth last year

45.5%

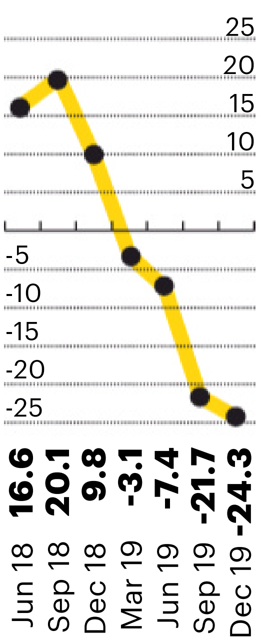
Net tax receipts as per cent of the 2019/20 Budget estimate in April-November. In the same period of 2018/19, the figure was 49.4% of the annual target

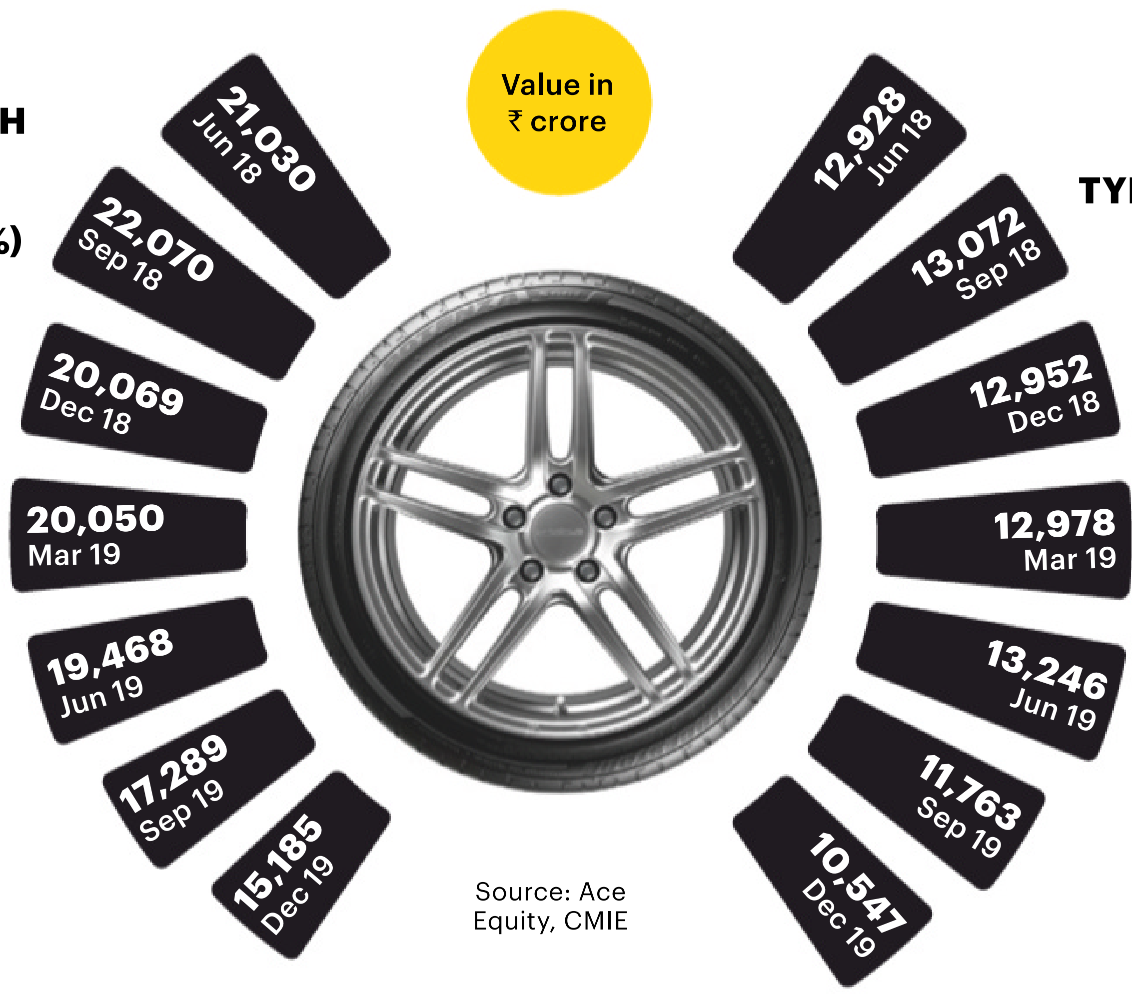
Source: CMIE

AUTO ANCILLARY WHEELS SEE A SLOWDOWN

The industry's sales declined from ₹20,050 crore in March 2019 quarter to ₹15,185 crore in December 2019 quarter. A similar trend is seen in the tyre and allied industry, where sales fell from ₹12,978 crore to ₹10,547 crore during the same period

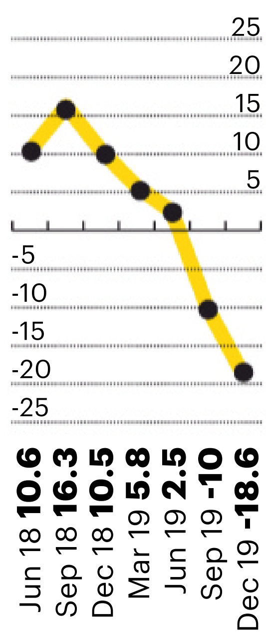
SALES GROWTH OF AUTO ANCILLARY COMPANIES (%)





Source: Ace Equity, CMIE

NET SALES GROWTH OF TYRES AND ALLIED COMPANIES (%)



The Point

BANK CREDIT TO INDUSTRY CONTRACTS

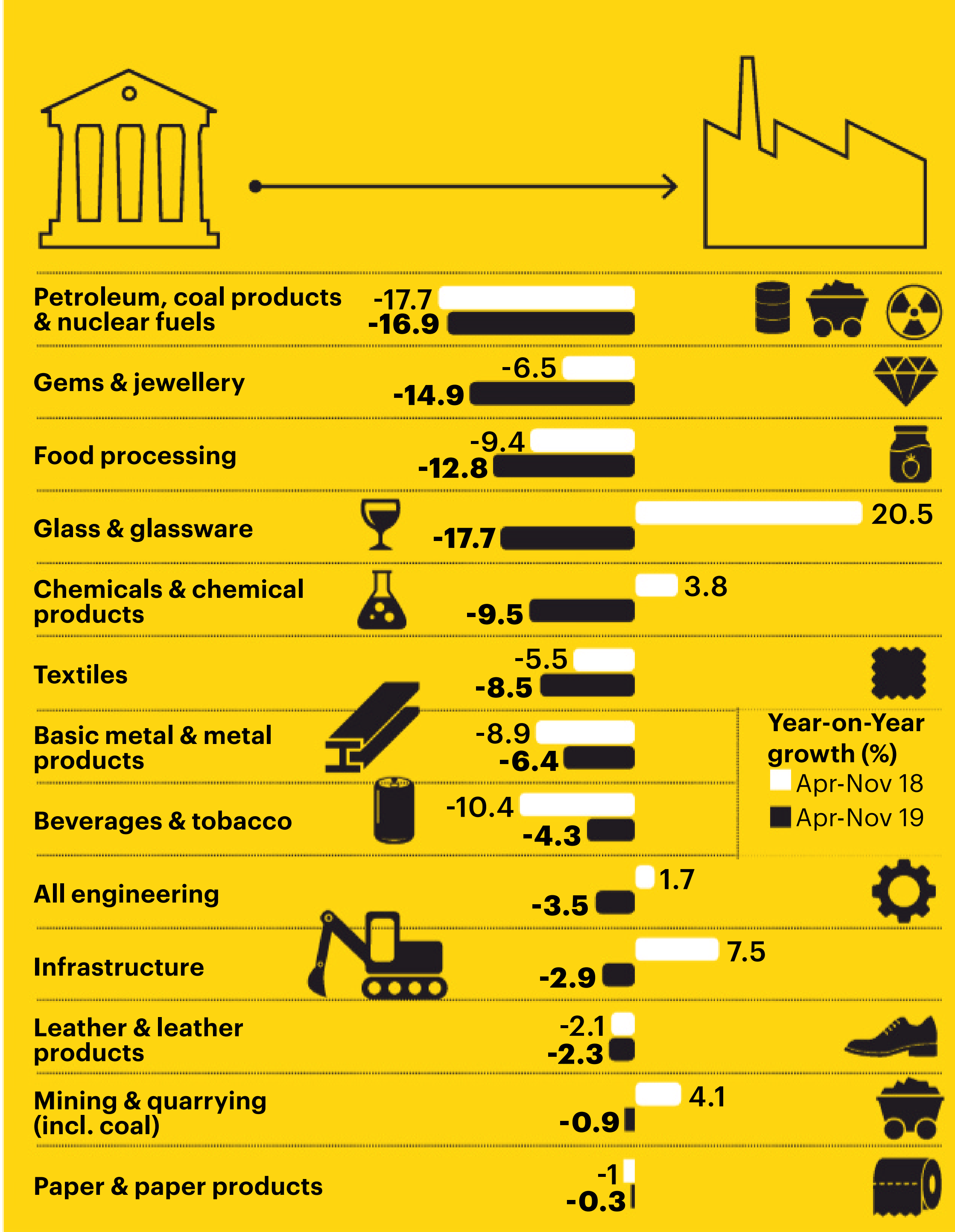
Incremental bank credit grew just 1.8% during April-December 2019 compared to 7.7% during the same period a year ago

13

Number of key industries, out of 19, that saw a fall in incremental bank credit offtake (Apr-Dec)

3.9%

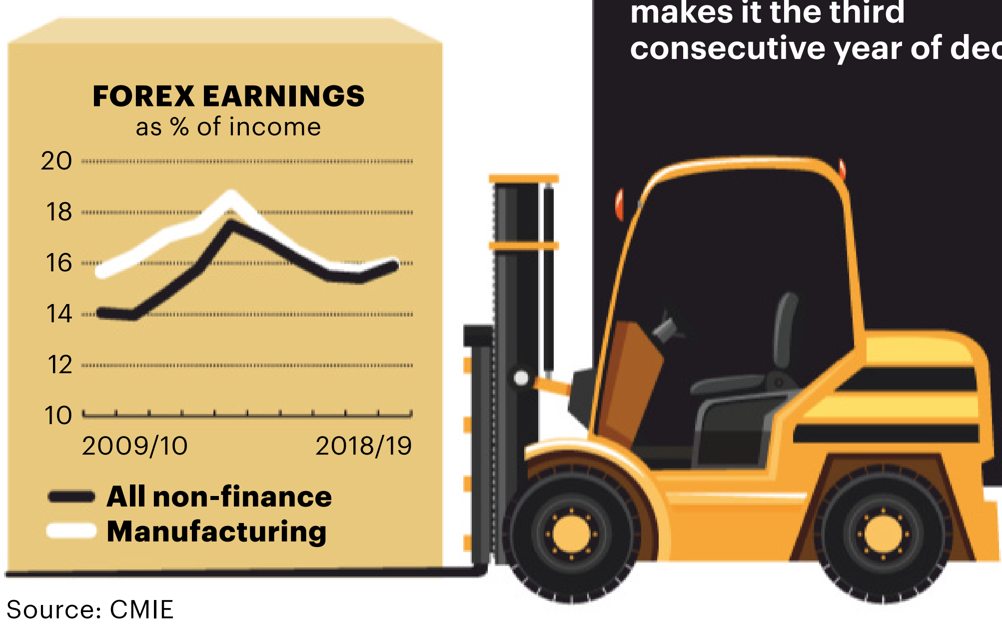
Contraction in industrial sector bank credit offtake (Apr-Nov)



Source: RBI

India Inc's Export Pie Shrinks

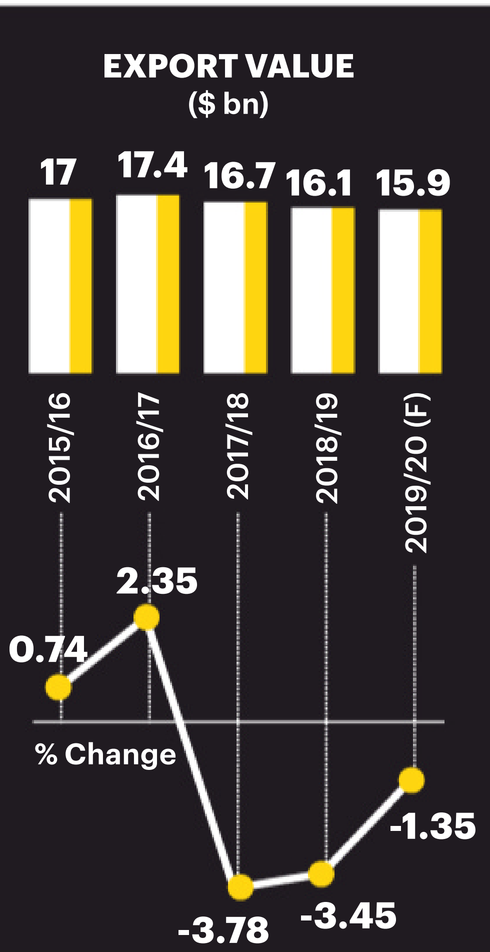
India's merchandise exports grew 18% in rupee terms in FY19. Still, contribution of exports to total income of corporate India did not show any meaningful rise



Source: CMIE

APPAREL EXPORTS SLIDE

Apparel and textile exports are set to end 2019/20 at $15.9 billion, the lowest in five years. The 1.4% fall makes it the third consecutive year of decline



F is forecast; Source: Ministry of External Affairs, CMIE, Directorate General of Commercial Intelligence and Statistics

Driving Mobility Through Technology

How Mobility is Touching the Lives of Citizens and Transforming the Society

The vision of a New India is a reflection of the development that is taking place at a much faster pace than expected. According to the United Nations State of the World Population report, 40.76% of the country's population is expected to live in urban areas by 2030.

Mobility flows have become a key dynamic in the rapid transformation of Indian cities, requiring state-of-the-art urban transportation infrastructure; smart mobility solutions for the movement of people and goods between cities and within cities are imperative. While India has long been struggling to ensure mobile comfort for its citizens, issues like last-mile connectivity, optimisation of existing capacity, feasibility of varied transportation modes and safety demand immediate assiduity.

Government's vision to shape a self-reliant India sets the foundation of a robust transportation architecture. With the exigency to upgrade the present urban transportation system including rail, Mass Rapid Transit System (MRTS), Metrolite and other modes to citizens is a challenge the Indian government is addressing over the medium-term. Its bold and ambitious vision of modernising the urban transport system incorporates bullet trains, dedicated freight corridors (DFC), high speed train corridors in the Golden Quadrilateral linking Mumbai, Delhi, Kolkata and Chennai, MRTS networks within cities with Metrolite options for smaller cities and optimising existing infrastructure for the Indian Railways through modernisation.

Hitachi has been an active collaborator and contributor in effectuating the government's vision while also stressing on the 'Make in India' initiative.

In a conscious bid to employ local engineering and project management talent and to boost indigenous manufacturing capabilities, Hitachi has sourced and integrated locally manufactured products in varied projects it has collaborated with the government. Hitachi has been closely following the ambitious expansion plan in rail sector and its relationship with Indian railways dates back to 1950s, when it delivered the first steam locomotive to India.

With the experience and expertise of nearly 100 years in Operations Technology (OT) and of around 50 years in Information and Communication Technologies (ICT), its contributions to developing new standards in the Indian Railways has translated into a trusted and enduring association.

Hitachi with its advanced end-to-end solutions has been following the yearning extension plan for a complete transformation of the Railways into a highly efficient network.

According to the latest Union Budget, building railway infrastructure needs massive investments of $60 billion every year, to be largely met through public-private partnerships. It is estimated that one unit of investment in the railways enhances five-times the nation's GDP according to the Economic Survey.

With the government's vision to upgrade and modernise railways with latest Operations Technology and Information and Communications Technology (ICT), Hitachi Rail Systems Business Division is geared up to collaborate and provide solutions towards achieving sustainable, environment-

HITACHI
Inspire the Next

"As a comprehensive rail systems provider, Hitachi possesses a unique blend of intelligent solutions that encompass an impressive line-up of end-to-end solutions, allowing Hitachi to emerge as a partner in India's integrated growth lead by digital transportation."

Bharat Kaushal
Managing Director, Hitachi India

Highlighting Hitachi's technological prowess and its approach towards addressing the growing challenges of urban transportation in India, Hitachi Rail STS India, avowed for its design and implement solutions and components for rail transport and mobility conferred with the unique project to establish Communication Based Train Control (CBTC)-based Signaling and the Telecommunications system for Noida-Greater Noida Metro Project. Hitachi Rail STS India accomplished a series of significant firsts in India by delivering the Aqua Line Metro Rail Project in an unprecedented 28 months. The successful implementation of the project has swiftly emerged as a unifier of the two urban areas cities covering 29.7 kilometers comprising 21 stations from Noida Sector 51 to Delta Depot Station in Greater Noida.

friendly and affordable transportation systems across the country.

With an intent to reduce vehicular pollution and density, enabling citizens to commute faster, and subsequently contribute to their productivity, Hitachi is closely working on significant projects which includes Kolkata Metro Rail Corporation (KMRC), and Navi Mumbai Metro Rail (CIDCO), and has close to 250 railway engineering and management professionals implementing multiple projects across India in the rail sector and has also invested in the localisation in terms of signaling equipment. The Electronic Interlocking system and Multi-Section Digital Axle Counter (MSDAC) are now manufactured in India as well.

Hitachi's rail expertise encompasses rolling stock systems to state-of-the-art signaling systems and has developed future-ready railway solutions in multiple countries. Hitachi is aligned with the Indian Railway's objective to achieve faster speeds for passenger and freight trains, by segregating freight operations from the present mixed movement through the implementation of Dedicated Freight Corridors (DFCs) and also building high speed corridors in the Diamond Quadrilateral. Hitachi, in fact, is installing state-of-the-art signaling and telecom equipment for a segment of the western DFC, a 1,500km high-speed Delhi-Mumbai freight line, which is the backbone of the Delhi Mumbai Industrial Corridor mega infrastructure project.

Hitachi's advanced signaling work from Rewari to Vadodara and Jawaharlal Nehru Port Trust (JNPT) in Mumbai on the western DFC includes a robust train monitoring system (TMS) and Diagnostic system. Ensuring safe operation of trains by controlling signal LED lights and points, automated warning system at level crossing that activate with an approaching train and a GSM-R, (Global System for Mobile Communications – Railway) telecom system to link these systems to work in tandem. Additionally, implementing latest European Train Control System (ETCS) in train protection and warning system.

Indian Railways envisions to modernise its vast network by harnessing Information and Communications Technologies (ICT) to consolidate data on one platform ensuring greater operational efficiencies wherein an overall merger is considered imperative to optimise functioning. ICT supports in understanding the interdependency between systems and subsystems and then building a railway model using simulation tools for operations, investments and decision-making.

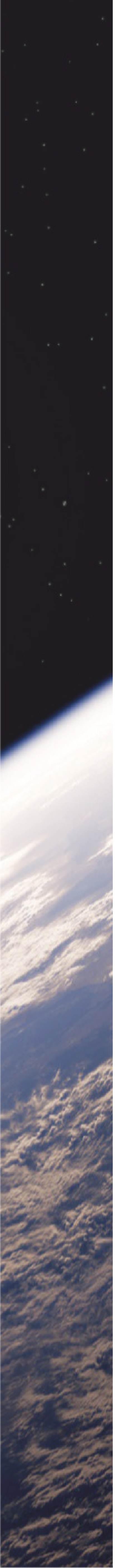
Hitachi through its connected customer solutions can contribute in enabling seamless integration of high-speed corridors with multi-modal transportation systems with last mile and first mile connectivity.

These initiatives are a reflection of Hitachi's commitment to contribute in building a sustainable urban transportation system through offering its Social Innovation Business Solutions, focusing on greater social, environmental and economic values that strives to improve the lives of citizens. Hitachi also seeks to provide safe and comfortable railway services to passengers globally.

Hitachi Rail's connected solutions impact the lives of citizens, as cities become home to more people, easier and smart mobility solutions are the need of this rapidly developing nation. Creating new benchmarks for India's urban transportation system through Social Innovation Business, Hitachi aspires to Power Good and build a sustainable society.

Hitachi Social Innovation is
POWERING GOOD

"Scan to know more about Hitachi's Social Innovation Business"



FIRING UP TWO CYLINDERS

The Budget aims at boosting consumption and private investment to pull the economy forward

BY JOE C. MATHEW

On February 1, Finance Minister Nirmala Sitharaman made a Budget speech that will be remembered for its length and sobriety. It lasted for almost three hours – the longest in the history of Indian Parliament – and lacked the number games that are often associated with Budget announcements. No claims of astronomical increases in budgetary allocations, no unrealistic revenue projections. What the minister did was to present a string of measures that are expected to improve the financial health of agrarian and rural India, leave some money in hands of taxpaying citizens and improve investment opportunities for private enterprises, both foreign and domestic.

The immediate response of stock markets – the BSE Sensex ended the day down by 988 points, the steepest Budget day fall in a decade - suggests the announcements didn't match expectations, at least that of stock investors. It, though, partially recovered on January 3 by rising 136 points.

But nobody expected miracles. The country has been going through an economic slowdown. Of the four growth engines, only one, government expenditure, has been pushing growth for six quarters now. Private investment has hit a seven-year low while exports have been flat since 2013. The deceleration got worse when private consumption, including money spent by individuals on durables, automobiles, FMCG and housing, crashed six quarters ago due to reasons starting from the twin shocks of DeMo and GST and covering aspects such as liquidity crisis in banking and NBFC sectors and rampant job losses. Exports, the fourth engine, have not grown since 2013 due to reasons beyond our control. Trade skirmishes between the world's largest economies, the US and China, geopolitical issues in West Asia and moves like Britain exiting the European Union have all made export growth uncertain. Given the fiscal constraints – reduction in tax revenues, massive shortfall in disinvestment receipts and a large chunk of the Budget already taken by committed expenditure, the only areas where government intervention, both in terms of policy push as well as resource allocation, could have helped were improving spending capacity of people and encouraging domestic and foreign enterprises to invest. And that is precisely what Sitharaman's Budget has attempted to do.

Consumption Push

The foremost intervention has been in the agriculture and rural economy, which employs over 50 per cent of India's population and contributes over 16 per cent to the gross domestic product. Sitharaman listed out 16 short, medium and long term measures to increase incomes of rural, agricultural households, with a cumulative Budget allocation of ₹2.83 lakh crore for 2020/21, about 12 per cent higher than the previous year's ₹2.49 lakh crore. Most of these schemes are not new but the government has succeeded in synchronising them to develop a farmer friendly ecosystem — from village-level mechanism to store agriculture produce to taluk-level warehouses to supply chain logistics, including air-conditioned express freight trains and *krishi udan* (aircraft to carry agricultural produce) — to double their income. There is the One Product One District Scheme to push horticulture production and marketing, another one to double milk processing capacity from 53.5 million MT to 108 million MT by 2025. The agriculture credit target for 2020/21 has been set at ₹15 lakh crore, and all eligible beneficiaries of the PM-KISAN income support scheme (8.81 crore got the first instalment) will be covered under the Kisan Credit Card scheme. "The Budget allocation will aid in enhancing productivity and improving income of farmers with access to markets that will eventually

The Budget Equation

CONSUMPTION BOOST

Positives

- New tax exemption system to leave more money in hands of taxpayers
- Agricultural credit target of ₹15 lakh crore for 2020/21; PM-KISAN beneficiaries covered
- Turnover threshold for audit of MSMEs increased
- Enhanced social security through pension and insurance penetration

Negatives

- Doubling farmers' income is conditional to several measures to be adopted by states and the Centre. No short-term measures to increase farm incomes
- Payment delays by troubled discoms can derail solar power generation-based income plan for farmers

INVESTMENT PUSH

Positives

- No Dispute But Trust Scheme – 'Vivad Se Vishwas' Scheme – to unlock large amounts stuck in litigation
- Tax concession for sovereign wealth fund of foreign governments and other foreign investments
- A scheme to provide subordinate debt for MSME entrepreneurs
- Concessional corporate tax rate of 15% extended to new domestic companies engaged in generation of electricity
- National Logistics Policy to be launched soon
- NIRVIK Scheme for higher export credit disbursement launched
- Setting up of an Investment Clearance Cell to provide end-to-end facilitation
- Dividend distribution tax removed and classical system of dividend taxation adopted

Negatives

- Tax concessions to pension funds may attract investments in operational assets, not greenfield projects
- Abolition of DDT can result in high dividend payouts instead of re-investments

PUBLIC EXPENDITURE

Positives

- Accelerated development of highways
- 100 more airports to be developed under UDAN
- National Infrastructure Pipeline projects worth ₹103 lakh crore announced
- National Mission on Quantum Technologies and Applications with an outlay of ₹8,000 crore proposed

Negatives

- Too much reliance on disinvestment proceeds
- Reduction in allocations to key social sector schemes like MNREGA

help in reducing farm distress, helping the sector achieve the aspirational growth rate," says Simon George, President, Cargill India.

Yet another scheme expected to encourage consumption is an income tax regime where individual taxpayers can opt for reduced tax rates after forgoing most deductions and exemptions. Sitharaman said it could lead to a loss of ₹40,000 crore for the Centre. Since only 9 per cent taxpayers use all exemptions, 91 per cent out of 5.5 crore taxpayers will find the scheme attractive. So, it will be money transferred to the tax payer. "The optional personal tax regime is aimed at simplification, while proposals to de-criminalise civil offences, introduce a Taxpayers' Charter and introduce an income tax dispute resolution scheme are aimed at building trust and reducing litigation," says Gautam Mehra, Leader Tax & Regulatory, PwC India.

Sitharaman has extended the last date of availing the additional tax deduction benefit of up to ₹1,50,000 for interest paid on loans on affordable houses from March 31, 2020, by another year. The tax holiday on profits earned by developers of affordable housing projects approved by March 31, 2020, announced in the last Budget, has been extended by one more year. The moves will push house sales, key for cement, steel, tile, electrical and construction sectors, and employment.

₹25

LAKH CRORE
Total budgetary allocation to top 11 sectors

For start-ups, the Budget has proposed deferring the tax payment on Employee Stock Option Plans, a popular way adopted by start-ups to attract and retain talent. Employees can now defer tax payment by five years or till they leave the company or when they sell their shares, whichever is earliest. This is expected to have a direct impact on consumption.

Ease of compliance is another area which can provide relief to a significant section of India's small and medium enterprises. The Budget proposes raising the turnover threshold for compulsory tax audit from ₹1 crore to ₹5 crore. "It will come as a welcome relief for a large number of traders," says Anil Bhardwaj, Secretary General, Federation of Indian Micro and Small & Medium Enterprises.

Social security through enhanced pension and insurance penetration, and schemes like employment guarantee programme, are meant to spread thin government resources to benefit huge sections of the society. Some, like Ayushman Bharat and Pradhan Mantri Gram Sadak Yojana, have got extra allocation too.

Private Investment

The protectionist sharp hike in import duties takes India back to the pre-reforms era that created a high cost economy with poor quality products for which consumers paid through their nose. But for the moment, it will strengthen balance sheets of industries hurt by cheap imports in the hope that they will create new capacities and jobs. The Budget has raised import duties to encourage investments in local manufacturing. Import duty on trucks and buses has risen from 25 per cent to 40 per cent; auto components (15 per cent to 30 per cent); footwear (25 per cent to 35 per cent), mobile phone components (10 per cent to 20 per cent); fans, water heaters, ovens, insect repellents (10 per cent to 20 per cent); and toys (20 per cent to 60 per cent).

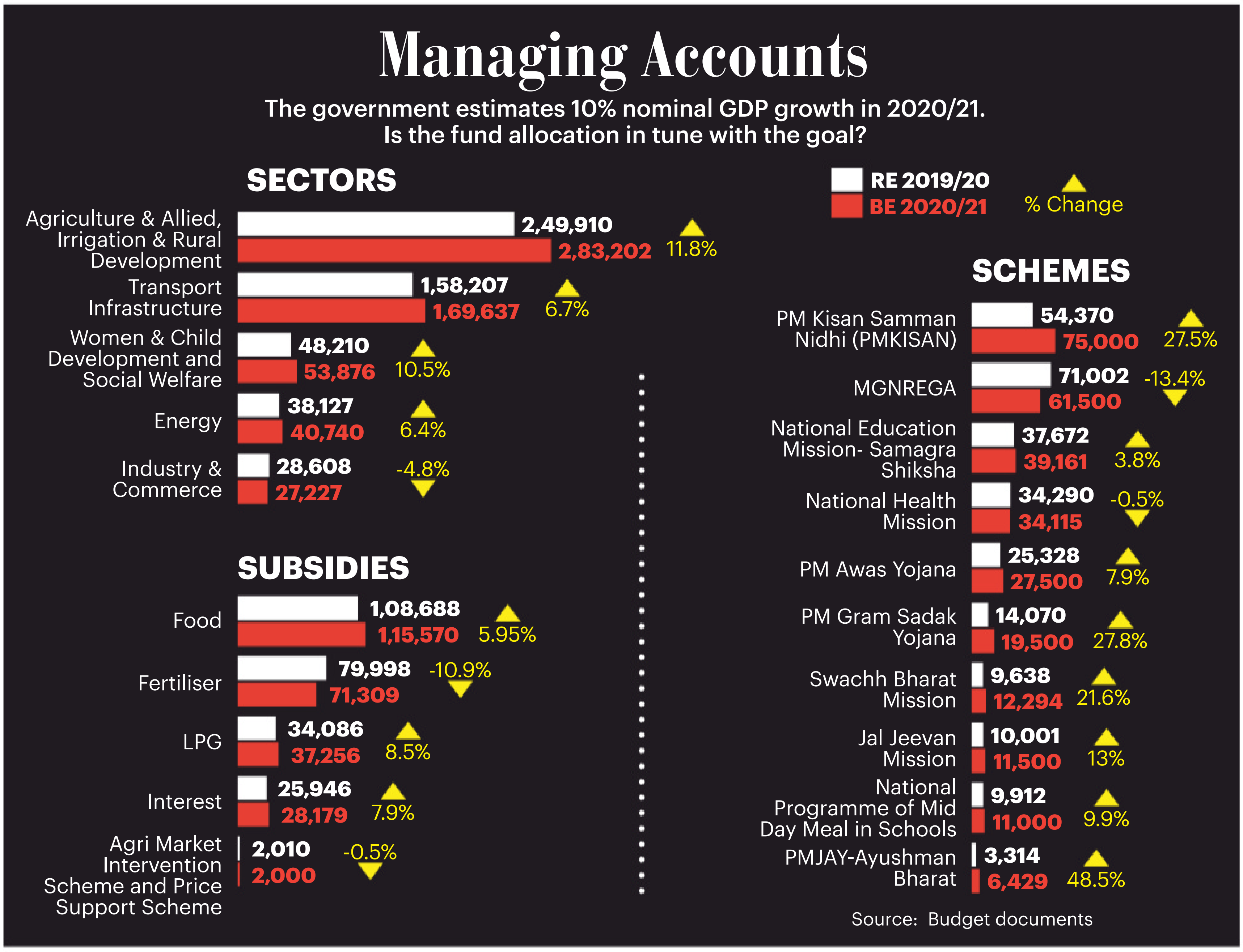
The apex exporters' body, Federation of Indian Export Organisations (FIEO), says the measures can help exports also in the medium to long term. "The focus on standards and quality will facilitate export of quality products, enabling Indian manufacturers meet technical standards and cross barriers erected by many trading partners, while also stemming cheap quality imports, protecting the domestic industry," says Sharad Kumar Saraf, President, FIEO.

Another big step is an amnesty scheme to unlock huge resources stuck in tax litigation with the government and bringing certainty to financial deals and transactions for firms and individuals. Modeled on the lines of its predecessor, the *Sabka Vishwas Scheme*, of Budget 2019 for indirect taxes, the *Vivad Se Vishwas Scheme*, announced this Budget, is an offer to settle 4,83,000 direct cases pending in various appellate forums, i.e., Commissioner (Appeals), ITAT, high courts and Supreme Court, involving a massive ₹9.41 lakh crore. Last year's scheme had resulted in settling of over 1,89,000 cases, and if the *Vivad Se Vishwas Scheme* can help settle even a fraction of the ₹9.41 lakh crore, that money would flow into the economy for fresh economic activity, capacity creation and jobs.

The new scheme to promote electronics, including mobile, semi-conductors and electronic equipment, and the NIRVIK (*Niryat Rin Vikas Yojana*) Scheme to ease lending process and enhance availability of credit to exporters, will encourage local production. All eyes are now on the proposed National Logistics Policy to remove infrastructure bottlenecks that affect the supply side for manufacturing.

Smoothening investor sentiment has been the second area. Abolishing dividend distribution tax (DDT), impetus to start-ups, creating an enabling environment for foreign investors and sovereign wealth funds, the list is long, says Vikas Vasal, Partner & Leader-Tax, Grant Thornton India. Industry chambers CII and FICCI share the view. The proposal to transfer the incidence of DDT from corporates to individuals has been a long-standing demand.

