SPECIAL REPORT: DIGITAL TRANSFORMATION

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Business Today

June 12, 2022 ₹150

INDIA TODAY GROUP

Netflix's India Problem

The Crypto Chaos

CHALLENGER ON THE PROWL

WITH CITI'S CONSUMER BANKING BUSINESS IN THE BAG, AN AGGRESSIVE AXIS BANK GUNS FOR A BIGGER CHUNK OF THE BANKING PIE, AND A SHOT AT THE TOP DOGS

←
Amitabh Chaudhry
MD and CEO,
Axis Bank

DL (DS)-04/MP/2022-23-24, RNI No. 53481/92 ■ FARIDABAD/145/2020-22 BPC Faridabad ■ Date of posting: Tue, Wed & Thursday


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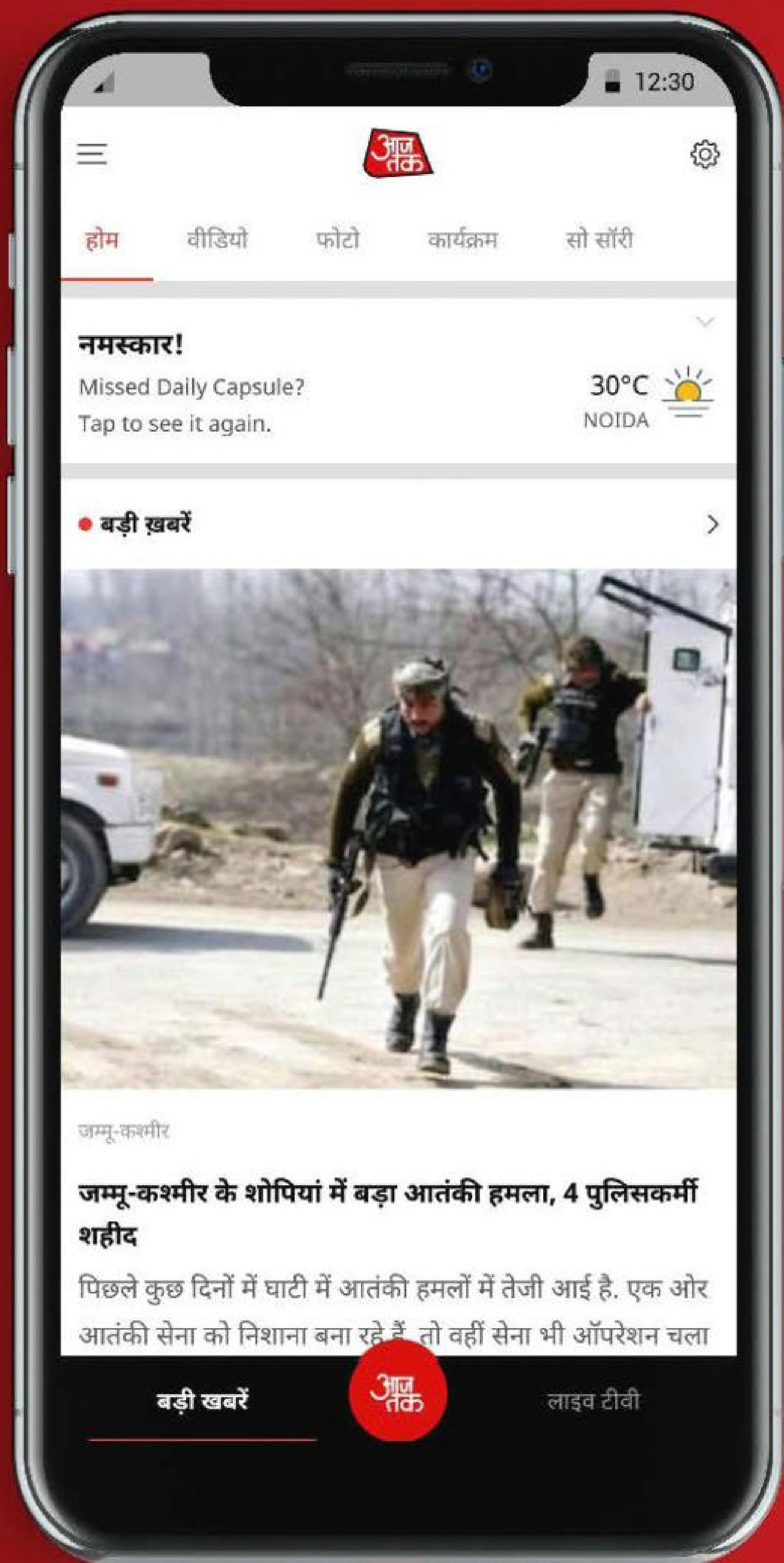
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पिछले कुछ दिनों में घाटी में आतंकी हमलों में तेजी आई है. एक ओर
बड़ी खबरें
लाइव टीवी

Axis Bank's Ambitions

Axis Bank's MD & CEO Amitabh Chaudhry has a spring in his stride these days. The 57-year-old banker has recently completed an important acquisition that has the potential to catapult Axis Bank—the third-largest private sector bank in India—to the next level in retail banking. Axis has just picked up the consumer banking business of Citi in India for $1.6 billion, edging out rivals like Kotak Mahindra Bank. The acquisition is part of Axis's ambition of becoming No. 2 among private sector banks by balance sheet size, a spot currently occupied by ICICI Bank. HDFC Bank is at No. 1. To be sure, Axis has narrowed the gap with ICICI Bank in terms of assets to ₹2.36 lakh crore in FY22, down from ₹3.68 lakh crore in FY20. But as Chaudhry tells *Anand Adhikari*, who gets you the cover story, Axis now sees itself as a "crouching tiger", hungry for business and growth. "We need to raise our aspiration level. We are not happy with No. 3," Chaudhry says candidly.

The Citi retail banking acquisition is an important step for Axis since it comes with high-quality, premium customers from the top 18 cities and powers the retail banking business of the bank, which currently contributes 56.5 per cent to total advances. Besides, Citi's top-quality credit card portfolio will also once again help in reducing the gap with ICICI Bank which is currently in third place in credit cards, with Axis at No. 4. The Citi retail banking portfolio will also allow Axis to cross-sell and upsell to an existing base of engaged customers. But hungry for growth, Chaudhry is also eyeing further acquisition opportunities in general insurance and other segments. Over the past couple of years, as Chaudhry went about putting together Axis's growth plan—he took charge at Axis in January 2019 after the exit of Shikha Sharma—he has made a number of acquisitions by picking up stakes in life insurance and stockbroking businesses (nearly 13 per cent in Max New York Life and trading accounts of Karvy Stock Broking) and then topping it up with the big Citi deal. Alongside, he has brought in top-flight talent from other banks and insurance companies to set up a formidable top management team. But there are speed bumps, too, which Axis will have to contend with: chasing high-rated corporates is a low-margin business. Besides, importing talent from outside could demotivate the internal cadre. How Axis navigates the future will be interesting to watch.

Elsewhere in this issue, *Nidhi Singal* helms a special report on digital transformation. With companies—large and small—realising the value of digitalisation, and the government focussing on e-governance in a major way, this package of stories takes a close look at some key aspects of this journey. Digital transformation also requires a big push in skilling, and Rajeev Chandrasekhar, Union Minister of State for Skill Development, lays down the government's roadmap on that front. BT

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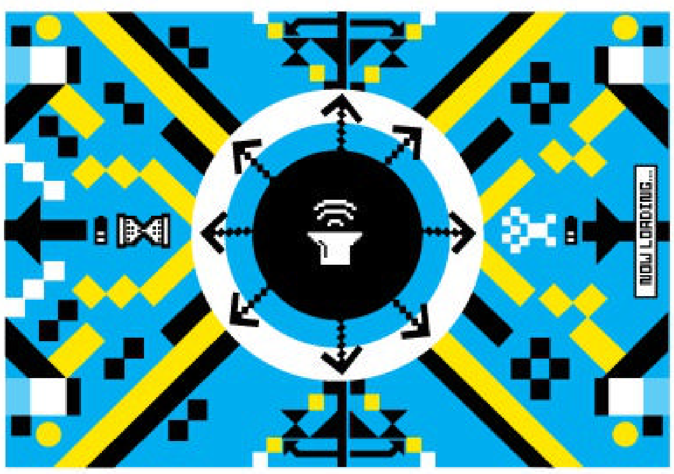

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Balbir Singh Dhillon, Head of Audi India, on what inspired him


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There is so much to share with each other. We can share smiles, hope, opportunities, and the possibility of a glorious future. What if we can connect everyone, without exception, to the wonders of technology. This is the purpose that drives us as we deliver highly advanced networks that connect and empower billions.
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PHOTOGRAPHIK

Photograph by **ANI**
Text by **RAHUL OBEROI**

BLACK EYE

ELECTRICITY SUPPLY HAS FALLEN SHORT OF DEMAND THANKS TO A SHORTAGE OF COAL CAUSED BY GEOPOLITICAL FACTORS. HERE'S A LOOK AT SOME KEY NUMBERS

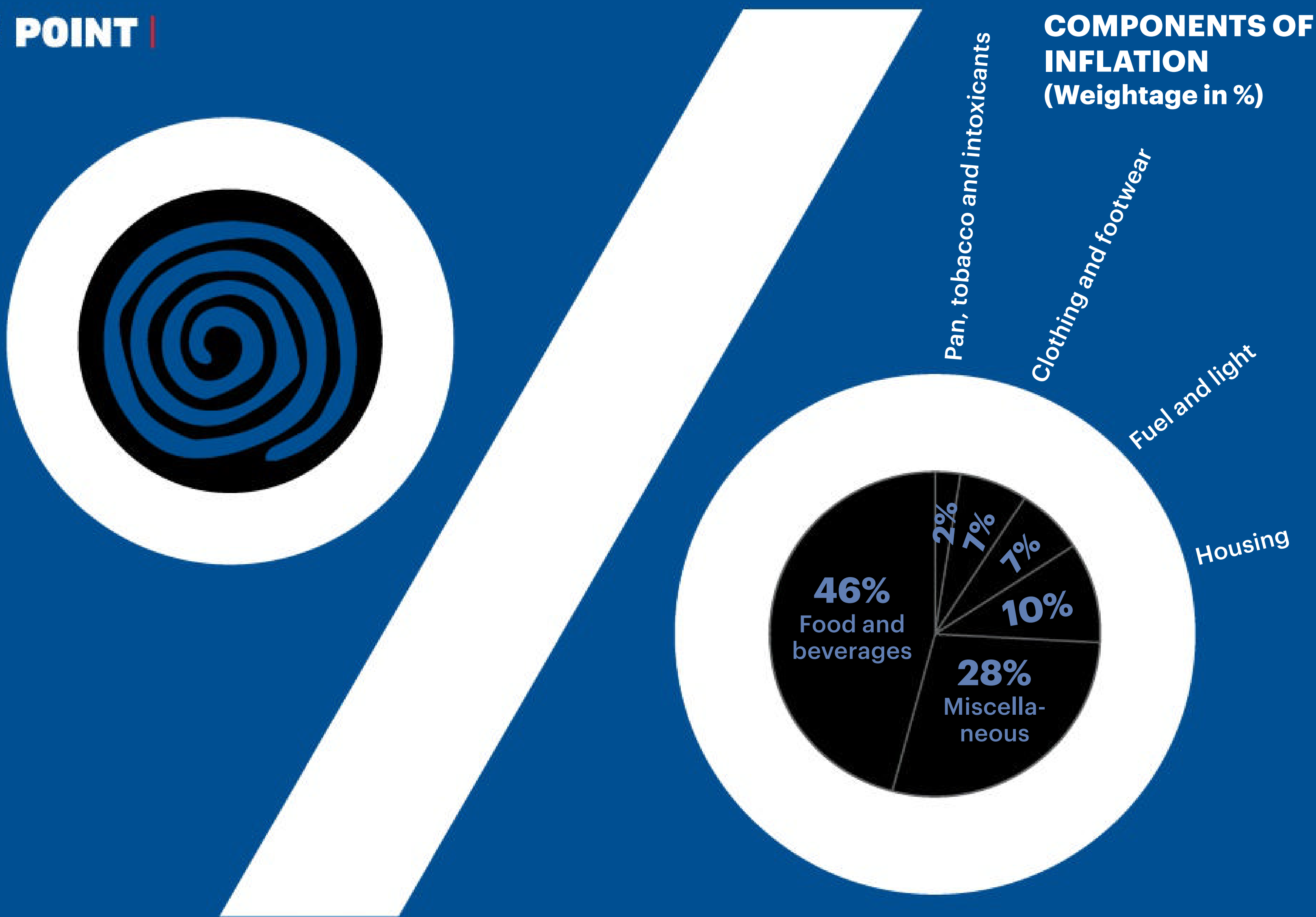
Source: Media reports

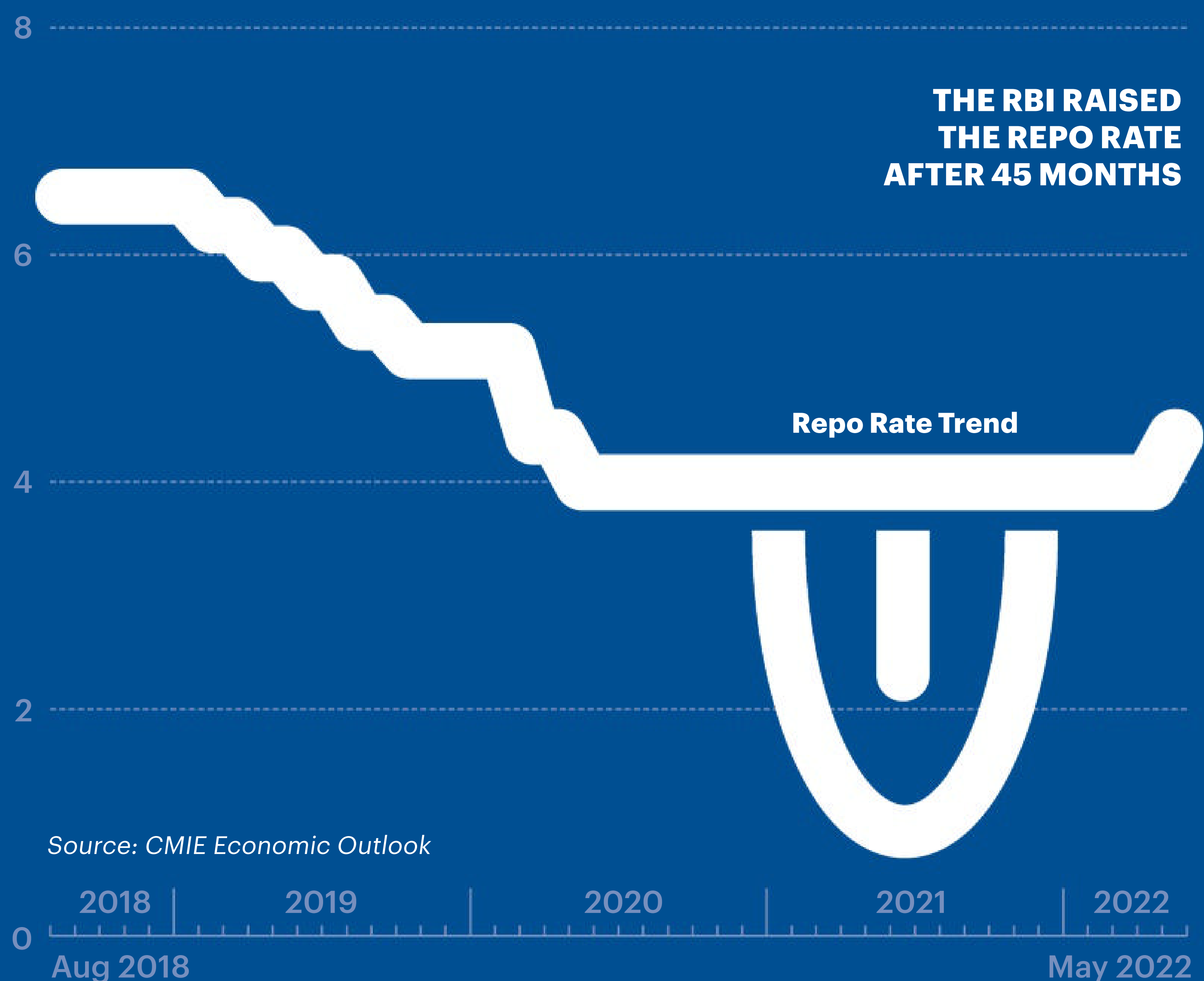
70
PER CENT
of India's power demand is met by mostly coal-powered thermal power plants

25
PER CENT
is the fall of coal stocks below daily requirements at more than 100 thermal power plants

35
PER CENT
The expected year-on-year rise in the cost of imported coal in India in FY23

THE POINT





35-50 BASIS POINTS

The expected rate hike by the RBI in the forthcoming June policy, according to Kotak Institutional Equities

7.8 PER CENT

Retail inflation in April, the highest since the 8.3 per cent reading in May 2014

RISING INTEREST RATES: ARE YOU READY?

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

Welcome to the world of rising interest rates and soaring inflation. On May 4, the Reserve Bank of India increased the repo rate by 40 basis points, hinting at some trouble in the economy due to rising inflation. Let's take a look at the rate trend and its impact on your finances

BACK TO SCHOOL

What is repo rate? How does a rate increase affect you?

Repo rate is the rate of interest at which commercial banks borrow money from the RBI. An increase in repo rate raises their borrowing costs from the central bank, which in turn raises their lending rates. This has a cascading effect on the economy, visible in increased interest rates for other retail and commercial loans.

How does increasing repo rate contain inflation?

A rise in repo rate discourages spending as borrowing money becomes expensive for consumers and businesses. This helps control inflation.

How are interest rates correlated with food inflation?

There is a moderate to negative correlation—of -0.56—between the repo rate and food prices. Thus, an increase in interest rates brings food prices under control.

WITH THE RISE IN REPO RATE, THE INTEREST RATE ON A 20-YEAR HOME LOAN HAS JUMPED FROM 6.5 PER CENT TO 6.9 PER CENT, WITH FURTHER RAISES EXPECTED

PRINCIPAL LOAN AMOUNT	TOTAL INTEREST PAYMENT			
	At 6.5%	At 6.9%	At 7.3%*	At 7.7%*
30,00,000	23,68,127	25,39,016	27,12,540	28,88,639
50,00,000	39,46,878	42,31,694	45,20,899	48,14,398
1,00,00,000	78,93,755	84,63,387	90,41,799	96,28,797

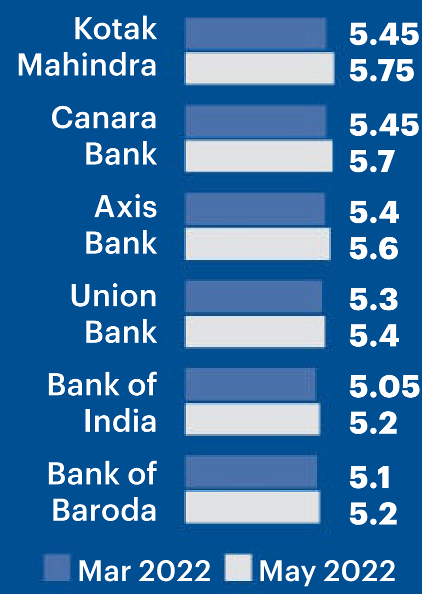
EASY MONTHLY INSTALMENTS ON A 20-YEAR HOME LOAN, TOO, WILL INCREASE

PRINCIPAL LOAN AMOUNT	TOTAL EMI PAYMENT			
	At 6.5%	At 6.9%	At 7.3%*	At 7.7%*
30,00,000	22,367	23,079	23,802	24,536
50,00,000	37,279	38,465	39,670	40,893
1,00,00,000	74,557	76,931	79,341	81,787

*Projections; Figures in ₹; *Source: BankBazaar.com*

FIXED DEPOSITS LOOK APPEALING NOW AS SOME BANKS HAVE ALREADY INCREASED THEIR DEPOSIT RATES

Fixed deposit rates (1-3 years) in %



*Data as on respective banks' website. For each year range, the maximum offered interest rate is considered; interest rate is for a normal fixed deposit amount below ₹1 crore. Compiled by BankBazaar on May 9, 2022

ANALYSTS EXPECT UP TO A 110-BASIS POINT RISE IN INTEREST RATES IN THE COMING MONTHS

Expected rate increase (basis points)

Kotak Institutional Equities	90-110*
SBI Ecowrap	75#
ICICI Securities	75**

*in 2022; #in FY23; **by September 2022

SIPS

A SMALLER SIP

NET INFLOWS through systematic investment plans or SIPs registered a notable dip for the first time in over a year in April. According to data from the Association of Mutual Funds in India (AMFI), SIP contributions fell to ₹11,863 crore in April—₹465 crore lower than the previous month's ₹12,328 crore, which was an all-time high. The previous fiscal saw ₹1.25 lakh crore pour in through SIPs, with month-on-month growth every month except February. —ASHISH RUKHAIYAR

₹2

LAKH CRORE TOTAL ASSETS UNDER MANAGEMENT OF ALL EXCHANGE-TRADED FUNDS AND INDEX FUNDS TRACKING THE NIFTY 50 INDEX, AT THE END OF APRIL 2022

LOCKDOWN GLOOM

Stringent lockdowns in Chinese cities have hit India's consumer electronics and durables industry. As component supply remains lower than local demand and ocean freight rates continue to remain high, manufacturers of ACs, refrigerators, washing machines and TV sets are struggling to contain a 30 per cent surge in production costs. Companies like Godrej, LG, Samsung, and Sony have effected a 10-15 per cent price hike in the past one year, but another 10 per cent price rise is awaiting consumers.

—ARNAB DUTTA

YES, IT'S SMBHAV

In its efforts to capture India's large offline *kirana* network, US retail giant Amazon has announced a new initiative, Smart Commerce, at its flagship summit Amazon Smbhav. The programme will help local stores digitise their offline operations, enhance in-store experience for walk-in customers, and create their own online storefronts to serve customers directly. Amazon has pledged to digitise 10 million small businesses in the country by 2025, which is expected to reap huge dividends for the retail giant in the long term.

—BINU PAUL

Tight squeeze

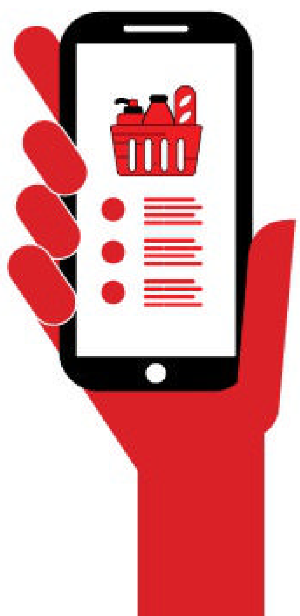
IN SPITE OF STEEP PRICE HIKES effected by fast-moving consumer goods (FMCG) companies, their margins remained under pressure even as volume uptake suffered during the January-March quarter. While leading FMCG players such as Hindustan Unilever, ITC, Adani Wilmar, Nestlé, Britannia and Dabur raised prices of daily staples by 3-20 per cent during the quarter, their earnings before interest, tax, depreciation and amortisation (EBITDA) margins fell by 70-350 basis points year-on-year. Volume offtake dwindled, especially in rural markets, as companies reduced pack sizes and hiked prices, and consumers shifted to smaller packs due to the growing cost burden.

—ARNAB DUTTA

TIME TO ABANDON SHIP?

Future Retail looks set to move into the sunset. After a chunk of its stores were quietly taken over by Reliance Retail, now a senior management exodus—including promoter Kishore Biyani's cousin Rakesh, who was the MD, the CFO C.P. Toshniwal, the company secretary and a few other senior team members—has left it gasping for breath.

—KRISHNA GOPALAN



THE GREAT DEPLETION

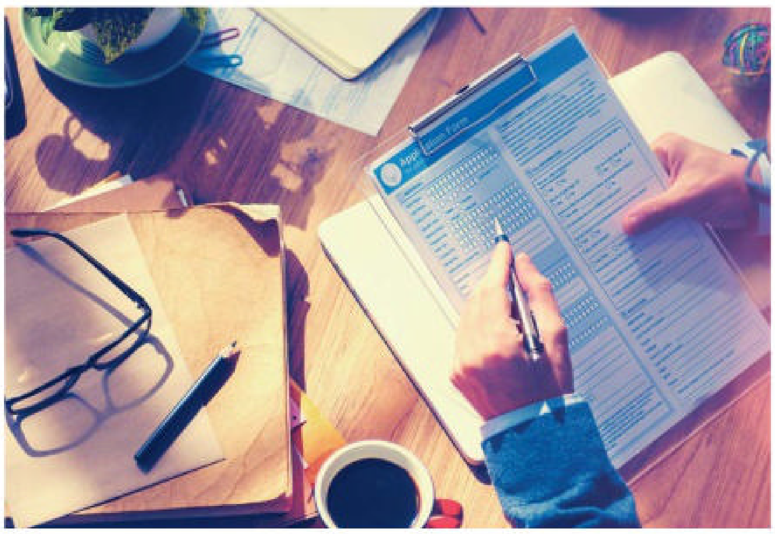
India's foreign exchange reserves fell 5.7 per cent from December 31, 2021, to $597.73 billion on April 30. Reasons: depreciation in the rupee's value, a rising crude oil import bill, and aggressive attempts by the RBI to arrest the rupee fall by selling dollars. Geopolitical uncertainty and high energy prices mean the situation is unlikely to change soon.

—MANISH PANT

COOLING INFLATION

The government's cut in excise duty on fuel—₹8 per litre on petrol and ₹6 per litre on diesel—and subsidy of ₹200 per gas cylinder (up to 12 cylinders) will cost the exchequer more than ₹1 lakh crore. But economists favour the move. "The fiscal cost, while material, can be absorbed by higher than budgeted revenues through other taxes," says Aditi Nayar, Chief Economist of ICRA, adding that the excise cut would cool inflation. She also projects that retail inflation will be at 6.5-7 per cent in May.

—RAJAT MISHRA



State of Start-ups

STATES ARE NOW loosening their wallets for start-ups. According to Startup India, 30 of India's 36 states and Union Territories have dedicated start-up policies. The latest additions are Delhi and Madhya Pradesh (MP). On May 5, the Delhi Cabinet approved the implementation of its start-up policy with an aim to make Delhi a chosen destination for start-ups by 2030. And on May 13, MP's Startup Policy and Implementation Plan - 2022 was announced. Among other things, it aims to promote 200-plus start-ups in agriculture. Interestingly, nearly half the 1,900 start-ups in MP are founded by women entrepreneurs.