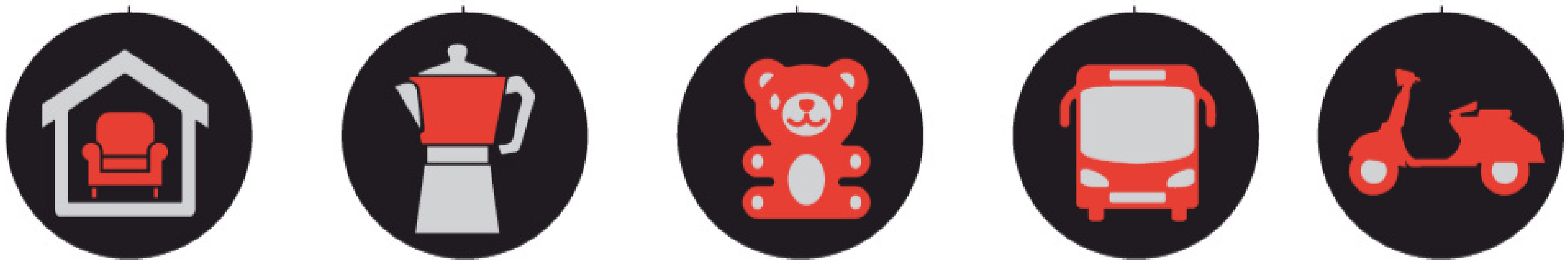
The move to allow FDI and External Commercial Bor-



Discouraging Imports

Customs duty has been increased on various items to boost domestic production

CATEGORY OF GOODS



Category of goods	Current Rate	New rate
Household goods and appliances	10%	20%
Electrical appliances	10%	20%
Toys	20%	60%
Completely built units of buses and trucks	25%	40%
CKD units of passenger vehicles, 3-wheelers, 2-wheelers, buses, trucks	10%	15%

CKD: Completely knocked down Source: Budget documents

rowings in education will incentivise investment in higher education. "Given the constraints the finance minister was facing, this has been a comprehensive statement. We expect more money will be left in the hands of people that will spur consumption and industrial growth. Much of this money will go towards capital expenditure in infrastructure and agriculture – two areas that can have the maximum growth enhancing impact," says Sangita Reddy, President, FICCI.

A total of 100 new airports and 100 per cent tax exemption on all types of income in case of major FDI investments in infrastructure projects before 2024 could boost investments in infrastructure. Neeraj Akhoury, Vice President, Cement Manufacturers Association and CEO & Managing Director, ACC, says special emphasis on infrastructure development that the government has given over the past few months has been strengthened in the Budget. "The focus on project preparation facilities for infra projects and the national logistics policy that will be released soon should boost infrastructure. Priorities given to households, roads, railways, economic corridors, solar power and accelerated development of highways should boost development and wealth creation," he points out.

Execution Blues

"The government has chosen to provide fiscal stimulus through higher spending in parts of the economy, reduction in personal income taxes and abolition of DDT. However, we are unsure if there will be any meaningful impact from the proposed alternative personal taxation regime (lower tax rates without exemptions) as individuals may opt to continue with the current regime (higher rates with exemption) or abolishment of DDT as companies may choose to simply pay higher dividends rather than invest in their business; most high dividend companies do not need to invest. The government has allocated ₹4.1 lakh crore (18 per cent growth over FY20RE) for capital expenditure in FY21 but a significant portion of that pertains to capital investment in government telecom companies." The pessimistic observation made by Kotak Insitutional Equities explains both the government's approach and the stock market response on Budget day. Several experts say they are waiting to see the level of implementation.

For the time being, the government remains focused on efforts in keeping the only engine, public expenditure, on which it has complete control, kicking. The revenue projections may be subdued but budgetary allocations have not dipped for key sectors. Transport infrastructure as a whole gets ₹1.69 lakh crore, not a huge jump from the previous year's ₹1.58 lakh crore, nevertheless, a jump. The allocation for the energy sector has also been increased; it's ₹40,740 crore for 2020/21, up from ₹38,127 crore in 2019/20. Extra-budgetary resources, government bonds, etc, are also going to be utilised more in 2020/21.

For now, a lot depends on whether the current effort to revive the two growth engines – consumption and private investment – succeeds, and to what extent. And that's not just dependent on the government. Individuals need to see value in the new income tax scheme and have the confidence to spend; and industry will need to see value in the amnesty scheme and in the public expenditure push. But to the extent that there is finally an acknowledgement of the need to kick-start consumption before prodding industry to invest despite low capacity utilisation (as was being attempted in the previous two Budgets) the Budget 2020 may just do the trick. **BT**

@joecmathew

"THERE WILL BE GOOD RESPONSE TO DIRECT TAX AMNESTY SCHEME"

A day after she presented her second Budget, *Business Today* caught up with Finance Minister **Nirmala Sitharaman** in her North Block office to find out the reasoning behind the key initiatives in Budget 2020. Edited excerpts:

Did you have any particular constituencies in mind while preparing the Budget?
I don't think I had any specific constituency in mind. I didn't go through a sectoral approach where I have to do something for a sector or industry. We were looking at the economy at large and the macro-economic fundamentals being what they are, how are we going to move forward.

What were the assumptions behind the ₹40,000 crore income tax revenue forgone?
That's based on an approximate calculation. You have a taxation regime with over 120 exemptions. I'm an honest taxpayer and want to pay tax. From the income I get after availing all exemptions available to me which is my right, I can pay this much tax. I pick up a few exemptions for which I can spend money. As a department I will know how much you pay after exemptions used. But it would be very difficult for me to estimate from this, how many would find it beneficial to come into the new regime. If the taxpayer sees benefit in moving to the new one this is what I will forgo. That is the approximation we have done.

The rich are saying that the government wants us to create wealth, yet we are the most taxed...
We made deep cuts in the rate for middle and lower middle income groups. The idea was they should have more money in hand. They may choose to save it, buy a flat or a vehicle or invest in stocks and shares. The money had to go into the hands of the middle and lower middle income groups. The second objective was to gradually move towards a regime where tax rates will be significantly lower than today. And it will be simpler to comply, which could mean remove exemptions. In some countries, they say if you are earning ₹20,000 you pay ₹2,000 or ₹5,000 and the rest is yours. I am not saying we are going towards that. But the system should become simpler to comply. Today, I can easily say, *paanch saal ke baad hum* simpler system *banayenge* (we will make a simpler system after five years). The intention is to lay the foundation for it. We started the process not to say the old scheme is removed and everybody should come into this. Who is forcing you? That's the logic.

Are you going to tax NRI income?
An NRI who lives in Dubai or another country, earns money there. He is not taxed at all, but has some earnings through something in India. But since he doesn't live here, he doesn't pay tax here. We are saying, for that income which is generated in India, pay a tax.

If he is earning something in a jurisdiction where there is no tax, why will I include that into mine? That is being generated there. If you have property here and earn rent out of it, but since you live in a tax-free jurisdiction, you carry this rent into your income there and pay no tax there and pay no tax here. Since the rent is coming from here, I have the sovereign right to take that into my consideration or not. I'm not taxing what you are earning in Dubai.

How much revenue do you expect from the direct tax amnesty scheme?
The recent experience in indirect taxation dispute redressal shows that the majority of taxpayers came to a settlement. Yes, in high-value disputes, many chose to go through the legal route. That's fine, it's a choice we have given.

PHOTOGRAPH BY YASIR IQBAL

Going by experience, we feel that will happen in direct taxation, too.

When I moved around the country, looking at tax administration, we took inputs from various sections and came up with a scheme. Since there is popular demand, we think there will be a good response.

What are the spending priorities of the government?

The government's responsibility is towards giving the necessary impetus to the economy, which we have taken seriously. We have also laid the path before everybody to see where the money is going to be spent. It is investment in creation of infrastructure and asset creation. There is a cascading effect of that on the economy, like jobs created *in situ* or core industries, which will benefit by the demand for their products and so on. So, both immediate and long-term infrastructure is an area in which we think it is worth spending and that is how public spending should happen.

"Objective was to gradually move towards a regime where tax rates will be significantly lower than today"

What is the reasoning behind withdrawal of tax exemption on life insurance?

I am not sure if every salaried person is waiting for the incentive to insure his life. Today, when you have moved out of the socialist model of governing your economy and opened up stock markets, it is for the person to take a call on where to invest. So if there is a worry that insurance will come down, I tend to believe that this incentive alone is not the reason. If at all it does have a bearing, with other options open, it will only go towards something else which is also going to help the economy. They can put it in mutual funds, they can buy bonds... So there is no need to worry that if it is not invested here, it will be thrown into the sea.

Why the expenditure cuts?

I don't think we have reduced anybody's money. Let's be practical and real. At the time of the July Budget, with not even six months before the Revised Estimates coming in, should we not be realistic enough to understand what the absorption capacity is? I do give an annual target, but actually you have only six months before the RE comes in. So do I, because I have made this Budget Estimate. Whatever you have utilised, that is all I will claim.

How realistic is the ₹2.1 lakh crore disinvestment target?

The last Budget was in July 2019, and I did not have full 12 months. That doesn't mean DIPAM (Department of Investment and Public Asset Management) did nothing. They have done a massive amount of work. In Air India, for instance, they have already come to issuing the Expression of Interest. Similarly, on others, they are rushing to do the necessary footwork. For every such deal, sufficient time needs to be given to those who want to consider it. Now, if all that is happening, and because I have said (about Air India sale) in July, if I am not getting the money out of the sale by March 31, you can say that you gave a number and you have not even sold it. So what's the guarantee you will sell it the next day? It is a legitimate question to ask. But look at the reasons behind it. Then you may ask, did you know about this in July? Of course, I knew it. But I also need to ensure that these things are happening. BT

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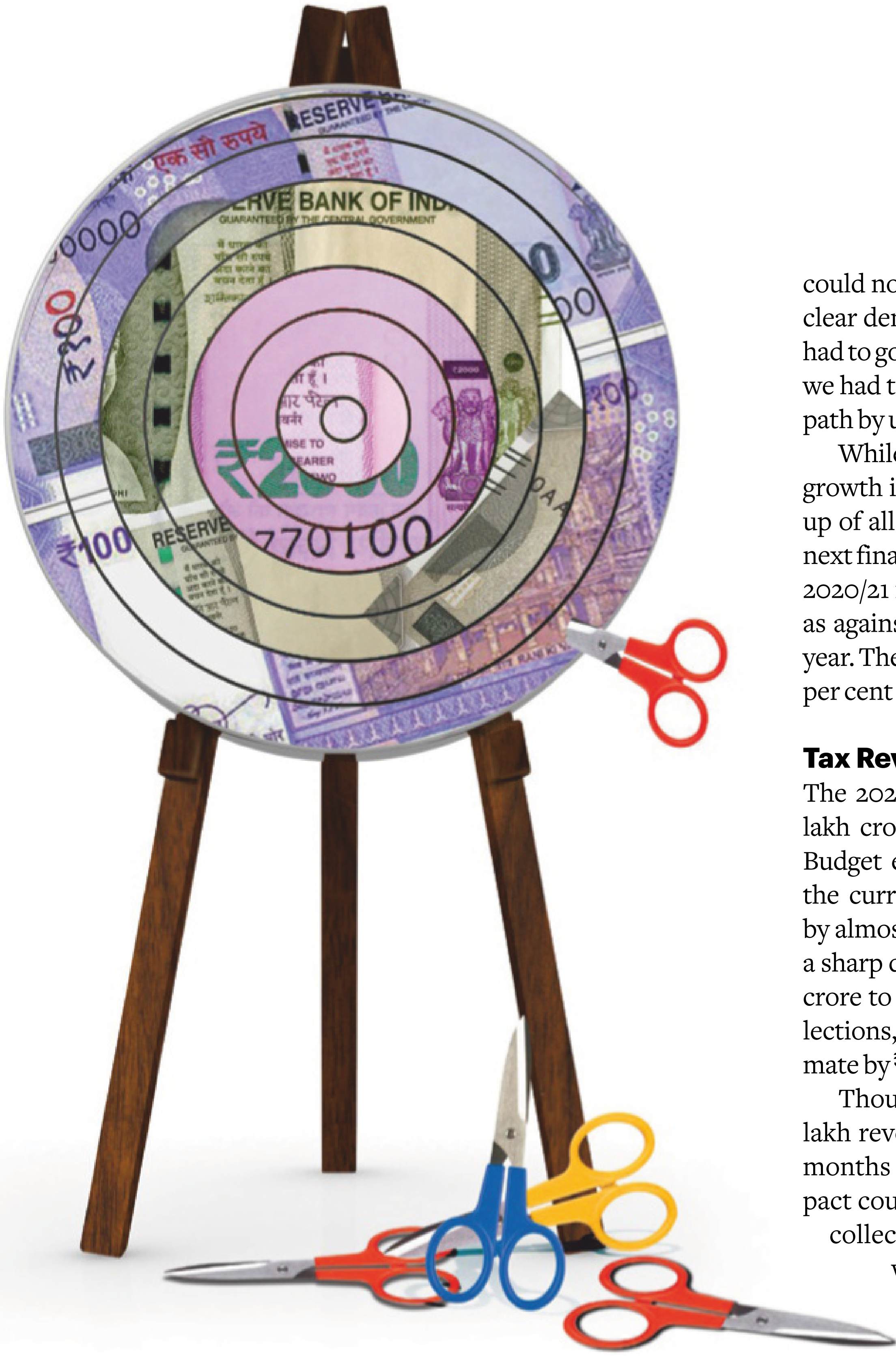
OVERSPENDING FOR GROWTH

The Budget reveals the government is willing to stretch its finances by going off the fiscal glide path

BY DIPAK MONDAL
ILLUSTRATION BY RAJ VERMA

The government has bitten the fiscal bullet and taken the option of diverging from the fiscal deficit glide path in favour of stimulating growth. The Budget, presented by Finance Minister Nirmala Sitharaman, has taken the 0.5 per cent escape route provided by the Fiscal Responsibility and Budget Management (FRBM) Act and relaxed the fiscal deficit — the amount by which its expenses exceed receipts — target from 3.3 per cent to 3.8 per cent of GDP in 2019/20. This without taking into account the ₹1.72 lakh crore raised through extra-budgetary resources. If these are added, the fiscal deficit goes up to 4.6 per cent. The government plans to raise ₹1.86 lakh crore through extra-budgetary resources in the next financial year.

Finance Minister Nirmala Sitharaman, in her post-Budget media briefing, explained why the government had to deviate from the path of fiscal prudence: "We had announced in July (Budget) a target of 3.3 per cent (fiscal deficit), but subsequent to that, because of the challenge we faced (in the economy), we wanted to put more money in hands of people to improve consumption demand and public investment as private investments were not happening." She further said that due to various reasons — natural calamities, compliance issues and other unexplained reasons — GST collections were coming down. "On the one hand, your revenue



could not be pressed further and on the other there was a clear demand for public spending. It was obvious that we had to go on spending. So, without violating the FRBM Act, we had to seek the escape clause (going off the fiscal glide path by up to 0.5 per cent)."

While the finance minister only talked about moderate growth in GST collections, Budget data shows the drying up of all revenue sources. There is not much hope in the next financial year either with the government lowering its 2020/21 nominal GDP growth rate estimate to 10 per cent as against the 12 per cent target for the current financial year. The government has budgeted for a fiscal deficit of 3.5 per cent of GDP for the next financial year.

Tax Revenues: Missing the Mark

The 2020/21 target of gross revenue collection is ₹24.23 lakh crore, almost ₹40,000 crore less than the 2019/20 Budget estimate of ₹24.61 lakh crore. Tax collections in the current financial year have been revised downward by almost ₹3 lakh crore to ₹21.63 lakh crore, largely due to a sharp drop in corporate tax collections (from ₹7.66 lakh crore to ₹6.10 lakh crore), and lower GST and excise collections, both of which are falling short of the Budget estimate by ₹50,000 crore each.

Though the government had budgeted for ₹1.45 lakh revenue hit due to the corporate tax rate cut a few months ago, Budget documents suggest the revenue impact could have been ₹1 lakh crore. The rest of the fall in collections could be due to slowdown in the economy, which is likely to grow at a real rate of 5 per cent (with nominal GDP growing around 7.5 per cent). Next year, gross revenue collections have to grow at 12 per cent against the revised estimate of the current financial year. This year, going by the revised estimate, the growth in gross tax revenue could be a mere 4 per cent.

In corporate tax, while the Budget estimate for next year's collections, ₹6.8 lakh crore, is lower than the Budget target of ₹7.66 lakh for the current financial year, the government is budgeting for 11.5 per cent growth in the next financial year. Achieving such growth in a year the government expects 10 per cent nominal GDP growth is a tough ask. It has been made even tougher by abolition of the dividend distribution tax (DDT), which would have added ₹60,000 crore to the corporate tax kitty. Next year, dividend will be taxed in hands of investors, and so will come under income tax. The government expects a loss of ₹25,000 crore due to abolition of DDT. The government is bullish on the income tax front too. It is expecting a 14 per cent jump, partly because it expects around ₹35,000 crore by taxing dividend in hands of individuals.

In GST, the collections (revised estimate of ₹6.12 lakh

13%

The targeted rise in GST collections in 2020/21

₹88K

CRORE: The amount proposed to be raised as dividend from banks and RBI

Living Beyond Means

Government is banking on a sharp 223% rise in divestment proceeds to keep fiscal deficit under check

	2018/19 (Actuals) (₹ cr)	2019/20 (Revised Estimates) (₹ cr)	2020/21 (Budget Estimates) (₹ cr)	% Rise in 2020/21
Revenue receipts	15,52,916	**18,50,101**	20,20,926	9.23
Tax revenue receipts	13,17,211	**15,04,587**	16,35,909	8.73
Non-tax revenue receipts	2,35,705	**3,45,514**	3,85,017	11.43
Disinvestments procceds	94,727	**65,000**	2,10,000	223.08
Total receipts (less borrowings)	16,65,695	**19,31,706**	22,45,893	16.26
Total expenditure	23,15,113	**26,98,552**	30,42,230	12.74
Fiscal deficit	6,49,418	**7,66,846**	7,96,337	3.85
Fiscal deficit as % of GDP	3.40%	**3.80%**	3.50%	

crore) in the current financial year are short of target by around ₹50,000 crore. Yet, the government has estimated per cent growth in GST collections at ₹6.90 lakh crore in the next financial year. This confidence could be on the back of various anti-avoidance measures such as e-invoicing and new return-filing system kicking in from April 1. However, going by the new target, monthly GST collections have to be around ₹1.15 lakh crore. Till December 2019/20, the average for the year has been ₹1.01 lakh crore.

When asked about the reason for her confidence in limiting the fiscal deficit to 3.5 per cent in 2020/21, the finance minister said: "The way revenue generation is improving — in the last three months, GST collections have crossed ₹1 lakh crore — my guess is that the benefits of corporate rate cut will come into play in the next few months. This will give me some comfort so that it can come down to 3.5 per cent from 3.8 per cent (of GDP)."

High Disinvestment Target

The disinvestment target for 2020/21 has been more than trebled to ₹2.10 lakh crore from the 2019/20 revised estimate of ₹65,000 crore. The 2019/20 Budget target was ₹1.05 lakh crore. The government is hopeful that the unmet target of this financial year will be met the next year. A large part — ₹90,000 crore — is likely to come from sale of stake in Life Insurance Corporation (LIC) and IDBI Bank. At present, the government of India holds a 47.11 per cent stake in the bank which, at the current market price, will fetch over ₹18,250 crore. The rest is expected to come from a stake sale in LIC. Another ₹1.2 lakh crore is likely to come from sale of companies like Bharat Petroleum Corporation Ltd (BPCL), Shipping Corporation of India, Container Corporation of India and Air India. When asked about the steep disinvestment target for 2020/21, Sitharaman said between July (when she presented her last Budget) and January, a lot of work has gone into achieving the target. "You will see successful disinvestment in the next few months but accounts for this year will be closed by March 31, 2020. A lot of leg work has been completed, the benefits of which will be realised next year," she said. "Several transactions are lined up. Air India expression of interest (EoI) is out; very soon, BPCL EoI will be out too. Some disinvestments will be completed this year but many will be completed next year. Therefore, we are very hopeful (that) we will achieve the disinvestment targets," said Tuhin Kanta Pandey, Secretary, Department of Investment and Public Asset Management.

A Steep Climb

The government seems to be pinning a lot of hope on a sharp jump in disinvestment proceeds next year even as there is limited scope for getting more from other avenues of income such as tax and dividend receipts from CPSEs and the Reserve Bank of India (RBI). With the RBI giving it ₹1.51 lakh crore (including ₹58,000 crore surplus) in the current financial year, there is hardly any scope for a bigger payment even if the government has budgeted for ₹89,000 crore dividend from banks and RBI.

Given the financial constraints, sticking to the 3.5 per cent fiscal deficit target in the next financial year will be a tough task for the government. BT

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COVER STORY

BUDGET 2020

FUELLING ECONOMIC GROWTH

A dozen experts interpret Budget 2020 and its impact

BY TEAM BT
ILLUSTRATION BY RAJ VERMA

Finance Minister Nirmala Sitharaman presented her second Union Budget in the midst of a desperate economic situation – a slowdown that hasn't seen the bottom yet; consumption, private investment and exports refusing to pick up and even public expenditure suffering a setback due to lower than expected tax collections in FY20. It was imperative to kick-start at least one or the other growth engines of the economy to bring the fast decelerating economy back on track. Instead, Sitharaman aimed at two engines – consumption and investment cycle – in the hope that disposable income in the hands of individuals and money with corporates would restart the two engines. She answered the call with a new personal income tax regime offering more money to tax payers, protectionist import tariff hikes to strengthen corporate balance sheets and a generous amnesty scheme to unlock ₹9.41 lakh crore of direct tax disputes. *Business Today* spoke to a dozen leaders including noted economists, CEOs, tax experts, exporters and bankers to gauge the mood of the country.

a material impetus in the short term. That means, the government is opting to not spend its way out of the slowdown. That said, it maintains a rural spending focus. As the government is still eyeing the long term, it has pushed capex. The multiplier impact of this will be positive, but lagged. In the absence of growth kickers, the pick-up in growth in fiscal 2021 is expected to be largely base-effect led and supported by somewhat better farm incomes (led by a good rabi crop), PM-KISAN and delayed impact of monetary easing.

MUKESH BUTANI: There is extensive push in infrastructure, which is clearly a must for boosting economic sentiments. There is an open handed budget allocation to health, sanitation, environment, agriculture and blue

> "The apparent contradiction is that expenditure-GDP ratio is increasing by 0.33% in spite of fall in tax-GDP ratio"
>
> **Rathin Roy,** Director, National Institute of Public Finance and Policy

The experts include Kiran Mazumdar-Shaw, Chairperson and Managing Director, Biocon; Preetha Reddy, Vice Chairperson, Apollo Hospitals; Rathin Roy, Director, National Institute of Public Finance and Policy; Mukesh Butani, Managing Partner at BMR Legal; Ashu Suyash, Managing Director and CEO, Crisil; R.S. Sodhi, Managing Director, Gujarat Cooperative Milk Marketing Federation (Amul); Saugata Gupta, Managing Director, Marico; Surendra Rosha, Group General Manager and CEO, HSBC India; Vishesh C. Chandiok, CEO, Grant Thornton India; Nimesh Shah, Managing Director and CEO, ICICI Prudential Mutual Fund; Sachchidanand Shukla, Chief Economist, Mahindra Group; Partha Chatterjee, Dean-International Partnerships, Professor and Head, Economics Department, Shiv Nadar University.

Here's what they had to say on whether Budget 2020 will revive Indian economy:

Are Budget announcements enough to pull the Indian economy out of slowdown?

ASHU SUYASH: There is some support to growth, but not enough to give

₹30.4

LAKH CRORE
Budgeted expenditure on ministries, up from revised estimate of ₹26.98 crore in FY20

economy, which are foundational pillars. It is clear that this Budget is a conscious push to revive economic fundamentals and growth.

RATHIN ROY: If you look at the government's expenditure plans for 2020/21, you will see that half of the allocations are towards committed expenditure like administrative costs and interest payments. This has remained constant at between 6.8 per cent and 7 per cent of the GDP from 2018/19 onwards. Of the balance, barring agriculture spending, which grows significantly by 28 per cent, you cannot find any allocation that is higher than the nominal GDP growth rate.

SAUGATA GUPTA: There was a fine balancing act to be done, but under the circumstances, it is a decent Budget. The investment on rural sector, skill building and leaving little more money in the hands of a certain class of tax payers will help. The middle class will have more money in their pockets. But a lot of what has been announced will depend on implementation. They have taken a right call by saying they will sacrifice fiscal deficit targets. If some of the pending disinvestments of this year and of course the Life Insurance

Corporation of India (LIC) IPO go through, it will be great. Otherwise, there will be issues in fiscal deficit.

VISHESH C. CHANDIOK: There is no 'silver bullet' to pull the Indian economy out of the slowdown. Boosting consumption, investment and exports are the three drivers of GDP growth and there were enough measures to provide an impetus to each.

SURENDRA ROSHA: India is in the midst of a demand-side slowdown while being impacted by global cues and developments. The Budget announcements make various interventions and provide support measures to revive the economy. A tough balancing act, it is aimed at simplifying processes and enhancing ease of doing business with limited stimulus measures. While the Budget puts more money in the hands of the people and hence is aimed at driving consumption, economic recovery is likely to be gradual given the limited demand stimulus. The intent to double farm income by 2022 is aimed at boosting rural income and purchasing power.

PARTHA CHATTERJEE: The slowdown is significant and not a blip of one or two quarters. The long-run trend itself has fallen to a level not seen in the last two decades. Let us also understand that the slowdown is not caused by external factors or by one sector or one event – it is systemic uncertainty that has pulled the economy down. The systemic uncertainty was created, and it persists, because of the lack of clarity in the direction of government's economic policy. Moreover, there is a lingering question about the intent and the ability of the government to handle issues on the economic front. To that extent, the government had to first acknowledge the situation and take some bold measures to regain trust. There is some covert acknowledgement of this, and measures to deal with it like attempting to resolve tax disputes, including a tax payer's charter, or correcting the companies Act to decriminalise many non-compliances. These measures will help. Yet, what was needed were some big, bold ideas.

R.S. SODHI: The Budget will help pull the economy out of the slowdown. The Finance Minister said that fiscal deficit will be reduced, she has also talked about a 10 per cent nominal GDP growth. If not 10 per cent, I am hoping for at least a 7 per cent growth. The Budget has put cooperatives and corporates on a similar platform by reducing taxes from 30 per cent to 22 per cent.

NIMESH SHAH: From a series of measures required, the Budget announcements and its various provisions are one of the steps required to aid economic revival.

SACHCHIDANAND SHUKLA: The Budget has chosen to go in for a fiscally prudent, long-term middle path. However, measures enumerated will not be enough to pull the economy out of the slowdown and will require more on the go as we navigate the next year.

KIRAN MAZUMDAR-SHAW: While the Budget tries to address the concerns around slowdown, and going by the measures announced, may not slow it down further, it is unlikely to trigger any speedy revival either.

PREETHA REDDY: Not immediately. But consistently, it will (help the Indian economy).

> **"The measures announced may not slow down (economic growth) further, but are unlikely to trigger any speedy revival either"**
>
> **Kiran Mazumdar-Shaw,**
> Chairperson and MD, Biocon

How long will it take for annual GDP growth to get back to 7 per cent plus range?

ROY: Even the finance minister was silent on growth projections. There was no mention of the growth slowdown in her speech or whether the government can go for an expansionary fiscal policy to trigger growth. The fact is that this was a contractionary Budget, and not an expansionary one. The total off-budget borrowing has been pegged at 4.6 per cent of GDP this year and, assuming India's nominal GDP growth at a reasonable 10 per cent, has been projected at 4.3 per cent next year. The bulk of this expenditure is meant to fund the Food Corporation of India, and hence

PHOTOGRAPH BY H.K. RAJSHEKAR

"The FM spoke about the service sector, tourism, health and skilling. All of it will work towards job creation"

Preetha Reddy, Vice Chairperson, Apollo Hospitals

PHOTOGRAPH BY YASIR IQBAL

"The proposed measures in infrastructure will take time to fructify. Yet, the trickle down effect will start showing soon"

Mukesh Butani, Managing Partner, BMR Legal

does not address the slowdown. The government does not have any fiscal space to go for expansionary fiscal policy to drive growth.

SACHCHIDANAND SHUKLA: At present a 7 per cent GDP growth number looks quite distant and may take us about 24 months to scale provided there are no shocks and the government responds with proactive policies. The long-term measures on agricultural supply chain, mitigating water distress, proposed Logistics Policy, extending the ambit of Ayushman Bharat, boost to export credit disbursement via NIRVIK scheme, setting up of Investment Clearance Cell, focus on digitisation to facilitate governance are medium- to long-term positives.

SUYASH: There is no visibility of that in the near-term. However, over the medium term, if global conditions turn favourable and financial sector stress eases out, growth can start inching towards 7 per cent. This, however, will have to be accompanied by a sustained pick-up in private consumption, and an improvement in investment sentiment, which looks like a heavy lift.

BUTANI: It is clear that the government expects a huge increase in economic activity. The proposed measures relating to infrastructural reforms will indeed take time to fructify. Yet the trickle down effect will start showing soon, considering the reduction in the corporate tax rate.

REDDY: It will. Perhaps in the next 24 months or so on the back of measures that raise purchasing power and create more jobs.

CHANDIOK: In FY22 we could see a sharper correction than the IMF is predicting (6.5 per cent) currently. Of course, the global economy in the coming months could be a drag on this. Recession in the US has been on the cards and next year will be an interesting time to watch.

CHATTERJEE: The long-run growth rate has come down, and it is below 6 per cent for the first time since 2002. While the growth rate varies in every quarter and can be volatile, the trend growth rate is slow moving. It is possible that in some quarters in the next fiscal the growth rate will go above 7

28%

Increase in expenditure on agriculture to ₹1.55 lakh crore

per cent, particularly given the low base. The question is, will the growth rate be sustained so that eventually the trend goes up too. That is only possible if investment grows at a significantly high rate. I do not think there is any reason to believe that in the next fiscal year that will happen.

SHAH: As per the 2019/20 Economic Survey, GDP growth at 6-6.5 per cent is likely for FY21. However, one has to be watchful of developments in West Asia and its resultant impact on crude prices, trade tensions and other geo-political developments.

Will the Budget lead to increased consumption or demand? How and why?

SUYASH: The simpler personal tax regime announced will not add materially to consumption. In the absence of major announcements to tackle the current slowdown in the economy and address stress in the NBFC and housing industry, credit led pick-up in demand is unlikely to kick in. Therefore, it does not provide the necessary boost to the auto and real estate sectors.

SHUKLA: Moving up tax slabs would boost disposable incomes of approximately 42 million individuals in the lower tax slabs (incomes less than ₹15 lakh). But given the way in which it has been done, by introducing multiple slabs and making it optional, makes it complicated. While this could, on aggregate, spur consumption of small ticket size items, it will be a function of individual's income and expenditure profile.

Importantly, there is a significant jump in customs duties on goods and appliances such as kitchenware, electrical appliances, footwear, stationery and toys to protect domestic players. But the flipside is that it could hurt household budgets and consumption.

CHATTERJEE: It seems the government lacks conviction – instead of moving into a new structure (of income tax), it gives a choice to continue with the old tax regime. When the FM says she does not want the common person to have to take a professional's help in tax filing, does she think that an individual can easily decide, without any help from a professional, which tax regime to go with?

CHANDIOK: The simplification of personal tax rates will lead to some transmission of cash in the hands of the consumer. Either way, it's good as household savings had fallen sharply from 23.6 per cent of GDP in FY12 to 17.2 per cent of GDP in FY18.

GUPTA: Investment in infrastructure and employment generation have to be implemented well. That will have a far more long-term impact on consumption and growth; the forthcoming fiscal year will surely be better. It won't be an overnight growth story, but a gradual one. There is a definite feel good factor.

Will it be enough to attract foreign direct investment (FDI) and foreign portfolio investment (FPI)?

SHAH: India remains an attractive destination for FDI and FPI. At a time when total outstanding debt globally in negative yield zone is close to $11 trillion out of $55 trillion, India provides an investment avenue which can yield higher returns.

SHUKLA: There have been several measures to induce foreign money in the economy such as removal of Dividend Distribution Tax at the company level, 100 per cent tax exemption on Sovereign Wealth Funds, concessional rate of withholding of 5 per cent extended to the interest

"The Budget has put cooperatives and corporates on a similar platform by reducing taxes from 30% to 22%"

R.S. Sodhi, MD, Gujarat Cooperative Milk Marketing Federation (Amul)

"The government is opting to not spend its way out of the slowdown. That said, it does maintain a rural spending focus"

Ashu Suyash, MD & CEO, Crisil

payment made on municipal bonds, and enhancement in FPI limit in corporate bonds to 15 per cent from current at 9 per cent of outstanding stock. While all these are positive, growth differential – India's growth as compared to the rest of the world – will be one of the most critical variables in making India attractive to foreign capital.

CHATTERJEE: There are some areas where we may see FDI inflows like manufacturing networked products, or "assembling in India". Vietnam and Bangladesh have emerged as desirable locations for manufacturing FDI, and this Budget does nothing to make India more attractive for manufacturing vis-à-vis these countries.