—NIDHI SINGAL

A WEAK DEBUT

The much-watched IPO of LIC had a subdued debut on May 17. Shares of the company listed at a discount of 8 per cent against the issue price of ₹949. But market watchers believe LIC is a decent investment in the short- to medium term considering its valuation, market presence, future profitability and strong sector growth outlook.

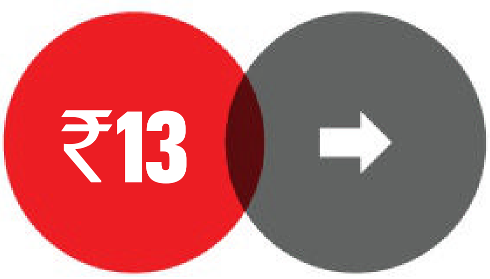
—RAHUL OBEROI

THE RISING

After the fall, the rise. After falling by 12 million in the preceding three months, around 8.8 million people joined the country's workforce in April, according to data from the Centre for Monitoring Indian Economy (CMIE). This is one of the biggest labour market expansions since the advent of the Covid-19 pandemic. The rise took India's labour force count to 437.2 million in April. That is a significant jump, especially considering that in 2021-22, the average monthly increase in the country's labour force was 0.2 million, data from CMIE says. Signals of an economic recovery in the works?

—RAJAT MISHRA

PHOTO BY **CHANDRADEEP KUMAR**



LAKH CRORE FALL IN MARKET CAPITALISATION OF BSE-LISTED FIRMS ON A MONTH-TO-DATE BASIS TILL MAY 20. SELLING BY FIIs AND RISING INFLATION WEIGHED DOWN THE SENTIMENT

BUSY LADY

IT HAS BEEN a hectic first three months for **Madhabi Puri Buch** as the chairperson of Sebi. The capital markets watchdog is now reviewing the IPO allotment framework, which, as per the government, is letting institutional investors and HNIs exploit loopholes to artificially inflate subscription numbers. The signal came following the IPO of LIC, where some investors put in bids knowing well that they would get cancelled due to lack of funds in their bank accounts.

—ASHISH RUKHAIYAR

THE MINISTER'S POST

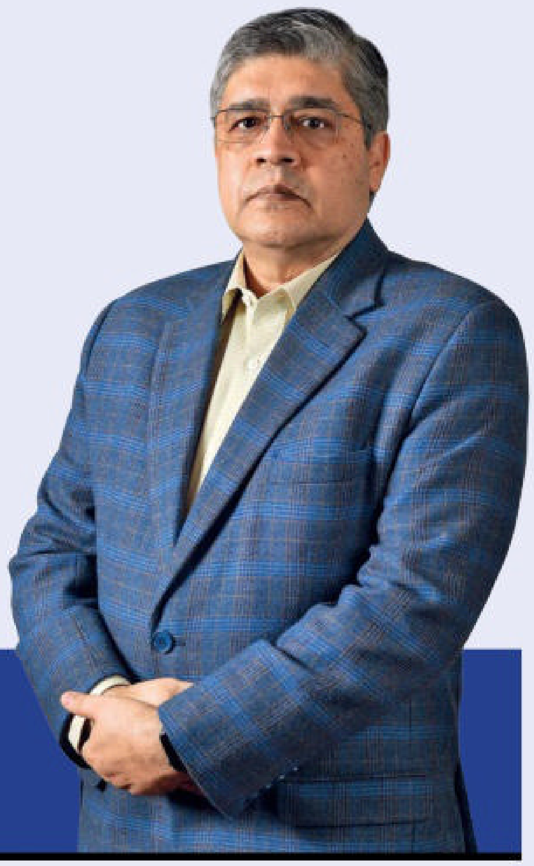
THE UNION CABINET recently approved additional funding of ₹820 crore for India Post Payments Bank (IPPB) to expand its services to all post offices. Currently, IPPB operates in 130,000 of the total 156,000 post offices. *Ashwini Vaishnaw*, Minister of Electronics & Information Technology, Railways and Communications, says the IPPB services "will include government programmes and other financial products to help provide financial inclusion at the bottom of the pyramid".

—NIDHI SINGAL

DEAL DONE. NOW WHAT?

For Debashis Chatterjee, the mandate has got much larger. From being the big boss at Mindtree, he will now be in charge of the "LTI Mindtree" entity, India's fifth-largest IT services company. The IT industry veteran will bank on all his experience to propel growth in a very challenging environment. Having spent over three decades with TCS and Cognizant before joining Mindtree, this will be the most high-profile position in his career. All eyes will be on him.

—KRISHNA GOPALAN



IT industry veteran Debashis Chatterjee will bank on all his experience to propel growth in a very challenging environment

Time for Restraint

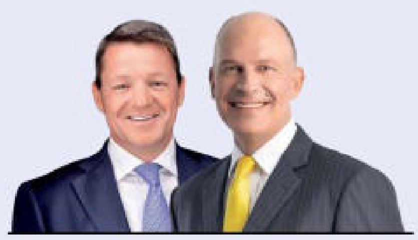
AT A POST-EARNINGS call, SoftBank CEO **Masayoshi Son** said the group may trim its planned investments by more than half as the global funding environment moves into a cautionary phase. SoftBank is among a handful of high-profile VC firms exercising restraint in investments as global macro events pound private markets.

—BINU PAUL

BIG BUYER, BIG BOOTS

Mukesh Ambani is looking to make another big-ticket acquisition. What's new? This time it is Boots, the drugstore chain, a well-known name in the UK market. Media reports say Ambani is considering a joint bid with US buyout firm Apollo Global Management. If the deal goes through, one could see Boots expanding into India, Southeast Asia and the Middle-East. The ticket size is expected to be at least $9 billion. Meanwhile, the retail piece now has Reliance Retail setting up a beauty and cosmetics segment and also a plan to buy over a large number of consumer brands.

—KRISHNA GOPALAN



Flying Expats

INDIA'S TWO BIGGEST AIRLINES now have foreign CEOs. After **Campbell Wilson**'s appointment as Air India's CEO & MD, market leader IndiGo announced the appointment of **Pieter Elbers** (*left*) as its next CEO. Both come with impressive credentials, Wilson coming from Singapore Airlines' low-cost subsidiary Scoot, and Elbers from KLM Royal Airlines. Tongues have started wagging on whether there's no quality local talent available.

—MANISH PANT

DEBASHIS CHATTERJEE PHOTO BY MANDAR DEODHAR; **MUKESH AMBANI & ASHWINI VAISHNAW** PHOTO BY BANDEEP SINGH

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STAR ALLIANCE
25 YEARS

The Concrete Cowboy

Gautam Adani-led Adani Group's acquisition of Holcim's cement businesses in India catapults it to the No. 2 spot. Here's why it makes strategic sense

BY **KRISHNA GOPALAN**

▶ **IF THERE IS ONE** word that can describe the strategic moves of India's cement industry in recent times, it is this: consolidation. The latest instance of this strategy has seen Swiss cement major Holcim exit India, and the Adani Group, which had no presence in the space earlier, become the second-largest cement maker in the country overnight. The exit of Holcim has substantially altered the form and dynamics of the cement industry in India. After being around for close to two decades, the international major thought it wise to instead focus on markets where the opportunity in solutions and products was more attractive. In that scenario, India figured low in the pecking order, with Holcim already calling it quits in Brazil, Northern Ireland, Sri Lanka, Malaysia and Russia.

IN A $10.5-BILLION DEAL, THE ADANI GROUP PICKED UP TWO WELL-KNOWN COMPANIES—AMBUJA CEMENT AND ACC—THAT HOLCIM OWNED

In a $10.5-billion deal, the Adani Group picked up two well-known companies—Ambuja Cement and ACC—that Holcim owned. These are strong brands across geographies and together, they are a formidable force covering the Indian landscape. These two brands together have an installed capacity of 70 million tonnes per annum (mtpa). That, however, is quite a distance behind UltraTech, which has an installed capacity of 120 mtpa, and is the largest cement maker in

FROM A STRATEGIC POINT OF VIEW, THERE IS A LOT THAT AMBUJA AND ACC BRING TO THE TABLE. THIS POINT HAS NOT BEEN MISSED BY GAUTAM ADANI, CHAIRMAN OF THE ADANI GROUP

the country. If Holcim had a tight leash on quality, it did very little either in expanding capacity or acquiring any of the companies that came on the block through the Insolvency and Bankruptcy Code. The competition was quick to move and smartly augmented capacities to establish a stronger presence in their traditional markets, apart from entering those with potential, such as eastern India. This could explain why Holcim did not find the India market attractive enough to stay on.

From a strategic point of view, there is a lot that Ambuja and ACC bring to the table. This point has not been missed by Gautam Adani, Chairman of the Adani Group. In fact, the acquisition ties in very well with his other businesses. For example, he is big in the ports business, constructs roads, and like any other cement player, will have access to rakes. Then again, he has a power transmission business, which throws up fly ash, a raw material in cement manufacturing. Plus, the fact that he can source coal from his mines business in Australia allows him to manage costs at two key levels—logistics and power. With his foray into renewable energy—which is known to have a long gestation period—the acquisition opens up one more way to knock off costs and set him up well for the decarbonisation story. Since he has no presence in cement, the deal is unlikely to face any hurdles from competition watchdog, the Competition Commission of India.

The transaction sees the Adani Group routing the acquisition through a Mauritius-based entity, which will acquire Holcim's 63.11 per cent stake in Ambuja Cement and 4.48 per cent in ACC, apart from the 50.5 per cent indirect holding in ACC. Vishal Periwal, Cement and Construction Analyst at IDBI Capital Markets, says the transaction values Ambuja at an enterprise value per tonne (a standard metric used in the cement industry) of $178, while it is $127 for ACC. Compared to earlier transactions in the space (*see table*), it is not cheap but needs to be viewed from the point that it gives the buyer an immediate and strong foothold. "With the acquisition, Adani gets reach across all the five regions (central included) in India, with the north and east contributing 50 per cent of its capacity," explains Periwal. The value of the deal assumes that the mandatory 25 per cent open offer goes through completely. Of the $10.5 billion, around $6.5 billion goes to Holcim, which the Swiss company will use to acquire assets in other markets. Responding to a query from *Business Today* on a media call, the company's global CEO, Jen Jensich, hinted that the company had been conservative in India. "We could possibly have done more in India but in our opinion, we had a good strategy," he said.

The race to acquire Holcim's businesses in India came with the usual twists and turns. JSW—the other contender, with its existing cement business and a play in steel and paints—expected that the acquisition would be synergistic. Investment bankers point out that there were two other global steel majors in the fray; the strategic rationale was that the slag that the steel makers generate is used in manufacturing cement. The Adani Group, however, managed to fend off competition and acquire the India businesses of Holcim, thereby catapulting itself to the No. 2 spot on the pecking order of cement manufacturers in the country. To Periwal, consolidation has been the buzzword in the Indian cement industry and "this transaction further strengthens that". According to him, Holcim had been less aggressive in capacity additions and "now with a new promoter, it could change the outlook for ACC and Ambuja".

Holcim's sell-off marks the exit of a large overseas player, leading one to believe that India is a terrain they are not too comfortable with. The space is dominated by the homegrown companies, which continue to look for ways to increase capacity and capture a generous slice of the infrastructure pie. With the government's infrastructure push, things will only get more interesting from this point for cement makers. BT

@krishnagopalan

RECENT M&As IN INDIA'S CEMENT INDUSTRY

Year	Acquirer	Target company	Capacity (mtpa)	Valuation (EV) in $ per tonne
FY17	Nirma	Lafarge	11	126
FY17	JSW Cement	Shiva Cement	0.2	125
FY17	UltraTech	Jaypee	21.2	116
FY19	UltraTech	Binani Cement	11.3	101
FY19	UltraTech	Century Textiles	13.4	92
FY20	Nirma	Emami Cement	8.3	95

MTPA MILLION TONNES PER ANNUM
EV ENTERPRISE VALUE
SOURCE IDBI CAPITAL RESEARCH

Hammering It In

The Supreme Court's observations on the GST Council's recommendations could majorly upset the One India, One Tax regime

BY RAJAT MISHRA

▶ **THE UNIFIED TAXATION REGIME** envisaged in the goods and services tax (GST) might be in need of a makeover, after the Supreme Court said that the recommendations of the GST Council are not binding on the Centre and states, and hold persuasive value. A bench led by Justice D.Y. Chandrachud held that the central government and states have simultaneous powers to legislate on GST.

Almost immediately, a debate has been ignited on the implications of the ruling. "The Supreme Court has correctly ruled that the GST Council's recommendations are not binding on Union and state governments until such recommendations are given effect through relevant notifications/circulars/law amendments, which alone shall have the force in law that is always mentioned in press releases containing recommendations of the GST council," says CA Inderpal Singh Pasricha, Senior Partner at I.P. Pasricha & Co. Pasricha further adds that this leads to unnecessary litigation—if there is a recommendation in favour of taxpayers, then taxpayers tend to take such benefits, but the tax department does not consider such recommendations until they are formally given effect.

THE SUPREME COURT RULING MIGHT SET THE STAGE FOR A LONG BATTLE OF ATTRITION OVER AN ALREADY EMBATTLED TAX

ILLUSTRATION BY **RAJ VERMA**

Sandeep Chilana, Managing Partner of Chilana & Chilana Law Offices, says one of the propositions tested by the government was that once the GST Council has recommended levy of GST on ocean freight (which was the case before the bench), "the delegated authorities were mandated to issue respective notifications levying tax and had no flexibility", which the Supreme Court has negated.

"My initial understanding about the verdict is that this is a positive development; we have to read the full text later," Kerala Finance Minister K.N. Balagopal told *Business Today* in an exclusive conversation. "Actually, the GST law from inception itself was against the interests of federalism. This order under the ambit of cooperative federalism has upheld the freedom of the states in taxation, which is important."

On the other hand, Madan Sabnavis, Chief Economist of Bank of Baroda, believes that this decision by the Supreme Court will make decision-making more collaborative, although reaching decisions will be more time consuming if states have strong views. "In fact, even tweaking rates for products will become more challenging. We have been speaking of GST on fuel. Here, states may not like to relent as they have differential rates," says Sabnavis.

Looks like the beginning of another long battle for this embattled tax. **BT**

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The Time is Ripe

It is difficult to time the markets but experts believe that even as volatility continues, the recent correction has brought Indian stocks to a level where one may look at entering the arena

BY **ASHISH RUKHAIYAR**

▶ **TALK TO SOMEONE** in the stock markets today, and the common refrain is, "There is too much negativity all around." And it is not without reason. A mix of macroeconomic and geopolitical concerns—inflation, crude oil prices, hawkish central banks and war—is affecting stocks globally, including India.

As of May 18, the benchmark S&P BSE Sensex is down nearly 13 per cent compared to the high of 62,245.43 it touched in October last year. In the current year till date (May 18), it is down a little over 4,000 points or nearly 7 per cent. The broader Nifty, which is more closely tracked by traders and derivatives players, was well above the 17,000-mark at the start of the year. It fell to a low of 15,671 in March and was at 16,240 as of May 18—down nearly 6.5 per cent in the current calendar year. In a report released on May 16, Bank of America lowered its base case Nifty target to 16,000 from the earlier 17,000. "We see flattish market returns from current levels... on faster than earlier expected tightening," the report said.

Has the recent correction made India an attractive investment destination? What does it mean for the average investor? According to Piyush Garg, Chief Investment Officer of ICICI Securities, the near 10 per cent correction from the 18,000-levels last year has brought the market to its fair value of around 19.5 times trailing 12 months earnings per share compared to the 10-year bond yield of around 7.3 per cent.

INDIA HAS COMMANDED A PREMIUM OWING TO ITS DEMOGRAPHICS, STABLE GOVERNMENT AND INFLOWS

"Relative to other emerging markets (EMs), India may still be overpriced but that has been the case for the past eight years where India has commanded a premium over other EMs owing to its demographics, stable government, [and] domestic flows that have grown to counter any selling by FIIs," says Garg.

Incidentally, the global geopolitical situation has unnerved many, including foreign investors, who have been net sellers of Indian stocks for the past eight months, with cumulative net sales of nearly $26 billion.

Meanwhile, Sanjiv Bhasin, Director at IIFL Securities, believes that Indian markets are in the last leg of the sell-off and might see a rebound soon since it is in the oversold territory. "The long-term allure of the India story remains intact. In fact, it has increased in the past two years as global manufacturing is moving away from China," says Bhasin, while acknowledging the fact that global risk sentiment has weighed on India for the past couple of weeks on the back of interest rate hikes by central banks across the world.

The journey from a $3-trillion economy to a $6-trillion economy by 2030 will bring multiple highs for Indian markets, says Bhasin.

Garg of ICICI Securities also believes that if somebody is on the sidelines, then they may look at entering the markets at the current levels. The time for investors seems ripe. **BT**

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The Supply Snag

Natural gas supply guidelines have been amended, but industry wants greater freedom to source supplies from the free market

BY **MANISH PANT**

IN A BID to provide relief to city gas distribution (CGD) companies, the Ministry of Petroleum and Natural Gas has revised the guidelines for domestic supply of compressed natural gas (CNG) for transport and piped natural gas (PNG) for domestic use. Allocation of natural gas to CGD companies will now be done quarterly for better evaluation of consumption patterns, instead of on the basis of demand in the first three months of the pandemic, when most economic activities had dipped, and both demand and supply had shrunk.

"It's a welcome step...we hope that this step, along with meeting the growing demand from the middle-class segment, will help in maintaining the attractiveness of CNG and cooking gas," an industry source says in a guarded response, declining to be named.

The government's move follows a report by *Business Today* explaining how price escalations and shortages could potentially dent Asia's third-largest economy's plans to double the share of gas in its energy mix. Why? When economic recovery began after the pandemic, demand for gas spiked, but supply did not rise in tandem. This caused a shortage, inflating domestic gas prices by 62 per cent in October 2021, and by 110 per cent on April 22, an increase from \$1.9 to \$6.1 per metric million British thermal unit (MMBtu).

ALLOCATION OF NATURAL GAS TO CGD COMPANIES WILL NOW BE DONE QUARTERLY FOR BETTER EVALUATION OF CONSUMPTION PATTERNS

To bridge this shortfall, GAIL, which supplies both CNG and PNG to CGD operators like Indraprastha Gas and Gujarat Gas, will source domestic high pressure, high temperature gas at a competitive ceiling or actual price, for blending with administered price mechanism (APM) or non-administered price mechanism (NAPM) gas. APM gas, which is subsidised by the government, is sourced from onshore domestic gas fields managed by ONGC and Oil India Ltd. NAPM gas, which is not subsidised, comes from onshore and offshore domestic and foreign gas fields. GAIL will also source long-term regasified liquefied natural gas (RLNG) from the global market, failing which spot RLNG may be sourced for mixing with available APM or NAPM gas.

Sources confirmed that GAIL, from May 16, has started supplying blended gas at \$8.04 per MMBtu.

Not everyone is happy about it. "The policy lacks clarity... there is no perceived benefit of sourcing through GAIL. All non-APM gas is anyway on a free-market basis. Many CGDs like Gujarat Gas, Torrent and Adani Total already have some kind of internal gas sourcing pacts, and they may want to use that instead of sourcing through GAIL," says Swarnendu Bhushan, Senior Group Vice President at Motilal Oswal Financial Services.

Plus, the CGD segment is expected to grow sharply because of its low cost compared with petrol, diesel or LPG. To leverage this opportunity, the CGD industry feels the government should allow operators to expand their gas sourcing from the free market, instead of depending more on GAIL. Time for another amendment, perhaps? **BT**

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PHOTO BY **ANI**

OUR PERPETUAL COMMITMENT FOR 'NYAY'

RAJIV GANDHI KISAN NYAY YOJANA

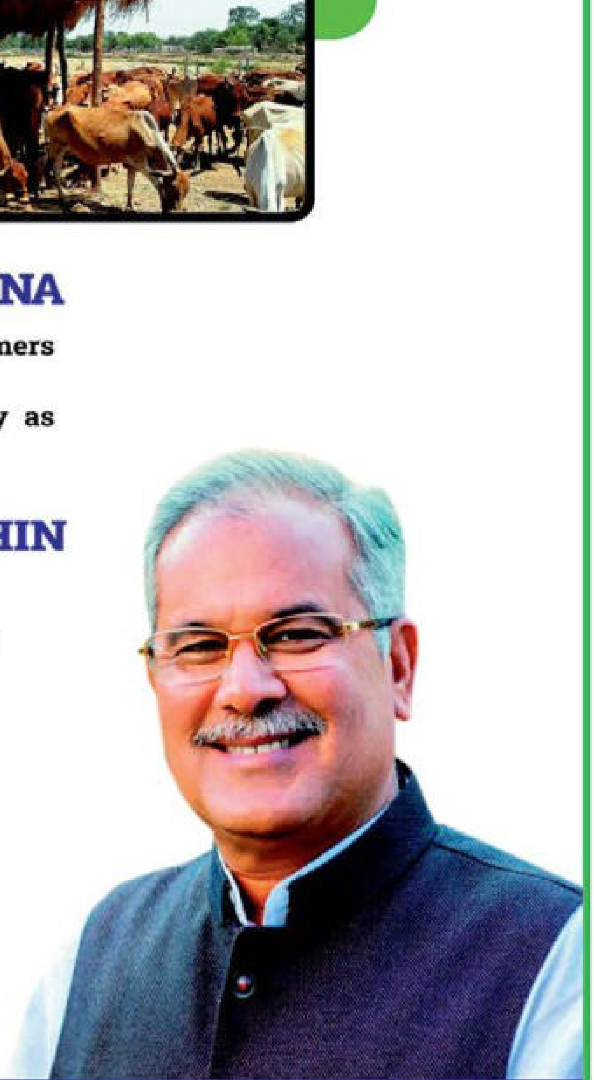
- ₹12,900.21cr transferred to the accounts of 22.87 lakh farmers in last two years
- ₹ 1720.11cr transferred to 22.87 lakh farmers on 21st May as this financial years first installment

RAJIV GANDHI GRAMIN BHOOMIHIN KRISHI MAJDOOR NYAY YOJANA

- ₹71.08 cr transferred to 3.55 lakh beneficiaries last year
- Provision of annual financial assistance of ₹7,000 per beneficiary

GODHAN NYAY YOJANA

- Direct transfer ₹250 cr. to Gothan committees, women self-help groups and cattle farmers



Shri Bhupesh Baghel
Hon'ble Chief Minister, Chhattisgarh

Pro Active - Pro People

THE GAME PLAN

- **BRING** all the bank's businesses and subsidiaries under one umbrella for cross-selling
- **FOCUS** on high-rated corporates across large, medium and small enterprises
- **DEPLOY** an asset-led strategy in semi-urban and rural markets
- **SEPARATE** under-writing function in retail and wholesale from business function
- **INCULCATE** a culture of conservatism across verticals, and bring in a new management team with outside talent
- **CARVE OUT** separate verticals for mid-corporates and MNCs, Bharat banking and high-yield businesses
- **CREATE** a separate vertical for sourcing and servicing depositors; focus on granularity and premiumisation
- **FOCUS** subsidiaries on attaining size and scale, and big jump in profitability
- **UPGRADE** core technology big-time to prepare for a digital world
- **MOBILISE** capital to strengthen the balance sheet
- **ACQUIRE** to grow in select areas; Citi's consumer banking acquisition is a big feather in its cap

CROUCHING TIGER

THE UNASSUMING **AMITABH CHAUDHRY** HAS TAKEN ON AN AGGRESSIVE AVATAR, LEADING AXIS BANK TO HEIGHTS IT HAS NEVER REACHED BEFORE. A PEEK INTO HIS, AND THE BANK'S, REINCARNATION INTO A CHALLENGER OF INDIAN BANKING'S TOP GUNS

BY **ANAND ADHIKARI**

PHOTO BY **BANDEEP SINGH**

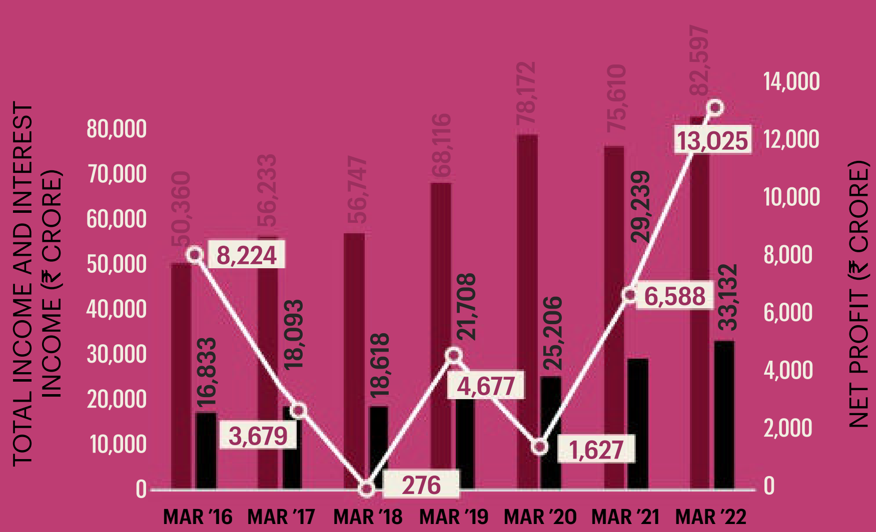
←
Amitabh Chaudhry
MD and CEO,
Axis Bank

YOU ARE ALWAYS asking us, 'why is the glass half empty?'," a senior Axis Bank team member quizzed MD and CEO Amitabh Chaudhry at a strategy offsite. "What happens when we fill the glass?" asked another member in a lighter vein. Pat came the response: "Well, I will go find a jug." The response is emblematic of the pugnacious approach of the 57-year-old Chaudhry, who was previously credited with turning around the struggling life insurance subsidiary of HDFC. The honcho believes that India's third-largest private bank is capable of doing much more than what it is doing today. And he is moving multiple blocks around to ensure that he and his nine-member senior management team—mostly poached by Chaudhry from other private banks—deliver to that promise. "We are hungry for business; we are like a crouching tiger," says a determined Chaudhry, sitting in his eighth-floor office at Mumbai's Axis House. "We now have the platform to go and grab every opportunity that comes our way. We are not as aggressive as some others, but we are getting better and better at it."