SHAW: These will happen if there is huge investment opportunity. That may need some more enablers.

BUTANI: To woo foreign investors multiple measures have been announced. DDT has been abolished. The regime of taxing dividends at the hands of company was unfavourable for foreign investors for two reasons. First, investors were unable to take the beneficial tax rate as per the treaty of the country, and second, the credit for the tax levied on dividends was denied in the home country.

Further, to increase the investment in infrastructure, income earned by way of interest, dividend and capital gain by Sovereign Wealth Funds of foreign governments has been 100 per cent exempted. Additionally, the reduced rate of 5 per cent on interest on long-term bonds to non-residents has been extended. To increase investment in masala bonds or government security, the reduced tax rate on interest has been extended. The FPI limit in corporate bonds has been increased from 9 per cent to 15 per cent.

REDDY: It is good to start with, though we can have a bit more. It will come. The big announcement on sovereign funds will help.

Can Budget measures restart the investment cycle?

SUYASH: As per the latest GDP data, investment growth is estimated to be flat at 1 per cent for fiscal 2020. A fall in consumption demand has led to lower capacity utilisation. The RBI's latest survey – Order Books, Inventories and Capacity Utilisation Survey or OBICUS – for the manufacturing sector confirms this. This, together with depressed business sentiment, means private investment decisions are being deferred. The recent cut in the corporate tax rate would further deleverage corporate balance sheets and reduce capital constraints but unless there is demand revival it will be hard for the private investment cycle to pick up. The Budget does not have enough muscle to push them quickly.

SHAH: As per the RBI policy statement earlier this month, capacity utilisation was 68.9 per cent (July-September). Given this scenario, private investments are likely to be at a slower pace. The Budget alone won't aid in revival.

CHATTERJEE: There has to be a way to reduce aggregate uncertainty. All projects are inherently risky and investors take calculated risks. If the economy-wide uncertainty is too high, it increases the risk associated with all projects. If the aggregate risk can be reduced, it can kick-start investments all around. While the Budget has sporadically tried to address the issue, it lacks big ideas to ignite investments.

SHUKLA: The investment cycle has

10%

Nominal GDP growth rate announced for FY21; the target for FY20 was 12%


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"0.5% slippage for structural reform is reasonable... How this plays out will depend on plans with IDBI Bank and other disinvestments"

Vishesh C. Chandiok, CEO, Grant Thornton India

remained rather moribund due to a combination of global and domestic factors – confidence, capital as well as capacity utilisation, which have all been adverse. Unless these improve, investments will take a while.

BUTANI: It depends on how soon measures are implemented. If the government stands by its word of engaging intensively with measures to boost health, employment, infrastructure; speeds up projects stuck with states; and extensively relies upon technology, it should happen.

CHANDIOK: Extension of tax holiday in affordable housing, measures to boost tourism, 500 fishery farmer producer organisations, incentives for data centres, customs duty increases on furniture, footwear and medical devices, tax exemption for sovereign wealth funds, and of course, the ₹100 lakh crore infrastructure spend will all boost investment. The new manufacturing policy in March 2020 and the proposed logistics policy have the potential to play a very important role in attracting FDI (particularly in relocating the supply chains) as well as domestic investment.

SHAW: In the infrastructure sector, it could. The reduced corporate tax may also help but at the end of the day, pick-up in consumption is crucial for any investment cycle to restart.

REDDY: The cycle will restart. Perhaps not instantly but it will. We need to be patient. It was a Budget critical to India's march towards a $5 trillion economy. Innovative tax reforms, focus on doubling agricultural revenue, impetus on education, entrepreneurship, nutrition, sanitation, healthcare, clean renewable energy and creating healthy and robust businesses has been the primary focus this year and they augur well for economy. It was encouraging that the PPP model was pronounced; it indicates the government's focus to include the private sector.

What do you think of the fiscal deficit level? Is it sustainable in the long term?

ROY: In last year's Budget, the government had concealed the actual fiscal position by making unrealistically high revenue projections. That is not the case now. As a result, we are seeing the possibility of a fall in net tax revenues as a percentage of GDP in 2020/21. The apparent contradiction is that expenditure-GDP ratio is increasing by 0.33 per cent in spite of fall in tax-GDP ratio. The government expects to compensate for the shortfall in tax revenues through increased disinvestment receipts. Whether a jump in disinvestment receipt like the one from ₹65,000 crore in FY20 to ₹210,000 crore in 2020/21 is sustainable remains a question.

SUYASH: The fiscal deficit target faces some risks. Even as the nominal growth assumption seems realistic, fiscal deficit relies on ambitious targets for tax buoyancy, disinvestment receipts and telecom revenues, where there could be slippages. Together, they can upend the fiscal deficit target if there is no frontloading of divestments.

SHUKLA: The Budget has assumed a growth of around 16 per cent in receipts in FY21 (as compared to the revised estimate for FY20), against an assumed nominal GDP growth of 10 per cent which seems a tad aggressive. The excessive reliance on divestment and non-tax revenues makes it tougher, which can put the FY21 target of 3.5 per cent at risk, unless there are large spending cuts.

The disinvestment target of ₹210,000 crore is quite aggressive and depends on stake sale of LIC and IDBI apart from a spillover from FY20 target of stake sale including that of Bharat Petroleum Corporation. Non-tax receipts will be the joker in the pack as they are budgeted to grow to ₹385,000 crore (up 11.4 per cent y-o-y) in FY21 largely owing to expectation of revenues from spectrum (₹130,000 crore expected) sales. However, note that the one-time support from the RBI through capital transfer, Operation Twist, may be absent.

CHANDIOK: Clearly the 0.5 per cent slippage for struc-

tural reform is reasonable and desirable over the next couple of years. How this plays out will depend on the plans with IDBI Bank and other disinvestments, and the likes of the LIC IPO, plus how the tax to GDP ratio increases by enlargement of the tax base.

Has the Budget met the expectations that various sectors had from it?

ROSHA: We believe it would help to have more guidance on the roadmap for PSU bank capitalisation and reforms. Given the low credit off-take, a more decisive stimulus to lift credit demand and some relief measures for the beleaguered real estate sector and NBFCs facing tighter liquidity would have been welcome. While these issues have received a mention in the Budget announcement, we await further guidance on it.

REDDY: I liked the focus on non-communicable diseases. There were some good elements such as encouraging local med tech industry. What exactly will be done, needs to be seen.

Can Budget 2020 raise rural incomes?

ROY: The growth in allocations to sectors like rural development, energy, and education is low. The fact is no expenditure switch has happened to address the growth slowdown.

SUYASH: The only silver lining is on the rural consumption side. For example, while the PM KISAN scheme has an allocation of ₹75,000 crore, similar to last year's Budget estimate, the revised estimate in 2019/20 is ₹54,370 crore, which underscores constraints on the disbursal side. On the other hand, MGNREGA allocation at ₹61,500 crore shows a 2.5 per cent increase over budgeted estimates and a 13 per cent decline over revised estimate levels. Further, PM Krishi Sinchai Yojana as well as PM Gramin Sadak Yojana have seen a 15 per cent and 2.5 per cent increase, respectively, over budgeted estimates, which should aid rural wage payments. Implementation is the key to success here.

SHUKLA: There is a clear reiteration of focus on the rural sector. This involves a mix of revenue and capital spending, with more emphasis on the latter, which is a good step. However, the outlay for FY21 for MGNREGA was pegged in line with previous years' at ₹61,500 crore.

SODHI: Doubling of artificial insemination and elimination of Foot and Mouth Disease and Brucellosis by 2025 will increase productivity and reduce the cost of production. It will bring more investments into the dairy sector. If done properly it will create 80 lakh jobs in rural India and 16 lakh jobs in urban India.

GUPTA: If the schemes announced are implemented well there will definitely be an uptike in rural incomes.

Will it lead to new job creation?

BUTANI: To address the rise in unemployment, the government aims to create jobs by adopting a twin approach which includes educating and updating the skill set of jobseekers while providing incentives to business to create job opportunities. Education and jobs development is the third sub-pillar of 'Aspirational India'. About 150 higher education institutions will start apprenticeship embedded degree/diploma courses by March 2021. The government shall start a programme whereby urban local bodies would provide internship to fresh engineers for one year. To finance the education system, steps would be taken to enable sourcing external commercial borrowings and FDI.

The government recognises that the electronic manufacturing industry provides the most prospects. To boost domestic manufacturing and attract large investments in the electronics value chain, a new scheme focused on encouraging manufacture of mobile phones, electronic equipment and semiconductor packaging shall be announced. This scheme with modifications shall be applicable for manufacture of medical devices as well. The government recognises that MSMEs are strong pillars for job creation. For enhancing the economic and financial sustainability, measures such as introduction of a scheme to provide subordinate debt

"The forthcoming fiscal year will surely be better in terms of consumption and economic growth"

Saugata Gupta, MD, Marico

"Given the low credit off-take, a more decisive stimulus to lift credit demand would have been welcome"

Surendra Rosha, Group General Manager & CEO, HSBC India

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for entrepreneurs of MSMEs will be seen as a welcome change.
CHANDIOK: Without doubt there are massive opportunities for job creation based on the measures that will restart the investment cycle. The lack of significant measures for the real estate sector went against popular expectations considering how much of a multiplier that sector has for the economy and jobs. We can expect significant additional announcements on this front in coming months.
REDDY: The FM has spoken about the service sector, tourism, health and skilling and all of it will work towards job creation.

"Rural, SMEs and stressed real estate are areas where more measures need to be rolled out to address the challenges"

Nimesh Shah, MD & CEO, ICICI Prudential Mutual Fund

Can Budget 2020 revive exports?

SHUKLA: India's exports, which have stagnated at 2 per cent of global trade, have to be approached holistically with review of processes, procedures and trade agreements.
BUTANI: The Government e-Marketplace (GeM) is a great opportunity for MSMEs by way of creating a Unified Procurement System in the country for providing a single platform for procurement of goods, services and works. The NIRVIK scheme will help achieve higher export credit disbursement, which will provide for higher insurance coverage, reduction in premium for small exporters and simplified procedure for claim settlements. The Budget also announced an unnamed scheme aimed to provide relief to exporters for the refund of duties and taxes on exported products.

These measures, which will incentivise smaller players, will also gradually lead to an overall increase in exports, provided implementation is both in letter and spirit.
CHATTERJEE: The Budget is not expected to have much impact on exports. There is some mention of custom duties rationalisation, but that is squarely aimed at protecting domestic industry.

What is the unfinished agenda?

CHATTERJEE: The key issue is addressing the systemic uncertainty. For this to happen, the government has to focus much more on economic policymaking. The government has to earn back the trust of investors within India and outside. It might have to involve and consult a wider community of professionals.
SHAW: A lot more could have been done for the pharmaceutical and healthcare sector, especially in terms of giving greater fillip to innovation, research and to boost exports.
ROSHA: Given the challenges in the financial sector over the recent past, we would have hoped for some measures to address the liquidity concerns in housing finance and NBFCs. Also, while the Budget mentions PSU bank reforms and governance to make them more competitive, a clearer roadmap with regards to specific reform measures and possible privatisation would have provided clarity. Lastly, given the demand-side slowdown, a more pronounced demand stimulus would have helped boost the economy in the short term.
SHUKLA: The unfinished agenda remains large and challenging. First, land and labour need to be addressed urgently. Second, structural reforms such as GST and IBC need to be tweaked to make them more efficient and robust. Third, individual sectors such as automobiles, NBFCs, power, real estate and telecom need to be attended to.
SHAH: Rural, SMEs and stressed real estate are areas where more measures need to be rolled out to address the challenges faced.
REDDY: A lot more could have been done for the manufacturing sector, more on Make in India.
CHANDIOK: Implementation is the main agenda that requires focus and intentional execution. For example, there have been many announcements to revive banking and non-bank credit, the auto sector and the real estate sector in the months leading up to the Budget - implementing those will revive the sentiment more than anything in the Budget. I am particularly pleased that the government is helping build 'trust' and the enhanced focus on that word is the ultimate test of whether India will actually become an easier place to do business. BT

27.5%

Increase in allocation to Swachh Bharat Abhiyan for FY21, to ₹12,294 crore

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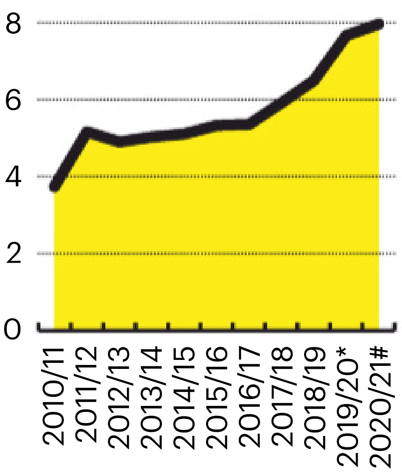
BALANCING ACT

BY SHIVANI SHARMA & NITI KIRAN
GRAPHIC BY TANMOY CHAKRABORTY

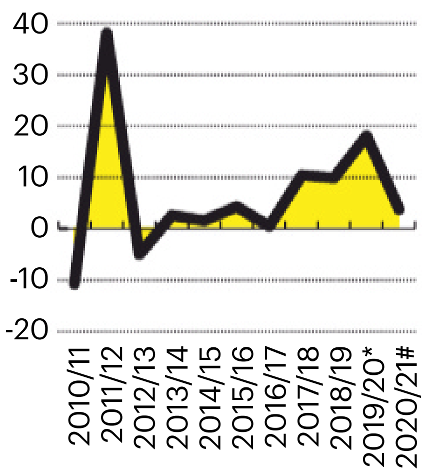
Budget numbers show a sharp rise in FY20 fiscal deficit. A substantial increase in government capex is aimed at keeping the growth engine humming

After 18% rise in FY20, the deficit target for FY21 looks ambitious

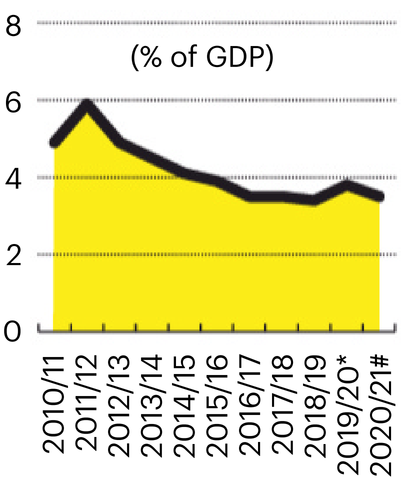
Gross Fiscal Deficit Up
(₹ lakh cr)



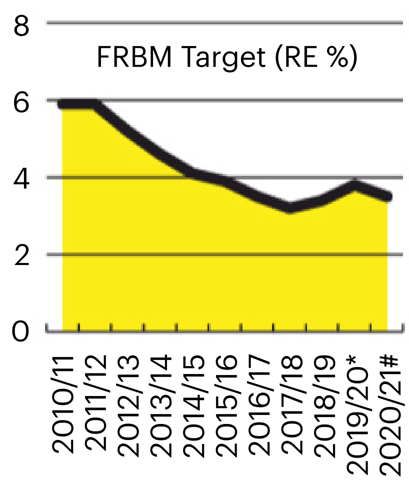
But Projected to Rise Slowly in FY21
Y-O-Y change (%)



Expected to Dip as % of GDP

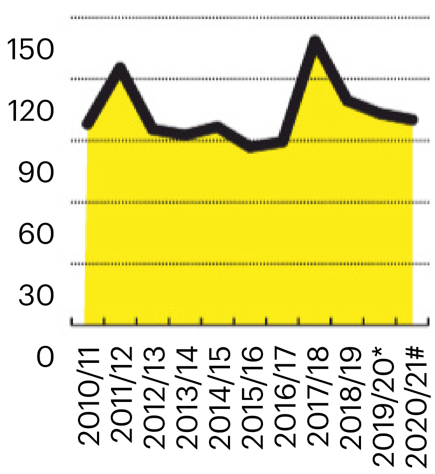


Breached the Budget FRBM Target in FY20

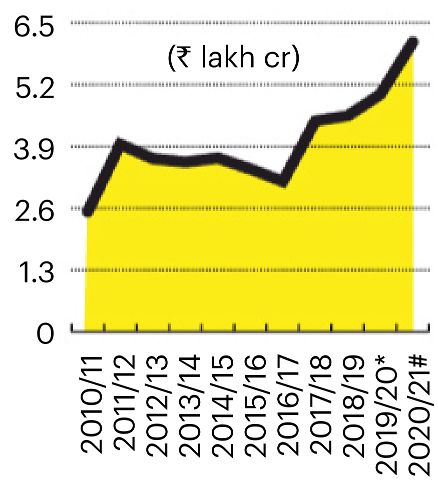


Revenue Deficit Increasing

Breaches Target in FY20
(% of Budget Estimates)



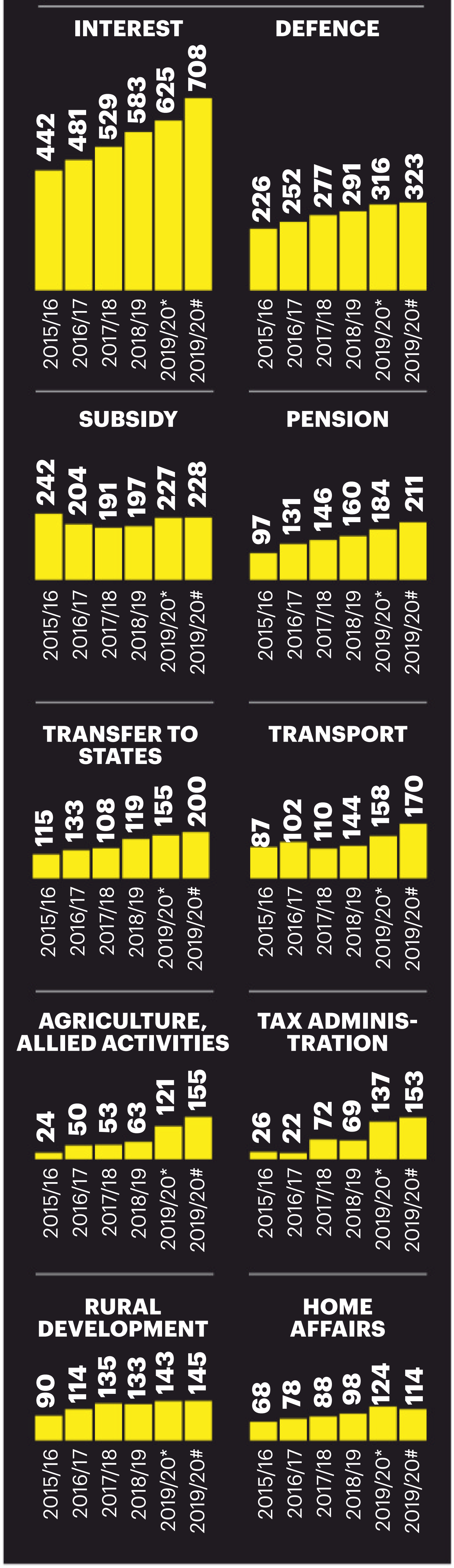
Sharp Rise Projected for FY21



Revised estimates; Budget estimates; Source: CMIE and Budget documents

Top 10 Expenditure Items

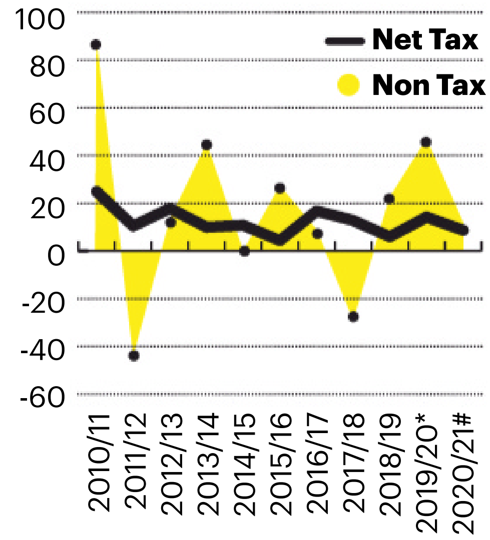
(₹ thousand crore)



Tepid Growth in Revenue Mop-up

Revenue Receipts

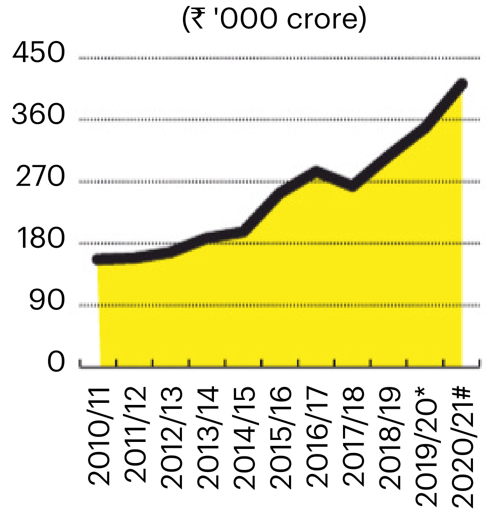
growth (%) from previous year



Government Bats for Sharper Capex Rise to Beat Slowdown

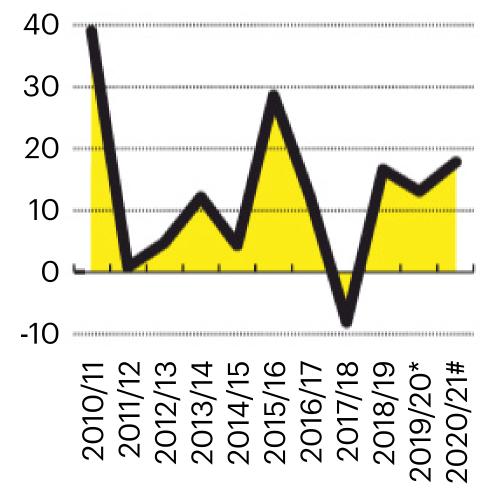
Capital Expenditure

(₹ '000 crore)



Capital Expenditure

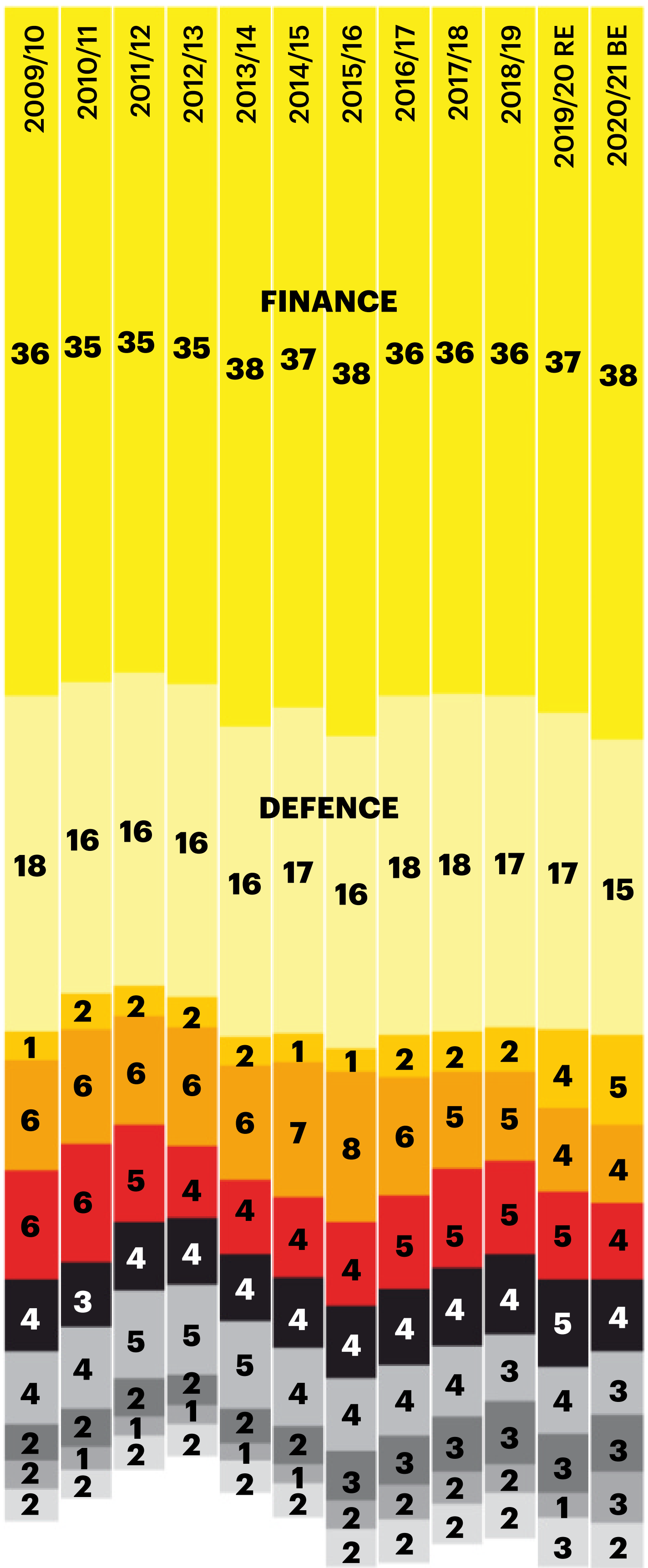
(Y-O-Y %)



*Revised estimates
#Budget estimates

Top 10 Ministries by Budget Allocation

(% share in total Budget allocation)

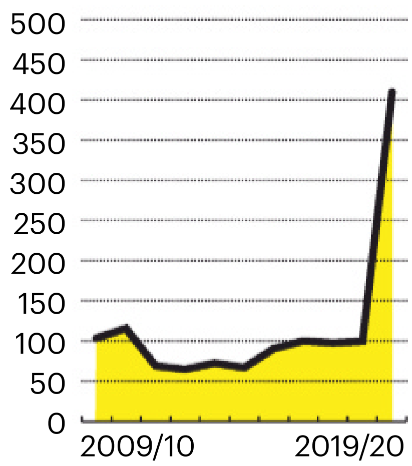


- Agriculture
- Consumer affairs, food and public distribution
- Rural development
- Home affairs
- Human resource development
- Road transport and highways
- Communications
- Railways

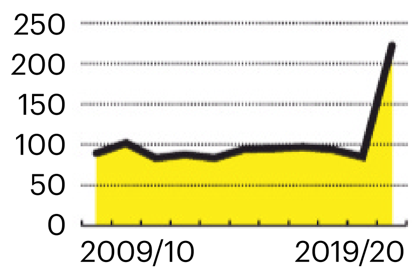
Top 10 Ministries Which Spent More Than the Funds Allocated

(Expenditure as % of Budget Estimates)

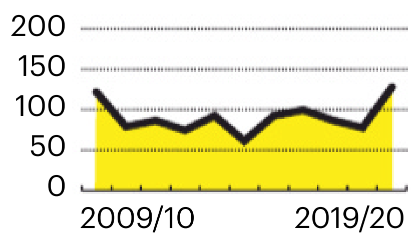
1. HOME AFFAIRS*



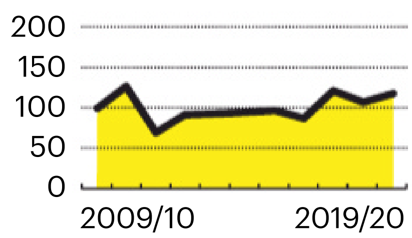
2. PARLIAMENTARY AFFAIRS

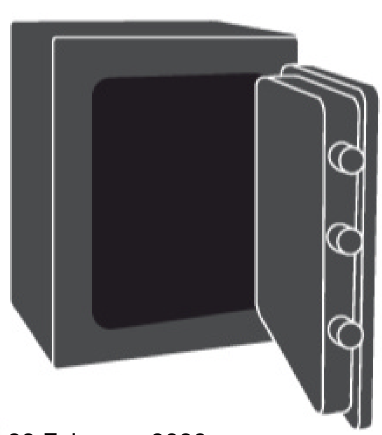


3. YOUTH AFFAIRS & SPORTS

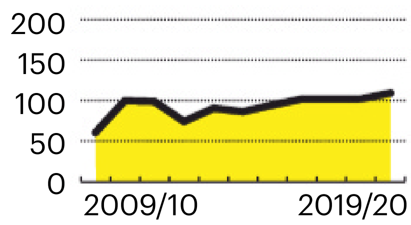


4. COMMERCE AND INDUSTRY

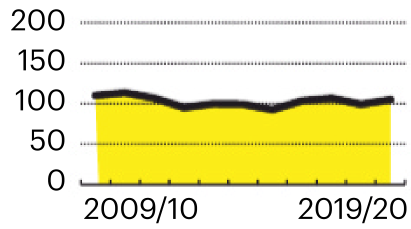




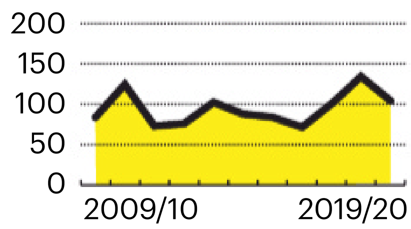
5. TRIBAL AFFAIRS



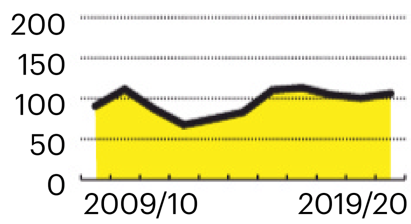
6. DEFENCE



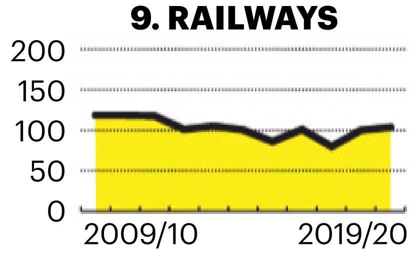
7. LAW AND JUSTICE



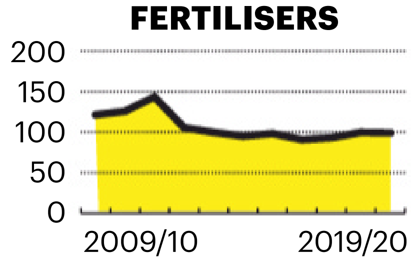
8. RURAL DEVELOPMENT



9. RAILWAYS

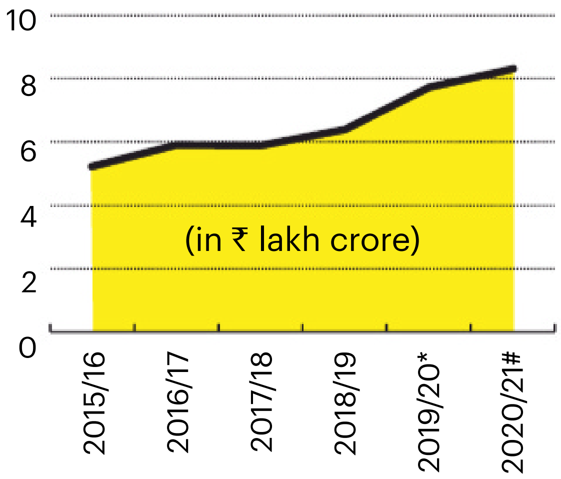


10. CHEMICALS AND FERTILISERS



*including other expenditure of the MHA

Modest Rise in Allocation to Centrally Sponsored Schemes



9.2%

Growth in revenue receipts in 2020/21 compared to revised estimates of 2019/20

1.7%

Capital expenditure as % of GDP in FY20 compared to 1.6% in FY19

2.5%

Increase in allocation towards centrally sponsored schemes in FY21 compared to Budget estimates of FY20

11.4%

Increase in non-tax revenues compared to 8.7% increase in net tax revenues in FY21

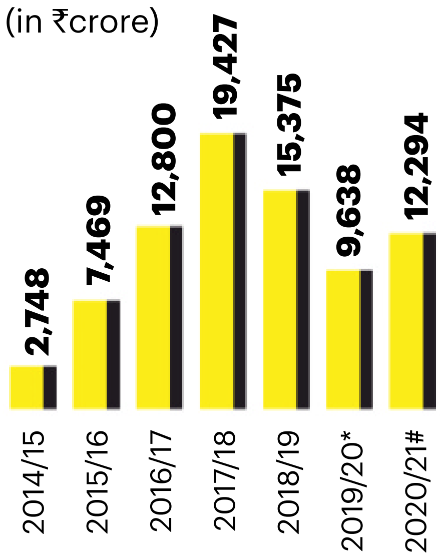
₹7.96

LAKH CRORE

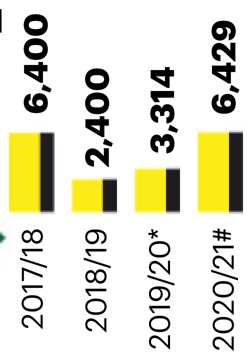
Gross fiscal deficit for the year 2021, up from ₹7.67 lakh crore in 2020 (revised estimates)

Status Report on Major Schemes

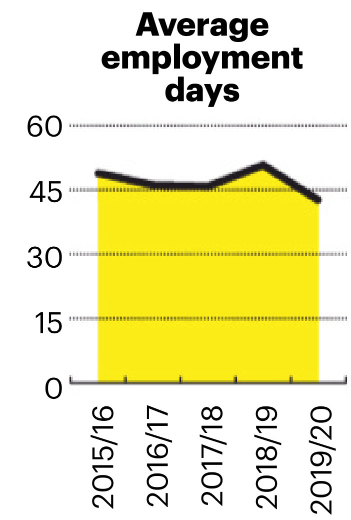
SWACHH BHARAT ABHIYAN

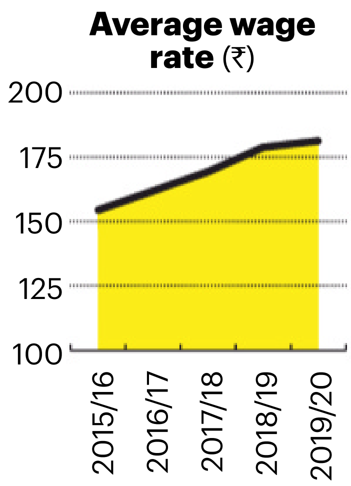


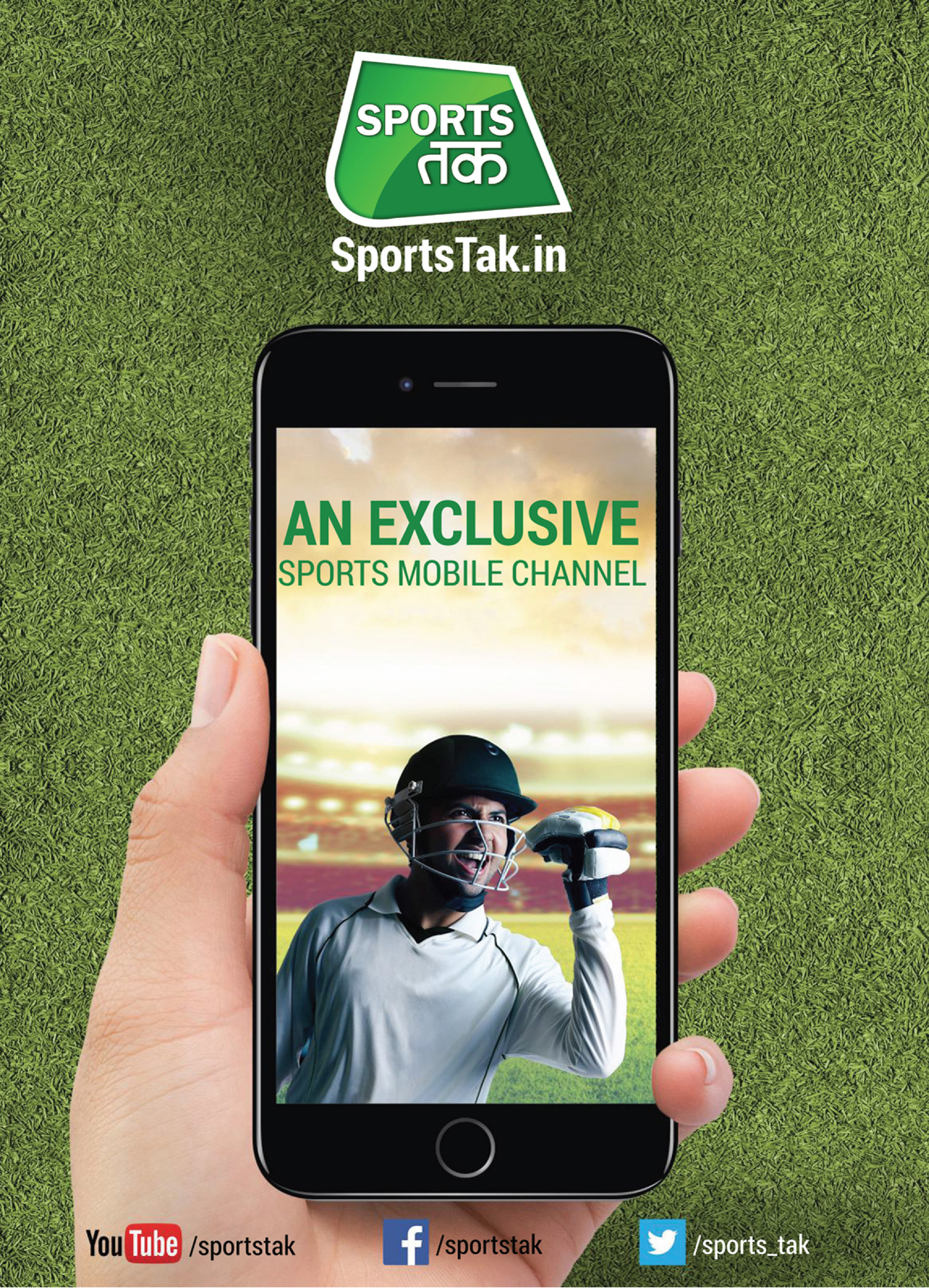
AYUSHMAN BHARAT YOJANA



MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME



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COVER STORY

BUDGET 2020

WHAT BUDGET

HAS FOR YOU

The decision to switch to the new income tax rates will depend on the level of deductions that you are able to use in the present regime

BY NAVEEN KUMAR
ILLUSTRATION BY RAJ VERMA

Given the state of the economy, where consumption levels are declining, it was widely anticipated that the government would come up with some path-breaking initiatives that would leave more disposable income in hands of taxpayers and drive up consumption. However, Budget 2020 has not brought any substantial tax benefit to individual taxpayers, though there are many proposals that can benefit them. Here is a look at the most important proposals that will have an effect on your personal finance.

Income tax slab unchanged – If your gross income is above ₹5 lakh and you have been using various exemptions and deductions like standard deduction, house rent allowance (HRA), leave travel allowance (LTA), home loan interest and principal, Section 80C investments and expenses, health insurance premium, National Pension System (NPS), and so on, to bring down your net taxable income substantially, the Budget may not have any new relief for you. New reduced tax rates have been announced but are applicable only if you forego all the deductions and exemptions.

This means if you have been taking deductions of ₹3-4 lakh or more, there is hardly any reason for you to opt out of the existing tax slabs and switch to the new ones (See Table).

Budget 2020: Key Takeaways

Income tax slabs remain unchanged for those who wish to use existing deductions and exemptions

Reduced income tax rates for various income levels; applicable if deductions/ exemptions not availed

Dividend distribution tax abolished; mostly benefits investors in lower income tax brackets

The ₹1.5 lakh benefit on interest paid on affordable housing loans extended by a year to March 2021

ESOP tax payment deferred for five years for start-ups

Insurance cover on bank deposits raised from ₹1 lakh to ₹5 lakh to help depositors

New limit of ₹7.5 lakh on employer contribution to PF, NPS and superannuation fund. This adversely impacts people earning higher salaries

Owners can sell property for up to 10 per cent lower value than the circle rate

Impact of Budget 2020 on Salaried Individual

AS PER EXISTING TAX SLABS APPLICABLE ON INCOME DURING FY 2020					
HEAD	**PERSON A**	**PERSON B**	**PERSON C**	**PERSON D**	**PERSON E**
Annual Salary	**8,50,000**	**10,00,000**	**12,00,000**	**15,00,000**	**25,00,000**
- Less Standard Deduction	50,000	50,000	50,000	50,000	50,000
- Less Deduction u/s 80C	1,00,000	1,50,000	1,50,000	1,50,000	1,50,000
- NPS u/s 80CCD (1B)	50,000	50,000	50,000	50,000	50,000
- Home Loan Interest u/s 24b	1,00,000	1,60,000	2,00,000	2,00,000	2,00,000
- Less Medical Insurance Self u/s 80D	25,000	25,000	25,000	25,000	25,000
- Less Medical Insurance Parents u/s 80D	25,000	25,000	50,000	50,000	50,000
Gross Taxable Income	**5,00,000**	**5,40,000**	**6,75,000**	**9,75,000**	**19,75,000**
Total Tax	**12,500**	**20,500**	**47,500**	**1,07,500**	**4,05,000**
-Less Rebate u/s 87A	12,500	-	-	-	-
Net Income Tax	**-**	**20,500**	**47,500**	**1,07,500**	**4,05,000**
- Add Education Cess	-	820	1,900	4,300	16,200
Tax Payable	**-**	**21,320**	**49,400**	**1,11,800**	**4,21,200**

AS PER NEW TAX SLABS APPLICABLE ON INCOME DURING FY 2021					
HEAD	**PERSON A**	**PERSON B**	**PERSON C**	**PERSON D**	**PERSON E**
Annual Salary	**8,50,000**	**10,00,000**	**12,00,000**	**15,00,000**	**25,00,000**
5% for income above ₹2.5–5 lakh	12,500	12,500	12,500	12,500	12,500
10% for income above ₹5–7.5 lakh	25,000	25,000	25,000	25,000	25,000
15% for income above ₹7.5–10 lakh	15,000	37,500	37,500	37,500	37,500
20% for income above ₹10–12.5 lakh	-	-	40,000	50,000	50,000
25% for income above ₹12.5–15 lakh	-	-	-	62,500	62,500
30% for income above ₹15 lakh	-	-	-	-	3,00,000
Total Tax	**52,500**	**75,000**	**1,15,000**	**1,87,500**	**4,87,500**
- Add Education Cess	2,100	3,000	4,600	7,500	19,500
Tax Payable	**54,600**	**78,000**	**1,19,600**	**1,95,000**	**5,07,000**

Option of reduced tax rate, but with trade-off – The Budget has introduced new reduced tax rates for incomes between ₹5 lakh and ₹15 lakh for those who do not use exemptions or deductions (see ***Quick Glance***). "With the removal of several allowances such as LTA, HRA, perquisites, transport allowances, the income tax regime is no longer 'simplified' and taxpayers will have to choose between the two regimes and check which one is more beneficial," says Archit Gupta, Founder and CEO, Cleartax. "The optional instance will complicate it for taxpayers. Those committed to long-term investing or tax saving via 80C (through Sections 80C, 80D, etc) may put off decisions until they have seen the outcome of the options available to them," he adds.

Dividend distribution tax abolished for companies – While the Budget did not have clear announcements in favour of taxpayers, it did announce a move that will benefit retail equity investors – abolition of the dividend distribution tax (DDT). The tax was paid at the rate of 20.55 per cent, including education cess and surcharge, by companies while giving dividend to investors. But with no DDT to pay, companies will be more willing to share their profits with investors. Investors receiving dividend will, however, pay income tax on this income depending upon their tax slabs. This will be great for those whose tax slab is lower that the 20 per cent DDT rate, explains Gupta. "So, this is a welcome relief," he adds. For those in the higher tax bracket, "things may be more complex and they may require assistance with figuring out the tax due on dividends earned. It may also impact exit strategies for some," he adds.

₹5 L

The new insurance cover for bank deposits

Additional home loan deduction extended – To boost the flagging real estate sector, in Budget 2019, the government had introduced an additional deduction of ₹1.5 lakh on home loan interest payment if you purchased a new house between April 1, 2019, and March 31 2020. The Budget has extended this by a year. What this means is that you can claim this deduction if you buy a new house between April 1, 2020, and March 31, 2021, and meet the eligibility conditions. This is in addition to the ₹2 lakh deduction available under Section 24b. To be eligible for this additional deduction, the value of the house should not be more than ₹45 lakh. You should also not hold any other house on the day the loan is sanctioned. "With houses bought by most first time buyers in the ₹30-60 lakh range, and people buying these being in the ₹10-25 lakh salary bracket, the biggest home buying segment is likely to increase the demand for affordable homes," says Sunil Mishra, Chief Executive Officer, TRESPECT, a B2C residential brokerage.

Enhanced protection on bank deposits – The recent crisis in PMC Bank, where many depositors were unable to withdraw their savings, brought forth the inadequacy of the deposit insurance cover of just ₹1 lakh. This had remained unchanged since 1995. The Budget 2020 has addressed this by raising the insurance cover to ₹5 lakh.

Retirement contribution by employer capped at ₹7.5

Quick Glance At New Tax Rates

TAX SLAB	NEW OPTION^	EXISTING
0-2.5	**Nil**	Nil
2.5-5*	**5%**	5%
5-7.5	**10%**	20%
7.5-10	**15%**	20%
10-12.5	**20%**	30%
12.5-15	**25%**	30%
15+	**30%**	**30%**

Figures in lakhs: ^No exemption and deduction claimed
*Nil tax payable due to Section 87A rebate
Education and health cess of 4% continues

lakh – Earlier, salaried employees who were in the highest income tax bracket had the flexibility to restructure their salary in such a way that the employer could make higher contribution towards Employees' Provident Fund (EPF), NPS or superannuation fund. But this year's Budget has limited the exemption on such contributions to ₹7.5 lakh in a financial year. "Tax saving by optimising the salary structure using NPS and superannuation may no longer be valid given the proposal on a combined limit to employer contributions to provident fund, superannuation fund and NPS. The employers may have to revisit their compensation policies in view of the proposed amendment," says Sudhakar Sethuraman, Partner, Deloitte India.

Relief to start-ups on ESOPs – To support start-ups in their talent retention efforts through employee stock options (ESOPs), the Budget has allowed tax deduction on these instruments to be deferred by five years. "In case of stock options issued by eligible start-up companies, it is proposed to defer tax deduction to the time of sale of shares or leaving of company or 48 months from the end of the relevant assessment year, whichever is earlier. This aims at protecting individual taxpayers from immediate tax outflow at the time of exercise of ESOPs despite holding the shares," says Sethuraman of Deloitte India.

₹7.5L
The new limit up to which employer contribution to PF, NPS or superannuation fund will be tax-exempt

NRIs to pay income tax on India income – The Budget took a step towards bringing in more NRIs into the country's tax net. As per the proposal, an Indian citizen who is not liable to pay tax in any other country or territory due to his domicile or residence or any other criteria of similar nature shall be deemed to be resident in India and, hence, liable to pay tax on his income in India. Explaining the objective behind the new NRI taxation provision, the Finance Bill states, "Tax laws should not encourage a situation where a person is not liable to tax in any country. The current rules governing tax residence make it possible for HNWIs and other individuals, who may be Indian citizens, to not be liable for tax anywhere in the world. Such a circumstance is certainly not desirable; particularly in the light of current development in the global tax environment where avenues for double non-taxation are being systematically closed." So, people who have gone abroad for employment and have not become a citizen of any other country may be required to pay tax on their income in India.

One must note that there are many NRIs who will not be affected by this new provision. "NRIs who are tax residents of the US and other countries having worldwide tax will certainly not be impacted by the above change. Even in case of countries which have territorial taxation such as Singapore or Hong Kong, this should not have application as the residents are subject to tax on their local income. However, this has once again brought to the forefront the meaning of the words 'liable to tax', particularly in cases where the countries, such as the UAE, do not impose personal tax," says Suresh Surana, Founder, RSM India, a consultancy firm. If you are an NRI and want to save on tax, then you have to take note of the number of days you stay in India. "It is also critical that individuals holding an Indian passport or persons of Indian origin regularly visiting India for various purposes should ensure that their stay in India is less than 120 days in any financial year as against 182 days earlier," says Surana.

Relief on selling property at corrected price – Over the last three years, the real estate sector has witnessed unprecedented correction and stagnation in property prices. However, there are many localities where the circle rate has not seen any revision or correction. As a result, the market value of the property is much less than the stipulated circle rate. The seller thus had to record the transaction at the circle rate, which was higher, and then pay higher stamp duty due to higher transaction value. In a move that would give relief to such property sellers, the Budget proposal allows them to sell their property and record the transaction at a value which is up to 10 per cent less than the corresponding circle rate. BT

@naveenkumar80

PLUGGING IMPORT LEAKS

ANTI-DUMPING DUTIES HAVE OFTEN FAILED TO SUPPORT DOMESTIC INDUSTRY

BY JOE C. MATHEW
ILLUSTRATION BY RAJ VERMA

Last year, Varun Mittal, a Ludhiana-based manufacturer of knitted goods, observed an unusual trend in import of a key raw material (a fabric item) just after the government imposed anti-dumping duty on it to discourage imports. The import of this polyester component – trade items are identified by a globally recognised, harmonised system of nomenclature code (HSN Code or simply tariff code) – fell 99 per cent. But import under another tariff code, specified for a slightly different type of fabric item, went up by almost the same amount. "There are more than 400 HSN codes that deal with fabric. Each number has different rates. If you persuade the government to impose anti-dumping duty on some, the trade shifts to other tariff lines," says Mittal.

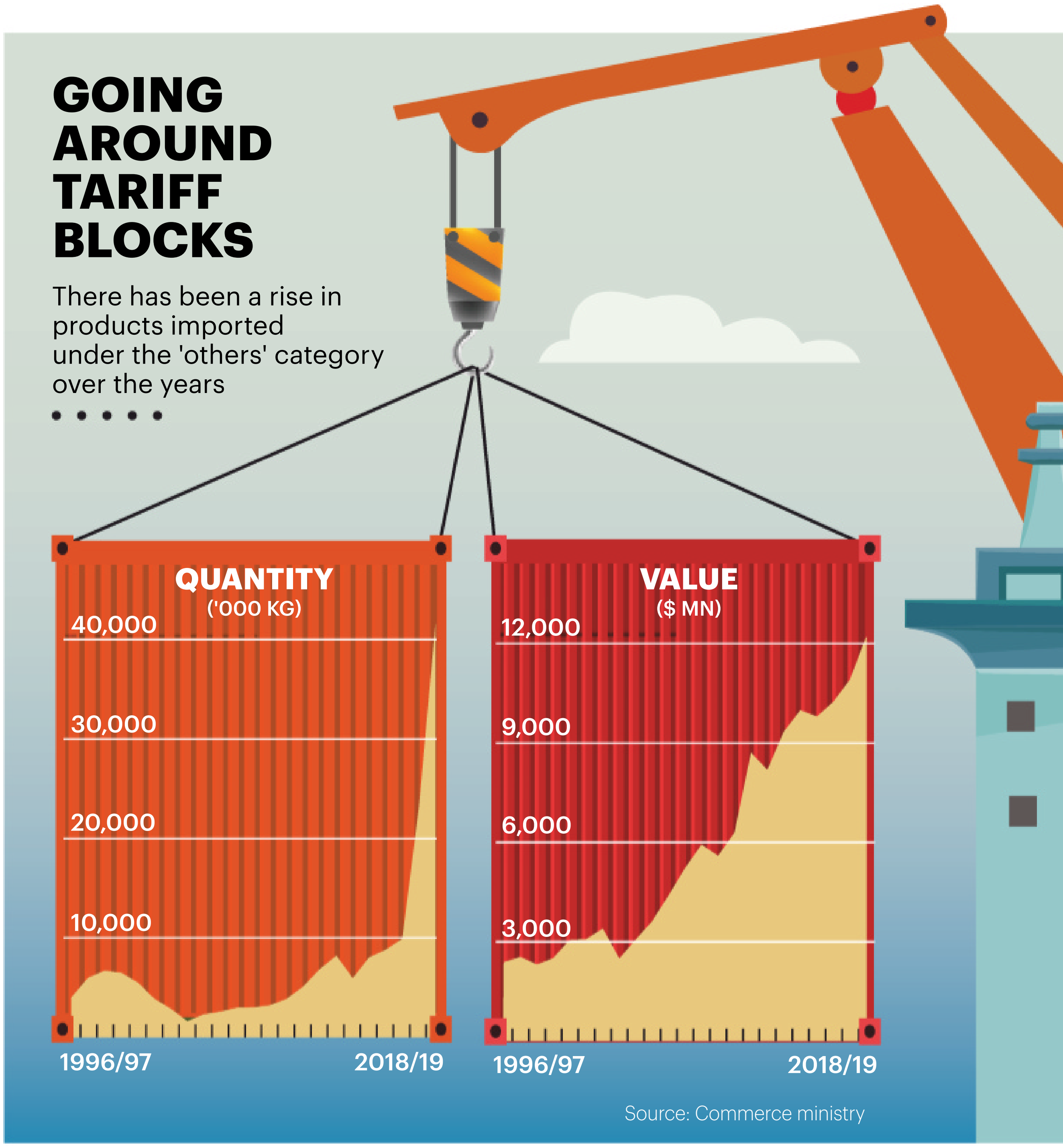
This is important as India has been increasingly using 'tariffs' to protect domestic industry in recent times. Its attempts are being defeated by the practice of exporters shifting from specific tariff lines to more generic categories. In fact, an unusual increase in imports under the 'others' category was one of the key problems the Narendra Modi government identified in the early days of its current tenure. "A Committee of Secretaries, set up by the prime minister, is looking into the issue. It has been observed that 78 per cent of the $18 billion (2018/19) imports (of products) that come under the administrative purview of the Ministry of Heavy Industries were in the 'others' category," says a Ministry of Commerce official. The numbers are high also for sectors such as steel, telecommunications, electronics and chemicals and petrochemicals (which covers the polyester that Mittal was talking about). Steel scrap and related products worth $4.9 billion were imported in the 'others' category in 2018/19. In telecom, the number was $13.8 billion, while in chemicals and petrochemicals, it was $9.7 billion. On the whole, 371 tariff codes, accounting for $68.8 billion of imports in the 'others' category, are under scrutiny. Anti-dumping duties are imposed for a limited period (normally five years) on imported items that are priced lower than their normal value in the exporting country to kill competition in the destination market.

India has increased customs tariffs on several products and is considering a number of cases for special anti-dumping duties over and above such normal duties. India, in fact, initiated 32 anti-dumping measures in 2018, second only to the US (41 cases) among the 164 WTO member countries. India also initiated 600 anti-dumping investigations, including 313 review cases, between January 1, 1992 and March 31, 2019. There are also other trade remedial measures that India can use like countervailing duties (subsidies and special duties to offset subsidies), safeguard duties and safeguard quantitative restrictions, apart from emergency measures to limit imports temporarily to safeguard domestic industries. But these have been used sparingly – there have been just 43 safeguard investigations and nine countervailing duties in 27 years.

Business Today has not been able to independently verify Ludhiana-based Mittal's claim, but there are enough indications to suggest that everything is not hunky-dory in India's efforts to check distortions in fair trade. Underinvoicing, misclassification, shifting of imports from countries where anti-dumping duties apply, etc., are just some of the practices that have been at the centre of attempts to dodge the goverment's efforts.

Though the primary purpose of trade remedial measures is not to generate revenue for the government but provide a level-playing field to domestic industry versus global competitors, the above mentioned measures can lead to evasion or circumvention of duties, making a loss to the exchequer. Sometimes, anti-dumping measures do not seem to be making a difference when imported raw materials are used to make goods for exports and duties paid on such inputs are reimbursed and so they do not act as a deterrent for exporters.

However, where anti-dumping duties work effectively, they can help



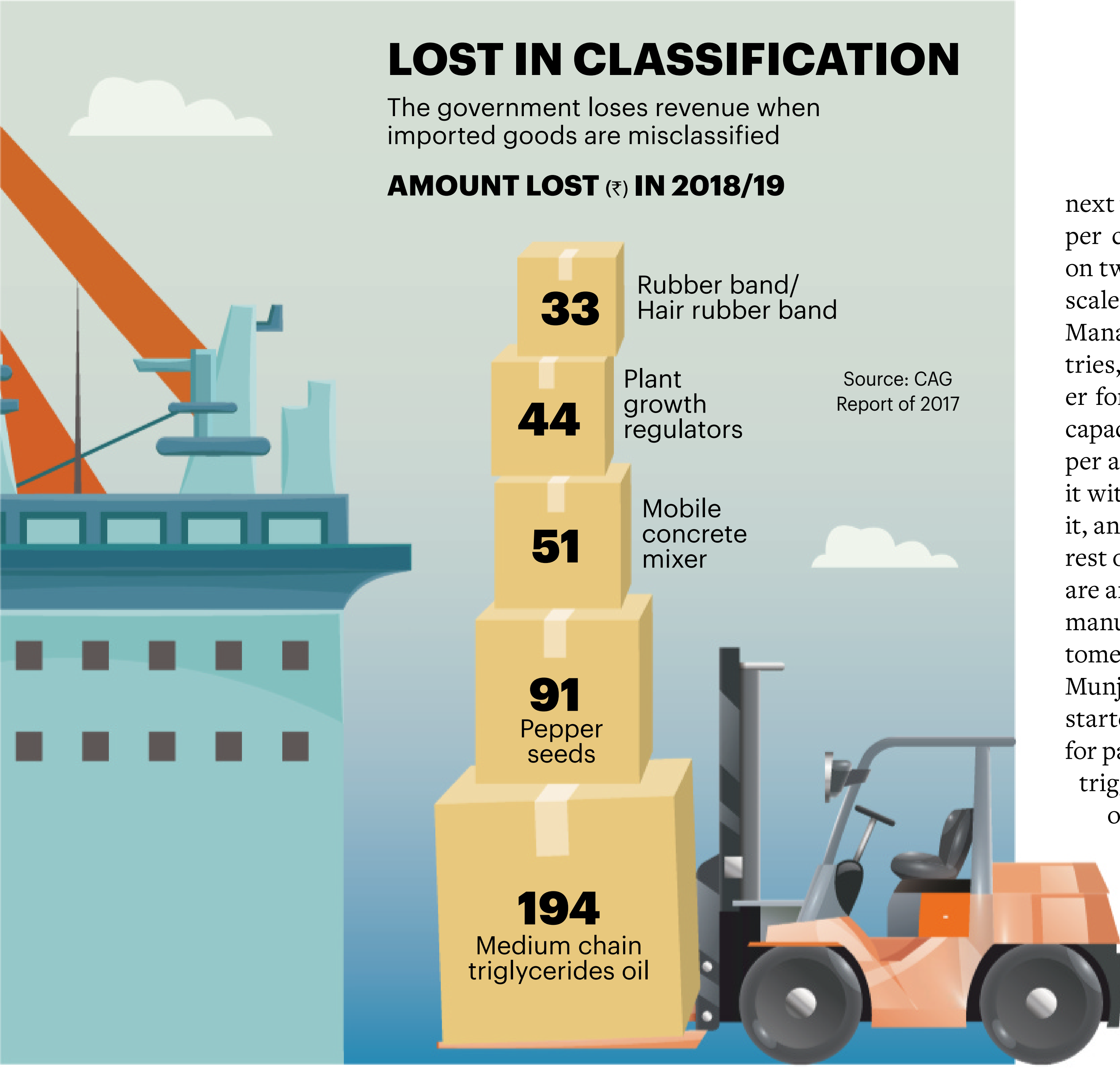
GRAPHIC BY DEVAJIT BORA

TRADE REMEDY INVESTIGATIONS INITIATED BY INDIA

600
Anti-dumping
(Including 313 reviews)

9
Countervailing duty

43
Safeguard investigations



"ANTI-DUMPING DUTY WAS EFFECTIVE **IN CASE OF STEEL WHEELS AND A** CHEMICAL AND PETRO-CHEMICAL PRODUCT"

A.K. Gupta, Founder, TPM Solicitors and Consultants

strengthen domestic industry, as is evident from the reduction in import dependence and augmentation of domestic production capabilities in some sectors.

However, where anti-dumping duties work effectively, they can strengthen domestic industry, as is evident from the reduction in import dependence and augmentation of domestic production in some sectors. Take alloy wheels, where huge capacities came up after India imposed anti-dumping duty. Now, it is an example of India's potential as locally produced two-wheeler alloy wheels are cheaper than imported (mainly from China) wheels even without any anti-dumping duty at present.

"Today localisation in alloy wheels for two-wheelers must be to the tune of 60 per cent. We believe that in the next three years, this will be about 85 per cent. There is no anti-dumping on two-wheelers, but we have gained scale now," says Ujjwal Kant Munjal, Managing Director, Rockman Industries, India's largest alloy wheel maker for two-wheelers. Rockman has a capacity of 12.5 million such wheels per annum. "If the Chinese could do it with size and scale, we can also do it, and that's what we have done. The rest of the market put together, there are another 12 million (wheels) being manufactured in India. Scale and customer confidence is what matters," Munjal adds. Recently, the company started manufacturing allow wheels for passenger cars as well. One of the triggers was the anti-dumping duty on alloy wheels for cars.

The current capacity of Indian companies is about four million passenger four-wheeler alloy wheels a year, just a fraction of China's 120 million. But even that capacity came up only after the anti-dumping duty came into force. "Out of this four million, three million must have come up after the imposition of the duty. Once India starts producing 15-20 million wheels, we will be able to compete with them (China)," Munjal says.

This is where India needs its policies to aim at medium- and long-term goals of self-sufficiency. It's a complex game with high stakes. How well is it working?

The 'Others'

A cursory look at import trends in the 'others' category shows that the government's fear is not misplaced. In general, there has been an increase in not only the non-specified sections of each product group ever since India started increasing customs duties but also in the frequency of anti-dumping duty investigations over the last five years. The trend is consistent for both volume and value of imports.

"In every product group, one tariff line is the 'others' category, where

EFFICIENCY IN QUESTION

Anti-dumping duties have helped some sectors but not others. Some products whose anti-dumping duty's expiry year was 2019

Chemicals and Petrochemcials

Nonylphenol
Status: Duty was not continued; imports increased significantly after duty expired
Country involved: Chinese Taipei

Hexamine–I
Status: Duty was not effective; industry continued to be in loss; sunset review was not initiated
Countries involved: Saudi Arabia, Russia

4, 4 Diaminostilbene-2, 2 Disulphonic Acid
Duty was effective against imports, but it was not continued
Country involved: China

Acetone–I
Duty was not effective, as there is continued injury. Duties have been discontinued.
Countries involved:
South Africa, Singapore, US, EU, Chinese Taipei

Steel, Other Metal Products, Electrical

Glass and glassware, steel wheels, etc.
Duty effective against imports.
Country involved: China

Aluminium road wheels
Domestic industry continues to face injury; duties continued.
Countries involved: China, South Korea, Thailand

DVD-Recordable
No application filed for SSR.
Countries involved: China, Hong Kong, Chinese Taipei

Cable ties
No SSR initiated.
Countries involved: China, Chinese Taipei, South Korea

Clear float glass
Domestic industry continues to face injury; duties continued.
Countries involved: Pakistan, Saudi Arabia, UAE

Source: DGTR Annual Report 2018/19, TPM Consultants

imports are seeing a sharp increase. When it happens in products that carry a minimum import duty, as in case of steel, or anti-dumping duty, as in case of several chemicals, the decrease in imports of the targeted tariff line matches the increase in the 'others' category of the same product," says Murali Kallummal, Professor, Centre for Research on International Trade, Indian Institute of Foreign Trade, New Delhi.

While one may not be able to point out a single reason for this trend in imports, there is a strong possibility that products with high duties find their way into India through the 'others' category, thereby diluting the impact of fair trade measures. Therefore, there is a need to revamp the existing trade classifications for better transparency. "The HSN system (tariff codes) should be more disaggregated to handle this. We have to make products as disaggregated as possible, and preferably (named or classified) as used by the industry," says Kallummal.

Ludhiana's Mittal has some tips for the government in this regard. "Tariff is the biggest area for the government to get into. In textiles, for instance, knit fabric comes under one definition, but you can produce knit fabric at ₹220 a kg and also ₹780 a kg. The gap is huge. So, evasion happens not only on the basis of rate and quantity but also quality." According to him, there should be a mechanism under which goods from a foreign country show their right value in the originating country. "Future free trade agreements should make it mandatory for the exporting country's shipping bill to carry the cargo value. In that country, all the benefits given on exports should be based on the value of that shipping bill and not the invoice. If the value of the cargo is mentioned on the shipping bill and the same is used by the exporting country to reimburse taxes and the importing country to levy import duties, the problem will be solved," says Mittal. He adds that an international e-way bill like the one India has can ensure fair trade and trade data at the same time.

Cause and Effect

A.K. Gupta, Founder, TPM Solicitors and Consultants, which handles close to 85 per cent of all anti-dumping cases on behalf of the domestic industries in India, says a quick analysis of 25 products where anti-dumping duties had expired till the end of 2019 shows mixed results. "In several cases, the performance of the industry improved as a result of the duties, due to which the DGTR (Directorate General of Trade Remedies, under the Ministry of Commerce) found it appropriate not to continue the duties. In some such cases, the domestic in-

"THE HSN SYSTEM SHOULD BE MORE **DISAGGREGATED... WE HAVE TO MAKE** IT AS DISAGGREGATED AS POSSIBLE, AND AS USED BY THE INDUSTRY"

Murali Kallummal, Professor, CRIT, IIFT, Delhi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dustries have been forced to file fresh applications as imports increased significantly post the expiry of the duties. For example, in case of nylon filament yarn, the expiry of the duty led to increased imports at dumped prices, affecting the industry," Gupta says.

In fact, of all the 25 cases, at least 10 proved to be tough nuts to crack because despite duties, the sectors continued to be hit by the imports. These included aluminium road wheels, electrical insulators, nonylphenol, hexamine, acetone, and mostly products in the chemicals and petrochemicals category. In some cases, sunset reviews (SSR) to continue or increase the rate of anti-dumping duties were initiated, too. An SSR led to duty enhancement and extension for Meta Phenylene Diamine, but in the case of some rubber chemicals, the duty was not continued and imports increased once it expired in early-2019.

Dumping of electrical insulators continued, but for a different reason. After the anti-dumping duty was imposed, Chinese producers started exporting polymer insulators, instead of glass and porcelain insulators, on which there was anti-dumping duty. The performance of the domestic industry improved for some time but gradually deteriorated when glass and porcelain insulators were replaced with polymer insulators.