He sure is. A series of acquisitions, capped by Axis's $1.64-billion buyout of Citi's consumer business in India this March, underlines this new-found aggression. And now, the crouching tiger is gunning for the position of India's second-largest private bank (by balance sheet size), currently occupied by rival ICICI Bank. The asset gap between the two has shrunk to ₹2.36 lakh crore in FY22, from ₹3.68 lakh crore in FY20. "We need to raise our aspiration level. We are not happy with No. 3. We want to get to No. 2 and No. 1 (in terms of product market share), and the only way we can get to No. 2 (in terms of ranking) is to become No. 1 in some (product market share) cases," argues Chaudhry. An engineer from BITS, Pilani, with management spurs from the prestigious IIM Ahmedabad,

BACK TO GROWTH AND PROFITABILITY

Net profits, in particular, have shot through the roof

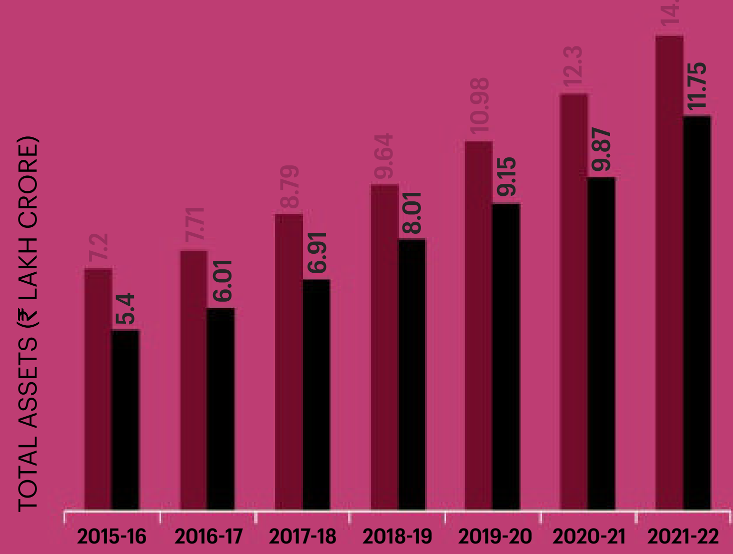


■ TOTAL INCOME ■ NET INTEREST INCOME ■ NET PROFIT

SOURCE ANNUAL REPORTS

PLAYING CATCH-UP

Axis Bank's balance sheet size is fattening, but ICICI Bank is still ahead



■ ICICI BANK ■ AXIS BANK

SOURCE ANNUAL REPORTS

AXIS'S BUYING SPREE

The bank is continuing to look at M&A opportunities in general insurance and other segments

NOV 2020

Acquired close to 10 per cent stake in CSC e-Governance Services

Chaudhry has set in motion close to two dozen transformation projects and is making the bank, which has had a public (erstwhile UTI Bank) character, more process driven.

Is it working? Here's a cheat sheet. In March 2022—Chaudhry stepped into the corner room in January 2019 from HDFC Life, where he was MD and CEO—Axis Bank's net profit rose to ₹13,025 crore, a multi-fold jump from ₹1,627 crore in FY20, and an even lower ₹276 crore in FY18. The profits at its subsidiaries have also pole-vaulted from ₹347 crore to ₹1,195 crore in these three years. There has also been significant improvement in various other parameters, such as return on assets (ROA), return on equity (ROE), and capital adequacy, among others (see *Amitabh Chaudhry's First Three Years*).

What's Chaudhry's recipe? Here's a peek. He has put the legacy issue of deteriorating asset quality behind, sharpened focus on retail with an asset-led strategy in semi-urban and rural geographies, tapped high-rated corporates in wholesale banking, introduced mid-corporates for the first time, and created a new SME template. In fact, the de-linking of the loan underwriting functions in both retail and corporate businesses was the most significant exercise. "We have become extremely conservative in our approach in terms of not only provisions, but also accounting policies," he says. The bank, which had gross NPAs of 5.75 per cent when Chaudhry joined, has now set up norms and accounting policies, which need sign-offs from the board-level audit committee (see *The Game Plan*). Its gross NPA currently is at 2.8 per cent.

Chaudhry is also fashioning a different culture of meritocracy, transparency and excellence. Three senior management team members—Deepak Maheshwari, a board member of Axis Finance; Munish Sharda, Group Executive and Head of Bharat Banking; and Sumit Bali, Group Executive and Head of Retail Lending—were CEOs or board-level directors in their previous roles. Maheshwari

INVESTORS UNCONVINCED

Since January 2019, when Amitabh Chaudhry became CEO, Axis Bank's stock has largely underperformed the BSE Sensex

■ AXIS BANK ■ BSE SENSEX

GRAPH NORMALISED TO BASE 100
SOURCE BSE

AMITABH CHAUDHRY'S FIRST THREE YEARS...

...have seen most ratios improve

Parameter	Jan '19	Mar '22
Total assets (₹ crore)	7,56,176	11,75,178
Return on assets#	0.88%	1.46%
Return on equity#	11.33%	15.87%
Retail advances	49%	56.50%
Semi-urban and rural branches	48%	47%
CASA	46%	45%
Capital adequacy	16.40%	18.54%
Net interest margin*	3.66%	3.64%
Gross NPAs	5.75%	2.80%
Net NPAs	2.36%	0.73%

*DOMESTIC #ANNUALISED; CASA IS PERIOD END
SOURCE ANNUAL REPORTS AND PRESENTATIONS

FEB 2021
Bank's subsidiary Axis Securities pounced on the trading accounts of Karvy Stock Broking

MARCH 2021
Acquired close to 10 per cent stake in Max Bupa Health Insurance's promoter-level company Fettle Tone

APRIL 2021
Acquired close to 13 per cent stake in Max New York Life Insurance via the bank and two subsidiaries

MARCH 2022
Acquired Citi's consumer banking business in India in a $1.6-billion deal

is a former Federal Bank board member. Sharda was CEO of Future Generali Life Insurance. And Bali had earlier headed Kotak Mahindra Prime as well as IIFL Finance. Besides, Axis Bank is getting more than 3,600 high-performing professionals in consumer banking from the Citi acquisition, plus a ready-made, powerful portfolio of credit card customers, its erstwhile Achilles' heel. Clearly, growth is the new anthem—organic or otherwise—and the bank's senior management has its task cut out.

WHEN CITI'S GLOBAL CEO Jane Fraser announced the exit of consumer banking in 13 markets, including India, there was hectic activity at the Axis Bank headquarters in April 2021. The strategic fit with Citi's high-end customers was very strong for a bank like Axis, as it runs one of the largest wealth management businesses in India. Chaudhry moved quickly to form a strategy and M&A team. To better understand how Citi's clients feel about private banks in India, he also commissioned a market survey. All that happened between July and September. "We armed ourselves reasonably well in the process," says Subrat Mohanty, Group Executive for Banking Operations & Transformation at the bank. The choice of the global investment banker, Credit Suisse, was also strategic as this US-based banker was running a similar process in other geographies.

Indeed, the vexing issue of valuation kept many big banks away, but Axis stayed put. The team had many rounds of negotiations with Citi's M&A team in London between January and March this year. In March, the bank clinched the deal to acquire Citi's loan book worth $3.65 billion for $1.64 billion, far less than the $2 billion speculated. "Based on pro-forma FY20, the deal is valued at 18.7x FY20 PAT of ₹842 crore. The combined deal valuation is attractive considering SBI Cards and IIFL's wealth businesses as proxies," says Jaideep Arora, CEO of Sharekhan by BNP Paribas. The acquisition will contribute 7 per cent to Axis Bank's deposit base and 4 per cent to its advances, mostly retail. It will also power the bank's retail banking business which currently has a 56.5 per cent share of total advances. "We can cross-sell and upsell to an existing base of very seasoned and engaged customers. It's a top-18-cities-centric, high-quality, premium customer base of over 3 million customers. We can do a lot of things," says Mohanty.

The big catch is the credit card portfolio. "The big players have mastered the art of generating 4.5-5 per cent returns in the cards business. So far, Axis Bank has largely maintained a risk-off approach in its cards business by focussing on internal customers and not taking undue risks on new-to-bank customers," says Krishnan A.S.V., Institutional Research Analyst at HDFC Securities. The acquisition catapults Axis into the top three credit card players in terms of the loan book. And in terms of the number of cards, Axis plus Citi combined at 11.15 million will still be No. 4, but it will significantly reduce the gap with No. 3 ICICI Bank. The top two are HDFC Bank and SBI Cards.

“The market share gain for private sector banks will continue and within the top banks, the big four or five banks will gain disproportionate market share (in deposits and advances)”

RAJIV ANAND
DEPUTY MD, AXIS BANK

Credit cards, along with personal loans and business loans, are part of the unsecured portfolio, comprising around 11 per cent of the bank's portfolio and 20 per cent of retail. This segment has a higher yield and higher ROE potential. Currently, the bank's ratio of secured and unsecured loans is about 80:20. Unsecured loans offer a healthy risk-adjusted return. "We can't ignore [that]. We would like unsecured to move directionally towards 75:25, but we will keep evaluating it," says Bali.

The retail book is largely secured, with 80 per cent share of mortgages, vehicle loans and the rural portfolio. The bank's strategy in retail lending has been built around cross-selling to existing customers. It gets all of

“We are pivoting our clients’ selection across the corporate, small and medium enterprises and mid-corporate spectrum towards well-rated clients”

GANESH SANKARAN
GROUP EXECUTIVE, WHOLESALE BANKING COVERAGE GROUP, AXIS BANK

“Currently, the bank’s secured and unsecured share is about 80:20. Unsecured offers a healthy risk-adjusted return... We would like to move directionally towards 75:25”

SUMIT BALI
GROUP EXECUTIVE AND HEAD, RETAIL LENDING, AXIS BANK

“We are bringing more granularity in our deposits, which are stickier in nature. Corporate deposits generally have the risk of run-off as they come in and get out fast”

RAVI NARAYANAN
GROUP EXECUTIVE, RETAIL LIABILITIES AND BRANCH BANKING, AXIS BANK

PHOTOS BY **MANDAR DEODHAR**

its personal loans, which make up 11 per cent of its retail loans, from salaried customers. Under auto, the bank is increasing its share of used cars, where it is already the second-largest player. Another fast-growing segment is business banking, which has a share of 7 per cent.

Chaudhry also created a separate vertical for retail liabilities with branches servicing existing customers and an independent liability sales team focussing on new customer acquisitions. To head this vertical, he brought in Ravi Narayanan, who was HDFC Bank’s Head–Branch Banking (West) and Retail Trade & Forex, last May. “We are bringing more granularity to our deposits, which are stickier in nature. As you know, corporate deposits generally have the risk of run-off as they come in and get out fast,” says Narayanan, who is now Group Executive of Retail Liabilities and Branch Banking at Axis Bank.

The bank has already implemented a premiumisation strategy focussing on improving deposit account quality. Its premium segment includes private banking, Burgundy (a tech-driven wealth management platform), Priority, Prestige and NRIs. The Citi acquisition brings in 1,600-plus Suvidha corporate relationships with more than 1 million customers. As a result, the low-cost CASA ratio of the bank will jump from around 45 per cent to 47 per cent. This will go a long way towards improving the net interest margins and, consequently, the ROE, the bank says.

THE CITI ACQUISITION will also energise Axis’s wealth management business. Over the years, it has organically built Burgundy, with assets under management (AUM) of more than ₹2.67 lakh crore in December 2021. The bank claims it is now the third-largest wealth management player in India. It will get the wealth and private banking businesses of Citi, which has a total AUM of ₹1.1 lakh crore. “The deal would help Axis add more premium customers to its Burgundy platform [with] the potential to cross-sell Axis products and offerings,” says Arora of Sharekhan by BNP Paribas.

Chaudhry also hired Sharda from Future Life to en-

[redacted]

sure Bharat Banking gets the importance it deserves. The bank had earlier come out with a 'Deep Geo Project', an asset-led strategy in semi-urban and rural geographies. "Deep Geo was a precursor to Bharat Banking, which is now looking at assets, liabilities, end-to-end solutions and the entire ecosystem," says Chaudhry. Currently, the bank has close to half of its total 4,758 branches in rural and semi-urban areas. The customised product basket includes farmer funding, gold loans, farm equipment loans, microfinance, supply chain finance, commodity business, etc. It is also building a broader distribution platform that includes partnerships with Common Service Centres and India Post, and about 40,000 village-level entrepreneurs or business correspondents. Plus, it is forming alliances with agri, fertiliser and seed companies. "We are riding on their pipes to provide banking services," says Sharda.

SPEED BUMPS AHEAD

High-rated corporate is a low-margin business with tough competition in generating fee income

Transplanting senior management from outside could be demoralising for the internal cadre

Scaling up needed in subsidiaries, mid-corporate, SMEs, etc.

High cost-to-income ratio

Three-year ROE target of 18 per cent yet to be achieved

CHAUDHRY HAS completely reoriented the wholesale business. "We are pivoting our client selection across the corporate, SME and mid-corporate spectrum to well-rated clients," says Ganesh Sankaran, Group Executive for Wholesale Banking Coverage Group. Today, over 80 per cent of the book comprises highly rated corporates. The bank has significantly reduced its exposure to sectors such as gems and jewellery and infrastructure, while increasing exposure in renewables, roads and city gas distribution. "Historically, the bank was known to be a balance sheet lender. In fact, it used to leave the cream on the table, very often, for other banks. The big focus now is to deliver one Axis to clients," says Deputy MD Rajiv Anand.

The bank is positioning itself as a one-stop shop for corporate loans, cash management, trade finance, forex, advisory, etc. "We want to build real partnerships because we want to grow with our companies," says Sankaran. Its strength on the wholesale side also lies in its superiority in the bond market. "We have a very strong loan syndication book. We are now the only private bank that is focussed on the offshore debt capital markets as well," says Neeraj Gambhir, Head of Treasury and Markets. Anand stresses the point that it is all about execution: "I don't think any of our peers are able to work in corporate and investment banking as seamlessly as we do."

Apart from large corporates, the wholesale banking division is scaling up the government-, MNC-, mid-corporate- and commercial banking (SME) segments. "Mid-corporate is an important part of your portfolio provided you know how to manage risk. It's a very important business, because you don't make much money in large corporates," says Anand. The mid-corporate sector, with a loan size of ₹250-1,000 crore, has grown from ₹10,000 crore three years ago to ₹25,000 crore today. "The book is growing 40 per cent every year. We have huge ambitions," says Anand. Avers Krishnan of HDFC Securities: "It's a good sweet spot to have in your portfolio. But they have to walk the talk in terms of aggressively pursuing this new business."

Under Chaudhry, Axis created an integrated commercial banking group for a sharper focus on SME needs. "When Amitabh took over, he realised that the business wasn't in the shape in which he wanted to scale it up. The bank switched off from the SME segment and ended up losing that profit pool completely," says Krishnan. Axis initiated a tech-driven transformation project called Sankalp, which is all about using data analytics, simplification of product offerings, and meeting the holistic needs of SMEs. Today, the SME book is largely working capital loans, more granular and well diversified across three dozen sectors.

When Chaudhry joined, Axis had five digital API integrations. Today, it has 300, for aggregators, digital lenders and payments providers. It had no partnership to speak of when he joined. Today, it has 80 with the likes of Flipkart, Google Pay, Amazon Pay and PhonePe. It is investing a lot in shifting applications to the cloud, automating processes, reducing the number of legacy apps and building new apps on an agile platform. "In the last year, 100 per cent of the customer-facing applications that we launched are cloud native. These are video KYC, credit card journey, BNPL, current account

[redacted]

“Based on pro-forma FY20, the [Citi] deal is valued at 18.7x FY20 PAT of ₹842 crore. The combined deal valuation is attractive considering SBI Cards and IIFL’s wealth businesses as proxy”

JAIDEEP ARORA
CEO, SHAREKHAN BY BNP PARIBAS

“Mid-corporate is a good sweet spot to have in your portfolio because of the competition (for rates) in the large corporates. But they have to walk the talk in terms of aggressively pursuing this new business”

KRISHNAN A.S.V.
INSTITUTIONAL RESEARCH ANALYST, HDFC SECURITIES

journey and merchant cash,” says Sameer Shetty, Head of Digital Banking. Today, 68 per cent of the bank’s retail FDs by volume, 46 per cent of the new mutual fund SIP sales by volume, 46 per cent of personal loans and 78 per cent of its credit cards issued in 2021-22 are opened digitally. “We are now asking ourselves the question: what will it take for us to become a very large, important, successful player on the digital side? That’s the journey we’re embarking on now,” says Chaudhry.

THREE YEARS AGO, Chaudhry promised an ROE of 18 per cent by March 2022, but that target is still a long way off. “It’s an aspirational number. We will continue to move up on our ROE journey,” he says. Chief Financial Officer Puneet Sharma says the bank has already delivered 16.67 per cent annualised ROE on a consolidated basis in Q4 of 2021-22. “That gives us comfort that the aspirational target of 18 per cent is very much reachable,” he says.

There are many other moving parts that, too, could affect ROE in the future. First, can the bank extract the most from Citi’s high-end customers? “The bank would have to up its game with a well-defined plan to limit attrition and create sustained value for the Citibank portfolio,” says Arora. Krishnan of HDFC Securities says this means several operational changes such as revamp of customer services, better tech integration, etc.

Second, the bank’s focus on high-rated corporates will not give a higher return or yield. The challenge is to raise the bar in terms of earning disproportionate fee income and attracting additional business from corporate clients. The share of wholesale banking has fallen from 51 per cent in FY19 to 44 per cent in FY22. The bank admits it is not very comfortable with the current pricing. The corporate sector, flush with funds, is shopping for the lowest interest rates. In addition, private sector rivals like HDFC Bank and ICICI Bank are also upping their game. “Axis has lagged its peers in terms of leveraging the pricing power of its franchise. I think that is what is impacting the return on assets at a headline level,” says Krishnan. Chaudhry disagrees: “The disproportionate share of profits in banking will go to the top four or five tech-savvy service-oriented institutions. And you’ll see that not only in banking, but also in mutual funds, securities and other non-banking businesses.”

Third, the bank has taken bets on new high-yielding verticals like mid-corporate plus commercial banking group, which includes SME, unsecured loans, used cars, small business banking, etc. But scale is missing. It could also increase its share of unsecured loans, which are high yielding but risky given the current volatile environment.

The bank’s cost-to-income ratio of 48.83 is also high compared to HDFC Bank (41.04) and ICICI Bank (40.65). “We have been guiding towards a 2 per cent cost to assets. We are seeing enough opportunities for growth. We do not want [costs] to come in the way of grabbing those opportunities because it would be good for us in the long run to gain that market share,” says Chaudhry.

The surprises, however, could come from the bank’s acquisition strategy. “We have been clear that we will continue to look for acquisitions in the bank as well as the subsidiaries, which allow us to leapfrog a certain pace of growth, or get a skill set which we don’t have, or get a certain client set, which for us will take a long time to get,” explains Chaudhry (see *Axis’s Buying Spree*). When asked to describe the transformation journey, he offers a car analogy. “We are in a car, which did go off the road a little bit,” he begins. “We are completely overhauling the engine. We are adding features to the car to ensure that it is safe and never goes off the road, but at the same time, increasing the speed of the car, and changing the aspiration levels of the people who are sitting in the car.”

So, at what speed is the car moving currently? “I have to keep assuring my team that it can run a lot faster,” he says. Call the glass half empty or half full, Chaudhry’s vision for Axis Bank’s future is as sharp as cut glass. **BT**

@anandadhikari

F U

AXIS AMC, WHICH IS THE SEVENTH-LARGEST ASSET MANAGEMENT COMPANY OF THE COU
FUND MANAGERS. IT NEEDS TO CLEAR THE AIR SOON ON WHAT WENT WRON

F I A

WHAT'S UP AT AXIS AMC?

- **AXIS AMC INITIATED AN INVESTIGATION IN FEBRUARY**
- **FUND MANAGERS CHANGED FOR SEVEN SCHEMES WITH EFFECT FROM MAY 4**

"Mutual fund investments are subject to market risks. Please read all scheme-related documents carefully before investing."

SOUNDS FAMILIAR? Well, this is the standard disclosure that every fund house or financial advisor has to give while pitching a mutual fund product to investors. This has been mandated by capital markets regulator Securities and Exchange Board of India (Sebi), which is known for its tight and stringent regulatory framework for the country's asset management companies (AMCs). In fact, the oft-repeated joke in the industry is that the framework is so tight with such micro-management that fund managers need a regulatory approval just to get up from their chair!

Given the regulatory framework and strict compliance controls put in place by fund houses, it is not common to come across instances of alleged wrongdoings or violations by key employees of mutual funds. Once every few years, though, there occurs a situation that makes investors and the regulator think whether the fund houses and their fund managers are performing their fiduciary responsibilities in letter and spirit. This assumes significance because then the investments are not only subject to market risks, as stated by the mandatory disclaimers, but also to risks arising from individuals failing in their fiduciary duties for which the investors did not sign up for.

Currently, Axis Asset Management Company is under the scanner for alleged wrongdoings by some em-

N D

NTRY, SUDDENLY FINDS ITSELF IN A SOUP WITH ALLEGATIONS OF SERIOUS VIOLATIONS BY ITS NG AND WHAT IT IS DOING TO FIX THE PROBLEM BY **ASHISH RUKHAIYAR**

S C O

TWO FUND MANAGERS—CHIEF TRADER & FUND MANAGER VIRESH JOSHI, AND ASSISTANT FUND MANAGER DEEPAK AGRAWAL—FIRED

AXIS AMC HAS HIRED ALVAREZ & MARSAL TO CONDUCT A PROBE AND FORENSIC AUDIT

ployees who were in charge of managing investor money.

The seventh-largest fund house of the country, with assets under management totalling more than ₹2.6 lakh crore, has already changed the fund manager for as many as seven schemes while sacking two fund managers—Viresh Joshi, who was also the Chief Trader, along with Assistant Fund Manager Deepak Agrawal. Joshi, who had been with Axis AMC since 2009, was terminated on May 18, while Agrawal, who had joined the fund house in 2015, was fired two days later.

Further, the fund house has hired global professional services major Alvarez & Marsal to conduct a proper probe and forensic audit in the matter. Axis AMC says the investigation was initiated in February this year.

While the first statement issued by the fund house on May 6 stated, among other things, that "two fund managers have been suspended pending investigation of potential irregularities", then came a slightly detailed statement from Chandresh Nigam, MD & CEO of Axis AMC. It was, indeed, needed as the fund house was facing all kinds of allegations, ranging from its fund managers being involved in front-running to taking kickbacks to owning fancy sports cars and properties.

None of the allegations could be independently verified amidst the ongoing probe, which is expected to be over soon. More importantly, the capital markets regulator, which has a history of acting tough against fund houses, is also looking into the matter. Way back in 2010, it had penalised a dealer of HDFC Mutual Fund after a detailed probe found that he—along with three other en-

SHIFTING SANDS

Schemes where the fund manager has been changed

Fund	Launch date	AUM (₹ crore)	CAGR (%)		Top 5 holdings
			1-year	3-year	
Axis Arbitrage Fund	14/08/14	5,785.02	4.04	4.43	Axis Money Market Fund - Direct Plan Growth Option, Ultra Short-Term Fund - Direct Plan Growth, 182 Days T-bill, Reliance Industries, HDFC
Axis Quant Fund	30/06/21	1,529.67	NA	NA	HDFC Bank, ICICI Bank, Infosys, Titan, Sun Pharmaceutical
Axis Value Fund	22/09/21	239.53	NA	NA	Sun Pharmaceutical, Tata Motors, Bajaj Holdings & Investment, Tech Mahindra, HCL Technologies
Axis Nifty ETF	03/07/17	126.20	20.17	15.63	Reliance Industries, Infosys, HDFC Bank, ICICI Bank, HDFC
Axis Banking ETF	05/11/20	56.54	9.49	NA	HDFC Bank, ICICI Bank, Axis Bank, Kotak Mahindra Bank, SBI
Axis Technology ETF	25/03/21	29.28	42.36	NA	Infosys, TCS, HCL Technologies, Wipro, Tech Mahindra
Axis Consumption ETF	17/09/21	11.68	NA	NA	ITC, Bharti Airtel, Hindustan Unilever, Asian Paints, Maruti Suzuki India

SOURCE AXIS MF, VALUE RESEARCH

tities—was allegedly involved in front-running activities that resulted in cumulative unlawful gains of ₹2.86 crore.

FRONT-RUNNING refers to an illegal practice wherein an entity trades in shares of a particular company on the basis of unpublished or inside information that a fund house is going to execute a trade in the company. It is looked upon as a serious offence in capital markets, although it would be early to conclude in the current matter if it is a case of insider trading. "The essence in a front-running charge is the pattern of trading, proximity of the transaction with the substantial order, and the proof of knowledge of information pertaining to the substantial order," says Sumit Agrawal, Founder of Regstreet Law Advisors, who is also a former Sebi official and an author of a book on the Sebi Act. "Front-running is keeping Sebi on its heels these days. It is one of the most terrible crimes in the securities market and, unfortunately, it is prevalent more than we would like to think. Sebi as a regulator has been trying to deal with the menace with amendments to its mutual fund- and FUTP [Prohibition of Fraudulent and Unfair Trade Practices] Regulations."

Incidentally, people familiar with the matter say that the initial probe has revealed certain chats and communications—discussing stocks and trades among other things—that violate the code of conduct, and at least one of the sacked fund managers was not very forthcoming with information and responses. They, however, add that it would be a bit far-fetched at this juncture to conclude that it was indeed front-running.

"Traders and fund managers cannot be freely discussing stocks and trades with people in the market. There is a way in which this communication can be done as per compliance. Certain chats over instant messaging platforms appeared suspicious and an explanation was sought," says a person familiar with the matter. "Further, responses that the probe team were seeking were not given properly and one [fund manager] even failed to turn up for a meeting when called to clarify on some of the chats and communications that looked suspicious," he added, wishing not to be named as the probe is still on.

While Joshi was the fund manager of five schemes—Axis Arbitrage Fund, Axis Banking ETF, Axis Consumption ETF, Axis Nifty ETF and Axis Technology ETF—Agrawal managed Axis Consumption ETF, Axis Quant Fund and Axis Value Fund. The funds have since been allocated to other fund managers, including Jinesh Gopani, Head of Equity and Ashish Naik, Fund Manager for Equity.

"In any financial market, there will always be some rogue elements that would try to benefit if there is an opportunity. It is the nature of response to such rogue elements that determines the character of the financial institution," says Shriram Subramanian, Founder & MD of InGovern Research Services, a proxy advisory firm.

DHIRENDRA KUMAR, Founder and Chief Executive of Value Research, believes that credit worthiness is a fundamental tenet for mutual funds, and Axis AMC should accelerate things in terms of coming out with the findings. "They need to show that they had enough checks and balances in place and were quite proactive in initiating the probe. They have a fiduciary responsibility," says Kumar, adding that investors who have put money in Axis AMC schemes should not panic as yet. But if there are any adverse findings that come out later, then it would be tough for investors to put money in the fund house, he says.

In a similar context, InGovern's Subramanian believes that the development is a setback for Axis AMC and it should complete the investigation as soon as possible to retain the trust of its unit holders. "It is not clear as to what triggered the investigation, what is the nature of the violation, why it has taken two months to investigate, and what is the loss to unit holders," he says.