There are success stories, too. The domestic makers of sodium nitrate made no request for extending anti-dumping duty on the product which is imported from the EU, China, Ukraine and South Korea. The duty imposed had restored the level-playing field for them. Gupta's analysis also shows that anti-dumping duty was effective in case of steel wheels and a chemical and petrochemical product, 4,4 Diamino Stilbene 2,2 Disulphonic Acid.

In some cases, the domestic industry wants the anti-dumping duty to stay as gaining scale and strength against cheap imports takes time. This has resulted in an increase in the number of appeals for reviewing the sunset clause. "In 2018/19, a number of investigations were terminated without recommending any additional duty.

This was especially true in case of sunset reviews, in cases where investigations were not initiated or were terminated if the performance of the industry had improved. But the authority should have examined if the performance would deteriorate in the absence of the duty. Since such industries felt that the duties should have been imposed or continued, it led to a number of findings being challenged," says Gupta.

When a duty is imposed on a product, there can be various consequences – import from the very same sources may change, import of the same product from other countries may change, and import of downstream and upstream products could also be impacted. All four possible scenarios need to be carefully tracked to understand the dynamics of the trade flow in the anti-dumping context.

With India keen to discourage non-essential imports, understanding these factors can only help frame regulations that are more effective and can strengthen domestic manufacturing.

The Committee of Secretaries, meanwhile, is trying to formulate a strategy to control the import of products in the 'others' category. Commerce Minister Piyush Goyal is known to have asked the ministries with a high burden of such unspecified imports to identify at least 300 products, to begin with, to reduce the country's import dependence while promoting local manufacturing. A March 2020 deadline is also in place.

Unless the government finds a magic wand, ensuring effectiveness of trade remedial measures will remain a complex and critical problem. BT

@joecmathew

CAG ALERT

In its compliance audit report of the revenue department in 2017, the Comptroller and Auditor General (CAG) mentions 29 cases of incorrect assessment of customs duties, mostly due to non-levy of applicable anti-dumping duty and safeguard duty on imports.

The report also points out 28 instances where assessing officers misclassified various imported goods. The two together led to a loss of about ₹27.48 crore in customs duties.

The report mentions various other examples as well. Sixty seven consignments of goods like hexamine, methylene chloride, albendzole, electronic calculator, aluminum alloy wheels and phenol, which carry anti-dumping duties, were imported from specified jurisdictions such as Saudi Arabia, China, Singapore, US, European Union and Taiwan by 29 firms without payment of anti-dumping duty amounting to ₹6.23 crore.

An example of misclassification names Cabury India, which imported (between July 2012 to March 2014) 19 consignments of "hydrolysed vegetable protein containing-soya" after classifying it as "isolated soya protein". This meant the consignment attracted a basic customs duty of 10 per cent and a countervailing duty of 6 per cent instead of 30 per cent and 10 per cent, respectively. The misclassification resulted in duty loss of ₹2.80 crore.

As the CAG audit does not cover each and every customs transaction, the findings can be seen as indicators of the overall picture of how effective anti-dumping duties are.

Finance

New-Age NBFCs

A NEW BREED OF TECH-SAVVY PLAYERS IS TARGETING NICHE LENDING SEGMENTS NOT COVERED BY BANKS AND TRADITIONAL NBFCs. THEIR JOURNEY IS NOT WITHOUT CHALLENGES.

By ANAND ADHIKARI

"IF I WALK ON THE ROAD, all the small entrepreneurs on my left and right are our potential customers," says Mohit Sahney, whose Rajasthan-based non-banking finance company (NBFC) Finova Capital caters only to the financially underserved people such as tea sellers, tailors and hairdressers. Sahney started the business four years ago, after leaving his decade-old job at private sector ICICI Bank. Similarly, Mumbai-based UGRO Capital, founded by industry veteran Sachindra Nath, specialises in financing select sectors in the SME space. UGRO is also innovating

16.7
LAKH CRORE
Credit gap for MSMEs and marginal farmers

on the distribution front with multiple co-lending models, including what it calls "uberisation" of intermediation. Another new-age NBFC, CredAble, is bridging the credit gap in supply chain financing for MSMEs, as traditional banks and NBFCs serve only the creamy layer of suppliers and distributors. "On a two-month basis, there is a ₹1 lakh crore working capital credit gap in India. Our mission is to triple the working capital available in India over the next five years," says Nirav Choksi, Co-founder and CEO, CredAble.

Sahney, Nath and Choksi are among the hundreds of finance and technology professionals who are transforming the credit space with their innovative solutions and products. These new-age NBFCs or fintechs are rewriting the rules of the lending business by boarding new sets of customers, out-of-the-box risk assessment tools, tapping newer/smaller geographies and partnering with banks and traditional NBFCs for co-lending.

A recent PWC report says such NBFCs are reshaping the entire lending value chain from customer acquisition and credit scoring to loan servicing and recovery.

Let's look at their business models.

Geographical Proof of Concept

Finova Capital is focussing on microentrepreneurs and smaller loans/ geographies. It has built templates for assessing cash flow or income of small entrepreneurs who do not have credit history or proper documentation. For instance, the template for tea stall owners estimates monthly cash flow or income based on the quantity of milk and sugar consumed and the number of gas cylinders used, apart from retail and corporate sales (to offices).

The company offers loans of ₹3-10 lakh for two-seven years. The loan book grew 150 per cent to ₹245 crore in 2018/19. "I give higher loan limit with longer repayment period than any bank or NBFC," says Sahney. The company borrows from the market for the long term to avoid asset-liability mismatches. Its funders include close to a dozen banks and institutions. The entire NBFC sector was badly hit after the IL&FS crisis as most lenders were using short-term borrowings to lend for the long term.

Finova's strategy is to get business in one state and use the lessons learnt there in other states. "Our major branches in Rajasthan are in rural and semi-urban areas," says Sahney, who is now expanding in Madhya Pradesh, Gujarat and Delhi. His focus – like AU Small Finance Bank, which also emerged from Rajasthan – is areas where people from lower to middle income groups are not served by the traditional banks.

The business, started with a capital of ₹10 crore, has attracted investments by big private equity firms such as Sequoia Capital and Faering Capital (founded by Deepak Parekh's son Aditya Parekh). Aditya Parekh is also a director on the board. "We have been profitable from the first year itself," says Sahney. The company reported 180 per cent growth in income from ₹15.38 crore in 2017/18 to ₹43.05 crore in 2018/19.

Experts say the biggest risk to Finova comes from geographical concentration. A majority of its loans are to MSMEs. "We are expanding into newer markets like Gujarat, Maharashtra and Madhya Pradesh," says Sahney. The company is also keeping the option of co-lending with banks and other institutions open. "We have mastered the templates for lending to those who are underserved and unbanked. We are open to working with other institutions," says Sahney. The success of Bandhan Bank in Kolkata and AU Small Finance Bank in Rajasthan are inspiring regional-focussed NBFCs to scale up nationally and build their case for a banking licence.

Uberisation in Financial Services

Nath of UGRO Capital says the success of such lenders will depend on solving problems not being addressed by banks and traditional NBFCs. South-based Shriram Capital created a business

"The big thought process was about solving a problem for the sector. We decided to build a higher degree of specialisation but at scale"

SACHINDRA NATH,
Executive Chairman,
UGRO Capital

UGRO Capital

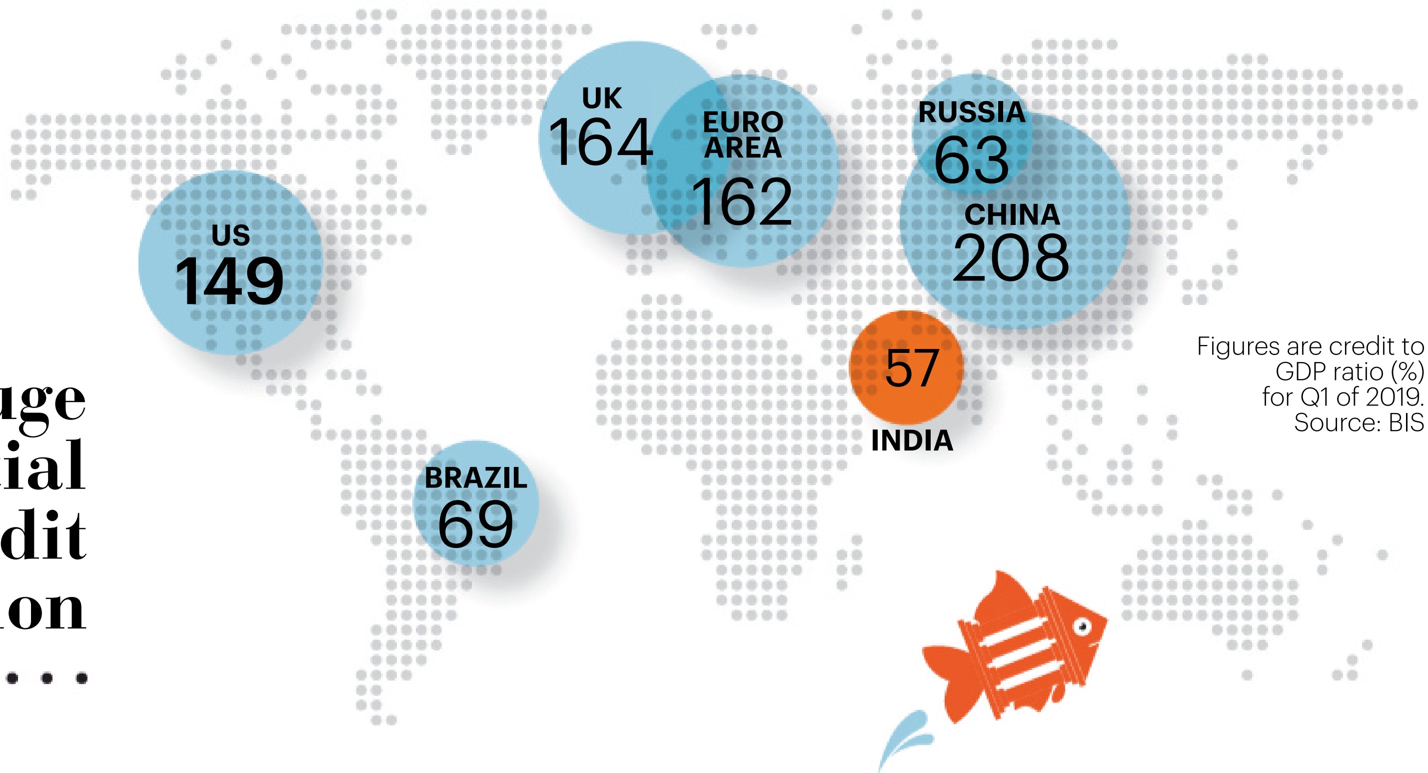
STARTED IN:
2019

NETWORK:
Nine branches, 15 ecosystem partners | 232 GRO partners | two co-origination partners

LOAN BOOK:
₹575 CRORE
(Sept 2019)
Target AUM: ₹1,200+ crore by the end of FY 2019/20

IT HAS BUILT AN SME-FINANCING PLATFORM COMBINING TECHNOLOGY AND ANALYTICS WITH FOCUS ON SELECT SECTORS

Huge Potential for Credit Expansion



around financing used trucks. Similarly, Mannapuram and Muthoot tapped the potential of the gold loan business. More recently, Pune-based Bajaj Finance stormed the consumer durables finance market which hardly had any bank or finance company because of small ticket size of the loans and low margins. URGO is positioning itself as an SME financer in niche segments. "Only 10 per cent SMEs in India have access to credit. This is a business where growth is not a challenge," says Nath, whose firm has raised around ₹1,000 crore growth capital from private equity investors. Flipkart Co-founder Sachin Bansal has invested ₹50 crore through non-convertible debentures.

Nath plans to bring in a high degree of specialisation along with scale in the SME space. The company carried out a year-long study of 180 business sectors in terms of contribution to GDP, availability of bank credit and regulations. The list was filtered down to eight broad sectors – healthcare, education, chemical, food processing & FMCG, hospitality, electrical equipment, auto component and light engineering. There is further sub-division of sectors to whom UGRO plans to lend. For instance, healthcare has sub-sectors such as eye/dental clinics, pharmacy, radiology and pathology. Similarly, education has segments such as K12 and playschool. "We have picked up sectors that are macro resilient," says Nath.

Like UGRO, Indifi has set its eyes on hotels, restaurants, travel agents along with mobile, apparel and grocery stores. Neogrowth is focussed on two broad segments – retailers with point of sale machines and online sellers.

All these new NBFCs are not relying solely on financial records and income tax returns to determine the borrower's creditworthiness. "We have modified the credit bureau score with a build-in proprietary score," says Nath. UGRO has multiple customer acquisition strategies and has brought in the concept of "uberisation" of financial services. "We are tying up with intermediaries such as chartered accountants and software service providers with SME customers to reach out to customers," says Nath. The second big channel is ecosystem financing. The third is the co-lending model in rural areas where it plans to tie up with NBFCs with a good branch network. The company recently tied up with another NBFC, Sunvest Capital, a specialist in rooftop solar financing, for co-lending to MSMEs. It has set up a corpus of ₹20 crore for this. It has also entered into a co-origination partnership with banks like SBI and Bank of Baroda. "Our aspiration is to cover a loan from ₹1 lakh to ₹1 crore," says Nath. Ugro's monthly disbursals are over ₹100 crore. The target is ₹1,200 crore by March 2020.

"People are ready to give us higher tenure loans. Our borrowings are for five-year plus. This helps us give long tenure loans of seven years"

MOHIT SAHNEY,
Founder, Finova Capital

Finova Capital

STARTED IN:
2015

NUMBER OF BRANCHES:
80

LOAN BOOK:
₹350
CRORE
Total income has grown by 180 per cent from ₹15.38 crore in 2017/18 to ₹43.05 crore in 2018/19

IT IS CREATING A TEMPLATE FOR FINANCIALLY EXCLUDED MICRO AND SMALL BUSINESSES FROM A TEA STALL TO A HAIRDRESSER

Little Loans, Very Short Term Tenure

Imagine a company giving loans of as

low as ₹5,000 for a month. Bengaluru-based Avail Finance is doing exactly that. Its targets are low-income group and blue-collar workers like security guards, maids, drivers. "It is the first loan for most of our borrowers," says Ankush Aggarwal, Founder, Avail Finance. "Our model is anchor-led. We partner with staffing agencies. This reduces instances of defaults/frauds," says Aggarwal. The company charges 2 per cent interest per month for amounts higher than ₹5,000. It also has a loan product of ₹20,000 for a five-month period. Most of its customers earn less than ₹20,000 a month and have no regular employment, credit history with bureaus or proper identity and residential proof documents.

Like Aggarwal's Avail Finance, Bon Credit is serving gig economy workers such as taxi drivers and delivery agents. Chennai-based Open Tap caters to mid- to low-income workers who earn ₹6,000-25,000 per month. Pune-based Early Salary, as the name suggests, offers loans against future salaries. Then there is New Delhi-based Money In Minutes, which gives small cash loans of ₹10,000 to ₹25,000, with a repayment period of two to four weeks. One of its interesting products is a "bad credit loan" for people with bad credit history. There are also dozens of peer-to-peer lenders serving the small loan segment by providing a meeting platform for lenders (investors) and borrowers.

Banks and NBFCs have in the past stayed away from small ticket and short tenure loans. Some who entered the segment burnt their fingers around the 2008 global financial meltdown. The fintechs are now filling the gap.

"We design the product. We own the relationship with vendors and the enterprise. We then bring in banks and other capital market participants. We act like a supply chain investment banker"

NIRAV CHOKSI,
Co-founder & CEO, CredAble

CredAble

STARTED IN:
2017

NETWORK:
Six branches, supply chain-financing platform with 30 clients, including banks, corporates and suppliers and distributors

LOAN BOOK:
₹3,600
CRORE
of transactions processed

IT PROVIDES SUPPLY CHAIN-FINANCING TO SMALL VENDORS AND DEALERS WHO ARE OFTEN EXCLUDED BECAUSE OF LOWER SCALE OF OPERATIONS

Supply Chain Gaps

Banks and traditional NBFCs have been into supply chain financing for long. But almost 80 per cent vendors, suppliers and distributors do not get short-term working capital support because of lack of collateral or strong balance sheet. The new fintech players are using technology to connect large corporates with their supply chains. Several players such as CredAble, KredX and Vayana Network are using the cash flow method to lend to such players. These vendors and distributors can sell their invoices or receivables on an online discounting platform to get instant funds. This has been made possible due to regulatory encouragement. The Reserve Bank of India (RBI) has come out with an online discounting system called TReDS. Three players have already got licences for offering an online-discounting platform. A recent finance ministry-appointed committee has recommended integrating GSTN data with TReDS exchanges to enable cash flow-based lending by banks and NBFCs.

Even as the government is creating a platform to facilitate lending to these small supply-chain entrepreneurs, the fintechs are spreading their wings. Mumbai-based CredAble says the 60-day credit cycle has a ₹1 lakh-crore gap. "Our mission is to triple the available working capital in India over the next five years," says Choksi of CredAble. The company focusses on suppliers and distributors in sectors such as logistics, transportation, facility management, raw materials and packaging. Choksi's company works with leading private sector and multinational banks. "We own the relationship with the enterprise and its vendors and suppliers. We

The Challenges

- Scaling up is a challenge, real picture to emerge after three-five years
- Competition from small finance banks and traditional NBFCs
- Raising resources from market and banks is not easy
- Concentration risk as they operate in limited geography, with single product
- Private equity presence, likely dilution of promoter equity, as companies scale up
- Too many fintech players competing in the same space

bring in banks and other capital market participants to undertake supply chain financing. We act like an investment banker," says Choksi.

Supply-chain financing, say experts, is set to achieve substantial scale with government and fintechs (working with banks) pitching in to help vendors and suppliers, which are mostly MSMEs.

White Spaces in Education Sector

Lending to the education sector has always been restricted to loans for higher studies in India and abroad. Public sector banks, which always complained of higher NPAs in the education segment, focussed on low-ticket size education loans whereas private and foreign banks looked at loans for studying in the top-notch institutes. Segments like lending to schools, especially play schools, coaching centres and vocational and higher studies institutes, remained neglected. Not now. South-based Varthana lends to affordable private schools. It offers a ₹5 lakh unsecured loan for three years. The only eligibility is that the school should have a three-year record and facilities for at least 300 students. It also has a secured product offering loans up to ₹2 crore for larger schools for a period of eight years. The school should have a three-year track record and facilities for at least 500 students. Another NBFC, Intec Capital, offers loans to private schools, coaching centres and private vocational colleges.

Challenges and Way Forward

These new-age NBFCs are set to increase their contribution to consumption and GDP. At present, they all are starting with growth capital raised from venture capitalists and private equity players. Experts say investors' enthusiasm can be a good proxy to gauge their impact on the ground. A finance ministry report quoted total investment of $2.3 billion by private equity and venture capitalist players in fintechs in 2016 and 2017. In the first half of calendar year 2018, the figure was $640 million. Globally, fintech investments reached a record $57.9 billion during the period.

Clearly, India is in a sweet spot. There is a huge potential for credit expansion as our credit to GDP ratio is abysmally low at 57 per cent. For China, the figure is over 200 per cent (See *Huge Potential for Credit Expansion*).

At present, traditional NBFCs' share in banking industry advances is about 20 per cent. Their share in balance sheet is just 15 per cent. Also, the NBFC is a fragmented segment with 10,000-plus entities, whereas there are about 100 commercial banks. According to a report, *Beyond Fintech* by the World Economic Forum, fintechs are setting the foundation for disrupting the incumbent financial institutions. Their biggest differentiation is customised solutions unlike banks' one-size-fits-all approach. They are also shifting from collateral lending to cash flow-based lending, which in itself can open up a huge market. In terms of risk management, they are relying on much larger databases (e-commerce transactions, RTO data) and social media tools than the traditional credit bureaus, which use just the banking relationship to arrive at a credit score.

The real success of these NBFCs will be tested when they scale up and face stress on loan books. They also have to go through many economic cycles to test the capacity of borrowers to pay in difficult times. Going forward, there are also issues like data privacy. At present, customer data is freely shared with third parties without consent. "The industry should ensure that consumer consent is obtained upfront and data governance standards are in place to safeguard customer data," says a PWC report. The industry will have to ensure good corporate governance, strong management and long-term sustainability of profits. The biggest competition will come from small finance banks and tech-savvy private banks as they can easily replicate the products using their low cost of funds to their advantage. "Banks prefer to play in higher loan-ticket size. There is a huge opportunity for all if one looks at parameters like credit to GDP or mortgage to GDP ratios in India," says Sahney of Finova Capital. **BT**

@anandadhikari

"Our model is anchor-led. We partner with staffing agencies. This reduces defaults/frauds"

ANKUSH AGGARWAL,
Founder, Avail Finance

Avail Finance

STARTED IN:
2017

NETWORK:
Operates through anchor model of tying up B2B acquisition, which is more of an alliance

LOAN BOOK:
₹100 CRORE

IT PROVIDES VERY SMALL TICKET SIZE LOANS OF AS LOW AS ₹5,000 TO LOW-INCOME GROUP AND BLUE-COLLAR WORKERS LIKE SECURITY GUARDS

Industry

LOW ON CHARGE

In India and elsewhere, the **electric vehicle** story has not quite lived up to the overzealous projections of a few years ago. A course correction is under way

BY SUMANT BANERJI
ILLUSTRATION BY RAJ VERMA

As is evident from the first month of this new decade, the future of the automobile industry in India belongs to electric vehicles (EVs). Almost half a dozen new vehicles were either launched or unveiled in January. This is more than the tally for the whole of 2019.

A few of them such as Bajaj Chetak, TVS iQube and Mercedes EQC heralded the entry of established players into the mix. A couple of others, namely, Tata Nexon EV and MG's ZS EV, sought to lower the bar on affordability. Ather Energy, which has fast gained the reputation of being the Tesla for electric two-wheelers in India, took the other route with its 450X electric scooter offering hyper performance. The company calls it the 'super scooter'.

This is just the beginning. EVs are at the centre-stage at this year's Auto Expo and many new brands and models will enter the fray during the course of the year. It is not difficult to see why these developments are following the government's push for EVs over the past three years. EVs are touted as a one-stop solution to many critical problems in India. The most direct and immediate impact is on curbing air pollution and reducing import of crude oil. Crude alone accounts for more than a quarter of the country's overall imports. The country accounts for 29.4 per cent of the world's oil consumption, only behind China and the US. India is also the world's third-largest emitter of carbon dioxide (CO_2) at two million kilotons behind, again, China and the US. In the national capital of Delhi, pollution due to particulate matter regularly exceeds the World Health Organization's (WHO) limits by a factor of 7-12.

EVs can provide a solution to both these problems (air pollution and dependence on crude oil import) but there are a number of issues that need to be solved before they become mainstream. For all the reduction in prices of lithium-ion batteries that power EVs today, they still remain expensive, which, in turn, makes them unaffordable. But more importantly, charging them is a bigger problem. "I have been saying for the past 10 years that the time for EVs has come but now we can say for sure that, on a business viability aspect, at least for shared mobility, the time has indeed come," says Pawan Goenka, Managing Director, Mahindra and Mahindra (M&M).

"For personal mobility needs, we need bigger batteries, which offer a range of 400 km, so a customer can drive from Delhi to Chandigarh or Jaipur. That costs money and there is some viability gap as well. There is still a need for an 8-10 per cent reduction in price before EVs become viable for the bulk of personal transportation needs," added Goenka.

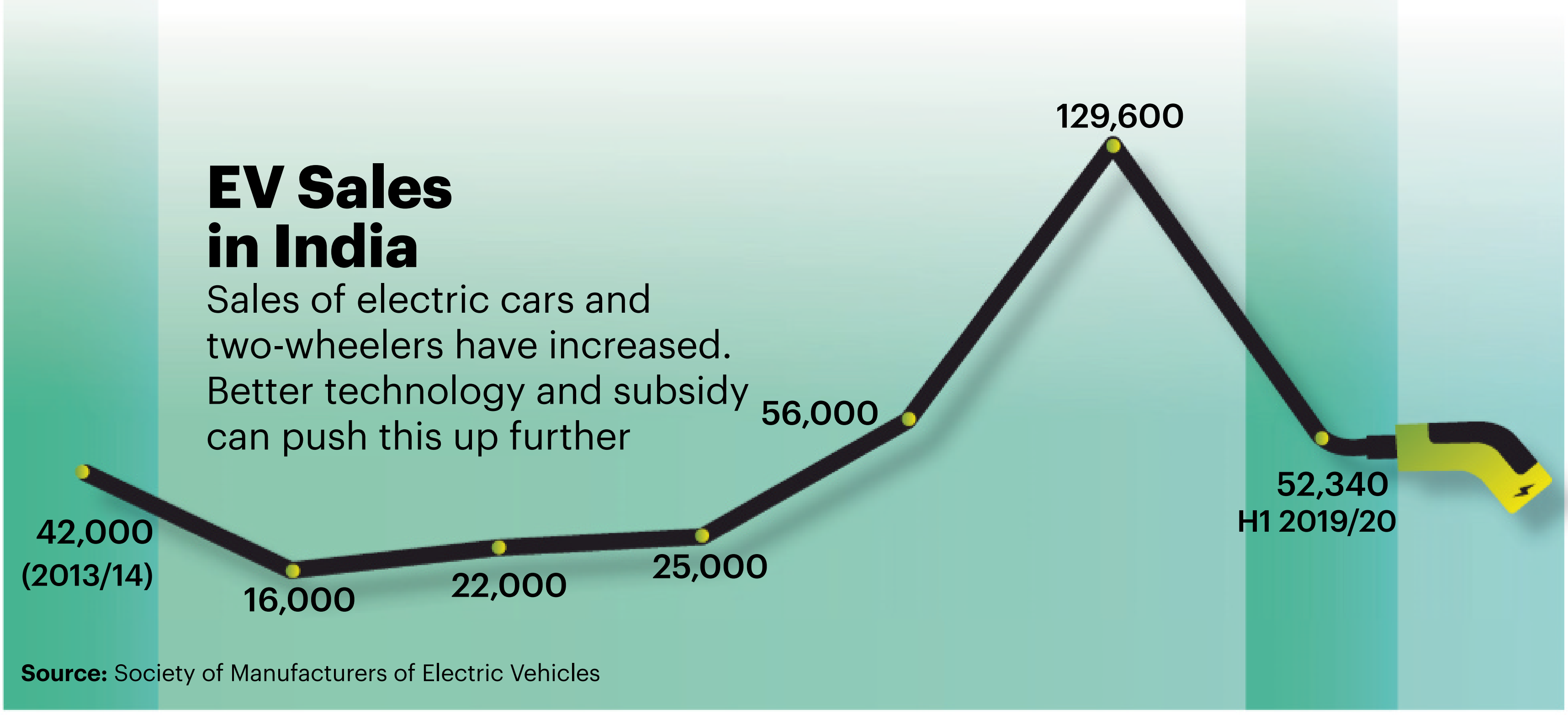
Bit by bit though, these issues are being addressed, even for an individual customer. When Hyundai launched Kona EV last year priced at ₹25 lakh, it was considered a breakthrough. In less than six months, China's MG Motors lowered the benchmark when it priced its EV (ZS SUV) at under ₹20 lakh (in January this year) and in less than a week from that, Tata further reduced it to less than ₹15 lakh with the launch of Nexon EV.

"The BS-VI roll-out, which will make ICE (internal combustion engine) vehicles more expensive, will be another enabler in the short term. At the same time, a lot of work is being done on creating charging infrastructure. The next inflection point will be somewhere in 2022 when enough number of charging stations would have been installed and the market would have multiple products," says Shailesh Chandra, President, Electric Vehicle Business and Corporate Strategy, Tata Motors. "Electric cars are powerful and fun to drive and Nexon EV has a certified range of 311 km. The moment cars with over 250 km range start entering the market – there will be many more (of these) in the next few months – they will become attractive and viable to an individual car user. I can foresee a situation then where EVs account for 10-12 per cent of new car sales," he adds. This may sound like a hyperbole when just a

"THE BASIC DEMAND HAS TO COME FROM CUSTOMERS AND AT THIS MOMENT, THERE IS NO SUCH DEMAND (FOR EVs). IN CHINA (THE BIGGEST MARKET FOR ELECTRIC CARS IN THE WORLD), THE DEMAND WAS ARTIFICIAL DUE TO GOVERNMENT SUPPORT. THEY REDUCED THAT AND THE SALES DROPPED"

Kenichi Ayukawa, Managing Director and CEO, Maruti Suzuki India

PHOTOGRAPH BY RACHIT GOSWAMI



little over 1,000 new electric cars were sold in the first half of this fiscal in a market where around thre million new cars are sold every year, but such is the optimism.

Off the Script

Not everything, though, is going as per plan. The introduction of the second edition of the government's overarching Faster Adoption and Manufacturing of Electric and Hybrid (FAME) Scheme was intended to act as a catalyst for the industry but has ended up becoming a roadblock.

The stated ambition of FAME II, which has seen a tenfold increase in its corpus to ₹10,000 crore for financial years 2020 and 2022 from just less than ₹1,000 crore under FAME I, is to build a capacity of 10 lakh two-wheelers, five lakh three-wheelers, 55,000 four-wheelers and 7,000 buses that operate on lithium-ion batteries by 2021/22. But the scheme has also put in caveats that have taken the industry by surprise. For two-wheelers, for example, a minimum range of 80 km per full charge and a minimum top speed of 40 kmph has been specified to qualify for the incentive of ₹20,000.

In contrast, under FAME I, even low-speed two-wheelers with top speed of up to 25 kmph qualified for incentives of up to ₹17,000. This had caused widespread disruption in the market. According to the Society of Manufacturers of Electric Vehicles (SMEV), sale of FAME II qualified electric two-wheelers in the April-December 2019 period was just 3,000 units as against 48,671 units in the year-ago period when FAME I was in place, a decline of 93.84 per cent. "There was a certain trajectory when we had FAME I. However, with FAME II, whatever be the logic and reason, the manner in which it was introduced (has led) the industry into a downturn and we are still in the process of recovering from that," says Naveen Munjal, Managing Director, Hero Electric, the largest electric two-wheeler company in India.

"The new policy came as a shocker and hasn't delivered for sure. It needs to be completely changed. If the industry has to pick up, it has to be from ground-up. It has to focus on low-speed vehicles for masses. The focus has to be on the base of the pyramid, which is low-speed, if EVs have to really work," he adds.

₹10k
crore
Outlay for EVs
under FAME II

₹1K
crore
Outlay for EVs
under FAME I

With its focus squarely on shared mobility, FAME II also offers no incentives for electric cars meant for private usage. This has restricted its ambit to just 20 per cent of the new car market today. According to the industry, no incentives for private cars may not be wise in the long term. "We would definitely like FAME II to cover private cars. That will help us make them more affordable," says Chandra of Tata Motors. "Nevertheless, we will keep launching products for individual customers because if electric cars are branded as those meant only for fleet and taxis, it will damage the industry in the long term," he explains.

For buses also – a key focus area for the government – there has been a reduction in the subsidy amount. While FAME I offered a subsidy of ₹85 lakh to ₹1 crore for low-floor electric buses, depending on the level of localisation, FAME II has pruned it to ₹35-55 lakh. This has already led to an increase in bid amounts in tenders for e-buses by state transport authorities in the past six months. The lowest quote received by Dehradun Smart City for 12-metre buses in a recent tender was ₹90.90 per km, while for Jaipur City Transport Service, it was ₹85.95 per km. This is far higher than the bids in the pilot round of FAME I Scheme when Goldstone-BYD had placed bids of ₹29.28 per km for a nine-metre AC bus for Bengaluru and ₹36 per km for a similar variant for Hyderabad. Tata Motors had won a similar contract in Jaipur with a bid of ₹70 per km.

"The subsidy amount under FAME II has been reduced from ₹1 crore to ₹50 lakh. But earlier, the subsidy was of a different type. The FAME I subsidy was over three years. Now, it is in a single shot," says Nishant Arya, Executive Director, JBM Auto. "Now, the methodology, policy and roadmap are clear. The government has asked for bank

"FOR PERSONAL MOBILITY NEEDS, WE NEED BIGGER BATTERIES THAT OFFER A RANGE OF 400 KM... THAT COSTS MONEY AND THERE IS SOME VIABILITY GAP. THERE IS STILL NEED FOR A 8-10 PER CENT REDUCTION IN PRICE BEFORE EVs BECOME VIABLE FOR BULK OF PERSONAL TRANSPORTATION NEEDS"

Pawan Goenka, Managing Director, Mahindra & Mahindra

guarantee for five years so the cost is built in as well. This brings in transparency into the system. Earlier (in the first round), people were bidding in an absurd and ad-hoc manner. The bid prices were not sustainable so we should not read too much into it. In Delhi, for CNG buses, the tender that won was for ₹84 per km for low-floor buses. With subsidy, the electric buses are able to match the prices of diesel and CNG buses," adds Arya.