To be fair to the fund house, its portfolio of stocks across schemes is believed to be largely good-quality large caps. Industry players say that given the backing of the third-largest private sector bank and a global investment manager—Axis Bank and the UK's Schroder's own 74.99 per cent and 25 per cent, respectively—the compliance protocols and processes would be in place. They, however, add that an occasional slip is possible, especially during times when some may be working from home and could have become a bit callous.

Incidentally, none of the schemes that were managed by the sacked fund managers has taken a hit by way of an abrupt and huge fall in their respective net asset value. "Since inception, we have followed a highly disciplined strategy focussed on investing in high-quality

THERE ARE NO RESTRICTIONS ON REDEMPTIONS. RECENT DEVELOPMENTS DO NOT IMPACT THE PORTFOLIOS HELD BY ANY OF THE SCHEMES OF AXIS AMC. ANY SUGGESTION TO THE CONTRARY IS BASELESS

CHANDRESH NIGAM
MD & CEO, AXIS ASSET MANAGEMENT COMPANY (IN A STATEMENT)

AXIS AMC SHOULD ACCELERATE THINGS IN TERMS OF COMING OUT WITH THE FINDINGS. THEY NEED TO SHOW THAT THEY HAD ENOUGH CHECKS AND BALANCES IN PLACE. THEY HAVE A FIDUCIARY RESPONSIBILITY

DHIRENDRA KUMAR
FOUNDER & CHIEF EXECUTIVE, VALUE RESEARCH

businesses with strong emphasis on risk management. Our performance over the years is proof of success of this strategy. All our portfolios have high-quality holdings and have adequate liquidity," stated Axis AMC in its emailed responses. "There are no restrictions on redemptions. In any event, we believe that the available liquidity with our funds and the quality of our portfolio will enable us to meet redemption requests from investors, if any," it added.

Meanwhile, the statement issued by Nigam on May 8 mentioned that the "recent developments do not impact the portfolios held by any of the schemes of Axis AMC. Any suggestion to the contrary is baseless and should be ignored".

The probe may well be on and might be nearing its end as well, but whatever the outcome, Axis AMC will have to ensure that violations—minor or otherwise—are properly identified and the loose ends are tied up to avoid future such occurrences.

The regulator is watching and is not going to take this lightly in any manner whatsoever, especially when it has expanded the scope of the law to include intermediaries along with non-intermediaries as well, including family members and friends. BT

@ashishrukhaiyar

CRASH!
BANG!!!
OUCH!
POW!
BANG!

FINANCE CRYPTO

THE CRYPTO CONUNDRUM

FROM PAYMENT DISRUPTION TO THE CRYPTO BILL GETTING DELAYED, THERE ARE MANY CHALLENGES WHEN IT COMES TO INVESTING IN VIRTUAL CURRENCIES. IN THE ABSENCE OF FORMAL REGULATIONS AND GUIDELINES, HOW WISE IS IT TO BUY OR HOLD CRYPTOS IN INDIA?

BY **TEENA JAIN KAUSHAL**
ILLUSTRATION BY **NILANJAN DAS**

WHAT DO YOU DO WHEN YOUR ENTIRE LIFE'S SAVINGS VANISHES IN A PUFF OF SMOKE? OR, WHEN YOU CAN NO LONGER ACCESS THE MONEY YOU HAVE PAINSTAKINGLY SAVED FOR A RAINY DAY?

NETFLIX'S LATEST DOCUMENTARY—*TRUST NO ONE-THE HUNT FOR THE CRYPTO KING*—ANSWERS PARTS OF THESE QUESTIONS AND SERVES AS A CAUTIONARY TALE FOR PEOPLE INVESTED IN THE CRYPTOCURRENCY MARKET. WATCHING THE DOCUMENTARY AND UNDERSTANDING ITS IMPLICATIONS CAN MAKE YOU GRASP YOUR BITCOIN A LITTLE CLOSER TO YOUR CHEST OR WITHDRAW FROM THE MARKET ENTIRELY.

THE TRUE CRIME DOCUMENTARY DEPICTS THE STORY OF A 30-YEAR-OLD CANADIAN, GERALD COTTEN, CO-FOUNDER AND CEO OF QUADRIGACX—A CANADA-BASED CRYPTOCURRENCY EXCHANGE—WHO DIED UNDER MYSTERIOUS CIRCUMSTANCES IN JAIPUR.

COTTEN'S DEATH DUE TO COMPLICATIONS FROM CROHN'S DISEASE, WHILE LEAVING HIS CUSTOMERS IN A FINANCIAL LURCH, RAISED AS MANY QUESTIONS AS THE AMOUNT OF MONEY IT RENDERED INACCESSIBLE FOR HIS CUSTOMERS. INVESTIGATIONS INTO HIS DEATH CARRIED OUT BY FINANCIAL REGULATORS, JOURNALISTS AND QUADRIGACX'S CUSTOMERS IN CANADA AND THE US REVEALED MANY SORDID DETAILS. FOREMOST AMONG THEM WAS THE ALLEGATION THAT HE HAD BEEN DEFRAUDING HIS CUSTOMERS SINCE LONG BEFORE HIS DEATH IN DECEMBER 2018.

While his death not only rendered nearly $250 million in cash and cryptocurrencies inaccessible, since he stored them in a wallet protected by a unique key—which apparently only he knew—it also highlighted how vulnerable cryptocurrency users' money really is.

A closer look at the ledgers of the wallets revealed that he had many fake accounts within QuadrigaCX and used fake funds to buy real cryptos from other customers which he traded on other exchanges in the hope of making a quick buck. What's more distressing is that the documentary reveals that he lost all the money he siphoned off QuadrigaCX's customers, rendering the company unable to honour withdrawal requests following the 2018 cryptocurrency crash.

While Cotten's shenanigans not only left millions of people in limbo with their cryptos lost forever, it also opened a Pandora's Box of questions relating to the safety and security of crypto exchanges across the world.

"With crypto wallets that hold large sums of crypto, it is important to distribute the keys and have very clear access, backup and recovery protocols in place. Most of the popular exchanges today have highly evolved security measures and protocols in place. At CoinDCX, we have a 24-hour cooling off period, withdrawal passwords, trusted addresses, etc., which are considered best practices for security globally," says Manhar Garegrat, Executive Director of Policy and Special Projects at CoinDCX.

While so far no such default has happened in India, things are more than chaotic when it comes to cryptocurrencies. From high tax rates and a lack of regulations to payment disruptions, crypto exchanges in India are grappling with multiple challenges. Given the peculiar nature of questions surrounding cryptocurrencies, the one question that most people ask is: Is it worth investing in crypto now?

Crypto markets are in turmoil in India and across the world. With liquidity drying up due to the Reserve Bank of India's (RBI) rate hike and the rising dollar index, trading activity in cryptos has fallen and so has its price. The US-based crypto exchange Coinbase's recent Q1 earnings report, too, shows a sharp dip in retail trading volumes. Bitcoin's year-to-date return has also come down by 40 per cent while Ethereum is down 50 per cent. Bitcoin and Ethereum are currently trading at around $28,000 and $2,014, down from the highs of $68,000 and $4,891 in 2021. The carnage in smaller coins is much steeper. Take the price of Luna that has dropped from above $100 a few months ago to near zero in the current price crash. While trading volumes and crypto prices are down globally, there are several domestic factors as well that put a question mark on the future of cryptocurrencies in India.

THE WALL OF PAYMENT

In India, banks and mobile wallets have stopped supporting crypto

ILLUSTRATIONS BY **RAJ VERMA**

"A REGULATORY FRAMEWORK WILL PROVIDE COMFORT TO ALL PLAYERS, AND WE WILL BE ABLE TO ENFORCE BETTER COMPLIANCE FRAMEWORKS. WE EXPECT ACCESS TO SUCH MECHANISMS SO THAT WE CAN MAKE OUR SYSTEMS MORE ROBUST AND COMPLIANT"

MANHAR GAREGRAT
EXECUTIVE DIRECTOR, POLICY AND SPECIAL PROJECTS, COINDCX

exchanges, leading to a sharp decline in trading volumes. The services were disconnected because of the RBI's strict stance against cryptos. Recently, speaking at an earnings call to discuss their first quarter financial results, Coinbase CEO Brian Armstrong said that it disabled its Unified Payments Interface (UPI) services because of "informal pressure" from the RBI.

"India is a unique market, in the sense that the Supreme Court ruled that they can't ban crypto, but there are elements in the government, including the RBI, who don't seem to be as positive on it," he said.

Soon after Coinbase's announcement that it would allow users to purchase cryptos using UPI—an instant, real-time payment system—it came under the regulatory lens. The National Payments Corporation of India (NPCI), an umbrella organisation for operating retail payments and settlement systems that oversees UPI, released an official statement clarifying, "we are not aware of any crypto exchange using UPI".

The sudden suspension of UPI services has left the exchanges in the lurch. Exchanges are now resorting to peer-to-peer (P2P) transfer of cryptos in the absence of banking services. "There is a significant decrease in volume but much of it can be attributed to a lack of support from banking channels. We have re-launched P2P trading to ensure customers are able to access crypto seamlessly," says Vikram Subburaj, CEO of Giottus Crypto Exchange.

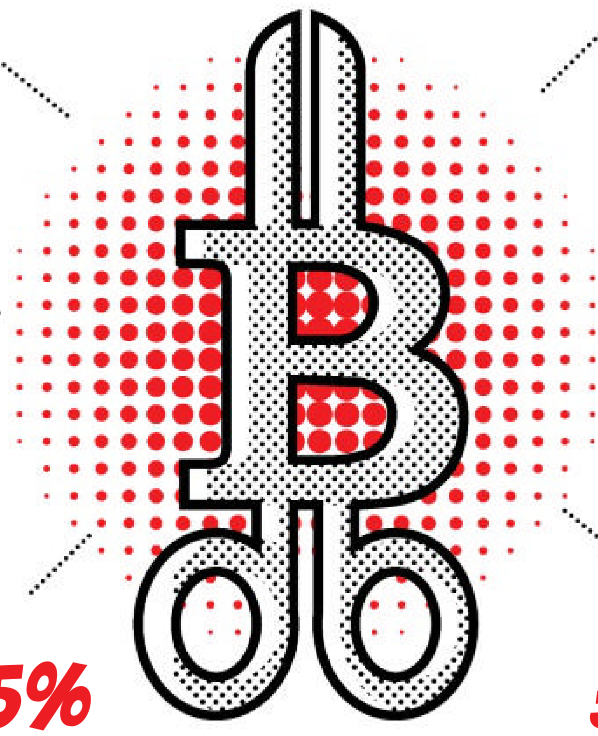
Given the RBI's clear stance on cryptos, payment services are keeping a safe distance from cryptocurrency exchanges in India. "We, as an intermediary and a soon-to-be licensed payment aggregator, are very

CRYPTO TAXES IN MAJOR COUNTRIES

SWITZERLAND
0-11.5%
0% capital gains tax for private investors subject to conditions

UNITED KINGDOM
0-45%
Capital gains tax is in the 0-20% range; for income it is 0-45%

SOUTH KOREA
0-20%
Capital gains for crypto currently at 0%. To be revised to 20% capital gains tax from 2023



UNITED STATES
0-37%
10-37% for short-term capital gains and 0-20% for long-term capital gains (1 year +)

AUSTRALIA
0-45%
Capital gains tax based on salary slab of investor; 50% discount on capital gains for long-term investor (1 year +)

BRAZIL
15-22.5%
Capital gains tax

INDIA
30%
Flat rate

GRAPHICS BY **TANMOY CHAKRABORTY**

SOURCE GIOTTUS CRYPTO EXCHANGE

clear that we are not processing any payments of any crypto exchange," says Vishwas Patel, Executive Director at Infibeam Avenues.

After the Supreme Court's judgement, crypto exchanges flourished in the country, but their expansion plans hit a wall when banks pulled their payment API integration from the exchanges. Though there was no notification from the RBI after the ruling, banks were informally told to stop their services to exchanges.

"We are all aware that a regulatory framework for emerging technology will require deliberations and take time. However, to constrict an Indian extension of a global industry that is making honest efforts at self-regulation and compliance comes across as disproportionate," says Garegrat of CoinDCX.

TAXATION TALES

Another reason for the decline in trading volumes and turnover has been the imposition of a 30 per cent tax on crypto gains from April 1, 2022. The Finance Bill, 2022, inserted a new section—115BBH—to tax the income arising from the transfer of Virtual Digital Assets (VDA) with no provision for setting off and carrying forward unclaimed losses. Market players say that while taxation is a welcome step as it gives a kind of passive acknowledgement from the government, they fear that such a high tax rate can impact the liquidity in the market. "Taxation is welcome as it brings clarity to the ecosystem. However, we don't quite agree with the quantum of tax levied," says Subburaj of Giottus.

There is a bigger problem for exchanges that can potentially reduce the liquidity from the market: the 1 per cent Tax Deducted at Source (TDS) for every transaction. Exchanges argue that frequent traders may fall short of capital if TDS is deducted for every trade. Traders might have to resort to trades below the TDS trigger limit to circumvent it or operate in foreign exchanges. "Crypto is all about anonymity. So now with the 1 per cent TDS, the anonymity of crypto has gone," says Patel of Infibeam Avenues.

Subhash Chandra Garg, a former finance secretary, is blunt: "This argument is very flawed. Crypto transactions are transactions where

GLOBAL CRYPTO REGULATIONS

UNITED STATES

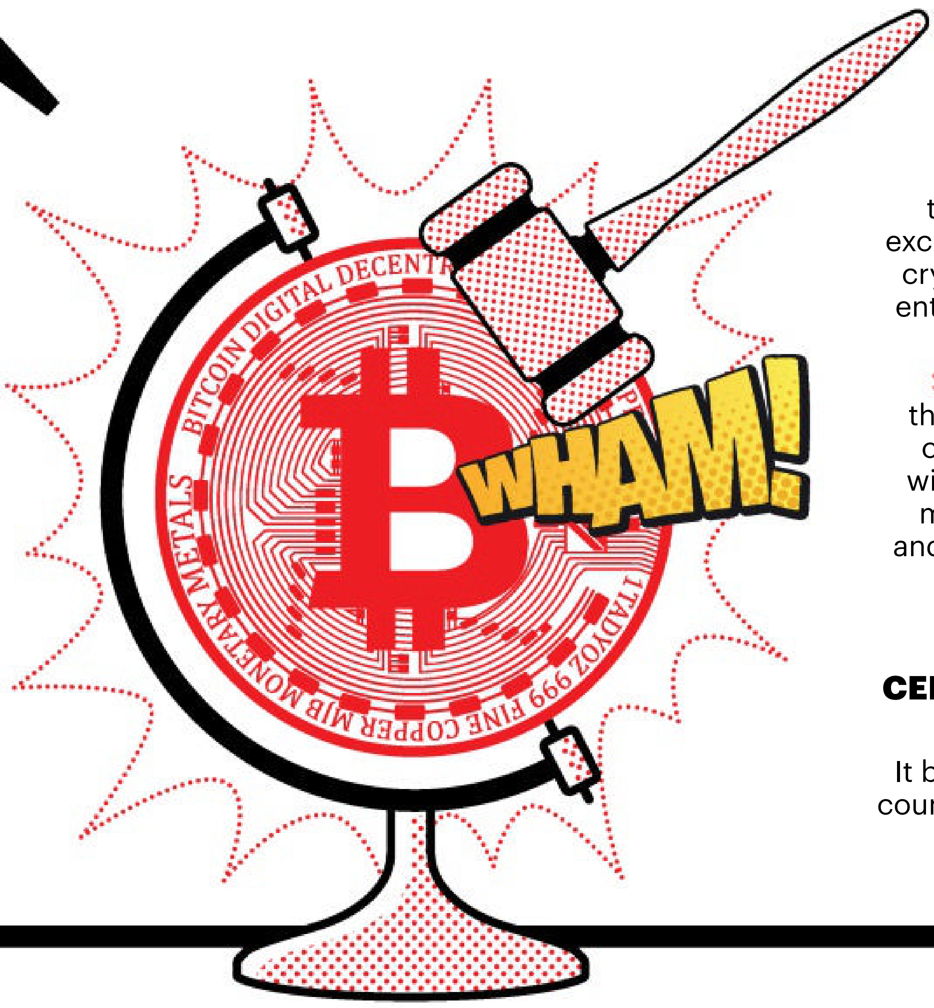
- The US has investor protection laws for the cryptocurrency market. It has a dual legislative system where both the federal and state governments can frame regulations
- Coinbase, a US-based exchange, is listed on the NASDAQ, reflecting the wider acceptance of cryptos in the country

EL SALVADOR

The first country to officially declare Bitcoin as a legal currency

UNITED KINGDOM

- The tax authority of the country has made it clear that cryptocurrencies can be considered as capital assets
- Exchanges need to be registered with the Financial Conduct Authority and take all measures to protect customers



SINGAPORE

- To facilitate the transmission, exchange or storage of cryptocurrencies, an entity needs to hold a licence
- Regulations in the country provide clearer guidelines with respect to anti-money laundering and counter-terrorism financing

CENTRAL AFRICAN REPUBLIC

It became the second country to adopt Bitcoin as legal tender

SOURCE *BT* RESEARCH

> **"THERE IS A SIGNIFICANT DECREASE IN VOLUMES; BUT MUCH OF IT CAN BE ATTRIBUTED TO A LACK OF SUPPORT FROM BANKING CHANNELS. WE HAVE RELAUNCHED P2P (PEER-TO-PEER) TRADING TO ENSURE CUSTOMERS ARE ABLE TO ACCESS CRYPTOS SEAMLESSLY"**

VIKRAM SUBBURAJ
CEO, GIOTTUS CRYPTO EXCHANGE

everything is recorded and nothing gets unrecorded. So, to trace or get the record, the government should figure it out or even mandate exchanges to provide the trail of transactions. Taxation is a very harsh, lumpy and blunt kind of measure."

COMPANIES IN FLIGHT

Another emerging trend after high taxes were levied on crypto trading in India is exchanges shifting their base of operations outside the country. Founders such as Nischal Shetty of WazirX have already shifted their base to Dubai while others are considering the idea.

"The current tax framework does make it extremely onerous for crypto start-ups. As far as CoinDCX is concerned, we are committed to India and are looking at building a strong crypto ecosystem in the country. To support this, we are setting up an innovation centre, which will help start-ups and developers further blockchain adoption. In addition, we have plans in the pipeline to expand our crypto investor base but such plans are in the early stages of discussion," says Garegrat.

In case of any untoward event in the future, companies with a significant customer base in India, but operating from foreign shores, could be a disaster in the making since unprotected customers would be left holding the bag if the exchanges go bust, as it happened in the case of QuadrigaCX. Such a risky outlook necessitates tighter laws around companies that operate in the country. "The right set of regulations can reverse the brain drain and bring the Indian start-ups back that are currently based outside India for tax/lack of policy clarity reasons. We should create incentives to make India the crypto capital of the world. It is not hard to imagine crypto as the future of the internet and India should not lose out," adds Subburaj.

The RBI has been quite clear about its stance on cryptos, but the government has been ambiguous, and due to the taxes imposed on them, a lot of volume is shifting to international destinations. "Without passing the crypto bill, they decided to tax the trading—that too with no clause for offsetting losses. Only investors/traders with deep pockets are likely to take any meaningful position post this set-up," says Amit Gupta, Founder and CEO of Fintrekk Capital, a financial research firm.

THE BILL HANGS FIRE

Designed initially to function as a currency, cryptos are now used more as an asset given their extraordinary returns over the past few years. So, the vexing question yet to be answered is, is crypto a stock, a commodity or a currency? Policymakers need to address these questions and then some. They need to figure out who should regulate the sector. Whether it should be treated as an asset and be regulated by the Securities and Exchange Board of India (Sebi), or whether it should be treated as a currency and brought under the purview of the RBI, or whether a new entity should be created, given their complex nature?

The Cryptocurrency and Regulation of Official Digital Currency Bill,

2021, was listed in Parliament last year but is yet to be tabled for discussion. The bill deals with three issues, one is the Central Bank Digital Currency (CBDC); the second is promotion of blockchain technology; and the third is about banning private cryptocurrencies. So, the question is, when will the crypto bill be passed in India?

"The government is more concerned about currencies and taxation, which have already been dealt with separately. So in my judgement, that bill which was being prepared is a meaningless piece of draft now. I don't see any reason or possibility that the government will come out with any law," says Garg. Incidentally, the crypto bill was designed by a committee headed by Garg.

In the absence of any clarity on regulations, cryptos are still traded on exchanges in India, leaving millions of people exposed to the risk of losing their money.

"You have the Prime Minister saying that crypto poses an imminent threat and the world should come together to solve it. The RBI is also very clear in its stance against crypto exchanges. Everybody agrees that crypto coins have no underlying assets," says Patel of Infibeam Avenues.

> **"CRYPTO TRANSACTIONS RECORD EVERYTHING AND NOTHING GETS UNRECORDED. SO, TO GET THE RECORD, THE GOVERNMENT SHOULD MANDATE EXCHANGES TO PROVIDE THE TRAIL OF TRANSACTIONS. TAXATION IS A VERY HARSH, LUMPY AND BLUNT KIND OF MEASURE"**
>
> **SUBHASH CHANDRA GARG**
> FORMER FINANCE SECRETARY, GOVERNMENT OF INDIA

Having said that, while across the world, many countries such as Japan, Singapore, the UK, and the US have implemented regulatory frameworks for cryptos, when it comes to India, the authorities are still trying to find answers. The fact that taxing cryptos does not make them legal and it is still an unregulated market leaves the possibility of banning or regulating the sector wide open.

Indian exchanges, meanwhile, claim that they have been following a self-regulatory approach, which includes abiding by KYC verification and anti-money laundering (AML) compliance policies. "Crypto exchanges in India, registered as part of BACC (Blockchain and Crypto Assets Council), adhere to mandatory KYC measures as well as other security measures such as transaction monitoring to ensure a safe environment for all investors. There are always risks with respect to wallets owned by exchanges, which we try to mitigate. We encourage users to keep their funds in hard wallets (key-sized physical devices which store private crypto keys offline and connect to a computer via USB) where possible," says Subburaj. BACC is an industry body of crypto exchanges in India and a part of the Internet and Mobile Association of India (IAMAI).

Given that exchanges have full ownership of virtual tokens and there have been umpteen instances where exchanges were shut down or hacked, experts say there is an urgent need for stringent regulation of crypto exchanges. They are currently self-governed, but that may not be enough given the large user base of these exchanges.

Going back to Cotten, he ran the business from his laptop and had exclusive access to the majority of funds. The same chapter should not be repeated in India. A clear regulatory environment can help millions of Indians in making the right decision. BT

@teena_kaushal

Digital transformation is about to transform our society

Technology is no longer a matter of choice. It has now integrated into every aspect of our living. In India, the Covid-19-induced lockdowns have really accelerated investments in digital initiatives. The impact of these investments and initiatives is now visible. India is now the world's second-fastest-digitising economy and becoming a global force to reckon with.

Manish Sinha
Chief Marketing Officer, STL

India is leading the Digital Transformation Wave

FY23 provides a lot of promise for the global society as it rebounds from the impact of the pandemic. On one hand, businesses are leveraging digital networks to improve customer experience and gain competitive advantages. On the other hand, governments are using the power of technology to bridge the economic and digital divide and build connected cities and villages. Data, technology, and governance are coming together to accelerate socio-economic change like never before. It's remarkable to see how the Indian government is actively encouraging local manufacturing and R&D. This will help businesses leapfrog to Industry 4.0. These are indeed exciting times, as this change is being led by our billion strong populace. Another primary driver is the volume of data consumed, which is remarkable for a low per capita income country like India. India's per capita Internet usage has increased from 1.2 GB per month in 2018 to 14 GB per month in June 2021 according to the Economic Survey of India. This 12X growth in usage along with a multi-fold increase in internet penetration has set the foundation for the next phase of digital transformation.

Some examples:

- The digital payment market will reach $1 trillion by 2026
- The digital health and telemedicine market will be worth over $800 million by FY24
- The Indian ecommerce market is expected to grow to US$ 188 billion by 2025
- OTT platforms are expected to reach $13-15 Bn by 2030
- Indian Edtech sector will reach US$ 4 billion by 2025

These use cases are just scratching the surface! New technologies like the Metaverse, Cryptocurrency, AI decision making, and Remote robotics will shape the future of entertainment, education, healthcare and commerce.

The network will transform digital

Just like 8-lane expressways improve physical connectivity, fibre based broadband will transform digital connectivity. In that sense, digital networks are absolutely fundamental for these use cases to come alive. This network transformation is based on 3 build cycles: 5G, FTTx, and Rural and Open networks.

5G - The need for ubiquitous, high-speed connectivity along with very low network response times or latency, is driving 5G buildouts. Almost all the above mentioned use cases are hinging on 5G connectivity. According to the GSA, 489 operators in 146 countries/regions are investing in 5G testing, licensing, planning, network deployment. In India, policy frameworks are being set up and the countdown to spectrum allocations has begun.

Fibre to the home - Newer use cases like work from home, online education, telemedicine, and surging video consumption all point towards one thing: seamless connectivity at the end-points is now non-negotiable. That's the reason that FTTx build outs are gaining traction across countries including India, which has been a heavy mobile broadband market uptill now. As the world continues to battle with the pandemic and endeavours to keep up with rapid modernisation, FTTx has emerged as one of the most impactful ways of delivering this seamless connectivity to millions of homes and premises..

Rural and Open Networks - For full digital transformation, rural and open networks are a must. Ubiquitous coverage will need high speed rural internet and governments are committing to the same. If this is to be done fast and efficiently, open and agile architectures should be implemented at scale. Open RAN opens up more ways to innovate and be more agile with expansion, pricing and services, while making the digital networks future ready in terms of scalability and superior control and management. This phenomena is picking up traction, not only in India but world over. According to Dell'Oro Group, cumulative Open RAN revenue from 2020 to 2025 might reach $15 billion, accounting for more than 10% of the overall RAN industry by 2025. Network creators viz - telecom operators, cloud firms, governments, and large enterprises are spending billions of dollars to build out these 3 types of networks in order to meet this demand. These large expenditures are being leveraged to fuel the above mentioned technologies, all of which are currently seeing rapid deployment and commercialization.

STL playing a crucial role in India's Digital Economy

It is evident by the use cases and network architecture that we have discussed, the future of the network is converged. STL is playing an important role in designing and building this new architecture. On the optical side, we are enabling backhaul fiberisation, on the wireless side, we are developing Open RAN and programmable FTTx solutions. We are also building methods for high speed fibre deployment and building a talent pool for supporting this massive network modernisation world over.

Humanity's core strength is our ability to work together. India is at the precipice of having *Internet for everyone.* Imagine an India where everyone is connected and working together to make our country a better place. This transformation is happening now.

UPSTART KIA TORE THROUGH THE DARKNESS SURROUNDING THE INDIAN AUTO INDUSTRY TO RACE TOWARDS THE TOP, LEAVING MORE CELEBRATED NAMES ROLLING IN THE DUST. CAN IT KEEP GOING?

BY **PRERNA LIDHOO**

SUPER VILLAIN MEERKAT tries to woo car designer Johnny to become his inspiration for a new car, but Johnny remains singularly unimpressed. The puny yet spunky baddie then has to contend with actor Tiger Shroff to launch the car, but comes a cropper here too, as the actor turns out to be more of a badass than the villain. What's the deal here? Well, *Adventures of Meerkat* was not just a fun comic video. It was, in fact, the India launch 'vehicle' for Kia, South Korea's second-biggest carmaker after Hyundai (both are part of Hyundai Motor Group, or HMG).

GHT RIDER

Known globally for its edgy design sense, Kia instantly made an impact with the launch of the Seltos sports utility vehicle (SUV) in August 2019. At a time when India's auto industry was facing its worst slump in decades, Seltos took the market by storm, outselling two of the most popular cars in the compact SUV segment—Hyundai Creta and Maruti Brezza. Backed by smart, quirky branding campaigns and the knowledge and resources of its cousin Hyundai, Kia India has reached in less than three years a position other celebrated global names have been unable to reach in decades—market share of almost 6 per cent, and No. 5 position in the Indian four-wheeler pecking order.

But as it moves forward, Kia needs to be ready for stiffer competition. Already, in FY22, its growth rate (in utility vehicle unit sales) has slowed to 19.9 per cent compared to 83.4 per cent in FY21. More tellingly, Kia was No. 3 in utility vehicle sales in FY21. But in FY22, it has been pushed down to No. 5 in the segment by old warriors Tata Motors and Mahindra & Mahindra, which have grown 161.6 per cent and 43.8 per cent, respectively. Even segment leader Maruti Suzuki has grown SUV sales faster than Kia in FY22, at 26.9 per cent.

Nonetheless, the story of how Kia came out of nowhere to make a sizeable dent in arguably the world's toughest car market, is an impressive tale of how it smartly combined conventional wisdom with modern strategy and tools to concoct a winning formula.

FOR STARTERS, the Meerkat approach was strategic for Kia's 25-45-year-old target group. Rahul Vengalil, Managing Partner of Isobar, a creative agency that managed Kia's digital launch campaigns, says that for a young, upwardly mobile consumer, digital and social media platforms were key to build engagement and anticipation for the brand at a time when few Indians knew about it. "Meerkat worked really well to connect with young consumers. It had a 12.8 million-plus reach on Instagram alone. We created memorable experiences using it at the Auto Expo as well. People saw it as a cool brand," he says.

What Kia also got right was the product strategy—enter the market in the most booming category of mid-sized SUVs—with Seltos. The fact that India was part of the global launch of Seltos seems to have also resonated well with customers. Now, with four UVs—Sonet, Seltos, Carens and Carnival—selling like hot cakes in India, the automaker has started a third shift in its Anantapur manufacturing plant and ended up producing 236,036 cars in the country in FY22.

Globally, Kia has some successful sedans and hatchbacks, but the company's strategy for India is clear. "We call them recreational vehicles (SUVs and MPVs). We would like to stick to this segment and not venture into sedans and hatchbacks for the time being," says Hardeep Singh Brar, Vice President and Head of Sales and Marketing at Kia India. The company did bring a hatchback—Rio—to India, but didn't launch it. Brar says Kia's product strategy has been accurate: "Not only in terms of design but also in terms of features and driveability, we were bang on. When we entered, our brand awareness was 1 per cent. Today it's more than 95 per cent."

MyungSik Sohn, Kia India's Chief Sales Officer, says overall ownership experience is another thing that worked well. "Over the past two and a half years, we have introduced several industry-first initiatives such as the 'Advanced Pick and Drop' programme and 'My Convenience'. These initiatives not only brought the maintenance cost of our vehicles down, but also provided a hassle-free ownership experience to our customers. The recent launch of Carens offers a maintenance cost of only 37 paise per km."

And then there was Kia India's network strategy. Says Sohn: "Since the beginning of our India operations, we have focussed on being accessible to all our customers across the country with the largest network for any new entrant, 265 touch points in 160 cities, adding to the convenience and confidence of customers. We have already expanded our network to 339 touch points primarily focussed on expansion in Tier IV and upcountry markets." In CY2022, Kia India aims to penetrate the Indian market further with 400 touch points across 225 cities.

₹1,111

CRORE

KIA INDIA'S NET PROFIT IN FY21, FOLLOWING A LOSS OF ₹329 CRORE IN FY20

400

TOUCHPOINTS

KIA PLANS TO BE PRESENT IN 225 CITIES WITH 400 TOUCHPOINTS IN CY2022

Partnerships are key for carmakers to survive in a tough market like India. For Kia, having Hyundai's wealth of knowledge and understanding of the Indian market has been a godsend, besides having access to some resources as well. Kia was also able to ramp up its dealership network. The company had 150 dealers in the beginning that gave it coverage of 70-75 per cent of the market. That was

KICKING UP A STORM

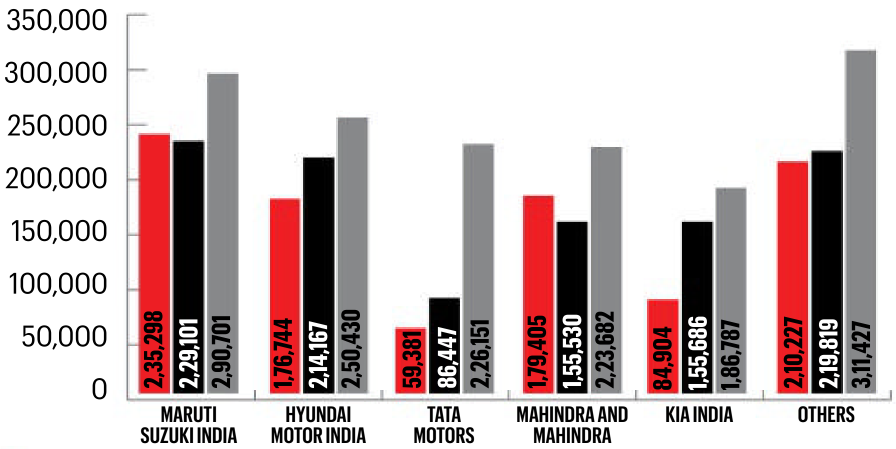
Kia plans to stick to SUVs and MPVs for now

Model (Year of Introduction)		Sales (FY21)	Sales (FY22)
SUV/Crossover	Seltos (2019)	89,173	95,929
	Sonet (2020)	63,717	73,864
MPV	Carens (2022)	N/A	12,692
	Carnival (2020)	2,796	4,302

SOURCE FEDERATION OF AUTOMOBILE DEALERS ASSOCIATIONS (FADA)

COMPETITION IS RISING

Kia has been pushed down to No. 5 in SUVs in FY22

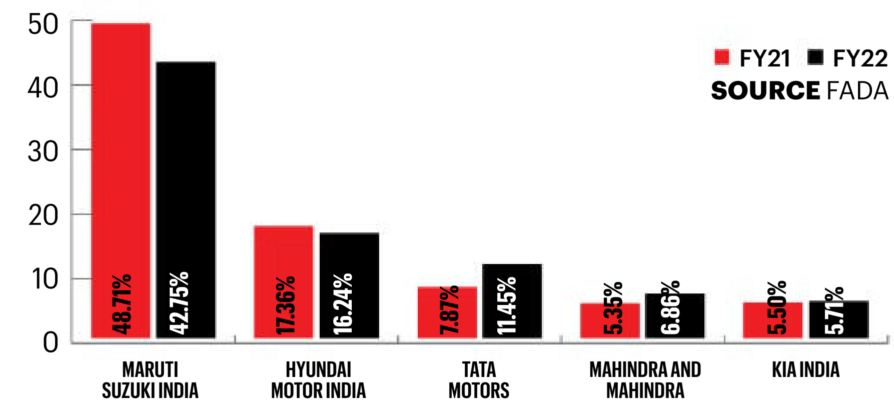


■ 2019-20 ■ 2020-21 ■ 2021-22; Figures are vehicle sales in units

SOURCE SOCIETY OF INDIAN AUTOMOBILE MANUFACTURERS (SIAM)

LOOK WHO'S NO. 5

Market share of passenger vehicle manufacturers in India



KIA IS NOW PROFITABLE TOO

It has started a third shift at its manufacturing plant

DESCRIPTION	March '18	March '19	March '20	March '21
Gross sales	0	0	10,838.03	20,290.64
Total income	3.34	122.84	10,847.33	20,353.06
Profit after tax	-62.84	-199.36	-329.54	1,111.81

FIGURES IN ₹ CRORE **SOURCE** ACE EQUITY

GRAPHICS BY **RAHUL SHARMA**

crucial and one of the fastest ramp-ups for a new player. Sohn says the synergistic relationship with Hyundai helps Kia be more cost-effective: "We are a part of HMG and, therefore, it is obvious to have some commonalities at the back-end, but overall we are two separate entities with different strategies, objectives and target audience. The R&D unit of both the companies is the same, which means we are cost-effective when it comes to developing new technologies. However, how we package that technology is distinct in both the companies."

HAD HYUNDAI NOT BEEN around, would Kia still have succeeded as much in India? "It would have been very tough. Hyundai and Kia's product platforms are the same, technologies are the same. Tooling and R&D helps lower the costs. This gave them economies of scale. Even though their brand positioning is different, Hyundai gave them the learning about what products work and what doesn't work," says Gaurav Vangaal, Country Lead for light vehicle production forecasting at IHS Markit.

One of the things that both Hyundai and Kia got right was the market dynamics. Hyundai entered in 1998 with Santro when the mass-market segment was growing, while Kia entered with Seltos when the Indian market was witnessing a surge in SUV sales. Kia has sold a total of 266,867 units of Seltos in the domestic market so far. The SUV accounts for 65 per cent of the company's total vehicle sales in India.

Sohn says the reason for Kia's success is the connectivity features in its cars: "Today's internet-savvy generation has evolved connectivity needs, and they expect seamless connectivity even on the move. We drove the connected car revolution into India with a plethora of innovative, cutting-edge, connected solutions to satisfy our customers' connectivity needs." Kia's cars come loaded with dozens of features including some segment-firsts like Apple CarPlay, wireless charging, sunroof, voice command, hill ascent assist, heads-up display, 360-degree-view parking camera, etc.

The company's latest launch, Carens, has 60 connectivity features. "We're looking at different degrees of autonomous as well, and taking care of the smallest details for the Indian market," says Brar. Another thing that worked for the brand is

"Kia India is now a case study on entering and disrupting a market even when you are a late entrant"

MYUNGSIK SOHN
CHIEF SALES OFFICER, KIA INDIA

"Hyundai gave them economies of scale which helped them bring the [production] costs down"

GAURAV VANGAAL
COUNTRY LEAD, LIGHT VEHICLE PRODUCTION FORECASTING, IHS MARKIT

its pricing, which helped it achieve the sales milestone of 500,000 dispatches from its Anantapur plant in less than three years. Kia Carens is priced at just ₹8.99 lakh (introductory, ex-showroom) for a seven-seater MPV with SUV styling, while rival Hyundai Alcazar is priced north of ₹16 lakh.

Kia is also targeting India's upwardly mobile base with an offering like Carnival, which costs upwards of ₹30-40 lakh and will get more customers from the top metros. But it also wants to gain deeper penetration into smaller towns and cities. Kia's top 10 markets contribute 45 per cent to its overall sales, but for a product like Carnival, they may contribute about 60 per cent. "Our top 50 towns is where there's more demand, but as you go down in terms of pricing, the smaller markets start contributing even more. We want to make our products suitable to them as well," says Brar.

All these strategies have helped Kia India register a net profit of ₹1,111 crore in FY21, following a loss of ₹329 crore in the previous fiscal, according to the company's filings with the Ministry of Corporate Affairs (MCA).

THE COMPANY IS now gearing up for its electric vehicle plans, with EV6 to be its first EV for India. Bookings will open on May 26, according to the Kia India website. "As and when they launch their EVs, they need to think about exporting them from India. It will work very well for the Indian consumer and will be a testament to the confidence that the Kia management globally has shown in the Indian market," says Vangaal of IHS Markit. Kia already exports its cars to about 90 countries from India.

Brar's next big challenge, apart from maintaining Kia's growth momentum, is to focus more on localisation. It started at about 70 per cent but now it's at more than 80 per cent. "To get it right in the first few years was difficult. Plus, our cost of maintenance is also low. This gave us an edge compared to some of the other players in the market. But localisation is a continuous process. It helps us move away from fluctuations in foreign exchange and gets our costing better," says Brar.

That said, the company, like other automakers, is struggling with supply-side issues, freight costs, the semiconductor crisis, rising fuel costs, etc. "Our new launches are on track, but yes, there have been disruptions. It doesn't materialise on the kind of cars we want to make. We have definitely seen improvement over the past couple of months compared to six months ago," says Brar. Kia's waiting periods are at three to six months, depending on the variant.

In fiscal year 2021-22, Kia sold 186,787 cars, at an average of 15,500 per month. Going forward, Brar expects this number to touch 20,000 per month once supply-side challenges are dealt with. "Last year, we were 6 per cent of the Indian market. We're looking at more than 7 per cent this year. We want to grow at about 25-30 per cent this year whereas the market is expected to grow at about 10 per cent. We want to outpace the market like we've done in the past," says Brar. The company will also have to contend with stiffer competition, with rivals launching well-designed SUVs in quick time.

For Sohn, Kia's success is already a case study for future entrants: "We carefully observed the need gap in the Indian market and understood that design should be our biggest USP to sell in India. Kia India is now a case study on entering and disrupting a market even when you are a late entrant." BT

@PLidhoo

[redacted]

[redacted]

'I DON'T REMEMBER EVER WANTING TO DO ANYTHING BUT THE LAW'

Zia Mody, Co-founder and Managing Partner of AZB & Partners, explains why she chose the legal profession, why it is difficult for women lawyers, and her value system

PHOTOS BY **MILIND SHELTE**

She is one of India's top corporate lawyers and the go-to person when some big deal or restructuring is planned. From the acquisition of Jaguar Land Rover by the Tatas, the L&T-Mindtree deal, the Cairn-Vedanta deal, SoftBank buying a stake in Ola or, more recently, the HDFC-HDFC Bank merger, Zia Mody, Co-founder and Managing Partner of AZB & Partners, has had a role to play in all of them. In an interview with *Business Today*'s Global Business Editor *Udayan Mukherjee,* she reveals what attracted her to the legal field, her inspiration, and the business leader she looks up to. Edited excerpts:

Q: Zia, let me begin by asking you if it is an exciting time to be a lawyer in India today, because there's so much going on—in the M&A landscape, with foreign direct investment pouring in, and even the much spoken about judicial activism in the public sphere. It must be exciting.

A: Look at my face, Udayan! Isn't it looking excited? I think it is one of the most fascinating periods for any young lawyer to be part of the entire development of corporate M&A, and of legal jurisprudence—either arguing in court or being a young corporate attorney sitting in on a mega M&A deal. The world has changed from about 20 years ago, where law was not necessarily the first calling of choice. But now, becoming a lawyer and hoping to aspire and reach the top of your game is very much a possibility and a dream that many youngsters want to dream. And therefore, we are seeing many more talented youngsters join the legal profession than we saw before. So, the simple answer to your question is a big yes.

Q: Actually, I don't remember the profession being such a major part and parcel of public discourse as it is today; all this talk about the judiciary actually being an offset to the executive. Do you agree with the resulting allegations of judicial overreach, or do you support the view that the judiciary needs to become part of public life as it seems to have become in our country today?

A: There are times when there are troughs and peaks of what you call judicial activism. Personally, I welcome judicial activism. Yes, sometimes it can be overreaching, when you end up calling the government back on weekends and ask them to give you a school report. But other than that, it is what keeps all three branches [of a democracy] in check, reminding each that they are ultimately accountable for their behaviour. It is clear to me there are some things that would never have happened without judicial intervention. You take the writ of habeas corpus, the matter of undertrials being kept in prison, the situation in orphanages, so many public interest litigations which have led to change in legislation, better government behaviour, and a sense of wariness that if you overstep the moral line, the Supreme Court is there to haul you up and ask you to be accountable.

Q: You have worked with so many CEOs and managements over the years. Would you say Indian promoters innately respect the law or are they always trying to work around it, bend it, or tweak it in some way?

A: As always, there's no one easy answer. There are CEOs today who, over the last 10 years, have changed and recognised that trying to skirt the law or be over cute, or go too close to the edge, is not productive because when the regulator comes after you, then you

> **"Your sense of self-worth and confidence, and your ability to sleep at night without vexing about what you did during the day is far more important than winning that fight with the wrong means"**

have to answer for all that cuteness. So, many CEOs today come and ask me—what is the right course of conduct, which is the least risky, maybe just a little risky, but they no longer ask for the outright risky path; they just don't want to know that. So, the risk appetite, if you like, has reduced, which is a change in the DNA of the culture of the Indian firm. These are larger firms that go to market, often with a lot of foreign direct investment in them, and a reputation which needs to be protected. And so I see this change for sure in these CEOs.

Then there are, of course, smaller companies where you have a mix. There are some that still have a high risk appetite and are willing to face regulatory intervention. And there are some which may yet be small, but know that private equity (PE) will come for them, and they will come at a premium only if your track [record] is good.

Q: I want to get back to the start of your story, Zia. As a young woman, were you always going to be a lawyer, having been born into such an illustrious legal fold, or was there something intrinsically or philosophically attractive about law as a profession, which drew you in?

A: No, I don't think at the age of 20-25, I would have been attracted by the philosophy of law. As a young girl, it was very exciting to see my father practising as a lawyer. And he was in court every day, but the whole family would have dinner together. And then you would hear all these conversations—one side of the conversation anyway—through a walkie-talkie phone that existed in those days. It was always frenetic, energetic, argumentative, you know; having to win every time, fighting everything as a war, never a skirmish. And, given that I also have quite an argumentative nature, it appealed immediately.

For me it was almost like osmosis. I don't remember ever wanting to do anything but the law.

Q: It must have been heartbreaking to lose your father to Covid-19 last year. What are your key learnings from Soli Sorabjee, the jurist? Just inspiration as a young woman, or are many of the things in your guidebook drawn from what he taught you?

A: I think the value system, which he asked me to follow from the first day. I worked in America for nearly five years at a firm called Baker & McKenzie, New York, and came back essentially to get married and step into another world altogether. My desk was a small, 4 ft by 5 ft desk which I shared with my senior, and we had no secretary. It was sweaty and packed and full of papers. And, it was really starting from scratch. It was arguing in court as opposed to an M&A transaction that I would be working on in New York. My father was in Delhi, I was in Bombay. So, we never really got to practise in the same city. But he would always tell me—don't forget that the ultimate person you are arguing before is a judge, and that you are always an officer of the court; that your client is important, but never more important than your reputation with the judge. And he always used to tell me that if you say one thing wrong in one matter, before one judge, you have had it. They all have lunch together, and you would have ruined your reputation over one lunch. When you are brought up on this advice, you always have to do the right thing. That doesn't mean you can't fight heart and soul for your client. But there's a limit beyond which you need not travel. And, ought not to travel. Your sense of self-worth and confidence, and your ability to sleep at night without vexing about what you did during the day is far more important than winning that fight with the wrong means. So I've always grown up to acknowledge clients as important, but not vitally necessary to my existence if they cross my moral compass.

And with those values, the clients in turn respect you because they understand that the moral compass you deliver to them is for their benefit. I am not getting anything out of their good behaviour, I'm just protecting them. And slowly and surely as you grow older, and fatter and wiser, people take you a little more seriously. So that was one of my father's greatest lessons to me and counsel to me. Just make sure whatever you do, you're able to deliver the advice in a manner that you don't regret delivering the next day.

"There are other business houses which have been absolutely exciting to work with... but I would still say that if I have a fondness for one group, it would be the House of Tata"

Q: And what he may or may not have told you was that all these judges who had lunch together, were mostly men. There could be no doubt that you were entering a male bastion. What was it like? Would you tell a young woman who is considering law as a profession today that things are vastly different than when you got into this profession?

A: So it's in two buckets, Udayan. Today, if you're a practising counsellor or a barrister, as a woman, even after so many decades, I will say it is still extremely tough. I'm not sure I can put my finger on it, other than to say that it's a difficult world to break into. And, as a woman, it absolutely requires extra time and commitment to show that you are as good as your peer who is a male.

I remember when I was a young barrister, I would always work 30 per cent more than my male counterpart because I was capital P for paranoia. I couldn't afford to make a single mistake in court, because I was so conscious that I was probably the only woman who was arguing that matter on that day. So as arguing counsel, still not good at all. I think we have a long way to go. It is very hard to be dancing and prancing and acting day after day for eight hours, preparing for another five hours at night for the next day, and having to multitask as a woman without the essential social infrastructure and ecosystem.

As a corporate lawyer or as a non-litigating lawyer, it has become much easier for women. Not terribly easy, but much easier. And that is simply because in today's world, everybody needs talent. And if they need talent, then women are talent. So, you can't afford to just let any bright woman drop off the landscape and fade away from the firm without making that effort to retain that incredible source of talent. So, it is getting better for sure on that front.

Q: You've been at the forefront of many of these recent PE deals like the SoftBank-Ola deal, which have created such a large number of unicorns. What do you make of this trend? I was speaking to your friend Ronnie Screwvala, who said PE can become an end in itself. Would you sound a word of caution as well, given the kind of valuations that are being drummed up by PE infusion in India today?

A: You can't have it both ways, right? You can't say I want these incredible valuations but not welcome the person who is going to give them to you. So, it is the mix between where the promoter wants to draw his or her own line, and the PE investor that is willing to bet on you. For the young unicorns, the PE [investor] is betting on individuals who will have the energy to turn the value that they give into even higher values. And in today's world, India is getting a very nice share of the wallet from the world of private equity.

You take a promoter like Ronnie, who has been successful time and again, and he has basically been able to create these incredibly valuable institutions and companies, so people are betting on him and the young people that he's working with. If they provide the value, then they expect an exit, for that's the rule of the game—if you want a value which is great, give me an exit that is greater.

And so that cycle and that merry-go-round goes on but I think that PE is immensely important and valuable to the country because it has allowed the world to recognise our companies. And it has put a value on our companies that didn't exist 10 years ago. So, today when you see our mid-sized companies, not necessarily our listed ones, these young entrepreneurs getting access to this money can only be good. And if the exit is something the PE asks for, you negotiate it, you get the best deal you can. That's the price of the money.

Q: I also want to ask you about some of the big deals which are happening in the disinvestment landscape. What kind of legal bedrock is important to get these transactions done in your eyes? Because, on one hand, you try to sell a BPCL and on the other hand, you freeze retail prices of fuel for months leading to huge losses. Do you think some of this legal provisioning needs to be in place to be able to attract high quality bidders for some of the government assets?

A: The government was pretty smart in the Air India deal where we represented Tata. Ultimately, the government to my mind behaved like a private party transacting. So, if the entire debt burden would not have been taken over by a good bidder, they dealt with that. When it came to unions and employees, they dealt with that. So, I think the disinvestment arm of the government has finally figured that for the best value, they've got to offer an attractive deal. So, when you are talking about BPCL, if the losses continue and the deregulation issue and the pricing does not get resolved, the government is simply not going to get a good price.

Q: I also want to ask where you stand on this whole controversy brewing in Karnataka, with the high court upholding the ban on hijab in colleges. If you were part of this case, what would your contention be on a matter which has struck such a national chord?

A: My personal view is that religion is such a personal aspect of one's daily life, that to intrude beyond a point is always counter-productive.

Any ill will is not as important as the feeling of security that you need in a population of this size. This has to be resolved in a way where communities don't feel scared and think of leaving the country. They shouldn't feel they aren't part of the motherland. So, the Supreme Court will resolve it, I'm sure.

Q: Finally, having worked with so many top industrialists over the last couple of decades, if you were to single out one or two people who really struck you as men of impeccable integrity, who would those be?

A: My few interactions with Mr Ratan Tata have all been fantastic; always clear-headed and the constant refrain was always, what was the right thing we should do? I think that has been the DNA of the group for as long as I can remember.

There are other business houses which have been absolutely exciting to work with, just for their sheer intellectual brilliance and their execution capability. But I would still say that if I have a fondness for one group, it would be the House of Tata. BT

ON PRIVATE EQUITY

PE is immensely important to the country because it has allowed the world to recognise our companies. And it has put a value on our companies that didn't exist 10 years ago.

ON PROMOTERS TRYING TO FIND A WAY AROUND LAWS

There are CEOs who, over the last 10 years, have recognised that trying to skirt the law or be over cute... is not productive because when the regulator comes after you, you have to answer for all that cuteness.

ON BEING A YOUNG LAWYER NOW

It is one of the most fascinating periods for any young lawyer—to be part of the entire development of corporate M&A, and of legal jurisprudence.

ON JUDICIAL ACTIVISM

It keeps all three branches [of a democracy] in check, reminding each that they are accountable for their behaviour.

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THE OTT MAJOR IS GRAPPLING TO CRACK THE INDIA MARKET BECAUSE OF AN IDENTITY CRISIS MANIFESTING AS CONTENT DILEMMA. IS THE GLOBAL STREAMER WILLING TO SHED ITS ELITE IMAGE TO MAKE MORE INDIANS PAY FOR ITS CONTENT?

BY **VIDYA S.**

ILLUSTRATION BY **NILANJAN DAS**

SACRED GAMES SEASON 1 **was the talk of the town when it came out. The eight-episode adaptation of Vikram Chandra's novel got Indian subscribers to sign up to Netflix. Content producers wanted to take their shows to Netflix and it seemed like the California-headquartered video streaming service had made its mark in India. That was 2018.**

Cut to four years later and the global streaming giant is in need of a similar game-changer in India—one of the largest markets with scope to grow at scale, but also one that frustrates Founder and Co-CEO Reed Hastings. "In every other major market, we've got the flywheel spinning. It frustrates us that we haven't been as successful in India yet," he said during the Q4 earnings call in January, weeks after announcing an up to 60 per cent price cut across subscription plans in India. "But we're definitely leaning in there," he was quick to add.