There are also concerns about how long a cash strapped government like India's can subsidise EVs in future. Policymakers are happy to quote China as a template but even there recent events have not been encouraging. In China, which accounts for half the global EV sales, the government cut subsidies of as much as RMB 50,000 (about $7,165) per EV by half in June 2019. It resulted in a fall in EV sales in the country for the first time, by 4.7 per cent in July 2019. Since then, it has only worsened with a 16 per cent decline in August, 27 per cent in September, 45.6 per cent in October and 43.7 per cent in November. EV sales fell another 22 per cent year on year in December (2019). "The basic demand has to come from customers and at this moment, there is no such demand (for EVs). In China, the demand was artificial, due to government support. The sales dropped once the government reduced subsidy support," says Kenichi Ayukawa, Managing Director and CEO, Maruti Suzuki India, the country's largest carmaker.

1,071
Number of electric cars sold in first half of 2019/20 in India, where around three million new cars are sold every year

Ayukawa also feels the pace of technology development is an issue. "It takes time for technology to mature as also for infrastructure to be developed. In future, it may come after 5-10 years. But it needs time. Battery technology is still developing. There are raw material limitations. Safety concerns also need to be addressed," he says.

In India, the failure of an ambitious project to convert part of the government's fleet of vehicles to electric undertaken by state-run Energy Efficiency Services (EESL) has dampened sentiment. Some government officials were reportedly unhappy with the performance owing to low range and limited options. EESL realised belatedly that it needed to invest in developing charging infrastructure first. Less than 2,000 electric cars have been procured so far against the first tender of 10,000 cars that was bagged by Tata Motors and M&M with their first-generation eTigor and e-Verito, respectively.

"The programme did not take off as the cars were suited more for shared mobility and not for senior bureaucrats. These were also early lifecycle vehicles and there were some issues and so the vehicles did not find acceptance with the target audience," says Goenka of M&M. "But it still did its job. EVs came into the limelight only because of EESL," he says.

The initial exuberance when several ministers said they wanted the industry to turn completely electric by 2030 was misplaced. "In India, we were clearly out of sync when we thought the changeover will happen rapidly. The government was making aggressive noises but the industry did not really respond," says Ravi Bhatia, President and Director, JATO Dynamics, an automotive research firm. "Globally, except for Tesla, which has done a lot of work on technology, development has been slow. We are looking at a situation that even 10 years down the line, we will have an ICE-dominated industry," he says.

Hybrids Back in the Mix?

One of the biggest challenges in the minds of consumers in India concerning EVs is range. With only a few hundred charging stations in place today instead of thousands that are needed, there has been a renewed push from several sections of the industry to look at hybrids as a temporary solution. Maruti, which had earlier said it would launch its first fully electric car, eWagon R, by 2021, recently backtracked citing lack of infrastructure and fiscal incentives. Maruti said it would only launch the car for the fleet segment where FAME II incentives are available.

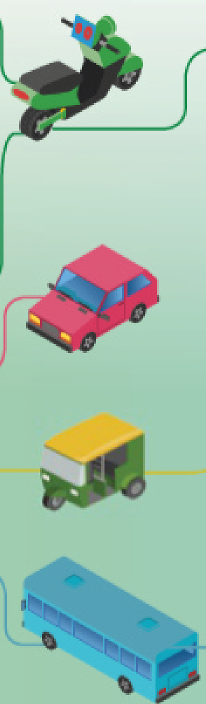
"It is very difficult to focus only on one technology. We have to have many alternate technologies – EVs, hybrids, CNG and biofuels. It depends on the cost and convenience

More Power

The revised FAME II scheme is more comprehensive as it covers charging stations too, but has caveats such as on minimum top speed

FAME I

MODEL	SUBSIDY (₹)
Low-speed led	7,500
High-speed led	9,500
Low-speed lithium	17,000
High-speed lithium	22,000
Any BEV	1.4 lakh
L5 certified	35,000
Any BEV	Up to 60%



FAME II

MODEL	SUBSIDY (₹)
High-speed lithium*	10,000/Kwh Cap ₹1.5 lakh
Commercial vehicle	10,000/Kwh Cap ₹15 lakh
L5 certified	10,000/Kwh Cap ₹5 lakh
Any BEV	20,000/Kwh

Charging station subsidy

Type of compound	
Government	Up to 100%
Semi-govt.	Up to 70%
Others	Up to 50%

BEV: Battery Electric Vehicle
*Minimum range of 80 km and minimum speed of 40 kmph

Source: SMEV

of the consumer. Focusing only on one technology is very dangerous," says Ayukawa of Maruti.

The government should also give some tax incentive on hybrid vehicles as they increase the fuel economy by reducing emissions by 30-40 per cent, adds Ayukawa. Even the government, which was once opposed to hybrids, has softened its tone. At the annual convention of automakers organised by industry body Society of Indian Automobile Manufacturers (SIAM) in September 2019, Union Minister for Road Transport & Highways, Nitin Gadkari, agreed that hybrid cars, too, should enjoy lower taxation. "We have already reduced GST on EVs and now I am trying to make sure that the hybrid cars too get a similar reduction," he said. "I am following up with the finance ministry, so should the manufacturers, so that it (hybrid cars) too can be covered under the same bracket," Gadkari said.

The 'H' word, however, divides the industry down the middle. While the Japanese lobby of Maruti, Toyota and Honda favours it, homegrown companies such as Tata and Mahindra, which are eager to gain the first-mover advantage with EVs, do not wish to be pegged back. The others, including Hyundai and the European carmakers, which have technologies readily available in their global line-up, are sitting on the fence.

"Hybrids should not be seen in the same light as electric. It is an intermediary step and is more for compliance. With stringent CAFE (corporate average fuel economy) norms in the offing, hybrids would help. Even we have the technology but our focus is on electric," says Chandra of Tata. "EVs are the ultimate answer to climate change."

The turf war over technologies concerning the future of mobility may have a geopolitical context as well. China is the clear leader in EV technologies and also has an upper hand in supply chain for batteries. There is an underlying fear that China may hold the world to ransom in an all-electric scenario, something that will impact India, the fourth largest automobile market in the world. At present, the electric revolution may merely mean substituting import of crude from West Asia for lithium, cobalt, graphite and nickel sourced from mines owned and controlled by China in Latin America and Africa.

"All that we are seeing across the world today and in every sector is a fight between the US and China. It is a fight for leadership. They want to be less dependent on oil," says Dieter Becker, Global Chairman of KPMG's automotive practice. The world's top three markets have all voiced their opinion, China for electric, the US for gasoline and Japan for hybrids and fuel cell vehicles. The fourth largest, India, which could soon become the third, is yet to make up its mind. BT

@sumantbanerji

WHY EVs?

Their importance

Helps reduce dependence on crude and with it the oil import bill that rose to $111.7 billion in 2018/19

With no tail pipe emissions, it curbs air pollution. India is one of the most polluted countries in the world

With just a dozen moving parts compared to over 2,000 in cars today, maintenance cost of an EV is a fraction

Pain points

Lack of charging infrastructure is the biggest deterrent in adoption of EVs

Cost of lithium-ion batteries has come down but still continues to be high for a low-cost market like India

Policy flip-flop has repeatedly hampered the growth of the EV industry in India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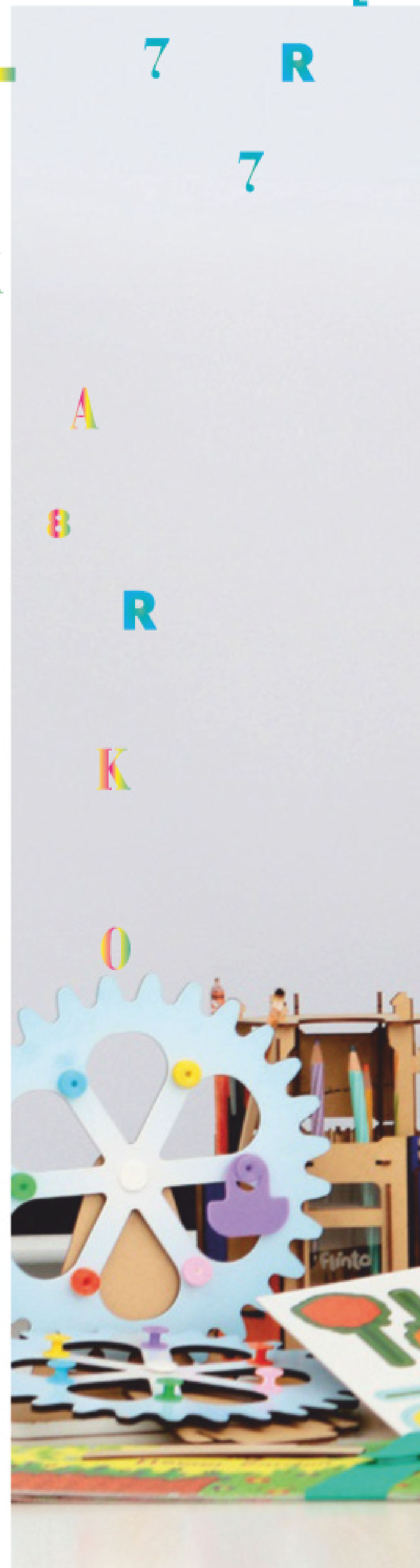
Industry – Education

OUT OF THE BOX

A clutch of start-ups is making inroads into the niche market for learning-based activity boxes. The response is strong but as of now limited to urban areas

BY K.T.P. RADHIKA



Until two years ago, Prabha Natesan's five-year-old daughter Srishti would spend most of her time watching TV or with other gadgets. "This was also when I had my second child and I didn't have enough time to take Srishti out to play. So, she was hooked to screens. Her learning activities, creativity, etc., were getting affected," recalls Bengaluru-based Natesan. A friend suggested Magic Crate, a subscription-based 'activity box'. "My daughter enjoyed them. The activities not only kept her engaged but also sharpened her skill sets," says Natesan, echoing what many parents say about such activity boxes, which are usually theme-based and contain projects, games and DIY activities that help children develop motor, cognitive and social skills.

The strong demand from new-age parents is reason enough for makers of such boxes as well as their inves-

PHOTOGRAPH BY JAISON G

FLINTO LEARNING SOLUTIONS

CO-FOUNDERS
Arunprasad Durairaj (in picture), Vijaybabu Gandhi and S.P. Shreenidhi

CUSTOMER BASE
Catered to **6,00,000** customers till now; aims for **5,00,000** customers a year by 2022

7,50,000 boxes dispatched in 2018/19

Aims to be profitable by 2019/20 with revenue of **₹70-80 crore**

FUNDING RECEIVED
$9.5 million in five rounds

INVESTORS
InnoVen Capital, Lightbox, Globevestor, and others

COST
Subscription rates are **₹3,585-14,340** for three to 12 months

Source: Company

"In 2013, when we started Flintobox, there were barely any activity-based learning solutions that operated on the subscription model in India"

Arunprasad Durairaj
Co-founder, Flinto Learning Solutions

tors to place big bets in the segment. India's 'children and parenting' sector, and its educational-based entertainment segment in particular, has grown manifold in the past five years. Several start-ups have entered the space and caught the eye of the investor community. The reason is that not only does India have the world's largest child population — children (0-14 years) account for a little less than a third of the country's 1.3 billion-plus population (Ministry of Statistics and Programme Implementation) — among the urban population, 26 per cent or about 99 million people are in the 0-14 years age group. The market is vast.

While the larger edu-tech sector is witnessing a boom thanks to companies such as Byjus, the biggest unicorn in the sector, early-development and educational-products companies are getting more attention too. "Over

80 per cent of critical brain development happens before a child turns eight. So, many new parents are willing to spend more on their children at this stage and want them to acquire skills such as analytical reasoning and complex problem solving," says R. Viswanathan, Co-founder of Bengaluru-based Magic Crate. "Spending starts as soon as a child is born and there is no end to it. So, they (parents) are high lifetime-value consumers," he adds.

Gaining a Foothold

The segment of learning activity boxes is niche and shares the market with educational toys as well as early childhood education. Globally, the early childhood learning and education market was pegged around $2.2 billion in 2017, according to Marketwatch, and is expected to reach $2.9 billion by 2022. The educational toy market stands at $25 billion (in 2019) and is set to reach $34 billion over the next five years, says research agency Orbis Research. In India, however, the segment is highly fragmented and has started growing in earnest only recently.

"In 2013, when we started Flintobox, there were barely any activity-based learning solutions that operated on the subscription model in India. It was very difficult to go to the market as parents were not aware then," says Arunprasad Durairaj, Co-founder, Flinto Learning Solutions.

However, with the expansion of e-commerce, mobile penetration and advancements in payment gateways, the market has become more developed now. Starting with 500 customers in its first year of operations in 2013, Flinto has so far served around 6,00,000 customers. "In the last financial year (2018/19), we shipped 7,50,000 boxes," says Durairaj.

The market for offline educational games-based products is growing at 20 per cent CAGR, according to industry players.

Among the companies that operate in the activity-boxes space is Delhi-based Xplorabox. "Children under 10 years do not have much academic pressure but possess a lot of energy. In urban centres, playing outside is not easy for most kids," observes Rishi Das Agarwal, Co-founder of Xplorabox. Founded in 2015, Xplorabox, like many of its competitors, has designers as well as teachers who come up with concepts and activities suitable for various age groups.

PHOTOGRAPH BY SUDHIR DAMERLA

MAGIC CRATE

FOUNDED
in 2014

CO-FOUNDERS
Viswanathan Ramakrishnan (sitting below) and Karthik Lakshman

CUSTOMER BASE
Average number of boxes dispatched in a month:
50,000-plus

1 million-plus boxes dispatched till now (average of **166,667** a year)

Aims to be profitable by FY22

FUNDING RECEIVED
₹25 crore

INVESTORS
Fireside Ventures and 3One4 Capital

COST
₹1,999 for three months

Source: Company

"80% of critical brain development happens before a child turns eight. So, many new parents are willing to spend more on their children at this stage"

R. Viswanathan
Co-founder, Magic Crate

"With more than 30 million children in the 2-12 years age group in Tier-1 cities alone, the market is ready for big expansion," says Das. The company has about 1,00,000 customers and ships to about 900 locations in India, he adds. Das says the company's revenue is growing at 150 per cent year-on-year.

Xplorabox's competitor Magic Crate, which was founded in 2014, has dispatched over a million boxes till now and is reporting 10 per cent growth in revenues every month, according to its co-founder Viswanathan. "At present, we are sending more than 50,000 boxes every month and have raised ₹25 crore investment in total," he adds.

PHOTOGRAPH BY RAJWANT RAWAT

XPLORABOX

FOUNDED
in 2015

CO-FOUNDERS
Rishi Das (in picture), Shweta Das, Dhirendra Meena and Rishabh Gupta

CUSTOMER BASE
1,00,000 customers till now

FUNDING RECEIVED
Not disclosed

INVESTORS
Green Shoots Capital, SucSEED Venture Partners and Z Nation Lab

COST
₹3,597 for three months

Source: Company

> "With more than 30 million children in the age group of 2-12 years in Tier-1 cities alone, the market is ready for big expansion"
>
> **Rishi Das**
> Co-founder, Xplorabox

Investor Interest

With learning-based activity boxes slowly gaining acceptance, investors are biting the bait. While Magic Crate is backed by investors such as Fireside Ventures and 3One4 Capital, Flinto Learning Solutions, the pioneer in the field, has till now received about $9.5 million in five rounds from InnoVen Capital, Lightbox, Globevestor, and others. Xplorabox has also received two rounds of funding (undisclosed sum) from investors Green Shoots Capital, SucSEED Venture Partners and Z Nation Lab.

"It is a massively scalable business, growing at over 100 per cent," says Prashant Mehta, Partner, Lightbox Ventures, which has invested in FlintoBox. "It has significantly higher retention rates because of the subscription-based model," he adds.

Another attraction is the segment's high EBITDA margin. "The EBITDA margin is more than 50 per cent. So, even if you become lenient with expenses, you still end up with 15-20 per cent margins as the cost of production is not huge and will come down with time," says Laxman Kumar Nasarpuri, Partner at Greenshoot Capital, which has invested in Xplorabox. "It is easier to reach out to the market as you have a focused set of customers in preschools and schools," he says.

Agrees Kannan Sitaram, Venture Partner at FiresideVentures: "Most of the subscription-based platforms have 60-70 per cent repeat customers and will have superior returns compared to other sectors." Fireside has invested in two other companies that cater to children, and the three investments together account for about 25 per cent of its exposure

Next Step

While the main focus for activity box makers remains subscriptions (mostly taken by parents), they are venturing into other markets as well. Flinto Learning Solutions is targeting preschools with a product-as-a-service model. They have pre-packaged material for children, online teacher training and assessment of teachers and children. "We are aggressively partnering with schools and innovating our product portfolio," says Durairaj.

"We are also going to be available in physical stores and are trying for the next round of fundraising," says

Viswanathan of Magic Crate.

The gaining popularity of the segment has attracted others too. In 2018, publishing house S Chand and Company entered into a partnership with South Korea-based Sigong Media, which makes NuriNori activity boxes for preschool children. It has also invested in New-Delhi based Smartivity Labs, a STEM (Science, Technology, Engineering, Mathematics) toys design start-up. Lucknow-based ₹250-crore publisher Kriti Prakashan, which publishes schools textbooks, companion books and story books, also plans to join the fray. Along with books, it is distributing activity boxes free of cost to schools. It is in preliminary talks with an activity box start-up for a tie-up

Not to be left behind, toy manufacturer Funskool has increased its portfolio of puzzles, DIY activity kits and art and craft offerings. At present, these products account for more than 20 per cent of Funskool's overall revenues. "In the next few months, we are going to launch STEM toys, as there is a growing market in that space," says R. Jeswant, Senior Vice-President, Sales and Marketing, Funskool India.

With funds on track, market players are bullish. Many say that children's products and services are generally immune to market fluctuations as parents cut expenses elsewhere rather than here. Most activity box companies expect to break even and become profitable in another two to three years. Viswanathan of Magic Crate says the company is aiming to become profitable in the next 18 months. Flinto's target is to clock a revenue of ₹70-80 crore in 2019/20 and cater to 5,00,000 customers a year by 2022.

Hurdle Race

The hurdle in faster growth of activity-based boxes is low awareness in smaller towns. "We have made inroads in Tier-I cities but exposure to child development needs is limited in Tier-II and III markets. We are not growing aggressively in that market," says Durairaj of Flinto.

On the supply side, the makers are not able to find good talent, especially designers. "This is because the industry is nascent. So far, there were limited opportunities in child psychology, children centric design, etc. So, people were not really equipping themselves to serve this market unlike, say, the technology industry where there are many opportunities," says Durairaj.

Cost is also a deterrent for buyers. While the companies are working on increasing their reach and products, many parents find the cost high. "Projects and activities cannot be revisited the way puzzles can be. Of course, the activities are very informative, sharpen focus, improve hand-eye coordination while keeping the child engaged, but once you are done with a project, you are done," says Chennai-based K.K. Yamini, who has subscribed to multiple boxes in the past two years for her five-year-old daughter.

Increased scale could make the products more profitable, but innovation and variety along with more parents feeling the need to keep children away from screens is what the segment needs if it is to get to the next level. BT

The author is a freelance writer based in Chennai

What works...

Huge scope: About 99 million children in urban locations in the 0-14 years age group. The market is niche and concentrated

Interest from parents: Many parents are keen to develop their children's STEM (Science, Technology, Engineering, Mathematics) skills

Investor interest: 50 per cent EBITDA margin; 60-70 per cent repeat customers; low production cost

Expansion: Branching out to pre-schools with product-as-a-service

• • • •

...What doesn't

Low awareness, especially in Tier-II and III locations

Cost may be a deterrent for many parents

Inadequate talent available in children-centric design segment

Many children may not be able to work independently, and activities cannot be revisited

Column

The (Not So) Secret Sauce of Inclusion

We pass on more than we realise, and in a future world of Artificial Intelligence, we risk building our biases, probably indelibly, into the systems of tomorrow

BY NISABA GODREJ

It is rather ironic that I am writing about inclusion being the future of work. This shouldn't have to be the future; it must be our present. Not just at our workplaces, but in the communities we build, relationships we foster, and people we choose to become.

Godrej was founded during India's Swadeshi movement. Back in 1897 it was freedom and the original 'Make In India'. Ardeshir Godrej, our founder and an ardent nationalist, donated a significant share of our profits to the Tilak Swaraj Fund, making it the single largest contribution back then. We believed – and continue to believe – strongly in the values of trust, integrity and importantly, equality. This was a core idea for me, along with what my father emphasised – trusteeship of wealth; that we don't actually own anything; our job is to make Godrej stronger and better during our years serving it. For me, this translates into continuing to build Godrej as a 'good' company, alongside strong value creation and innovative, much-loved products.

Companies like ours can make real change possible. We have the resources and reach, through our people, partners and communities. There are many powerful examples. Take IBM. They have passionately driven their inclusivity agenda since the early twentieth century, from civil rights to inclusion of women, LGBT+ and the disabled, long before it was fashionable to do so. In the early nineties, automaker Subaru chanced upon the insight that it was the preferred brand for lesbian consumers in the US. They acted on it despite the controversy around the gay liberation movement and became synonymous with the community, years before marketers highlighted the benefits of targeting LGBT+ consumers.

As a multinational conglomerate, delighting over a billion consumers, becoming more inclusive isn't just about DNA or the right thing to do; it makes excellent business sense. There's enough research to show that companies with greater diversity in leadership roles are more innovative, customer-centric and profitable. At Godrej too, companies with greater diversity in senior management, showed more positive shifts in work cultures. Research shows that people like to work at inclusive companies. So, it helps us attract and retain talent.

This then is our (not so) secret sauce – making Godrej representative of our diverse, global consumers. We are building diversity in different ways – through businesses in new geographies, inclusive stances on gender and LGBT+ rights, and hiring for future-ready skills. Rather than narrowing the definition of inclusion, we are broadening it. Our message to the world is that we want to hire all kinds of people and we want to enable them to bring their 'whole selves' to Godrej.

Creating Alliances

We are a big supporter of LGBT+ rights and my hope is that Godrej can become a real force for good for our colleagues in the community. LGBT+ empowerment isn't just nice to do. Venture capital firm LGBT Capital pegs the spending power of the global LGBT+ community at $3.7 trillion. That's not counting the ripple effects on friends, family and allies. If this community were a country, it would have the fourth highest GDP globally, of $4.6 trillion. Recent studies also show that each successive generation has a marked increase in people who identify as LGBT+. Given that Centennials or Gen Z-ers will define the businesses of tomorrow, we can't afford to ignore their increasingly vocal stand on gender binaries.

Efforts at Godrej started much before the Indian Supreme Court's landmark judgement on Section 377 in 2018. Over the years, we've made policy changes to include an equal opportunity policy, same-sex partner benefits, gender neutral adoption leave, and gender reassignment provisions for transgender team members. We also hosted conversations for people to understand why these

ILLUSTRATIONS BY RAJ VERMA

revisions were made.

The catalyst for many of the changes is my colleague and founder of the Godrej India Culture Lab, Parmesh Shahani. Through nine years of innovative programming at the Lab, Shahani has pushed the needle to make not just the company, but India, more inclusive. These conversations were key to enable our policy changes and global collaborations. In 2017, we partnered with the United Nations to host the India launch of the 'United Nations Standards of Conduct for Business on tackling discrimination against LGBT+ people' at our headquarters. More recently, in 2018, the *Godrej Manifesto for Trans Inclusion in the Workplace*, a handbook for companies to enable transgender employment, was launched. Building Godrej as a space for safe, open, public conversations, and creating more alliances for larger scale impact is a big focus area.

At the same time, Godrej is deeply committed to grooming women leaders and ensuring adequate representation. We have specific goals and regularly review them, offer unlimited sick leave, adoption and paternity benefits, work-from-home, flexible working hours, and we also help new mothers bring their child and caregiver on work-related travel.

We recognise that shifts have to happen across levels. So, we have revised the composition of our boards of directors to become more diverse. The number of women on the board of directors of Godrej Consumer Products increased from one in 2007 to five today. I can proudly say that along with Godrej Agrovet, Godrej Consumer Products now has the most women directors in any Indian listed company.

Having policies and gender neutral washrooms is easy. The hard part is making changes on the field and on the shop floor

Work in Progress

As companies, we tend to talk about our 'best selves'. But there is also a 'true self'. At Godrej, we often say we are only as good as what we do next. And there is a lot more to do, given how intrinsically inclusion links, not just to legacy and values, but also growth aspirations.

True, we've made progress on becoming more inclusive for our LGBT+ colleagues, but we are a long way off from real impact. It concerns me that no one so far has used the gender reassignment provisions. I'd also like to see us make a more concerted shift in translating our advocacy efforts into hiring. While we may have better women representation than before, we're not at the level of equal representation we aim for. In India and at Godrej, we grapple with already low and decreasing participation rates of women in the workforce. We struggle with effective interventions to keep women in the workforce until they reach senior positions. We also face specific pockets of concern in sales and manufacturing, where women haven't traditionally taken on roles. Even basics like mentoring continue to be challenges because we don't have enough examples at the top. Our internal studies show that while there is no disparity on gender and pay, biases, possibly cultural, play out in 360 degree feedback. Trends indicate that men tend to rate women lower than they rate other men, more so in India. Women engagement is also lower than that of men.

There's a difference between being diverse and being truly inclusive. Making that shift in a polarising world starts with having the courage to embrace our true selves and acknowledging our biases. We pass on more than we realise, and in a future world of Artificial Intelligence, we risk building our biases, probably indelibly, into the systems of tomorrow.

Let's go back to the basics. Putting policies in place and having gender neutral washrooms is easy. The hard part that comes next is less glamorous. It's making changes on the field and on the shop floor. It's training and enabling behaviour shifts. It's letting everyone have an equal voice and really listening when they speak. Listening, like I'm realising, is tough. You can't put up posters and expect change. It's hard and you have to train people in it.

Then there's the question of where to focus the change efforts. Ruth Whippman's insightful *New York Times* article *Enough Leaning In. Let's Tell Men to Lean Out* (which I strongly recommend reading) highlights the problem with assuming that gender inequality is majorly caused by female unassertiveness, and the fix is getting women to 'lean in' more. She advocates getting men to 'lean out' more. Perhaps the answers aren't where we're looking for them.

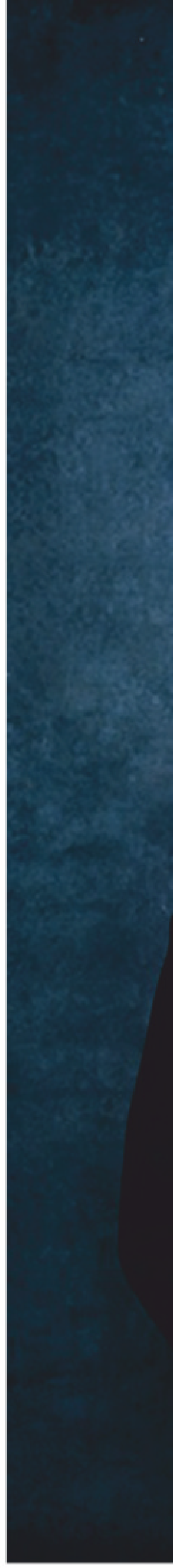
So, yes, it is overwhelming. It is a struggle to find solutions. But that doesn't mean we stop trying. It also doesn't mean that we must find answers on our own. Instead, we should collaborate and learn from peers, because these issues are so deep rooted that it will require large scale systemic change. We can only achieve that if we work together. Then perhaps, 120 years down the line, when someone writes another such article, they will talk about how we stood for freedom again, this time to create a more inclusive world. BT

The writer is Executive Chairperson, Godrej Consumer Products

Interview

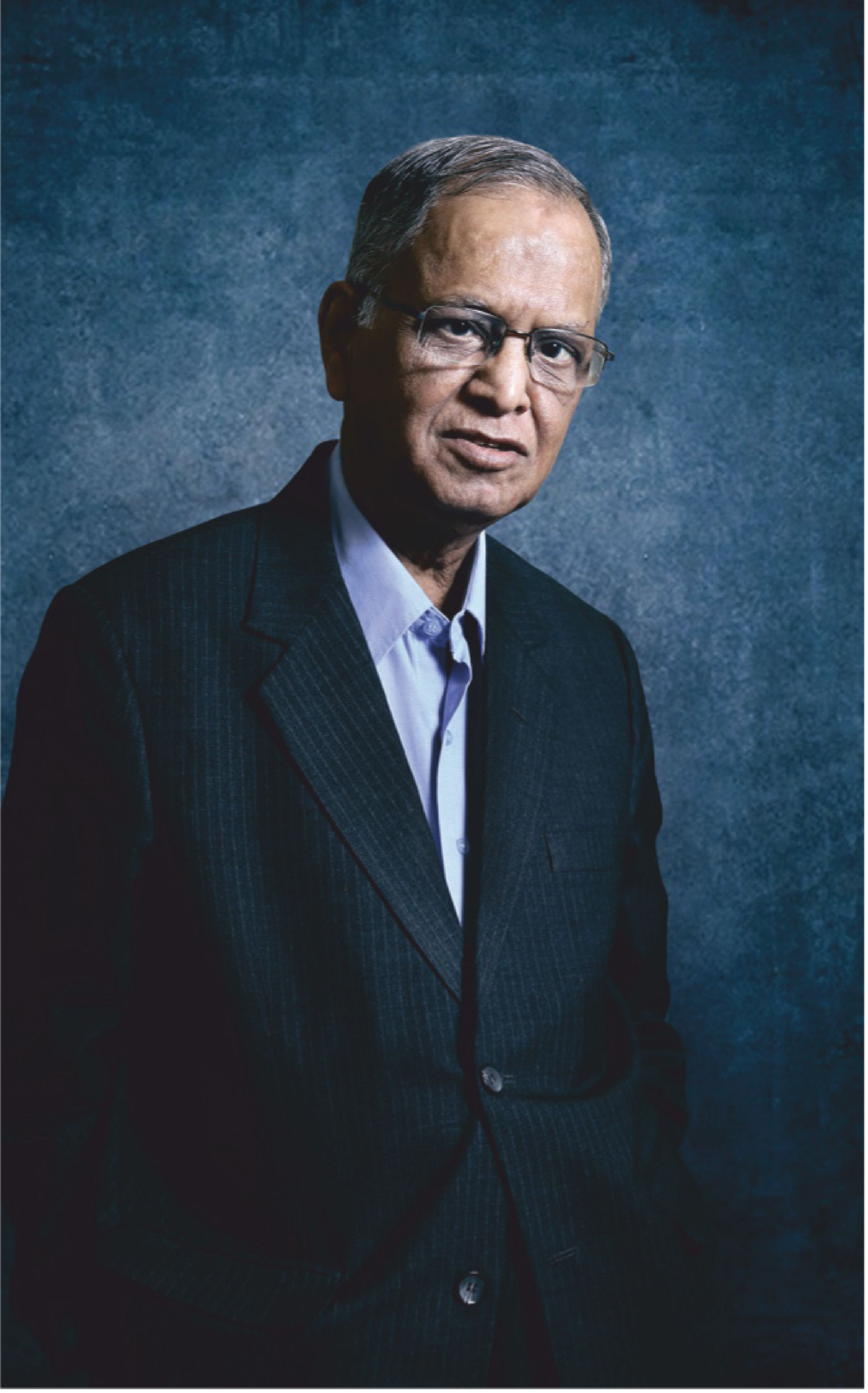
"WE HAVE TO GET TO 4-5% OF GDP IN RESEARCH"

While the Economic Advisory Council to the Prime Minister, in 2019, recommended that India more than double its expenditure on research and development (R&D) to 2 per cent of GDP by 2022, **N.R. Narayana Murthy**, the legendary founder of Infosys, thinks this wouldn't be enough to solve the pressing problems facing the nation. He advises a much higher spending on research and stresses that taxpayers should fund not only applied research but also fundamental research, which can take several decades to show results. In an interview to *Business Today's* **Goutam Das** on the sidelines of Infosys Prize, an annual award that honours achievements of researchers and scientists, Murthy also explained why India needs to change some of its cultural approaches to learning. Edited excerpts:



When one talks of nation building, there seems to be a tendency to look at applied research more than basic or fundamental research. From where India is right now, what sort of research do you think is more important?

In India, where there is a lot of poverty, and lots of other problems, we have to focus on solving the problems around us. For example, healthcare, education, agriculture, human work productivity, infrastructure are problems. These need solutions. To that extent, most focus should be on applied research. On the other hand, I would not want to distinguish between fundamental research and applied research because fundamental problems are 'not-yet-applied research' problems. Look at quantum mechanics. Without it, we wouldn't have transistors, DVDs, laser printers or laser surgeries. We wouldn't have quantum computers. Same thing with Einstein's Theory of Relativity. It is used in GPS. We shouldn't be



PHOTOGRAPHS BY SANDESH RAVIKUMAR

hung up on fundamental research or applied research.

What would convince governments to look more at the necessity of fundamental research since it has long lead times?
We have to set apart a percentage of our GDP for solving long-term fundamental research problems. That will yield results, may be not in 10-20 years. Sometimes, they yield results in 50-100 years. But they will yield results. We have to do long-term planning. But we may set apart a larger percentage of GDP on solving problems that we see around us today.