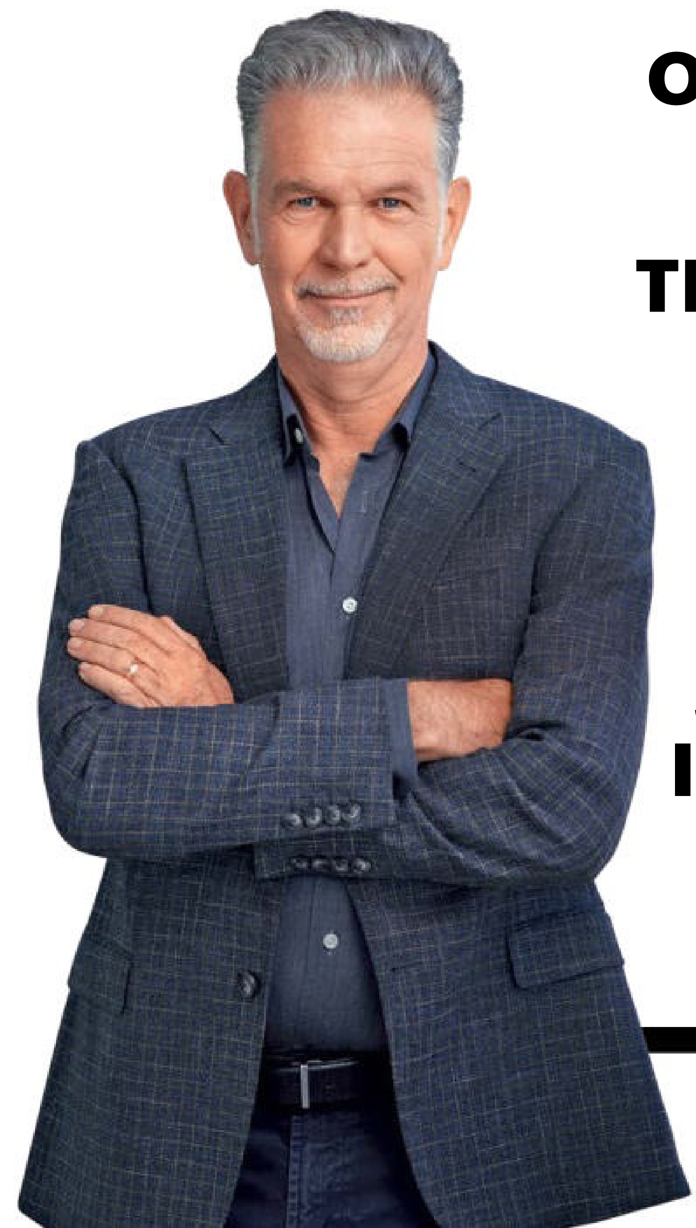
The next earnings call over Q1 results, where revelations that it lost 200,000 subscribers globally, and expects to lose another 2 million in Q2, erased more than $50 billion in investor wealth. However, it showed that Asia-Pacific had emerged as a bright spot. The region saw nearly 1.1 million subscriber additions, with the OTT service seeing "nice growth in a variety of markets including Japan, India, Philippines, Thailand and Taiwan", according to its letter to shareholders.

Netflix doesn't provide country-wise numbers. But even assuming that a chunk of the additions came from India, it still doesn't take its estimated 5.5-million-strong subscriber base within touching distance of Disney+ Hotstar's nearly 35 million or Amazon Prime Video's 19.7 million (*see charts*), let alone Hastings' stated goal of acquiring 100 million subscribers in India.

To be fair, Disney+ Hotstar and Amazon Prime also have cricket and shopping, respectively, to keep subscribers hooked. But despite Netflix slashing its subscription prices in India, its plans are among the most expensive in the country. Meanwhile, Amazon has raised its subscription price by 50 per cent.

"The kind of subscriber that comes in at the ₹199 plan has a different content consumption sensibility and preference compared to someone who comes in at ₹649. Netflix's content is more suited for the ₹649 customer, but the pricing is significantly lower. Therefore, retention is a big challenge because they are not in a position to satisfy the content requirements of that customer," says the head of an OTT service, on condition of anonymity. "They are unable to scale to the likes of what Disney+ Hotstar has done because of the kind of content they offer," says Karan Taurani, Senior Vice President and Research Analyst at Elara Capital, which tracks the space.

But Uday Sodhi, Founding Partner of consulting firm Kurate Digital Consulting, doesn't think India is tougher for Netflix than it is for



"IN EVERY OTHER MAJOR MARKET, WE'VE GOT THE FLYWHEEL SPINNING. IT FRUSTRATES US THAT WE HAVEN'T BEEN AS SUCCESSFUL IN INDIA YET"

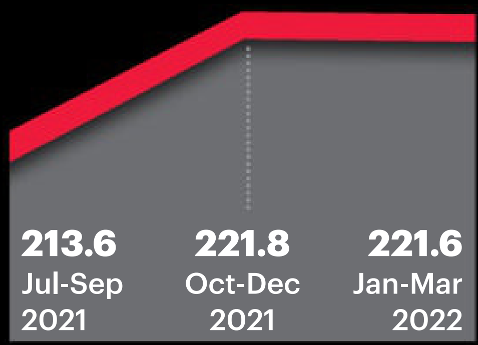
REED HASTINGS
FOUNDER & CO-CEO, NETFLIX
(DURING AN EARNINGS CALL IN JANUARY 2022)

PHOTO COURTESY **NETFLIX**

Ecstasy and Agony

Netflix saw its global user base rise in October-December 2021, but saw a marginal fall in January-March 2022...

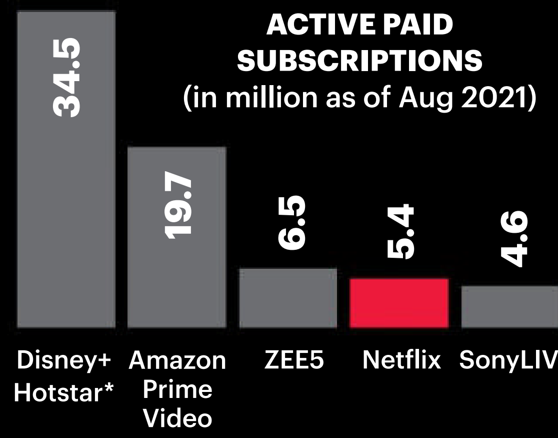
SUBSCRIBER BASE
(in million)



Source: Company reports

...While India, too, hasn't been a cause for much cheer

ACTIVE PAID SUBSCRIPTIONS
(in million as of Aug 2021)

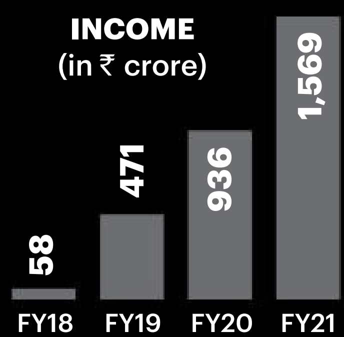


*Disney+ Hotstar reported Q2 global numbers of 50.1 million subscribers across the world in May 2022; sources estimate that 85-90 per cent will come from India
Source: Ormax Media

Netflix's India income is improving but profits remain small

NET PROFIT
(in ₹ crore)

INCOME
(in ₹ crore)



Source: Ministry of Corporate Affairs

A Costly Proposition

ANNUAL SUBSCRIPTION PLANS IN INDIA

Netflix	**₹1,788-7,788**
Amazon Prime Video	**₹1,499**
Disney+ Hotstar	**₹899-1,499**
SonyLIV	**₹999**
ZEE5	**₹599**

Note: As of May 2022; Source: Industry

GRAPHICS BY **TANMOY CHAKRABORTY**

any other OTT player because the subscription market in India itself is small. "We only have 40-50 million paying OTT subscribers in a market with 500 million broadband users. That's only 10 per cent." Sodhi, who is the former head of SonyLIV, says Netflix is in a much better position because it is the single-largest revenue player with a 30 per cent share of the SVOD (subscription video on demand) market. "In a market with 90 million subscriptions (studies indicate that one paying Indian OTT subscriber pays for around 2.4 OTT services), they have 6 million subscribers who are paying an average of four to five times what they pay other OTTs," he says.

NETFLIX DOES ACCOUNT for a third of India's SVOD market with a revenue of ₹1,569.35 crore in FY21, which is a 67 per cent jump over the previous fiscal's revenue. But it also saw an equal rise in expenditure to ₹1,551.84 crore in FY21. Also, its net profit has not kept pace with revenue growth, growing from ₹8.91 crore in FY20 to ₹10.72 crore in FY21.

Hastings said in December 2019 that the firm planned to invest ₹3,000 crore on original Indian content over two years. London-based global research agency Omdia's 'India: Online Video Trends' report pegs Netflix's investment to create original Indian content at ₹1,500 crore ($200 million) for calendar year 2021 alone. It has launched more than 90 original titles in India so far. Bela Bajaria, Netflix's head of Global TV, who was recently in India, had also told *Business Today* that "the investment in India is a big one… We are fully committed to creating quality content from India".

At the moment, though, the company is struggling to strike a balance between revenues and profits, while its content costs are shooting up. For example, multiple industry sources told *BT* that despite rivals refusing to pay more than ₹40 crore to acquire the rights for Alia Bhatt-starrer *Gangubai Kathiawadi*, Netflix ended up paying substantially more. The sources added it was hard to understand the logic behind the expensive acquisition given that the movie made ₹129.10 crore at the box office, according to film trade portal Bollywood Hungama, yielding at best a return of 1.5x on the budget. A film is considered a hit when it makes returns of 3x-4x.

While Netflix's revenue has increased, the rise may not necessarily be an accurate indicator of the success of its content investments in India. This is because analysts and experts say Indian viewers prefer its international titles over its Indian originals. For instance, consulting firm Ormax Media—which tracks weekly viewership numbers for OTT content—found just one Netflix show in its list of top 15 series on SVOD platforms between January 2021 and April 2022—the Spanish drama *Money Heist Part 5* with 15.8 million unique viewers in India. This list is topped by Disney+ Hotstar's Hindi thriller *Rudra*, a remake of the British show *Luther*, with 35.2 million unique views. Amazon Prime Video's *The Family Man* has 26.1 million views.

VIEWERS' CHOICE

Viewers favour international titles over Indian content on Netflix

- **Just one Netflix show made it to Ormax Media's list of top 15 series on SVOD platforms between January 2021 and April 2022, which is its international title *Money Heist Part 5* with 15.8 million unique viewers in India**
- **In contrast, Disney+ Hotstar's Hindi show *Rudra* tops the list with 35.2 million unique views, while Amazon Prime Video's *The Family Man* had 26.1 million views**
- **Amazon Prime Video has three shows in the list, while Disney+ Hotstar has 11**
- **Within Netflix's own top 15 originals in India, two of the top three spots are occupied by international shows—*Money Heist* and *Squid Game* at No. 1 and No. 3, respectively, with Hindi show *Kota Factory S2* in between, albeit to be fair, 11 of the top 15 shows are Indian content**

NOTE: THE DATA IS BASED ON ORMAX MEDIA'S WEEKLY ESTIMATES COLLECTED THROUGH CONSUMER RESEARCH AND ANALYTICS BETWEEN JANUARY 2021 AND APRIL 2022. ACTUAL NUMBERS MAY VARY BY UP TO 10 PER CENT. NO REGIONAL LANGUAGE SERIES MAKES IT TO THE ALL-INDIA TOP 15 SERIES LIST. SVOD: SUBSCRIPTION VIDEO ON DEMAND

However, within Netflix's own top 15 originals in India, while two of the top three spots are occupied by international titles—*Money Heist* at No. 1 and *Squid Game* at No. 3—11 of the overall top 15 are Indian shows.

THE HEAD OF THE OTT service mentioned earlier gives full credit to Netflix for going big on investments, working with talent like Anurag Kashyap and Red Chillies Entertainment, and offering some of the highest budgets. "Unfortunately, what has gone wrong locally is execution and (a clear idea of) what my sensibility is and which target audience I am appealing to," he says. Several others interviewed for this story say Netflix has already cleaned out the realistic pool of subscribers available to it, given its western gaze. Cutting prices further may not help when its content sensibility doesn't match its consumers'. What it really needs is a recalibration of its internal content compass to either being a premium niche brand or a mass brand. This becomes significant especially when OTT competition is heating up with Voot's parent, billionaire Mukesh Ambani's Viacom18, landing a ₹13,500-crore investment led by media veterans James Murdoch and Uday Shankar.

"They need at least one tent-pole show which cuts across India. Until you build franchises like *Mirzapur* [on Amazon Prime Video] where you can do multiple seasons, no matter how much you cut prices, the audience will still question if they have to pay for one more service," says Shailesh Kapoor, Founder and CEO of Ormax Media. "A huge portion of the current audience they have is from the Hindi-speaking market of North and West India. They don't have much of a presence in the East and South. They probably need to create content for their taste as well," says Taurani.

It is certainly not for a lack of trying. But unsure of their direction, the team has been squashing or holding off on projects, say industry insiders. Prominent among them is *Baahubali: Before the Beginning*—a prequel to the blockbuster Telugu films that began production a few years ago—on which more than ₹100 crore is believed to have been written off, three sources told *Business Today*. Reportedly, Netflix has indicated that it plans to reboot the production, but it is yet to see the light of day.

Of course, Netflix pays for the direct costs even on cancelled projects, but its approach is causing some concern in the content creation community. "You need to have conviction when you decide to make something. Otherwise, don't action it," says a content producer, requesting anonymity.

Part of this could perhaps be attributed to churn in the India team. Attrition is normal in any business, but Netflix seems to have been hit harder than normal. For example, Srishti Behl Arya, who was the director of original films for India and the person behind more than 35 original films such as *Guilty*, *AK vs AK* and *Serious Men* as well as Tamil and Telugu anthologies *Paava Kadhaigal* and *Pitta Kathalu*, left in May 2021. In the year preceding her exit, Swati Mohan (director, marketing) and Nimisha Pandey (director, international originals), Aashish Singh (director, original films) and Divya Pathak (director, publicity) had quit the team.

In response to a detailed questionnaire, a Netflix spokesperson told *Business Today*: "We've seen an exciting response to the price change in India and we are focussed on ease of access through partnerships with Jio, Airtel and Tata Play, multiple TV, mobile phone and device manufacturers and payment methods like UPI AutoPay... We're focussed on viewing and revenue growth by continuing to improve all aspects of Netflix—in particular the quality of our programming and recommendations, which is what our members value most."

"There are many people who have not even taken their first subscription. That large AVOD base over the next one to three years will think about paying and that base will continue to grow... The question is, will they pay for Netflix?"

SHAILESH KAPOOR
FOUNDER & CEO, ORMAX MEDIA

Netflix, which prided itself on being an ad-free platform, is now open to the idea of having commercials. "Those who have followed Netflix know that I've been against the complexity of advertising and a big fan of the simplicity of subscription. But as much as I'm a fan of that, I'm a bigger fan of consumer choice. And allowing consumers who would like to have a lower price and are advertising-tolerant [to] get what they want makes a lot of sense," said Hastings at the latest earnings call. That just may be a good idea for Netflix in India, says Abhishek Rege, CEO of Endemol Shine India, which has produced content for the platform. "We have a history of advertising, subsidising or sponsoring our content. That, together with Netflix's foray into gaming and potential linear or shuffle TV rollout, could actually be the accelerators for its next round of growth in India." But it may not be an easy task. It comes back to the question of subscriber base because advertisers need eyeballs and AVOD (ad-based video on demand) only helps monetise non-paying users. Netflix will have to go in for more mass market entertainers and shed its intellectual image, experts say.

In its current form, according to Naresh Gupta, Co-founder and Chief Strategy Officer of media communication company Bang In The Middle, there is low interest from the mainline brands to advertise on Netflix, and it won't feature high up even in the plans of the premium brands that may want to. "Netflix has the same problem that HBO and Star Movies had in the past. Its English-focussed library means that brands get a very small advertising opportunity, which they are happy to ignore," says Gupta, adding that Netflix has to act like an influencer and look at content integration and partnerships on social media rather than a pure ad-serve model to be successful. "If Netflix has to get into AVOD, it has to expand its target audience and content offerings to other regions," says Taurani.

Ormax's Kapoor says there is a large AVOD audience within the OTT viewership—which binges on YouTube and MX Player—waiting to be tapped. "There are many people who have not taken their first subscription. That large base, over the next one to three years, will think about paying, and that base will continue to grow. The question is, will they pay for Netflix?"

Rather, is it willing to alter its sensibilities to get more Indian users? While the hunt for the next big hit is on, Netflix will need to get its act together in India. BT

@SaysVidya

CAUTION HURDLES AHEAD

With the cost of raw materials, labour and logistics skyrocketing, developers wrestle with rising real estate project costs and delays in new launches

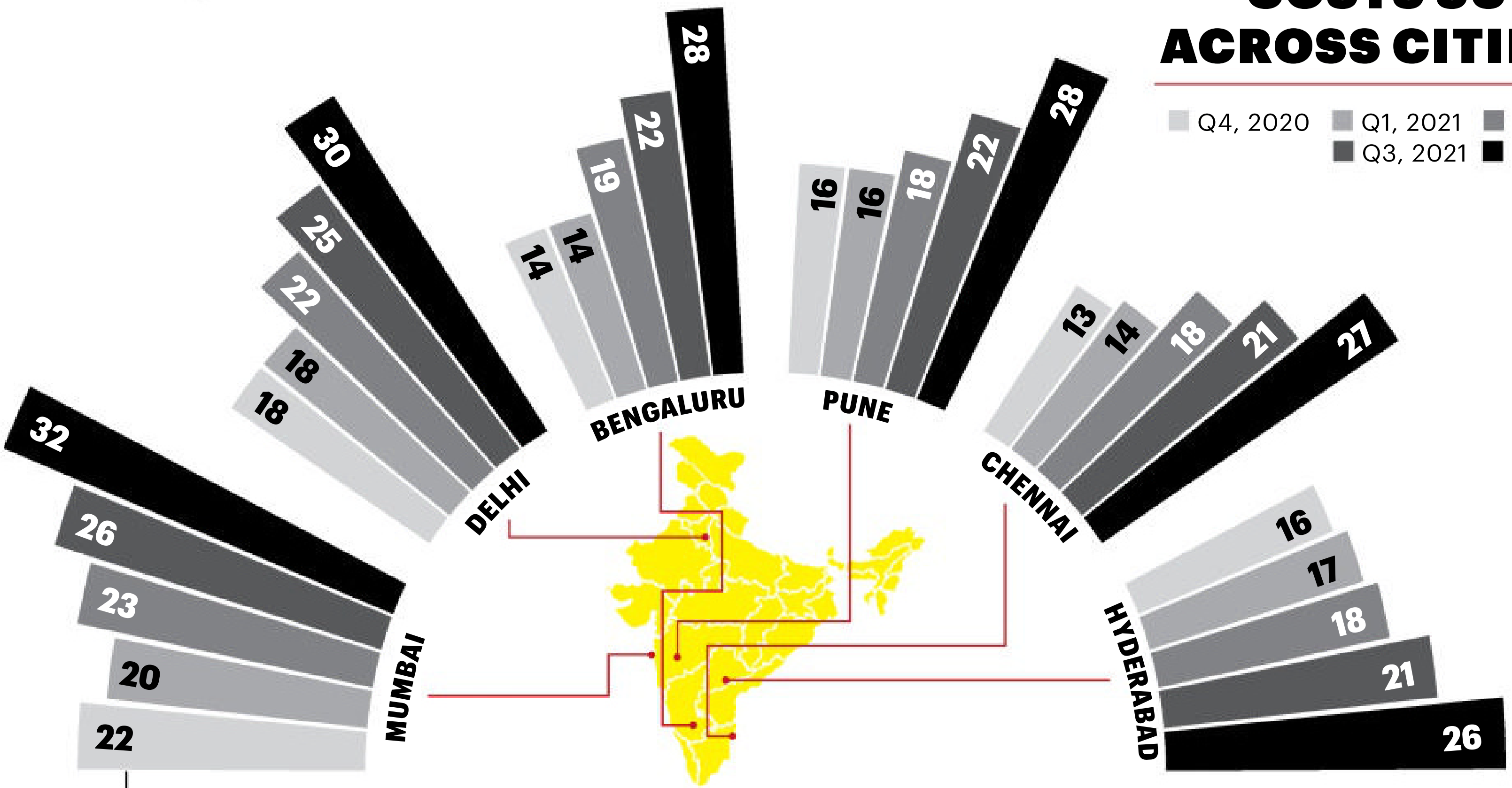
BY **ARNAB DUTTA** ILLUSTRATION BY **NILANJAN DAS**

I**T IS LIKE SAILING IN THE** ocean. Once you are out in the water, you have to complete your journey. You cannot afford to return; neither can you abandon it. No matter what, you need to move forward." This is how Deepak Kapoor, Director at Noida-based real estate major Gulshan Group and President of the Confederation of Real Estate Developers' Associations of India (CREDAI), Western Uttar Pradesh chapter, describes the business of real estate construction. A veteran of various ups and downs of the real estate market over the years, and a firm believer in this apt metaphor, Kapoor says that once a developer has initiated construction of a project, seeing it through to completion is the only option available, irrespective of the circumstances. Determined as he is to complete his projects, the current market realities are certain to test his abilities in the coming months. With cost of key raw materials going through the roof and high fuel prices making logistics dearer, even seasoned realtors like Kapoor are feeling the heat now.

Since the pandemic began in March 2020, the costs of key raw materials such as steel, cement, copper and aluminium have risen. As construction activities picked up pace, the ongoing war in Ukraine caused massive disruptions to the global supply chain, further pushing up the prices of these commodities by up to 125 per cent in the past nine months. Its impact is evident. "The costs have gone up significantly and all our calculations on income and profits have gone for a toss," says Kapoor. Since halting construction at ongoing projects is not an option he considers feasible, the realtor is now trying to cope with the new reality by sacrificing profits to ensure timely delivery of the under-construction projects.

CONSTRUCTION COSTS SURGE ACROSS CITIES...

Q4, 2020 Q1, 2021 Q2, 2021 Q3, 2021 Q4, 2021



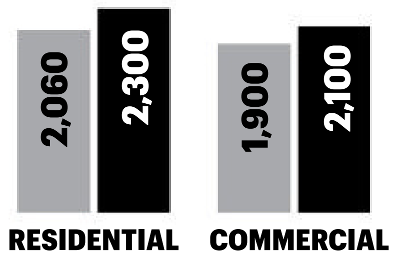
Rise in construction costs in comparison to Q4, 2019, in per cent

Source JLL, Colliers & industry

...INCLUDING BOTH RESIDENTIAL AND COMMERCIAL SPACES

Construction costs (in ₹ per sq. ft)

March 2021 March 2022



GRAPHICS BY **TANMOY CHAKRABORTY**

Kapoor is not alone, though. From Mumbai's Hiranandani Group and Bengaluru's RMZ Corp to Delhi-based Signature Global and Raheja Developers, the heat of inflation is being felt by all the leading developers of the country.

According to Niranjan Hiranandani, Co-founder and Managing Director of Hiranandani Group and Vice Chairman of the self-regulatory industry body, National Real Estate Development Council (NAREDCO), the surge in prices of construction commodities has resulted in an overall increase in the cost of construction by 15 per cent for real estate developers. "The impact of -this ongoing inflation is now out in the open. Apart from construction materials, the steep rise in fuel prices is a matter of grave concern for everybody," he says.

ACCORDING TO ADITYA DESAI, Executive Director at JLL India, the soup that most realtors find themselves in today is a result of prolonged disruptions. "There have been three sets of price inflation that have taken place since March, 2020. While the first two were related to the two Covid-19 waves in 2020 and 2021, the third one—which is pinching more—is due to the war. Since the March 2020 quarter, the price of steel has gone up by 55-

We normally factor in a 4-5 per cent rise in the cost of any commercial project as a contingency. Post Covid-19, we had to renegotiate and rewrite our budget and reset our numbers

K. JAYAKUMAR
SENIOR MD, RMZ CORP

PHOTO BY **VARUN GUPTA**

PAIN POINT Realtors will have to absorb rising costs for projects that have already been sold but not completed

57 per cent, copper by 75-80 per cent, aluminium by 90-94 per cent, and PVC items by 80-90 per cent. But most importantly, it is the rise in fuel prices—45-50 per cent—that is hurting the most," he says. Furthermore, in the aftermath of the Covid-19 pandemic, the cost of labour has also gone up by 10-15 per cent.

Hiranandani says the burden of increased cost is hurting everybody but its impact may be greater on the affordable housing sector as cost of construction material is higher in such projects.

Pradeep Aggarwal, Founder and Chairman of affordable housing major Signature Global and Chairman of the Assocham National Council on Real Estate, Housing and Urban Development, says the Covid-19-related disruptions were a matter of concern for the developers since prices were going up during 2020 and 2021. But the Russia-Ukraine war has further aggravated the situation. "In the past three months alone, cost of construction has jumped by 5-7 per cent. This is in addition to the 4-5 per cent rise that we witnessed in the previous six months. The only respite is the high demand for residential units that we are witnessing post-Covid-19. Thus, the price hikes that we have implemented so far have been absorbed by the consumers," he says. For instance, Signature Global's residential projects in Gurugram that were initially launched at a rate of ₹4,750 per sq. ft was raised to ₹5,500 per sq. ft from April 1—a 16 per cent hike. In spite of that, demand has not been affected, he claims.

Like the residential sector operators, the impact has also been felt by commercial property developers. According to K. Jayakumar, Senior Managing Director at RMZ Corp, who leads its commercial business segment, cost of construction has surged by 15-16 per cent since early 2020.

IN THE AFFORDABLE HOUSING space, passing on additional costs to homebuyers is not that easy, though. With a pre-decided cap on the rate by state authorities, developers are bound to deliver homes at the stipulated rate. Developers such as Signature Global, which primarily operate in the Haryana market, have got some respite from the state government. To offset the additional costs, Aggarwal of Signature Global says, the Haryana authorities' move to add balcony area in calculating the floor size helped. The cap of ₹4,000 per sq. ft on the affordable housing space was also raised to ₹4,200 per sq. ft. Together, these two measures have led to a 7 per cent rise in prices of affordable homes in the state, and increased the price of a ₹25-lakh unit to ₹27.5 lakh. Further, the area that can be used for commercial development in an affordable housing project has also been increased to 8 per cent of the land from 4 per cent earlier.

These measures have neutralised the overall rise in the cost of affordable homes in Haryana. "In the residential homes segment, I feel the 10-15 per cent price hike that has already been affected has been absorbed by the market," says Aggarwal. According to him, there is a positive sentiment prevalent in the residential real estate market after the pandemic due to a surge in demand from actual home occupiers and not just investors. It has become a major factor in helping the sector tide over the crises so far.