Is there a percentage that you would recommend for a country like India? The country spends 0.7 per cent (of GDP) on R&D today.
The government has decided to take it to 2 per cent (the Economic Advisory Council to the Prime Minister in 2019 recommended that India more than double its expenditure on R&D to this level by 2022). That itself is not sufficient. We have to get to 4-5 per cent of GDP in research, including the government and the private sector. If we did that, I am sure we would solve a lot of problems.

Should tax payers fund fundamental research?
Why not? As I explained, when we talk of fundamental research, what we are saying is that it is research that will yield results in the long run. We need fundamental research in our portfolio. We have to allow for a small percentage of our tax payer's money for fundamental research problems.

What is the role of universities in research? What can be done to improve academia-industry participation in research?
Universities are all about education – education is learning to learn. Learning is about extracting generic inferences out of specific instances and using them in new related or unrelated areas. Education will make a person more confident of solving new problems. It would help a person do deep thinking and deep learning. It would enhance his or her curiosity. So, that is the job of the university. Research, on the other hand, is about advancing the leading edge. If a teacher, who is teaching a class, is also doing research, she or he will be advancing the leading edge. They can bring their observations to the classroom. Therefore, students would automatically be taken to the leading edge. Every university must, therefore, have a portfolio of education and research. The American model is a good model. They have both education and research together.

What must India do to attract more young scientists to research? The tendency is to get into a corporate role or go abroad for research.
First, you need to create role models for youngsters. That is the purpose of the Infosys Prize. We recognise outstanding (Indian) researchers or people of Indian origin who do research in India. These people become role models for youngsters. Second, we have to make sure that those youngsters who get into research get reasonable com-

pensation and the quality of life they lead is comfortable. Third, they have to be provided as much academic freedom as is necessary to compete with the best in the world. If we follow all the ideas that developed nations have, particularly the US, in encouraging research, I believe our youngsters too can do a good job.

Should companies operating largely on the basis of intellectual property (IP) or those who are research-based be taxed differently? Perhaps, pay a lower corporate tax?

I don't think so. After all, if you create an IP, you can use the IP to create your own products and create a differentiation in the marketplace. Therefore, sales will go up, revenues will go up. The very job of using the IP will make the corporation much more profitable. So I don't think there is any special need. Look at Google, Microsoft. They all have IP; they have grown to become huge corporations and their profitability is much higher than that of services companies.

Does India need a more structured mechanism or an institution that looks at funding research?

A National Science Foundation (NSF) kind of institution is a good idea. I believe that the New Education Policy looks at creating such an institution (the draft policy proposes a National Research Foundation to focus on funding research within the education system). The US has had excellent success with NSF (It is an independent federal agency created in 1950. With an annual budget of $8.3 billion, it is the funding source for 24 per cent of all federally supported basic research conducted by America's colleges and universities). Therefore, we have a good example of how the US has succeeded. We should follow that and create an institution like NSF that will encourage research through project funding.

What ideally should be the duration of funding a project in fundamental research?

While we should not create any artificial barriers to completion of a fundamental research project, funding could be in phases. The first phase could be five years and the second phase, another five. As long as the researchers have something tangible to show, that they are indeed going in the right direction, they should be encouraged.

India does not have a culture of research. But it does have a culture of learning...

At this point, even the culture of learning is a rarity in India because most of our learning is by rote and not as a means to solve problems. I used to ask youngsters at Infosys basic questions on computer science. They used to say 'exams are over and so we forgot everything'. That is not learning. You must be in a position to use whatever you learnt in the classroom to solve problems around you, in your area of expertise or in related areas.

Are we aiming too high when we say that we have to ideally spend 4-5 per cent of the GDP on research when we don't even have a proper culture of learning?

We have to encourage our students to focus on discussion, debate, critical thinking, reasoning, curiosity, and problem solving in the classes. We have to get to open book kind of examinations. We have to shun learning by rote and only for the examination. They don't cost too much money. I do believe that our youngsters can become problem solvers – once they

We have to allow for a small percentage of our taxpayer's money for fundamental research problems

do, they can tackle very big problems, even fundamental research problems.

We have seen China and the U.S. walking away in research around artificial intelligence. India has very little to show.

Whatever you want to do, it will require a lot of hard work, a lot of discipline, and a good work ethic. Those aspects are somewhat weak in our culture. Our discipline is poor. The productivity of an Indian is somewhat low. The ability to work in a team, subordinating individual egos, is also somewhat low in India. These are cultural issues and these will have to be solved by creating role models.

How did private companies in India solve these problems?

We created exemplars. We created incentives for good behaviour and deterrence for not-so-good behaviour. There is also leadership by example. The leader should walk the talk, demonstrate compliance with all the good values. They provide good results. BT

@Goutam20

amazon smbhav

Infinite possibilities for SMBs

L to R: Amit Agarwal (Senior Vice President & Country Head, Amazon India), Jeff Bezos (Founder & CEO, Amazon)

L to R: Satish Upadhyay (Marketing Head, Seller Services, Amazon India), Jeff Bezos (Founder & CEO, Amazon) and Roopa (Digital Marketing Head, iVillage)

Amit Agarwal (Senior Vice President & Country Head, Amazon India)

Audience at the Amazon Smbhav 2020 Summit

Keynote address on Day 1 by N. R. Narayana Murthy (Co-founder, Infosys)

L to R: Amit Agarwal (Senior Vice President & Country Head, Amazon India), Jeff Bezos (Founder & CEO, Amazon), Gopal Pillai (Vice President, Seller Services, Amazon India)

Fireside chat L to R: Kishore Biyani (Founder & CEO, Future Group), Gopal Pillai (Vice President, Seller Services, Amazon India)

Keynote address on day 2 by Sudhir Sitapati (Executive Director, Foods & Refreshments, Hindustan Unilever)

"How small businesses can build a brand in India" by Sonal Dabral (COO South Asia & Vice-Chairman, Ogilvy India)

Gopal Pillai (Vice President, Seller Services, Amazon India)

Panel discussion on "Growing your business with Bharat – Potential & Challenges" L to R: Pranav Bhasin (Amazon India), Kishore Thota (Amazon India), Dale Vaz (Swiggy) , Bhakti Vithalani (BigSpring), Manish Chaturvedi (Google Pay India), Amit Bali (Nielsen South Asia)

Panel discussion on "Women are from Venus or business?"
L to R: Shradha Sharma (YourStory), Bhairavi Jani (SCA Group), Shalini Girish (Google Customer Solutions, India), Anuradha Prasad (Govt of India), Suchita Salwan (Little Black Book), Shalini Puchalapalli (Amazon India), Kanwal Singh (Fireside Ventures)

Panel discussion on "Deliver to delight" L to R: Sameer Shukla (Nielsen South Asia), K V Mahidhar (CII – Institute of Logistics), Mohit Tandon (Delhivery), Prakash Rochlani (Amazon India), Vikas Anand (DHL Supply Chain India Pvt. Ltd.)

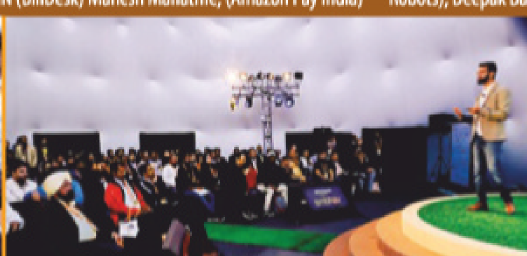
Panel discussion on "Blurring Geographical Boundaries for SMBs" L to R: Abhijit Kamra (Amazon India), Nicholas Denissen (Amazon.com), Pravir Krishna (TRIFED), Tanweer Qamar Mohd (Govt of India), Ronaldo Mouchawar (MENA- Amazon), Bala Sarda (Vahdam Teas), Aditya Gahlaut (HSBC India)

Panel discussion on "Is Cashless economy for SMBs a distant dream?" L to R: Subhash Chandra Garg (Govt of India) Rahul Kothari (Razorpay), Vivek Belgavi (PWC India) Anup Bagchi (ICICI Bank Ltd.) T.R. Ramachandran (VISA) Srinivasu MN (BillDesk) Manesh Mahatme, (Amazon Pay India)

Panel discussion on "The 5 Trillion Dollar Economy - A Challenging Reality" L to R: Samit Ghosh (Ujjivan Small Finance Bank), Bidisha Ganguly (CII), Harsha Razdan (KPMG India), Raghava Rao (Amazon India), Rajeev Karwal (Milagrow Robots), Deepak Bagla (Invest India)

Venue where eDucate sessions (in-depth master-classes/ educational sessions provided by subject matter experts on areas that help SMBs grow/scale) and eXhibit sessions (engagement with exhibitors to discover products and solutions to drive ease of business for SMBs) took place

eXhibit session (engagement with exhibitors to discover products and solutions to drive ease of business for SMBs)



eDucate session (in-depth master-classes/educational sessions provided by subject matter experts on areas that help SMBs grow/scale)

Amazon Smbhav is a two-day thought-leadership SMB Summit to provide small and medium businesses as well as micro-entrepreneurs in India an opportunity to engage in a constructive, open dialogue with the industry, subject matter experts as well as peers about issues hindering their growth, share learnings, understand new opportunities that ecommerce offers and have some insights into future trends.

The summit was held at the JLN Stadium in New Delhi from Jan 15th - 16th, 2020 and saw more than 3600 SMBs, start-ups and micro-entrepreneurs and over 100 global leaders and industry experts.

UNLOCKING THE INNOVATION KEY

To survive and grow, all businesses need a culture that is conducive to innovation. Enabling management attributes and a top-down involvement can make this possible

BY E. KUMAR SHARMA
ILLUSTRATIONS BY RAJ VERMA

When Marico Chairman Harsh C. Mariwala wanted to strike out from the family-owned Bombay Oil Industries in 1990, he realised that operating out of the bustling commodity market in Mumbai's Masjid Bundar would be difficult. The location was not conducive to attracting talent. Many times, people who came once, never showed up again. Mariwala changed tack and started meeting people outside the office. By 1992, Marico shifted to a tony address in Bandra, which helped the company induct the right kind of professionals. This helped him become one of the early Indian businessmen

18+

WHAT IS AVAXHOME?

to unleash the power of innovation. Among the first innovations was launching Parachute coconut oil in blue plastic bottles, a change from the tins in which it used to be sold till then. Soon after, competition followed suit.

That was then. Almost 30 years later, innovation is still key for any business to survive and succeed. But how does one marry innovation with the culture of the company, and show its impact on growth charts? "First, you need to have diverse people on board. When you put together people from different backgrounds, it becomes a melting pot of ideas, which drives innovation," says Mariwala. "There should be room for experimentation and risk-taking. All these work well only in an environment of openness and trust, led by a management that is constantly reinforcing this culture."

INNOVATION AND CREATIVITY ARE INVOLVED IN BOTH CONCEPTUALISING AND IN EXECUTING AN IDEA

Mariwala says it is important that people in the company are aware of the importance that top management gives to innovation. There are clear benefits, both tangible and intangible, for an organisation that follows a culture of innovation, as this is directly linked with improved productivity, which has the potential to trigger seismic shifts in business outcomes.

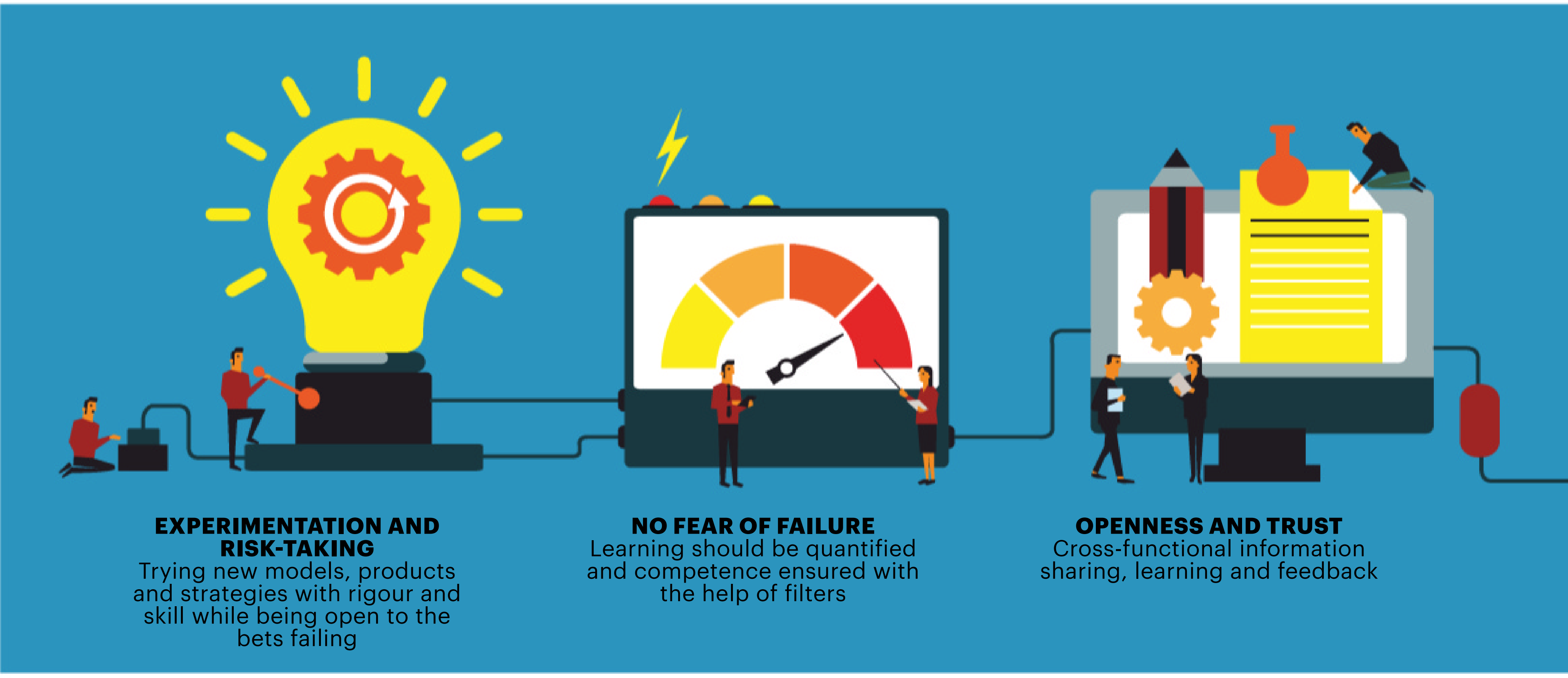
Rishikesha T. Krishnan, Professor of Strategy with interest in innovation at the Indian Institute of Management Bangalore (IIM-B), and the author of "From Jugaad to Systematic Innovation: The Challenge for India", cites the example of Titan. The company, he says, was able to not just improve productivity but also bring about innovations in products, processes, branding, advertisement, marketing and manufacturing with an automated diamond-bagging machine (a system to count diamonds in jewellery).

Innovation Challenges

Among the challenges that companies looking at nurturing innovation grapple with is ensuring that there is not just innovation in product development but across the spectrum – products, processes, even manufacturing.

"Innovation and creativity are involved in both conceptualising and in executing an idea," says Kishore Biyani, Founder and Group CEO, Future Group. For this, Future Group has a "Zero to One" and a "One to Hundred" approach. "The Zero to One team drives innovation in creation and the One to Hundred team drives innovation in adoption, execution and growth," he says.

The Zero to One team is focused on creating new thoughts and ideas for initiatives, services, digital platforms, products and brands. Once it has got early acceptance from customers, it is handed over to the One to Hundred team that scales it up nationally. He shares an example of Karmiq, a brand of snacking products made from dry fruits that are available through the year. This made dry fruits a round-the-year product and not just a product sold only around festivals.



PHOTOGRAPH BY RACHIT GOSWAMI

"First, you need to have diverse people on board. When you put together people from different backgrounds, it becomes a melting pot of ideas, which drives innovation"

Harsh C. Mariwala, Chairman, Marico

According to Biyani, innovation is "a continuous process, involving small and big initiatives in everyday business. From a new way to display a product on a shop shelf to building a digital consumer-engagement platform". While support to experimentation is encouraged, so is the need to give adequate weight to rigour and discipline and cross-fertilisation of ideas.

To a large extent, innovation is about taking risks. That's what Hyderabad-based pharmaceuticals company Natco Pharma did. It has built a growth model based on taking on big pharma and launching low-cost generic versions through patent challenges in areas such as cancer care – and is now trying to replicate this in the agriculture space. "It is the ability to go after things that most people do not want to because of risks involved either on account of patent challenges or new product development. While patent challenges are known in pharma, they are not that much prevalent in the agriculture space," says Rajeev Nannapaneni, Vice Chairman and CEO, Natco Pharma. It has already invested over ₹100 crore to set up a unit to manufacture agri products at Nellore in Andhra Pradesh.

While innovation is happening, what is critical is to get the right mix of people to drive innovation, quite like what Mariwala did. Rekha M. Menon, Chairman and senior Managing Director, Accenture in India, while talking about the newly built "innovation hub" facility a little over a year ago, had said: "The type of people we are hiring is shifting. We are hiring data scientists and people with design skills. Earlier, we used to hire mostly engineers, management graduates and some specialists in areas such as finance and human resources."

ADDING EXTERNAL STRENGTH
Aid processes and people with workshops and outside mentoring, engagement and learning

HIRING
Look at talent through the lens of where the company should be heading and what it needs to get there

DIVERSITY
Includes gender, education, experience, nationality and more. The practice ensures cross-fertilisation of ideas

PHOTOGRAPH BY RACHIT GOSWAMI

"Innovation is a continuous process, involving small and big initiatives in everyday business"

Kishore Biyani, Founder and Group CEO, Future Group

The change happened because of a shift in the type of work. Today it involves design thinking and lots of analytics. Kishore Biyani, for instance, operates two large design firms – Idiom in Bangalore and DY Works in Mumbai – that work independently with outside clients as well as their internal teams and bring in, what he calls, "a design-led, innovation approach at every stage of business – ideation, creation and execution".

Bengaluru-based software major Wipro, too, took the innovative designing route. Ajay Parikh, who heads Wipro Infrastructure Engineering's Additive Manufacturing (3D) business, says: "At Wipro3D, we have stayed away from traditional organisational silos such as design manufacturing quality. Most engineers run a project from design to deployment, including commercial elements using requisite skills, in a workplace that looks more like a design studio than a manufacturing set-up. This means most people are customer-facing and no one is insulated from market forces. This drives ideas, new approaches to customer solutions and everyone focuses on value creation for the customer and the business rather than completing routine transactions. It ensures everyone has context and perspective. "Probably that's why it is Wipro3D which put India's first metal 3D-printed functional component into space or built India's first electron beam metal 3D printing machines or was chosen by a premier aerospace organisation in India as a strategic partner in Metal 3D printing," he says.

WHILE INNOVATION IS HAPPENING, WHAT IS CRITICAL IS TO GET THE RIGHT MIX OF PEOPLE TO DRIVE INNOVATION

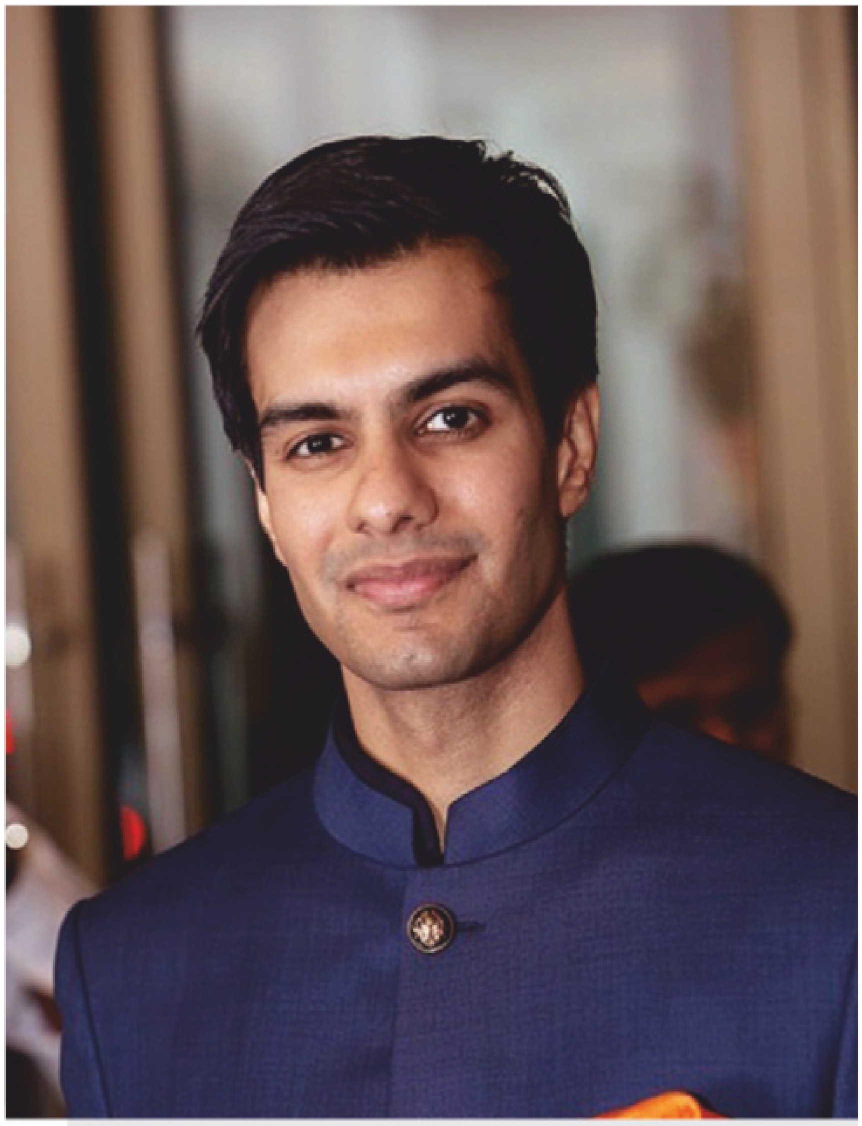
The experiment with new platforms is turning out to be a game changer for companies. An apt example is the shadow board made up of young people who get a chance to play a role in deciding strategies for the business. The $20-billion Mahindra Group has had shadow boards with young managers for several years now. It, among other things, influenced the group's decision to acquire a stake in Punjab Tractors, something it was not so keen on initially.

To get the best results, much depends on how current skills and the ones that companies intend to hire are deployed. The Mahindra Group tried to address this through what its officials call their "Research Valley", Hackathon Challenges and Concept Development Centre where innovators can build prototypes. It is yielding results, say officials. They have contributed to products such as the Scorpio, XUV 500, Marazzo, XUV 300 in automotive space and compact tractors like Novo, Yuvo and Jeevo. It adds to bottom line and growth.

While that may be so, it is critical for the organisation to make innovation part and parcel of daily work. Innovations around what customers need work well when information flows smoothly riding on a flat organisation structure.

Catering to Niches

A little over four years ago, New Delhi-based health foods and breakfast cereals company Bagrry's did what Marico did in 1992 in Mumbai. It shifted its head office from an industrial area in north-west Delhi to a single floor in an upscale mall with an open office in South Delhi's posh Vasant Kunj. Creating a flat organisation was the first step.



"We were conscious of our absence in the most crucial breakfast segment of cornflakes, but we needed a product that was healthy and with low glycemic index. After a few initial innovation failures, we finally got it right with Corn Flakes Plus"

Aditya Bagri, Director, Bagrry's India

The bigger challenge was the space it was operating in – a competitive and niche business of muesli and oats within breakfast cereals which in itself was a niche space for any company.

While Bagrry's did not have a presence in cornflakes, it launched an innovative product that conveyed its USP of selling "healthy" products. "We needed a product that was healthy and with low glycemic index. After a few initial innovation failures, we finally got it right with Corn Flakes Plus," says Aditya Bagri, Director, Bagrry's India. Here, it added fibre with a unique in-house fibre-infusion process. It gave it an entry product to ride on during expansion of the retail presence.

"Since 2016, when we launched this, we expanded our presence from 35,000 to over 50,000 outlets across the country," says Bagri. "Corn Flakes Plus accounts for almost 25 per cent of our overall growth," he says. Last year the company grew 35 per cent, of which 25 per cent came as incremental revenues from Cornflakes Plus. In 2016, Bagrry's leveraged its presence in the mall and launched a health café offering natural whole grain products to try out new offerings and turn a kitchen product into an FMCG offering. This model seems to have worked. At present, it has four such units and more are in the pipeline.

But then, there is the final bit that still remains – that of evangelising innovation. Even if there are bright people and clever ideas, it is crucial to build systems that pick them up in time, give them the visibility they deserve, and use that as a trigger to drive more people to become innovative.

Many companies have various ways of doing this, the most common being giving away innovation awards, not just to employees within the company but also to others working in related areas outside the company and in the start-up world. The end goal is to learn and showcase and promote efforts that can trigger people to become more inventive.

But despite the right competencies and management architecture that promotes innovation, the ride need not be smooth. Marico faced this around 1999/2000. That was when Hindustan Lever launched Nihar and positioned it as a major challenger to Parachute – Marico's resource-generating engine. Could Marico survive? Would it sell out?

Not only did Marico eventually buy Nihar from HUL in 2006, new market realities ended up accelerating its drive to leverage innovation and strengthen it with more product and service innovations. So, from sales of just ₹106 crore and two products in 1991, Marico is today a leading consumer products company with over ₹7,000 crore in sales and over 20 brand extensions. It has also moved up the value chain and transitioned from being only an Indian company to an international player and moving into the high margin business.

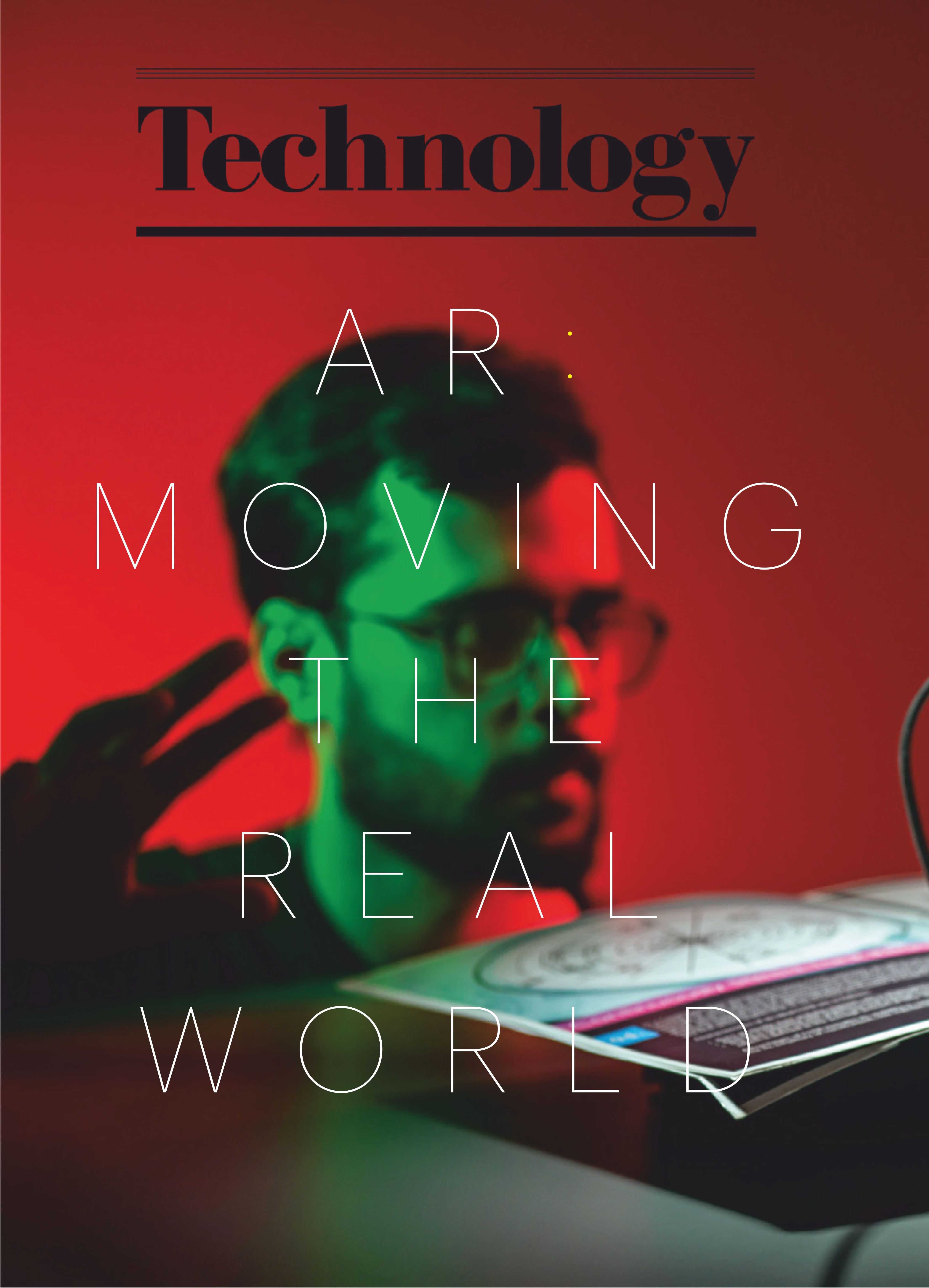
DESPITE THE RIGHT COMPETENCIES AND MANAGEMENT ARCHITECTURE THAT PROMOTES INNOVATION, THE RIDE NEED NOT BE SMOOTH

Despite all that has been achieved, India is still not among the leaders in innovation, quite like what American and Japanese companies have been all along. While there is greater innovation happening, it will be quite a while before India comes anywhere close to the global leaders. BT

@EKumarSharma

Technology

AR: MOVING THE REAL WORLD



HOW COMPANIES ARE USING AUGMENTED REALITY TO BUILD AS WELL AS SELL THINGS

BY NIDHI SINGAL
PHOTOGRAPH BY YASIR IQBAL

A user experiencing an interactive AR training module for manufacturing industry at Simulanis

MG Motor India's studio in Bengaluru's Residency Road is unique. It is small, just 500 sq. ft., and possibly one of the very few car showrooms in India without a car. Instead, it uses augmented reality (AR) tools to give potential customers the feel of MG cars. The customers get to customise technical aspects such as variant, transmission and fuel type, and even define the look and feel of the vehicle with over 70 accessories. "Traditional retail, due to spatial restrictions, cannot achieve such hyper-personalisation. This enhanced engagement will translate into increased conversion of enquiries into sales, better profitability and higher productivity. The dealers can minimise operational expenditures as they don't have to manage inventory," says Gaurav Gupta, Chief Commercial Officer, MG Motor India.

MG Motor is a small example of what is turning out to be a huge trend – use of AR by industries as diverse as oil & gas (HPCL/GAIL), manufacturing (Schneider Electric), real estate (Lodha Group) and retail (Urban Ladder, Pepperfry) to run plants efficiently, build/design projects, sell things and even carry out routine maintenance work more efficiently. AR is also helping healthcare providers plan complex surgeries.

AR enhances the viewing experience by superimposing computer-generated content – image, video or sound – in the real world, viewed through hardware such as smartphones, tablets and special glasses and headgear. According to Statista, the worldwide market for AR, is forecast to rise from $3.5 billion in 2017 to over $198 billion in 2025. "The AR market in India alone will be around $1 billion taking into account the opportunities in the consumer and enterprise space," says Hemanth Satyanarayana, CEO, Imaginate, a seed-funded extended reality start-up based in the US, with offices at Hyderabad and Bengaluru in India. AR is often clubbed with VR (virtual reality) and is graduating towards extended reality (XR). The latter includes all real-and-virtual environments and human-machine interactions generated by computer technology and wearables. "AR and VR – collectively classified as XR – are transforming our connection with information, experiences and each other. However, XR as a concept is in its infancy in India and most solutions seem to be at the proof of concept stage," says Saurabh Bhatnagar, Managing Director, Manufacturing, Accenture Strategy. However, this is changing fast.

Simplifying Business

"AR helps users enhance and better visualise information. In oil & gas and aerospace sectors, it is being used to train people to run complex engineering parts. In real estate, it is being used to enable potential buyers to experience the spaces. It is also used during construction where, using the image of a particular site sub-section such as complex wiring or piping, the AR tab can give a step-by-step instruction on what action to take next," says N. Chandramouli, CEO, TRA Research.

Take Schneider Electric. The company's factory in Bengaluru has integrated digital tools such as AR to give operators visibility into operations and maintenance, driving a 10 per cent reduction in time taken to repair critical equipment. A common application on shop floors, especially in industries such as aviation and oil & gas, is use of live data and predictive maintenance using visuals that keep tabs on the status of the machinery. "Schneider Electric's smart factories in Hyderabad and Bangalore are equipped with EcoStruxure Augmented Operator Advisor – an AR application which offers real-time information at all times. This application improves operational efficiency with AR –

$198 BILLION

EXPECTED SIZE OF THE GLOBAL AR MARKET BY 2025 FROM ROUGHLY $3.5 BILLION IN 2017

$1 BILLION

THE EXPECTED SIZE OF THE AR MARKET IN INDIA enabling operators to superimpose the current data and virtual objects onto machine, cabinet or plant," says Javed Ahmad, Senior Vice President, Global Supply Chain-India, Middle East & Africa, Schneider Electric India.