According to a recent analysis by Housing.com, lack of demand in the sector since 2013 had kept the price of residential units stagnant. It was only in FY2021-22 that developers managed to increase prices amid better demand. "Since 2013, prices of residential units have increased at the fastest pace in the last financial year—growing by 7 per cent. Our analysis indicates an uptick of approximately ₹400-500 per sq. ft in construction costs in the top eight cities. As the profit margins are thinning, developers have no option but to pass on this increase to the homebuyers. Several notable developers have increased their residential prices with effect from April. If the situation continues, the hike in property prices may impact the recovery rally of the sector for the coming quarters," says Ankita Sood, Head of Research at Housing.com.

Experts like Desai of JLL say that while companies do plan for uncertainties and keep a buffer in their cost planning, the exorbitant rise—to the tune of 40-100 per cent—was beyond anybody's estimate. However, the ongoing phenomenon has the potential to cut both ways—by impacting the supply of residential properties and its demand too—in the market. In the past two years, the affordable synergy that the market and the overall ecosystem have offered to the homebuyers has led to a significant surge in demand for homes. From record low home loan interest rates and reduced registration fees to stagnant home prices, fence-sitters have been greatly incentivised to take the leap. But with unsold inventory coming down gradually and new supplies getting delayed due to record high costs, eventually homes will become premium again.

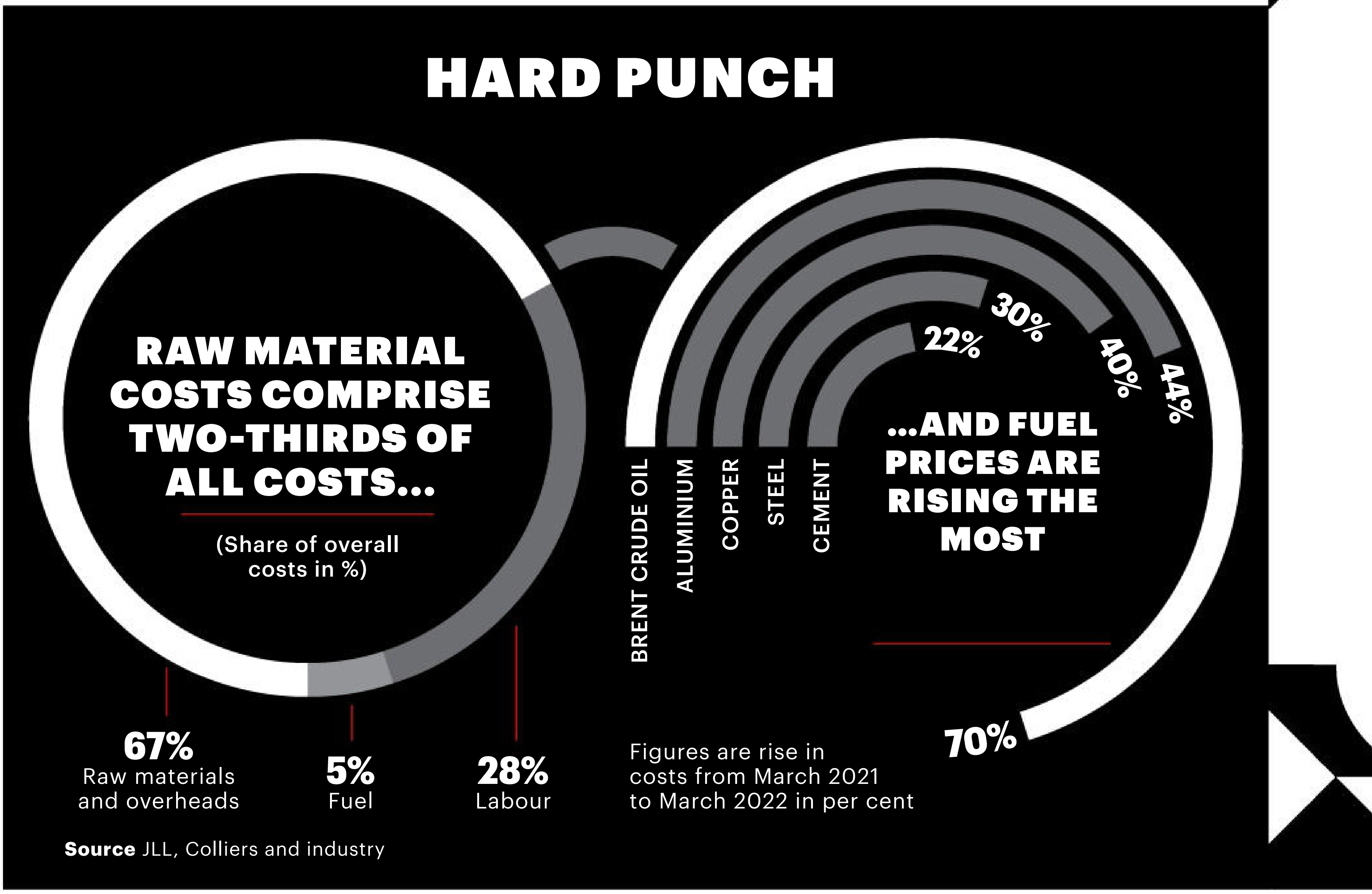
"We normally factor in a 4-5 per cent rise in the cost of construction in any commercial project as a contingency. We had written our budget; after Covid-19 we had to renegotiate and rewrite our budget and reset our numbers. There is very little opportunity to do any value engineering now, as it may dilute the product," says Jayakumar of RMZ. Amid chal-

In the past three months, the cost of construction has jumped by 5-7 per cent, in addition to the 4-5 per cent rise in the previous six months

PRADEEP AGGARWAL
FOUNDER AND CHAIRMAN, SIGNATURE GLOBAL

Currently the supply is low and the demand is high. It is becoming unfeasible to run the business with such a high cost of raw materials

NAYAN RAHEJA
DIRECTOR, RAHEJA DEVELOPERS



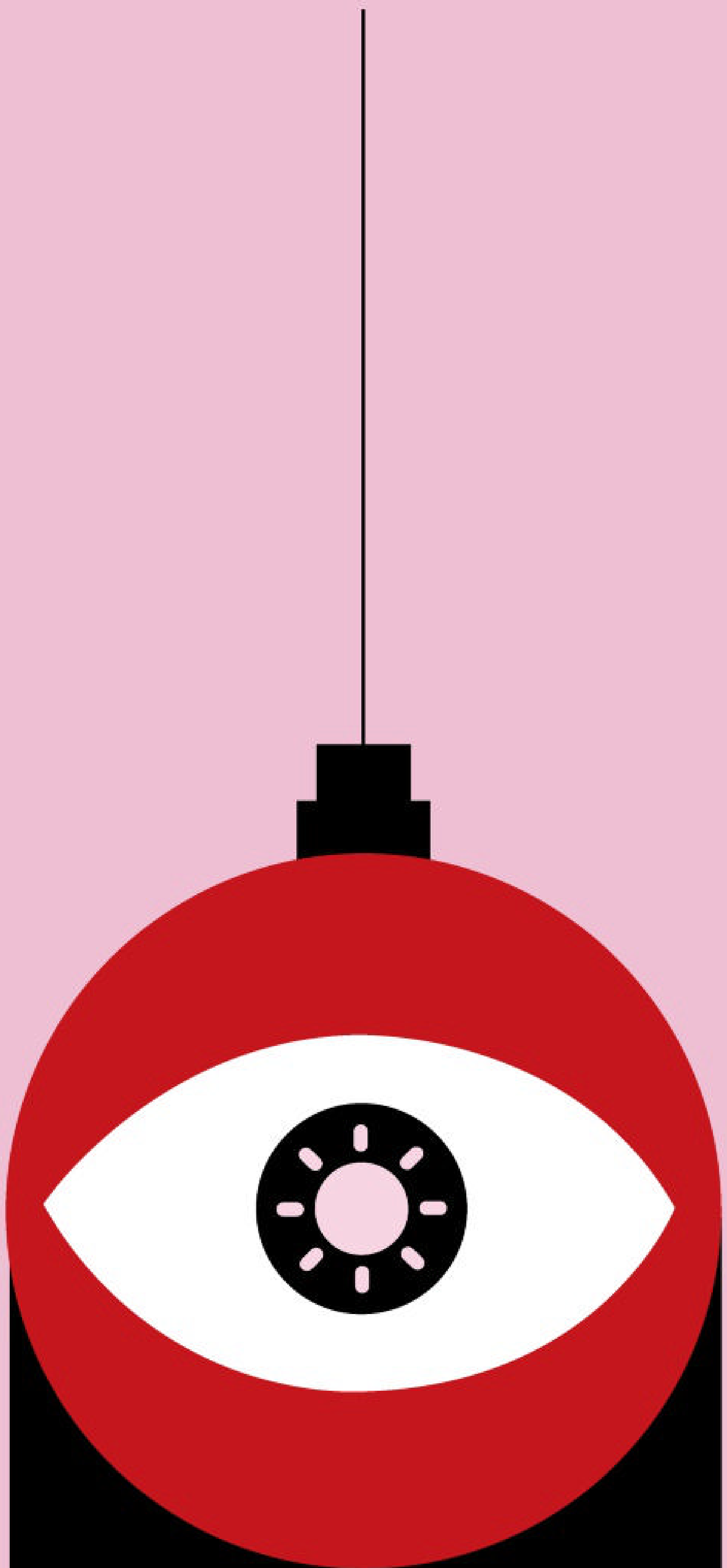
lenges arising from the ongoing work-from-home culture, office absorption is subdued. Thus, the additional cost burden now feels heavier as rental income is falling short. “Some correction may happen in the coming years but currently it is in a very fluid state,” he says. Jayakumar is now bracing for a 70-80 per cent office occupancy rate starting from the July-September quarter, but it may still not be enough to meet the shortfall in income.

According to Nayan Raheja, Director at Delhi-based Raheja Developers, over the past several years, the number of active developers in the country’s second largest market—the National Capital Region—has come down significantly, impacting the overall supply. “So, currently the supply is low and the demand is high. We are making representations to the government to intervene as it is becoming unfeasible to run a business with such a high cost of raw materials. Anyway, affordability of the consumers is impacted due to the all-encompassing price hikes,” he says. The developer is currently implementing a 10 per cent hike in prices for new projects, while absorbing the additional costs for projects that are near completion. Raheja, who is closely monitoring the situation, says the demand is so far stable—thanks to a lack of sufficient supply.

While for the projects that have already been sold, realtors would have to absorb the added cost, but for the new projects, further price hikes are imminent. With no end in sight, real estate prices are likely to go up by another 10-15 per cent in the next three quarters—taking the overall price hike to 20-25 per cent—between late-2020 and 2022, says Hiranandani. This, say experts, would take residential homes out of the reach of most willing buyers who have got enough motivation to enter the market post Covid-19. According to Kapoor of Gulshan Group, if the trend continues, most of the developers would be left with no other option but to halt construction because increasing prices to meet the entire cost burden would make the projects unviable.

“We have to absorb the additional costs in our ongoing projects and thus it is unlikely that we will make any profit this year. So, if the situation continues to prevail, most of the developers would have to shelve their products or stop construction. This is beyond anybody’s means to complete a project which is already sold and rates are fixed, as input costs have gone through the roof,” he says. BT

@arndutt



MAKING OF THE HEALTHTECH UNICORNS

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Noida-based healthtech start-up Innovaccer has become the first Indian unicorn in the healthcare sector, currently valued at $1.3 billion

2

Earlier this year, PharmEasy, an online pharmacy and diagnostics company, became a unicorn with a valuation close to $1.5 billion

3

Various healthcare start-ups such as CureFit, Practo and HealthifyMe, among others, are on their way to turn unicorns, giving a boost to the nascent healthtech segment in India

4

The healthtech market in India is estimated to reach $5 billion by 2023, growing at a CAGR of 39 per cent post the pandemic

SOURCE INVEST INDIA, TRACXN

A GOOD BILL OF HEALTH

WITH THE PANDEMIC BRINGING HEALTHCARE INFRASTRUCTURE IN THE COUNTRY INTO SHARP FOCUS, MANY NASCENT HEALTHTECH START-UPS HAVE SEEN INCREASED INTEREST FROM INVESTORS

BY **NEETU CHANDRA SHARMA**

ILLUSTRATION BY **ANIRBAN GHOSH**

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NECESSITY IS THE MOTHER of invention. This is perhaps best exemplified by the innovative solutions being developed by start-ups to tackle Covid-19. From drones for delivery of vaccines and medicines, to robots instead of guards at hospitals, to on-the-spot Covid-19 testing, to smart stethoscopes that shield doctors from the virus, and much more, India's start-up story in health, pharmaceuticals, and artificial intelligence (AI)-based medical technology is gaining momentum. There were 7,128 healthtech start-ups in India as on March 24, 2022, according to Tracxn Technologies, a global platform to track innovative companies.

There has been greater investor interest in these start-ups after the Covid-19 pandemic when healthcare took centre stage in all aspects of life. An indication of their success is the fact that these start-ups are increasingly becoming unicorns. According to Invest India, the national investment promotion and facilitation agency under the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce, Noida-based healthtech start-up Innovaccer became the first Indian healthcare unicorn, and is currently valued at $1.3 billion. Innovaccer analyses healthcare data to provide actionable insights to hospitals, insurance companies, and other organisations and businesses. Earlier this year, PharmEasy, an online pharmacy and diagnostics company, became a unicorn, with a valuation close to $1.5 billion. The company is now eyeing a valuation of about $7 billion through an initial public offering (IPO). Invest India predicts that healthcare in India is likely to see more unicorns with the growth of healthtech start-ups such as CureFit, Practo, HealthifyMe, etc.

$7 BILLION

EXPECTED VALUATON TO BE SOUGHT BY PHARMEASY WHEN IT GOES IN FOR ITS IPO. ITS CURRENT VALUATION IS AT $1.5 BILLION

$5 BILLION

EXPECTED SIZE OF THE HEALTHTECH MARKET IN INDIA BY 2023

The market is also significant. According to Invest India, the healthtech market in India is estimated to reach $5 billion by 2023, growing at a compound annual growth rate (CAGR) of 39 per cent post the pandemic. Digital shift, use of better technology, and favourable government policies are facilitating the growth of the market.

The pandemic years have not only motivated start-ups to enter the health and pharma domain, there is also a clear trend of other companies investing and partnering with them. For example, Tata Digital, a wholly owned subsidiary of Tata Sons, acquired a majority stake in e-pharmacy 1mg in June 2021 with the start-up receiving capital infusion of $100-120 million in total. In February 2019, Cipla acquired a 11.71 per cent stake in healthtech start up Wellthy Therapeutics for ₹10.5 crore.

THE UNION GOVERNMENT has been supporting the start-up ecosystem for the past few years, but Covid-19 triggered special support for health, pharma, and medical technology solutions. Financial and infrastructure support is pouring in from across departments. So far, the government has supported over 1,000 biotech, pharma, and medical devices start-ups since the start of the pandemic through various ministries. "The Covid-19 pandemic has not only presented challenges but also several opportunities for India to grow. The crisis has opened the floodgates for Indian start-ups, many of which have risen to the occasion and accelerated the development of low-cost, scaleable and quick solutions," says Amitabh Kant, CEO of NITI Aayog, the government's policy think tank.

Further, the National Start-up Awards 2022, organised by DPIIT,

Delta Electronics – The Power House of Data Center Business in India

Deepak Singh Thakur, Business Head, CISBU-MCIS India & SAARC Region, Delta Electronics India Private Limited, a market leader in the industry, is set to chart a dynamic strategy in bringing about a paradigm shift in the digital space in India. He shares with BT the strength, scope and future of Delta's data centre vertical/segment addressing the digitization needs of the Indian market and expanding its market base with sustainability at the core in whatever the company does.

Deepak Singh Thakur
Business Head, CISBU - UPS & Data Center Solutions - India & SAARC Region
Delta Electronics India Pvt. Ltd.

Businesses are recovering from the aftermath of the Covid pandemic. How did Delta survive the challenges and the take-away from the experience?

In the last two years of the Covid pandemic we have witnessed relationships of companies- viz- customers being impacted across industries. Lockdowns and drastic curtailing of movement posed the gravest challenges compelling industries to explore innovative ways to engage with their customers. Delta promptly switched to online interactions with key accounts who readily adapted to the new mode of communication realising that it is the only way forward. A perceptible impact on the supply chain, logistics and price hike were other areas of concern. We also learnt lessons on cost saving, how to optimise procurement and plan travel strategy, and the fact that we could still function on reduced budgets i.e., without being expensive we can still deliver. Pruning superfluous expenses, which were conventionally thought to be necessary or indispensable, was another big change.

How did Delta's business fare during the pandemic?

We have experienced impacts of two kinds - the increase in demand and drop in demand. As we cater to data centre as a customer segment, we witnessed a marked boost in demand for online communication. So, that is where Delta's Data Centre market share segment is doing very well. On the other side we faced the brunt of huge government projects getting delayed and by adopting 'work from home' strategy new projects of corporate campuses were put on hold or shelved. With mobility being affected, manufacturing/production was affected and also demand for many products came down. Delta came out unscathed because we were catering to high demand from data centre and IT segment, compensating other setbacks. Even in crisis, Delta moved on an even keel.

With digital interface increasing rapidly, what future do you envisage for data centres?

Digitization followed by the 5G technology in communication will actually give a huge momentum to digitized business. India is still in 4G stage with a lot of digitization yet to happen, but the moment 5G comes into play most businesses would start adopting far more digitized models. Even as it will majorly impact the existing mega collaborative hyper data centers, 5G would move the market to edge computing, meaning every business will have to store some critical data near to the user or near to their functions. We see ourselves playing a major role in this space.

When it comes to Cloud, how does Delta see itself as a major player?

Cloud is another space that India has potential to grow exponentially. Many hyper-scaler companies are going to invest in India and top players are in some way established in India either directly or through collaborative partner. In fact, in the next 5-6 years we will see a huge boom of data centres where the current installed capacity of 500-600 MW data centres will have add on five times the current capacity each year. There will be projects of more than 300 MW and Delta is already in discussions with some investors. Cloud will have increasing impact on business models such as e-retail shops, banking etc. In fact, top 4-5 collo-players in all the segments including government and private is where Delta has significant presence.

What are the kind of data centres that Delta provides?

Delta caters to two kinds of segments, the traditional data centres where infrastructure needs i.e., the UPS, batteries and distribution units, which is the component portion, is provided and the other is engineered-to- order solution where we have skilled architectures in our data centres and have power containers that will be further enhanced with advent of edge computing. Once the edge computing system comes into play then pre-fabricated data centre concept will follow. Delta is gearing up to develop infrastructure to test and manufacture those in India and is in discussions with many customers who are working closely with Delta at the conceptual stage to address their respective demands. Pre-fabricated segment is something that we are already addressing in the smaller edge which is basically of one to six rack data solution centres. Delta is also working on moving from 1 MW pre-fabricated units to multiple MWs.

What is that gives Delta an edge in the market?

The biggest edge is that Delta is a strongly R&D driven organization with 6-8 percent of its global sales revenue allocated to research and product innovation. We are also the largest ODM and OEM manufacturers of critical components that go into the making of a data centre. Another advantage is our exceptionally competent team that has enriched our knowledge pool, besides the strong service network backup that we have across the country. The biggest strength, however, are our key customers, who are growing in this segment. Presently, we are focused on addressing further demands of our existing customers rather than scouting the market to fetch new clients. We have also deployed a lot of modular architecture with product offerings that are the most compact in the industry that actually allow the customers to grow as the business grows with them, that is much appreciated by our customers. We see ourselves enhancing the modularity and scalability of our pre-fabricated data centres to further enhance our business.

Could you share about Delta's India vision?

India is one of the sub regions of Delta, which is a huge focus area that exhibits the global management's optimism about India as a potential market. The reason why the company is coming up with an R&D centre at Bengaluru for strengthening its capability within India. We are also manufacturing in India that makes it viable to have an R&D facility within India. Delta is seeking to invest more than Rs 500 million in India in terms of new factories such as the upcoming global manufacturing unit in Krishnagarhi on the outskirts of Bengaluru, which once completed will have the capacity to not only cater to a huge captive market in India, but to rest of the world as well. The company also has manufacturing facilities in Rudrapur, Uttarakhand, Bengaluru and Gurugram for different products for each business unit. Intelligence gathering at Delta is done in-house as well as from global initiatives where we work closely with research organizations exploring market trends and studying those reports. Attending various events and workshops also helps and most importantly is the feedback of our customers by engaging closely with them which enables us to align our business accordingly. Manufacturing is also set to boom with 'Make in India' of the Indian government giving a boost to our industry.

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has a new category this year, targeted at identifying innovations tackling the pandemic (preventive, diagnostic, therapeutic, monitoring, digital connect, work-from-home solutions, etc.). According to Invest India, the country has more than 66,359 DPIIT-recognised start-ups across 642 districts as of March 21, 2022, of which the second highest—9 per cent—are from healthcare and life sciences.

The private sector has also got into the act, in partnership with government agencies and educational institutes. For instance, Krishna Ella, Chairman & MD of Bharat Biotech, is contributing ₹200 crore to a corpus of funds with the Technology Development Board (TDB) of the Ministry of Science & Technology (which will contribute an equal amount) to support start-ups in different fields on relaxed terms and conditions.

The Pfizer Innovation Program, to support breakthrough healthcare innovations, is supported by Atal Innovation Mission (AIM), NITI Aayog, Accelerating Growth of New India's Innovations (AGNIi), Foundation for Innovation and Technology Transfer (FITT), IIT Delhi and Social Alpha, a multi-stage innovation curation and venture development platform for science and technology start-ups. Version 1.0 of the programme had incubated nine healthcare innovators and supported 19 IP (intellectual property) filings. Now, in the first year of version 2.0, three winning start-ups each in the areas of oncology and digital health, will receive a grant of up to ₹65 lakh each for product trials, pilot studies and product market launches. This is one of the largest such programmes, both by grant value and partnerships, focussed on incubating and commercialising healthcare start-ups in the country. AIM and NITI Aayog will provide the start-ups with access to their entire network of incubators and facilities via co-incubation and will also provide technical and strategic advisory to support the programme and the start-ups. IIT Delhi will be the principal incubation partner with support from others.

HEALTHCARE START-UPS, backed by digital technology, internet and AI, are now not limited to online pharmacies, drone deliveries of vaccines and medicines, or telemedicine. Several are targeting diverse areas of healthcare, and the approaches and business models are rather interesting.

For example, public health experts have said that the coronavirus infection has long-term effects on mental and physical health. There are known health benefits of wellness activities, yet building them into our daily lives is a challenge. Feeding into this need is Nagpur-headquartered NowZone. The start-up has developed a real-time breath monitoring device (global patent pending), which also contains, remarkably, Buddhist and Vedic teachings-based content for meditation, breath work, pranayama, yoga and even sleep stories.

"Nowfulness meditation is about experiencing the Middle Path, balancing the 'What Is' and 'What If' needs of current times based on science. Our device monitors breath in real time, notifying one-minute slow, deep breathing at 6 bpm (beats per minute), most needed when in stress," says Akash Madnani, Founder and CEO of NowZone. So far, the start-up has received funding of over $1 million from Tata 1mg, Dineout and Healthark Insights. It has sold over 5,000 devices, with a target of 10 million subscribers—including device sales—in the next five years. The current valuation of the start-up is ₹37.5 crore ($5 million).

Another start-up, Gurugram-headquartered Pristyn Care, recently entered the unicorn club with a valuation of $1.4 billion (₹10,963 crore) and investments of $177 million (₹1,345 crore) from marquee investors like Sequoia Capital and Tiger Global, among others. The company specialises in elective surgeries using advanced treatments such as laser, laparoscopic treatment in ENT, urology, proctology and gynaecology, and kidney stones. It is also an end-to-end healthcare service provider (not an aggregator). Pristyn Care takes care of the patient through the treatment journey starting from the first OPD visit, diagnostics, admission, operation, post-op and IPD to insurance claims, discharge process, and follow-ups with the surgeon. Besides, Pristyn Care has used technology to integrate its panel of doctors, partner hospitals, care coordinators and the insurance claims processing team. "We invest heavily in upgrading the idle, unutilised space in hospitals in metros and Tier II and Tier III cities and towns. We handhold them and set up systems, including creating a robust IT infrastructure there," says Harsimarbir Singh, Co-founder of Pristyn Care.

Or take HealthPlix Technologies. The Bengaluru-headquartered Software-as-a-service (SaaS) platform for doctors recently released the mobile version of its AI-powered electronic medical records (EMR) app. 'EMR on Mobile' enables real-time access to patients' information from anywhere, at any time. The app is built on the same architecture as the company's flagship AI-powered desktop EMR. "This is not just a companion app to a web-based EMR. It is a standalone, mobile-first EMR packed with features meant for the Indian doctor. Any doctor in India can instantly unlock remote care capabilities and adopt this EMR on the mobile with zero infrastructure requirements," says Subhadeep Mondal, Vice President of Products at HealthPlix Technologies.

The mobile EMR has been accessed by doctors in over 350 cities, including Tier II and Tier III cities. In the wake of the Covid-19 pandemic, doctors can use 'EMR on Mobile' to manage both in-person and online consultations seamlessly across the same pool of patients. "We firmly believe doctors need agile and mobile-first solutions to drive better health outcomes," says Burhanuddin Pithawala, Head of Growth Marketing at HealthPlix. The start-up is backed by Kalaari Capital, Lightspeed Ventures, Chiratae Ventures and JSW Ventures, and has raised $23.5 million in funding till date.