"Use of AR in industrial sector for troubleshooting will transform the rudimentary servicing procedure and pave the way for Industry 4.0 revolution. AR servicing applications for devices measure parameters of gas and fluids in machinery and so on," says an ABB spokesperson. This helps the engineer in troubleshooting and involves identification of device through Quick Response (QR) codes provided in the device or image recognition, identification of error by decoding QR code and presentation of solutions through AR.

Oil & gas companies in many West Asian countries are using AR to increase productivity and safety. Those carrying out maintenance use remote servicing capabilities that connect technicians with technical experts using in-call AR on the device's screen. "As conventional AR devices and hardware cannot be operated in most classified zones in a refinery due to risk of explosion, special explosion-proof wearable hardware is used in such cases ," says Raman Talwar, Founder & CEO, Simulanis. Working on similar lines, New Delhi-based Simulanis has developed applications and content which help companies such as HPCL and GAIL train employees and carry out remote assistance and troubleshooting/repair. In oil & gas, Shell is using AR in geological data visualisation in collaboration with researchers worldwide. Simulanis has been building interactive and immersive AR-VR-MR/XR applications for industrial training across manufacturing sectors such as pharmaceutical, FMCG, automotive, automation, oil & gas, engineering and construction, paints, power, energy and chemicals, to name a few.

"AR technologies have advanced the experience of human-to-computer interactions for changing the customer experience. We are experiencing it in our day-to-day conversations with customers. From proof of concept to live projects, many innovations have shown to the world that AR has good commercial value and future potential," says Sumit Sood, Managing Director, Asia Pacific (APAC), GlobalLogic. GlobalLogic has developed a solution called Guided Installation which ensures more efficient assembling operations in the construction industry.

Siemens Healthineers has been using AR for education and training medical staff. Now, it is looking further. "We are working to combine AR with our cinematic rendering technology to improve communication with referrers and patients and pre-surgical planning," says Gerd Hoefner, MD and President, Siemens Healthcare. For example, while studying parts of a patient's anatomy, they can zoom in, zoom out, enlarge, rotate and also slice through the regions of interest. The 3D/4D technology brings images to life.

With increasing number of businesses using AR, Mindtree has established an Immersive Aurora facility that gives opportunities to enhance customer experience across AR and MR touch points in Bangalore. In January 2019, the Kerala Start-up Mission had joined hands with US-based Unity Technologies to launch a centre of excellence for AR/VR and gaming.

THE USER CLUB

SCHNEIDER ELECTRIC'S smart factories in Hyderabad and Bangalore have been equipped with EcoStruxure Augmented Operator Advisor that offers real-time information for improving operational efficiency

MG MOTOR India's showroom in Bengaluru allows customers to experience the exterior and interior of MG cars through AR

SIEMENS HEALTHINEERS is working on combining AR with cinematic rendering technology. Blending holograms with real medical world improves communication with referrers and patients. It also helps in better pre-surgical planning

LODHA GROUP uses AR to provide buyers a detailed virtual tour of the property and locality

GLOBALLOGIC'S Guided Installation solution is used in the construction industry for more efficient assemblies

Consumer Engagement

AR has become a big platform to inform and engage customers in sectors ranging from automobiles to education, real estate to travel. Take Lodha Group. "AR gives us an edge as we take our business to a new level by meeting customers at their doorstep. The tool provides a detailed virtual tour of the property and the locality. We aim to integrate it with service providers such as packers and movers, home décor players and others to give buyers a seamless experience of moving into a Lodha property. Customers will be able to visualise the apartment and design the interiors, giving a new dimension to the property- buying experience," says Rahul Mahajan, EVP-IT, Lodha Group.

In construction, a lot of things such as 3D renders, elevation/floor plans, electrical looping/plumbing diagrammes and installation plans are created during the designing phase. These need to be referred to by members from different teams like suppliers, contractors and designers. "It is imperative that any change is communicated correctly to the right stakeholders as costs associated with not doing so are huge. We intend to operationalise the use of AR for this by late 2020," says Rohit Modi, Chief Technology Officer, Livspace. This means the different teams will be able to visualise the change made by any team and work out the changes required on their part in real time.

Even online furniture retailers UrbanLadder and Pepperfry are using AR to superimpose furniture in the room to help the buyer see how it will blend into the house. Lenskart is using it to help buyers try on spectacles in a virtual trial room.

AR has a role in marketing as well. Tagbin has a platform for designing experiential spaces. Recently, it created an experiential zone at the 50th International Film Festival of India at Goa. It has also created experience centres for BPCL, IOCL, GAIL and Myntra using AR. New Delhi-based Augtraveler has designed an AR app that helps users learn more about historical sites and monuments. Tata Motors recently used AR to help visitors experience cars at the Geneva Motor Show.

The Hardware Angle

Be it industrial use or consumer AR application, AR requires special hardware with cameras, sensors and apps for superimposing relevant content in real time as well as track real-time motion and movement. The hardware is divided into handheld devices such as smartphones, tablets and head-mounted displays, including smart glasses and headgears. "Most organisations are still using handheld devices because the companies already have them. Head-mounted devices (this includes glasses) are starting to get more traction because many organisations recognise the need for their workers to have their hands free for work," says Tuong H. Nguyen, Sr. Principal Analyst, Gartner. This depends on the application and the complexity of the application.

"AR MARKET IN INDIA ALONE WILL BE AROUND $1 BILLION TAKING INTO ACCOUNT THE OPPORTUNITIES IN THE CONSUMER AND ENTERPRISE SPACE"

Hemanth Satyanarayana
CEO, Imaginate

"AR GIVES US AN EDGE TO TAKE OUR BUSINESS TO A NEW LEVEL BY MEETING CUSTOMERS AT THEIR DOORSTEP. THE TOOL PROVIDES A DETAILED VIRTUAL TOUR OF THE PROPERTY AND THE LOCALITY"

Rahul Mahajan
EVP-IT, Lodha Group

Among handheld devices, Apple's iPad is one of the widely used hardware for accessing AR apps across consumers and enterprises. The Vuzix Blade smart glasses use Waveguide optics to experience AR glasses, projecting real-time content for seamless integration of digital and real world for operations such as workplace instructions, quality assurance and maintenance. With Blade, users can choose between hands-free voice control or smooth touchpad navigation. Epson has a Moverio AR hardware with smartglasses for consumers and professionals and smart headset for feature-rich industrial applications.

Microsoft's Hololens is an MR headset that can project 3D holograms onto the lenses. "Today's AR devices do not have the right form factor for consumers. Rather than looking at small screens in our hands, meaningful data will be presented to us through lightweight, low-cost AR displays. Additionally, brain-computer interfaces and Natural User Interfaces will change the way we interact with future AR platforms," says Karan Parikh, CEO, Green Rain Studios LLP – a US-based real-time graphics studio.

The Challenges

Poorly designed experiences, high cost of solutions and hardware remain the problem areas. "Adoption, costs, content and talent are other issues of this industry. Since each is dependent on the other, unless there is larger adoption, the costs will not come down and the content will be expensive to create. Talent only gets attracted to where the future lies," adds Chandramouli.

The cost of developing an enterprise solution can range anywhere between a few lakhs to a few crores, depending upon the scale of the project. As the cost of hardware makes it expensive to implement, AR solution developers have started offering their services, including the solutions and hardware, as bundled propositions.

Expect an AR revolution when costs are really taken care of. BT

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TOWARDS VISION & TRANSFORMATION

Dinesh Kumar Gupta, Founder, Busy Infotech and Rizwanur Rahman, Secretary, Maulana Azad Education Foundation lighting the lamp at the Mail Today Skills and Entrepreneurship Summit 2019.

Skills and knowledge are the driving force of economic growth in the country. It is estimated that around 12 million individuals enter workforce every year and would require requisite skills to do their jobs. Known for its youngest population in the world, India should provide labor that is skilled and gives us the competitive advantage to move forward and achieve ambitions of being a great nation. But, statistics show that half of our current labor is skilled and going down across rural and semi-urban India, the problem is enormous. At the **Mail Today Skills and Entrepreneurship Summit 2019**, experts talked about skill development programmes launched by the government and joint effort taken for India to develop skills across the country thus pushing India into the vision to be a great developed nation.

Keeping 'Vision 2025' into consideration and with a prime focus on shaping the future of the youth of the country, **Union Minister of Skill Development and Entrepreneurship Mahendra Nath Pandey** shared, "Under Pradhan Mantri Yuva Yojana, 70,000 youth have been given entrepreneurship training in 300 institutes of Delhi. Giving rise to skilling, 7.5 lakh youth to soon receive apprenticeship."

"Aiming to improve education in madarsas and including madarsa teachers in the mainstream education of the country, Maulana Azad Education Foundation, in collaboration with eminent universities such as Aligarh Muslim University, Jamia Millia Islamia etc., through its madarsa teachers training scheme develops capacity of the madarsa teachers by introducing them to modern pedagogical practices", mentioned **Rizwanur Rahman, secretary, Maulana Azad Education Foundation**.

Thereafter, in the **first panel discussion titled, 'Skill and entrepreneurship in the public and private sector'**, Rajesh Kumar Jaiswal, deputy director, UPSDM; Dr. Archana Dhawan Bajaj, Sr. consultant fertility and IVF expert, The Nurture Clinic; Dinesh Kumar Gupta, founder, Busy Infotech Pvt. Ltd. and Monica Bahl, CEO, Beauty and Wellness Sector Skill Council discussed about government schemes like Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) and Pradhan Mantri Kaushal Vikas Yojana (PMKVY), role of AI and robotics, the need to impart skills, train and re-train as per today's needs.

The **summit also saw insightful sessions** led by Sunita Sanghi, senior advisor, MSDE and Devendra Yadav, MLA and mayor for municipal corporation, Bhilai, Chhattisgarh.

In, **'The beneficiaries panel - transforming lives'**, youth from myriad sectors talked about how their skills, when nurtured, have made them not only confident but financially independent.

Mail Today Skills and Entrepreneurship Summit also led to **felicitating some of the key entrepreneurs**.

MAIL TODAY
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(From L-R) Beneficiaries of the government's skilling schemes, Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), Ved Prakash, F&B Trainee, Taj Surajkund; Bharti Singh, Assistant, G K Foundation; Roshni, Diabetologist, Lifespan Diabetes Clinic; Arun Srivastava, Apollo Pharmacy and Sehran Sharma, UNIQLO, discussed how training gave them a headstart in transforming their lives, with some of them planning to set up their own ventures and create jobs at the summit.

"Significant changes have been made in apprenticeship, a stepping stone to job. The minimum stipends being ₹2,500 to ₹4,000 have increased to ₹5,000 to ₹9,000 per month."

MAHENDRA NATH PANDEY
Union Minister of Skill Development and Entrepreneurship

"With traditional art dying, through hunar haats, we are giving master artisans and craftsmen a platform to display their skills, sell their products and reach out to the market in great numbers."

RIZWANUR RAHMAN
Secretary, Maulana Azad Education Foundation

"We need to train our youth in meeting requirements of the national economy. We have benchmarked UAE, Australia and UK in terms of qualification offered."

SUNITA SANGHI
Senior Advisor
MSDE

"Lakhs of youth are getting opportunity to enhance their skills in plumbing, technician, beauty parlour etc. followed by jobs in these sectors. Every district has a livelihood college too offering training."

DEVENDRA YADAV
MLA & Mayor for Municipal Corporation,
Bhilai Chhattisgarh

ADDING TO THE BUZZ

■ At the Mail Today Skills and Entrepreneurship Summit 2019, Mahindra Alturas G4, the newest SUV from the Indian automaker, attracted everyone's attention for its luxurious interiors, excellent technology, superior comfort, unmatched safety features and bold design.

■ The pre-eminent shopping centre in Greater Noida West, Bhutani Grandthum, the new commercial project by Bhutani Infra's exhibit at the summit, led to the attendees asking for more.

"Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) adds diversity to the incomes of rural poor families and caters to the career aspirations of rural youth, aged 14 to 35 years."

RAJESH KUMAR JAISWAL
Deputy Director,
UPSDM

"With new fields coming up, different people are required for different job roles. These dynamics will keep changing with time. Hence, training and re-training will be required on daily basis."

DR. ARCHANA DHAWAN BAJAJ
Sr. Consultant Fertility & IVF Expert, The Nurture Clinic

"At Busy, for each technical role, a candidate has to pass through a structural training mechanism. Post it, he gets on-the-job training. After acquiring the requisite skills, the person is put on the job."

DINESH KUMAR GUPTA
Founder,
Busy Infotech

"Under skill council for green jobs, a boy who was trained by sector skill council won the first gold medal for India in water technology in the prestigious World Skill Competition at Kazan (Russia)."

MONICA BAHL
CEO, Beauty & Wellness Sector Skill Council

Network

Rahul Bajaj's Kurta Passion

Chairman of the Pune-based Bajaj Group, **Rahul Bajaj**, stands out among Indian businessmen for multiple reasons. He has strong views and is not afraid of articulating them. That apart, at a time when one meets a sea of sharp-suited CEOs and proprietors, Bajaj wears his crisp kurtas with elan.

Bajaj's passion for kurtas is well known in business circles. He can be spotted in his favourite attire at professional events too. For a person who was always seen in safari suits in his earlier executive days, the changeover to kurtas happened after he was nominated to the Rajya Sabha in 2006. That's when his love for kurtas, *bandi*s and Nehru jackets came forth. Bajaj discovered that it was all the more easy to mingle with voters and politicians in the truly Indian attire. And the fact that kurtas are comfortable to wear just made it the oft-opted attire.

Bajaj owns a variety of kurtas to suit the occasion and is often gifted the same by friends and relatives. An industrialist remarked on a lighter note that Bajaj probably has more kurtas than any Bollywood star.

In the earlier photographs in which he is posing with the iconic scooter Chetak, Bajaj can be seen in a safari suit.

He was recently again seen with a Chetak, but things were different. The scooter was launched in an electric avatar late last year, and Bajaj donned a blue kurta to felicitate the event in Akurdi, Pune.

– NEVIN JOHN

GOLDMAN CEO PLAYS A NEW TUNE

Ensuring that one of New York's most storied investment banks stays on track is just one part of Goldman Sachs Chairman and CEO **David Solomon**'s persona. The other side is diametrically opposite to the boardroom avatar. When not chairing meetings at Goldman Sachs, the 6-foot-2 Solomon is busy making people dance to his tracks. Better known as DJ D-Sol, he is also a disc jockey.

Spinning tracks started years ago as a Sunday-afternoon hobby and remained so for years. He has come a long way since then. His EDM tracks have thousands of admirers on social media – over five million streams on Spotify and 23,000-plus followers on Instagram.

DJ D-Sol's first release was a groovy rendition of Fleetwood Mac's hit 'Don't Stop'. But in February 2019, he released his first original track, 'Feel Alive', that had Katt Rockwell on vocals, followed by a track 'Rescue Me', a reinterpretation of the 1965 Fontella Bass hit.

DJ D-Sol has been spinning tracks for many years in New York and Miami. He has even opened for the likes of famous DJs Paul Oakenfold and David Guetta.

All of DJ D-Sol's music proceeds are donated to charities fighting the opioid crisis. Solomon has often spoken about how his passion for music helps him strike a work-life balance, keep his energy levels up as well as stay in touch with younger employees.

– ANUP JAYARAM

LIFE-LESSONS FROM HIKING

Every time Rajesh Sethi, MD of NBA India, finds himself in a deadlock, he heads to the hills. Sethi finds hiking therapeutic. His favourite hiking terrain is Chamoli in Uttarakhand, where he goes at least four times a year. "I like to be all by myself in the midst of nature," he says.

Sethi believes the best part about being in the midst of the hills is that his phone doesn't work, so he has all the time to introspect. "I make notes, as there are learnings of self-improvement. I try to understand where I need to improve, if I need to change my game plan professionally, and much more. I come back rejuvenated."

Sethi also finds hiking a great way to bond with colleagues. He recounts one of his most memorable hiking trips in recent months, to Pindari Glacier, in Uttarakhand, with his team. "The kind of bonding, camaraderie and team spirit that evolves during those trips is mind boggling." An adventure off-site, says Sethi, removes many inhibitions. "You become more authentic about each other and also get to see their good and bad sides. Adventure trips are tough. You don't get to stay in five-star hotels. When you are together during tough times, the bonhomie increases."

Just about 100 days into his role as the NBA India head, Sethi has started playing basketball. "I am trying to improve my skills." – AJITA SHASHIDHAR

Encapsulating a Passion

While their company might be in the business of making medicines, Chairman and Managing Director of Granules India, **Krishna Prasad Chigurupati** and his wife and Executive Director **Uma Devi Chigurupati**, are passionate about a different kind of concoction. The promoters are keen winemakers. They pursue their interest in their own vineyard and winery in the Hampi Hills of Karnataka.

"I was only 17 when I first tasted wine, imported from the Vatican, at a local bishop's house in Guntur, Andhra Pradesh. I was fascinated and resolved that someday, I will make wine myself," says Krishna Prasad. He began reading about wine making and in two years procured local grapes and yeast to start his wine-making journey, from his bedroom.

Today, he is joined by his wife Uma. She is a soil microbiologist, which helps them in their endeavour.

The Chigurupatis produce their own brand – Krsma, derived from their names. They make Cabernet Sauvignon (red wine), Cabernet Sauvignon Blanc (white) and Syrah (also red) varieties.

Their wine is sold in New York for about $50 a bottle and is priced at ₹2,000 a bottle at select stores and hotels in Bengaluru. They offer Krsma at ₹2,450 a bottle in Hyderabad. "We have chosen to keep it boutique and make around 24,000 bottles a year with a capacity to produce three times this, if not more," says Krishna Prasad.

He believes that their wines would score 82-83 on the Parker rating, where the range is 1 to 100. Although Krsma has not been rated by Parker, Krishna Prasad believes that it would rank higher than other Indian wines. "My aim is to cross 90 and from 'very good' to 'outstanding'," he says.

The couple now has a goal to put India on the wine map of the world and make people admire Indian wine. – E. KUMAR SHARMA

PEDAL LIKE A PRO

PHOTOGRAPH BY RAJWANT RAWAT

Cycling is not just recreation but also therapy for **Rohan Kumar**, one of two co-founders of Toffee Insurance, an insurance-tech start-up that offers bite-sized covers for loss/damage to bicycles, backpacks, gym injuries and even accident during daily commute. Although an amateur cyclist, Kumar's life revolves around the activity. He can easily pedal his way up to 150 km in one session. He cycles all the way from Gurugram to India Gate to watch the sun rise. "It is about 65 km (both ways) that I complete one way in an hour or so. I have explored a lot of places in Delhi-NCR riding on my bicycle," he says.

Kumar loved to cycle as a child but could not continue as an adult. He began pursuing his passion only three years ago. "I hadn't cycled for over 20 years. Gymming had taken precedence," he says. Unlike exercising in a gym, which tends to get boring very soon, cycling is a new experience every day, says Kumar. While he is still a regular at the gym, Kumar manages to cycle at least thrice a week.

Kumar had earlier joined various cycling groups but found that he prefers solo rides or the ones with Toffee co-founder Nishant Jain. Cycling paces his thought process. "The best self-conversations happen when I cycle," he says. All the best ideas also come when he is pedalling away.

When Kumar and Jain stumbled upon the idea of cycle insurance, they knew they had to pursue it. There is little recognition for pedestrians and cyclists in India, says Kumar. "Dangers they face are high, but not much discussed. I knew that a product like this makes sense and will work."

"As an entrepreneur I never know what will come my way next. In cycling also, I never know what new places and people I will see if I take a different route." – APRAJITA SHARMA

WEF 2020

THINGS WILL TURN AROUND SOON: **INDIA INC**

INDIAN BUSINESS LEADERS AT DAVOS SAY THEY EXPECT THE ECONOMY TO RECOVER IN TWO TO THREE QUARTERS

Every January, the snowy slopes of Davos in Switzerland emerge as the ultimate networking spot for global movers and shakers. This year at the 50th edition of the World Economic Forum (WEF), Klaus Schwab, Founder and Executive Chairman, came up with a Davos Manifesto that states companies should pay their fair share of taxes, show zero tolerance for corruption, uphold human rights throughout their global supply chains, and advocate for a competitive level playing field.

That's an admirable agenda to start off from. The leaders at WEF this time round included a whole host of leaders from US President Donald Trump and Swedish teen environmentalist Greta Thunberg to the CEOs of some of the world's largest corporations. India had a large delegation led by Commerce and Railway Minister Piyush Goyal and close to a 100 CEOs.

The focus of the WEF this year was on establishing stakeholder capitalism as a way of addressing the world's greatest challenges, from societal divi-

"(Provide) greater market access for Indian goods and services on a reciprocal basis"

PIYUSH GOYAL
Commerce and Railway Minister

"There is a significant recovery coming in the next fiscal (in India). There is a fair amount of monetary stimulus in the system, corporate tax cuts are also there – these should help with recovery in growth"

GITA GOPINATH
Chief Economist, IMF

sions created by income inequality and political polarisation to the climate crisis.

Speaking at Davos, Gita Gopinath, Chief Economist, International Monetary Fund (IMF), said, "We see India recovering. There is a significant recovery coming in the next fiscal. There is a fair amount of monetary stimulus in the system, corporate tax cuts are also there — these should help with recovery in growth."

The IMF lowered India's growth estimate to 4.8 per cent for 2019 due to stress in the country's non-bank financial sector and weak rural income growth. It expects growth to be 5.8 per cent in 2020 and 6.5 per cent in 2021. For the world economy, IMF sees growth at 3.3 per cent in 2020 compared with 2.9 per cent in 2019. However, Gopinath added that the current economic slowdown in India was the primary reason behind global growth estimates being downgraded in the latest World Economic Outlook, which slashed global growth projections for 2019. According to her, the government must take measures to re-stimulate growth while ensuring that the non-performing assets (NPAs) issue is not further intensified.

From Another Angle

Most Indian business leaders at Davos, however, had a different view. They were not overtly pessimistic about the growth prospects of the country in future years. Some measures taken by the NDA government in its first term such as demonetisation and introduction of the goods and services tax (GST) have resulted in small businesses getting hit badly. But with the government trying to clean up India's debt laden state-owned banks and using the Insolvency and Bankruptcy Code to sell highly indebted companies, are expected to start showing results in the not-too-distant future.

However, while India is keen to be a major part of global supply chains, larger participation may be possible only if regulatory practices are more balanced. At Davos, Goyal said India was not willing to engage with the Regional Comprehensive Economic Partnership (RCEP) unless there's "greater degree of transparency". This could happen only if member nations engage in "open government and regulatory practices" and provide "greater market access for Indian goods and services on a reciprocal basis", he said.

Describing RCEP in its current state as an "unbalanced trade agreement" that was not fulfilling its guiding principles, he said India could not participate in it. "We aren't negotiating trade with deadlines and in a hurry. The FTAs (free trade agreements) that were entered into from 2009-12, sadly did not have as many stakeholder consultations as our government is doing," he added.

US President Donald Trump also spoke in a positive note about the US economy. In his keynote address, Trump lauded the country's economy, telling business and political leaders that the US's economic turnaround had been "nothing short of spectacular".

Where there is Trump, climate change cannot be far behind, considering that he withdrew the US from the Paris climate accord. In stark contrast, Greta Thunberg said that while her campaign has been accepted across the world, "nothing has been done" to save the planet. Thunberg has managed to mobilise young people globally and put climate change at the top of the global agenda. That's

"What's more important is our outlook in the medium and long term, and not what we are doing now"

C.P. GURNANI
MD & CEO, Tech Mahindra

"November and December have been better than what we thought. Still not out of degrowth, but it is less than what we had some time ago. The overall vision for Q4 is same"

PAWAN GOENKA
MD, Mahindra and Mahindra

"Despite all the gloom and doom, India is one economy that is bound to grow. There are some things that we need to fix"

AJAY SINGH
Chairman, SpiceJet

DONALD TRUMP
President, US

"Today I'm proud to declare the United States is in the midst of an economic boom, the likes of which the world has never seen before"

GRETA THUNBERG
Environmentalist

"Richer countries need to get down to zero emissions much faster and then help poorer countries do the same"

a huge achievement.

Speaking at a session on 'Safeguarding our Planet', Anand Mahindra, Chairman, Mahindra Group, pointed out that India is on track to meet the Paris commitments, adding that climate change is about staying alive.

On the Recovery Path

Over 100 Indian CEOs and several political leaders attended the WEF Annual Meeting, where the theme this year was 'Stakeholders for a Cohesive and Sustainable World'. Overall, the Indian corporate sector expects the economy of the country to recover in the coming two to three quarters from the ongoing slowdown.

While the IMF said that a sharp decline in the Indian economy pulled down the global growth forecasts for 2020, India Inc representatives at Davos felt it was important to focus on medium- and long-term outlook and rally together as a country. Tech Mahindra CEO C.P. Gurnani said it was very unusual that a growth rate which was running at 8-10 per cent was now at 4-5 per cent, impacting the global growth rate. He stressed that the focus should now be on the future course of action. "What's more important is our outlook in the medium and long term, and not what we are doing now," Gurnani added.

Mahindra and Mahindra Managing Director Pawan Goenka, said, "November and December have been better than what we thought. Still not out of degrowth, but it is less than what we had some time ago. And the overall vision on what might happen in Q4 (of the current fiscal) is the same. De-growth will come down to low single digits, hoping that, with Q1 coming in, it will become flat and Q2 (of the next fiscal) is when we start seeing growth."

Vikram Kirloskar, the Chairman and MD of Kirloskar Systems, said the government needs to reflect on what needs to be fixed. "At this point, we need to reflect on what is going wrong and take measures to fix it. It is easy to say increase demand but how do you do it? India is going through a structural change in terms of how the consumer is seeing the whole situation — people are looking for more competitive products."

SpiceJet Chairman Ajay Singh, however, said the Indian economy continues to be a bright spot. "Despite all the gloom and doom, India is one economy that is bound to grow. There are some things that we need to fix. There needs to be a focus on expenditure. The credit freeze needs to go away. All those issues are internal to India. We need to fix them. But if you look at it from a global perspective, India is one of the few bright spots. The world will look to India to fuel global growth," Singh said.

The positive sentiment shared by the Indian business leaders is at odds with what many others say. For instance, for the first time, more than half of the nearly 1,600 CEOs in 83 territories surveyed by PwC said they believe the rate of global GDP growth will decline. While 53 per cent projected a decline in global economic growth (up sharply from 29 per cent last year), only 22 per cent expected improvement (down from 42 per cent). However, at a time when the confidence of global CEOs is down on economic growth, India emerged as their fourth choice after the US, China and Germany according to a PwC survey.

Among the global CEOs, at 40 per cent, Indians showed the second highest level of confidence after the Chinese (45 per cent). PwC said China is looking beyond the US for growth, even as the US retains its lead as the top market that CEOs look to for growth over the next 12 months.

Best Advice I Ever Got

"TAKE CARE OF YOUR PEOPLE"

SURESH NARAYANAN, CHAIRMAN & MD, NESTLE INDIA

PHOTOGRAPH BY RACHIT GOSWAMI

Q. What was the best advice you ever got and from whom?

A. I had returned to India at the height of the Maggi controversy. The problem was to do with reputation, business. A fourth of our turnover had come to a grinding halt, five out of eight factories had been shut. For us, trust and responsibility is the anchor and that was up in flames. It was an existential crisis.

Q. Who did you approach for advice?

A. The best advice I have ever got was from a non-corporate person. I had gone to meet my grandmother in Bangalore to take her blessings. Before starting this journey, I needed a confidence building measure. I told her about the huge challenge and asked her what her advice would be.

Q. What was the advice?

A. She told me that I should take care of my people. That was the soundest piece of advice I have ever got. She is not an MBA or a corporate captain but she is a fond grandmother to all of us. That, I believe, is something I will always cherish. She was enormously wise. Her advice to focus on people was wiser than any professor in a business school would have given. That's what I value the most.

Q. How effective was it in resolving the problem?

A. Four years on, in terms of value and volume, we are well ahead of what we had done in 2014. The company is on the path of excellent growth. We have innovated and renovated 60-plus new products in the last three years. I believe some have called our performance an 'outliar'. But it is a tribute to the people and teams that have made this happen. Adversity builds enormous strength, it also give you huge opportunities. Nestle India has benefited in some sense from this trial by fire. BT

–AJITA SHASHIDHAR

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On a cold winter morning, in December 2014, Mr. Gulshan, Mr. Ashraf, Mr. Mohan, the 3 dynamic Directors of Wellness Forever approached SAMSIKA© *to build their brand and make their business grow. From January 2015 onwards* SAMSIKA© *devised the following strategy for the Wellness Forever brand over the next few years.*

JIYE JAA!

Wellness Forever Lifestyle CHEMISTS & SUPERMARKET

4 million
customers

1,00,000
sq. ft warehouse

70,000
products

600
Pharmacists

SAMSIKA© recommended the Brand Positioning Statement of the offline Wellness Forever stores – "Come to Wellness Forever, the Chemist open day and Night, Come to Wellness Forever and be alright"

We deliver from our own stores, which is backed by a wonderful, state of the art, 1Lakh sq. ft Warehousing and Logistics facility at Bhiwandi – Zed C.

Brand Building Strategy:
SAMSIKA© created the jingle personally authored by **Jagdeep Kapoor.**

Wellness Forever Jingle
Come to Wellness Forever
the Chemist open day
and night,
Come to Wellness Forever
and be alright.
Daily one Lakh Customers
we serve right,
Your illness
we help to fight...

SAMSIKA© helped in identifying, briefing and extracting the best creative out of the audio producer, in a cost effective strategy. The radio jingle, helped increase the image, brand equity and sales substantially.

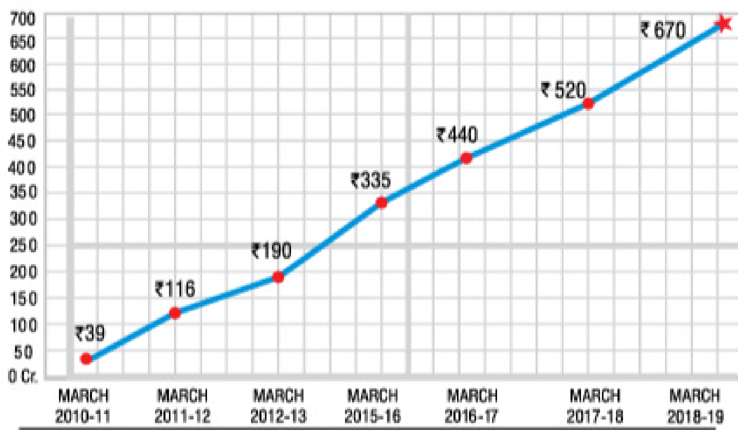
Communication Strategy:
SAMSIKA© devised the entire media strategy for radio in an extremely cost effective manner using Jagdeep Kapoor's Brand Mantra **"Kum Kharcha, Jyada Charcha".**

Sales and Distribution Strategy
Wellness Forever is expanding rapidly by opening Wellness Partners. SAMSIKA© recommended having all Wellness Forever stores 24/7 so that customers could benefit. SAMSIKA© trained the sales and store managers, to squeeze the full potential of the market. Wellness Forever has grown to 175 stores including outlets of their own. Today Wellness Forever has their outlets all over Mumbai, Pune, Nasik, Kolhapur, Kalyan, Thane, Navi Mumbai, Karad, Bangalore and more cities are growing. Their mission is "To create India's most respected chain of Pharmacies & Wellness Stores'. Wellness Forever has grown to a turnover of Rs.670 crores, as of March 2018-19 and is aiming for Rs. 1000 crores.

175+
stores

* YOUR OWN DEPENDABLE PHARMACY *
24 HRS.
OPEN

"SAMSIKA© Marketing Consultants is a partner in progress. You have helped so many people and brands grow. Our good wishes that you grow 20 times more. It's been a great relationship with this company. What we learnt here most importantly is how important a brand is, what do we mean by brand creation, what do we mean by naamkaran. So Mr. Jagdeep Kapoor really sets his standard, a benchmark for this when it comes into making that the most important priority in your company. Whenever we come for a meeting one thing we personally appreciate is Mr. Kapoor's personal involvement. Whenever we get to talk to him there is so much experience He knows micro knowledge of every geography. Every time we come we shed our own apprehensions about the brand, willing to experiment. Mr. Kapoor gives us a wonderful opportunity to mentor our brand, to come sit and seriously think over our brand, whatever priorities we have for our brand we get to discuss right in front of him. It's an enjoyable and learning experience with him. Sometimes we go back home thinking about what he said and what is in it for us and how useful that word was. And he has got his signature style of behaving. One line of Mr. Kapoor which is very close to my heart is 'Sambandh,nahi toh sab bandh'. He builds that sambandh which connects with everybody, the entire community and business and people.
Thanks a lot.
Mr. Gulshan Bakhtiani, Mr. Ashraf Biran and Mr. Mohan Chavan – Directors, Wellness Forever..



Wellness Forever Revenue growth (₹Crs.)

SAMSIKA® marketing consultants pvt. ltd.
Estd. 1995
WE BUILD WINNING BRANDS

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