While start-ups are bringing cutting-edge tech into healthcare to improve patient outcomes, a bigger push is needed to help them scale up to benefit a wider population. BT

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FY21 FUNDING LEADERBOARD

Healthtech start-ups are receiving steady funding because of their continued focus on making healthcare service delivery seamless for an underserved market

Start-up	Segment	Latest round ($ mn)	Total funding ($ mn)	Valuation ($ mn)
Practo	Telemedicine	32	228.2	310
Medikabazaar	Marketplace	3.45	52.6	71.2
HealthPlix	Healthcare IT & analytics	13.5	23.50	NA
Tricog	Healthcare IT & analytics	10.5	17.5	NA
Phable	Telemedicine	12	13.70	13.10
Meddo	Telemedicine	3	6	12.10

SOURCE RBSA ADVISORS

THE DIGITAL ORGANISATION

DIGITAL TRANSFORMATION IS NO LONGER AN OPTION BUT HAS EMERGED AS A CRITICAL SUCCESS IMPERATIVE FOR BUSINESS CONTINUITY AND FUTURE GROWTH

BY NIDHI SINGAL

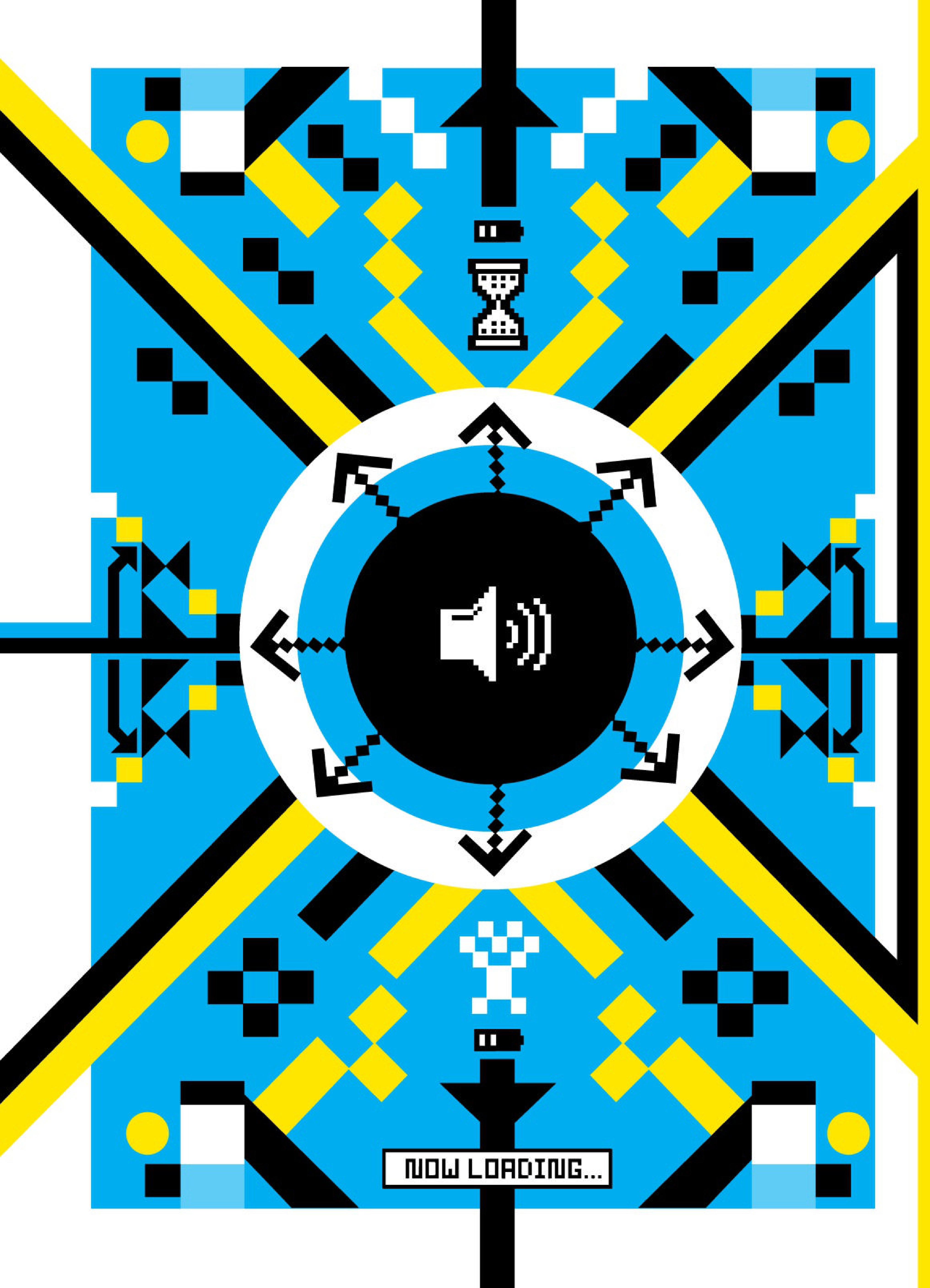
ILLUSTRATION BY ANIRBAN GHOSH

$2.8 TRILLION
EXPECTED GLOBAL MARKET SIZE OF DIGITAL TRANSFORMATION BY 2025—A CAGR OF 16.6 PER CENT FROM 2021

$69 BILLION
INDIA'S DIGITAL TRANSFORMATION SPEND BY 2025, AT A CAGR OF 18.2 PER CENT; THE MARKET SIZE IN 2020 WAS $30 BILLION

While giving the keynote presentation at the Microsoft Business Forward event in 2017, Microsoft's Executive Chairman & CEO Satya Nadella went back in time to the mid-1990s, when the company was about to launch its first server product. Back then, Nadella was coding on screen, showing a scenario that speaks of today's digital transformation (DX) needs. And all the technology deployed allowed him to pull the data into a spreadsheet for storing inventory, and then use automation to drive a document that could create a purchase order to deal with the back-order situation. While he thought the innovation was going to change the world, it took about two decades to realise how the digital transformation revolution is not just about transforming industries, but powering every part of the economy.

"Digital transformation is not simply about 'lifting-and-shifting' old IT infrastructure to the cloud for cost-saving and convenience. Organisations adopt new technologies to redesign and redefine relationships with their customers, employees and partners, which includes modernising applications and creating new business models, products and services," says Bikram Singh Bedi, Managing Direc-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DX is about leveraging technology to reinvent the way enterprises operate, with better utilisation of data through real-time visibility into the information, workflow automation, and collaboration between teams and strategic partners. But its core is about taking advantage of the applications, services and technologies to increase efficiencies, grow profits, streamline workflows, and improve customer experience. "We went from turning paper into digits to optimising processes with software, networking, software-as-a-service (SaaS), and the new digital economy. Consider that since 2000, 61 per cent of companies on the Fortune 500 have been acquired, merged, gone bankrupt, or fallen off the list. These changes are often due to digital disruptions," says Satyakam Mohanty, Chief Product Officer of Fosfor by LTI (L&T Infotech).

Indian IT companies are the world leaders in enabling this transformation, yet the adoption within the country is rather unhurried. While banking and telecom were some of the early adopters of greater digitisation, the public sector, healthcare and traditional retailers are among those who are catching up. The pandemic has accelerated the pace of DX with most organisations having to transition from physical to digital-first. Initially, work from home and now, work from anywhere, led to a huge spike in demand for cloud-based applications, collaboration, security, and productivity tools to ensure business continuity.

For instance, Covid-19 has accelerated the migration from retail to e-commerce by allowing customers to do some of their buying online. There has also been a significant surge in online banking and digital payment use, which has reached record highs. Businesses are now taking the opportunity to reinvent their models for a more connected, automated, data-intensive, and distributed future. "According to McKinsey, internal operations and customer interactions have accelerated by three to four years for some companies, and the share of digitally enabled products has increased by seven years," says Trideeb Roy, Director of Sales for Cloud Infrastructure & Software Group at Cisco India & SAARC. Meanwhile, education ministries have been launching large-scale digital capacity-building initiatives to provide instructors with the tools and resources they need to teach remotely.

INDIA'S SUCCESSFUL Covid-19 vaccination drive wouldn't have been possible without the digitisation of records and processes. Rakuten India's SixthSense survey confirms the same. Of the 500 technology decision-makers in India covered in the survey, 70 per cent expect their IT budgets to go up while 29 per cent said they will remain constant. Seventy-seven per cent of CIOs said that they are increasingly embracing SaaS solutions to cater to specific functionalities as it helps them bring new capabilities to: go to market more quickly (49 per cent); scale more efficiently (29 per cent); lower costs (17 per cent); and reduce technology risk (6 per cent). And for the technologies they wish to invest in, 38 per cent cited investments in improving software development and quality assurance lifecycle; 24 per cent cited enterprise-wide observability solutions; 21 per cent picked data management and availability; while 10 per cent said it would be cloud and infrastructure; with the remaining citing DevOps and security.

Spending on DX is expected to shoot up. IDC's Worldwide DX Spending Guide for April 2022 predicts that the global spending on the DX of business practices, products, and organisations overall will reach $2.8 trillion in 2025, more than double the amount allocated in 2020. DX spending will have a compound annual growth rate (CAGR) of 16.6 per cent over the 2021-25 forecast period as organisations pursue a holistic digital strategy for people, processes, technology, data and governance. Indian DX spending is forecasted to reach $69 billion in 2025, from a base of $30 billion in 2020. This represents a CAGR of 18.2 per cent over the forecast period of 2021-25.

Evolving for over two decades, the paradigm shift for digital transformation took place with the introduction of 4G LTE services in 2012 in India, which helped enterprises leverage cloud infrastructure. This resulted in the emergence of social media platforms, e-commerce redefining the way we shop, the way we conduct financial transactions, and opened new possibilities in terms of business efficiencies. "5G with its low latency, higher bandwidth and superior reliability, is going to enable the next wave of digital transformation. It will completely transform every aspect of our lives including the way we think, interact, do routine work, entertain ourselves, and operate businesses," says Nitin Bansal, Head of Ericsson India and Head of Network Solutions for Southeast Asia, Oceania & India.

This special report takes a deep dive into today's digital transformation world where data analytics is redefining the success of an organisation, and digital twins are using real-world data to create simulations for predicting a product or process. However, the backbone of all this transformation lies in having a skilled workforce, which is a pressing issue that has to be dealt with immediately. Rajeev Chandrasekhar, Union Minister of State for Skill Development & Entrepreneurship, explains what the government is doing to address this issue. Read on! BT

@nidhisingal

Building a culture of Inclusion, Diversity and Equity (IDE): KPMG in India

Sunit Sinha
Partner and Head – People, Performance, and Culture at KPMG in India

How important is diversity and inclusion for an organisation and how is KPMG in India, leveraging these aspects?

Inclusion and diversity are both a business and moral imperative that builds trust and compels us to stand up for what is right. Diverse teams are more likely to be innovative and marketable. Also, inclusive work cultures that embrace ethical behaviour, position themselves for success. Our determination is to create the best working environment possible for our colleagues, enabling them to thrive and develop, while furthering our commitment to foster diversity and inclusion at the Firm.

What spurs the I&D goals of the company?

With growing diverse mix of highly talented pool of people, has come our first learning – that Inclusion, Diversity and Equity (IDE) plans cannot be a 'one-size-fits all'. So, we started our journey with a deep analysis of our current organisational structure through a self-critical lens to identify the weak links and areas that needed immediate attention, followed by customised interventions which are now being monitored for tangible outcomes. It means creating a diverse and inclusive work environment which we believe is everyone's responsibility.

What are the offbeat interventions of KPMG in the I&D space?

Our leaders have enthusiastically taken on reverse mentors from the very large group of millennials to build a bridge and leverage inter-generational living experiences and learnings. Our partner development program will now also include an immersive intervention by external IDE specialists to ensure that we slowly but certainly make this not a topical event but part of our thinking and organisational DNA. We have been industry forerunners in creating an inclusive workplace for our colleagues from the LGBTQI+ community with benefits such as same gender insurance, medical coverage for partners and their parents, gender reassignment surgery and gender-neutral washrooms in our offices.

Striking a balance between the output of an employee and the ledger is vital for a successful company. What is the key to KPMG's sustained success in this aspect?

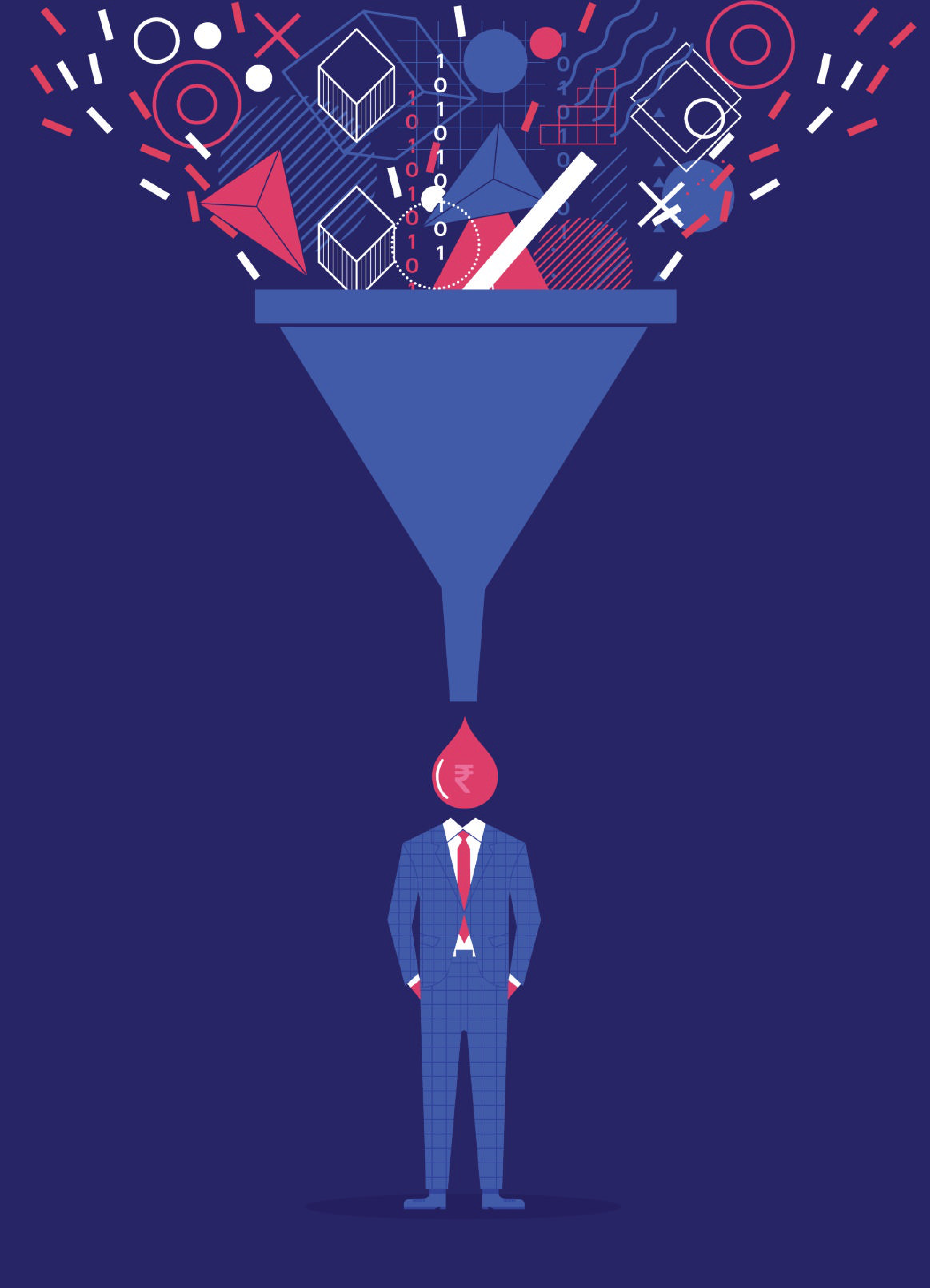
To be the clear choice for our clients, communities, and people, we have leveraged our value agenda and our purpose statement to evaluate how we operate and how we grow, making talent our top priority, being attuned to the ecosystem we operate in, prioritising learning, steadfast decision-making and leveraging technology where possible.

During the Covid pandemic, how did KPMG's IDE initiatives fare in keeping the company functional?

In an unpredictable workplace climate, we tried to work with empathy, wisdom, and speed to advance and retain our people. From offering flexible work arrangements, carrying out regular connects and check-ins, using an array of referral strategies, amplifying our wellbeing initiatives to providing advancement opportunities within the Firm by ensuring we promoted our people. We also specifically, reached out to our women colleagues to ensure their wellbeing, given, we understand that most of the caregiving responsibilities in India, still rest with women which accentuates the stress that was already prevailing on account of the lockdowns. One thing that resonated with nearly everyone, including our leaders working from home, is the heightened appreciation of the difficulties of balancing work and family obligations, and therefore the need for increased flexibility on the part of the Firm.

How does KPMG maintain agility in a rapidly changing economic demand and focus with the help of I&D adeptness?

The way we define and talk about the things that make us different, help to bring us together and ensure a strong, inclusive culture in which all our stakeholders have a voice and are heard, feel they belong, and are empowered to contribute. There is an expectation from our clients, our people, and the broader society that we have a robust IDE agenda – linked to the S in ESG agenda. Therefore, embedding IDE priorities in all our HR and business processes is vital. The need to create an environment where everyone feels valued and included will have a positive impact on everything, making a segue into business results, innovation, and decision-making – so that is the premise with which we have operated so far and will continue to do so.



ARE YOU DATA RICH?

EVEN IF YOU ARE, LEVERAGING THE DATA MEANINGFULLY IS A DIFFERENT BALL GAME. GETTING THAT PART RIGHT IS KEY TO SUCCESS IN YOUR ORGANISATION'S DIGITAL TRANSFORMATION DRIVE

BY **NIDHI SINGAL** ILLUSTRATION BY **RAJ VARMA**

KITCHENWARE, a small utensils shop in old Gurugram's Sadar Bazar, recently digitised its inventory. Every product in the store was barcoded, easing the billing process. But the data wasn't used to analyse fast-moving and rarely moving products, which could have simplified inventory management—for example, which item to stock more, or which item to reorder at more frequent intervals, among other things.

Now, munch on this. When India went into its first Covid-19 lockdown in March 2020, GCMMF (Amul) was able to successfully deploy a frozen food supply chain to deliver dairy products overnight, R.S. Sodhi, MD of Amul had earlier told *Business Today*. By maximising the use of data, software and digital infra, Sodhi was able to manage inventory in a way that the retailers never ran out of stock of key essential items.

While the scale of Kitchenware and Amul are obviously different, the fundamental need for digital solutions was the same. Yet, it was Amul's access to and analysis of real-time data that helped it steer through the lockdown challenge.

Over the past decade, leading enterprises and organisations have increasingly adopted digital technologies. From deploying enterprise resource planning (ERP) to customer relationship management (CRM) solutions to creating mobile apps to digitally enabling the enterprise, organisations have adopted digital transformation frameworks as a way to reimagine themselves, staying competitive in their respective businesses and industries. Yet, most have only understood it to be about automating operations, and investments in the most critical area—data analytics—remain low. Niranjan Ramsunder, CTO of US-headquartered digital technology and transformation firm UST, says, "If we were to limit data-driven to simply mean advanced analytics, machine learning and other similar areas, then we could say that the data, analytics and ML-led projects would be around 40 per cent of the total spend [on digital transformation]."

But why is data analytics critical? "Digital transformation starts with data, but the increasing volume, velocity and variety of data makes it more and more complex to draw valuable insights and make informed decisions," says Irina Ghose, COO of Microsoft India, adding that with data analytics, organisations can break down data silos and generate

WHY DATA-DRIVEN TRANSFORMATION MATTERS

54%
INCREASE IN REVENUE PERFORMANCE

44%
FASTER TIME-TO-MARKET

62%
IMPROVEMENT IN CUSTOMER SATISFACTION

54%
INCREASE IN PROFIT IMPACT

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insights for better decision-making and, sometimes, even automate the decision-making process itself.

Industries are opening up to the concept of predictive analysis for future decision-making, but this is yet to accelerate. Accenture's Business Futures 2021 report says 78 per cent of organisations in India have increased their use of both internal and external sources of real-time data over the past 12 months, yet only 43 per cent reported that people across their organisation consistently use real-time data in their day-to-day work.

Piyush N. Singh, Senior MD and Lead of India Market Unit at Accenture, says there are no specific industries that are racing ahead or lagging behind in digital transformation. "The reality is, in every industry, companies can be bucketed under three categories—leaders that are taking transformation seriously and are therefore investing holistically in the entire value chain; laggards that are only investing in parts of the value chain; and companies that are barely investing in digital transformation." The leaders are still a minority—not more than 20 per cent in any industry—and they will surge ahead, he says.

BY 2025, 180 zettabytes of data are expected to be created. Just how much is that? You are aware of a TB or terabyte—most PC hard drives have a capacity of 1TB or 2TB. Now, one zettabyte is one billion TB. Try and wrap your head around what 180ZB of data means.

This data explosion, albeit a bit scary, also presents enormous opportunities for businesses. Fuelled by this data, smarter organisations are infusing AI and the agility of the hybrid cloud to better predict and shape future outcomes and automate decisions. "By leveraging data as a strategic enterprise asset, companies can accelerate or scale digital transformation, and also contribute to high revenues and business growth," says Kamal Singhani, Country Managing Partner for India/South Asia at IBM Consulting.

"Process can be bucketed under five areas: optimising the sources of data, efficiently storing the data, cleaning the data, sorting the data using analytical records or models to generate insights, and consuming the insights for data-driven decision-making"

PIYUSH N. SINGH
SENIOR MD & LEAD-INDIA MARKET UNIT, ACCENTURE

"Data-driven transformations drive digital transformations and hence the overall cost is typically part of the transformation itself"

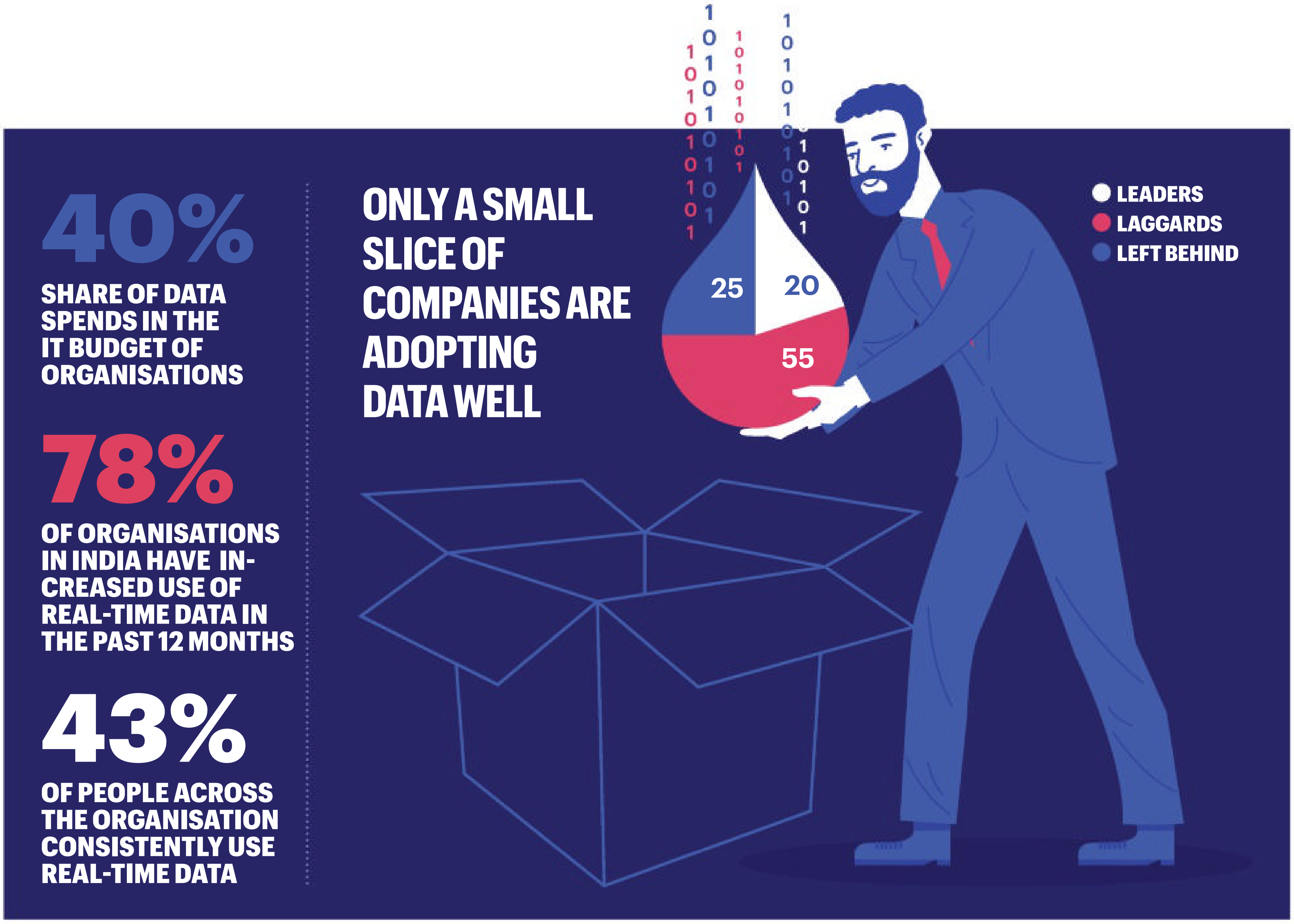
SOM SATSANGI
SVP AND MD, HEWLETT PACKARD ENTERPRISE, INDIA

With digital transformation riding on data analysis, an enterprise can re-engineer, automate and infuse intelligence across key business functions. According to *Harvard Business Review*, such data-driven transformation can yield 54 per cent increase in revenue performance, 44 per cent faster time-to-market, and 62 per cent improvement in customer satisfaction.

Tight integration of data also highlights the organisation's competencies and presents unlimited business opportunities. Satyakam Mohanty, Chief Product Officer of Fosfor by LTI (L&T Infotech), explains: "Insights derived from real-world data will allow you an (enterprise) to look farther into the future than you (normally) could. Instead of relying on day-by-day snapshots of your business, you'll be able to set solid, measurable goals several years into the future."

For example, Parle, India's largest biscuit company, leveraged IBM's hybrid cloud and AI capabilities, to get its products to market at the right time and in the right place. Sanjay Joshi, Head of Information Technology of Parle Products, says that the recent market dynamics "has necessitated the need to accelerate the innovation with digital platforms, drive resiliency in our supply chain, and augment decision support systems with AI".

Apart from legacy enterprises, start-ups are also building their business models around data. B2B e-commerce platform Udaan is emerging as a preferred trade partner of established brands such as Apple and Samsung not just because of its reach in Tier II, III and IV towns, but also from the data insights it brings to the table—what options your customers considered, why were they considered, and which choices were made. How does this help? "The industry is able to identify and plan for SKU and brand preferences by region over lean and peak periods. Digitisation has also helped create predictive analysis on promotion planning," says Hirendrakumar Rathod, Head of the Electronics Category at Udaan.



SOURCE ACCENTURE, INDUSTRY

A COMMON MISCONCEPTION among many organisations is that the cost involved for data-driven transformation is on the higher side, which Som Satsangi, Senior Vice President and MD of Hewlett-Packard Enterprise, India, clarifies: "Data-driven transformations drive digital transformations and, hence, the overall cost is typically part of the transformation itself. The difference, however, is in the way you prioritise and move ahead with your digital journey. We have seen that data-driven digital transformation is more successful."

While data-driven transformation can be pivotal in enterprise growth, there are chances of failure, too. Enterprises need to strategically design a plan and invest in relevant tools and services. Enterprises often opt for a piecemeal approach and copy what worked for some other company or industry, but the technology solutions that worked for one company may not work for another. "Lack of visibility into current operations and traditional gut-based decision-making on transformation opportunities often leads to missing out the big rocks and instead focussing on pebbles," says Sankara Subramanian, Partner for Lighthouse (Analytics, AI & Big Data) at KPMG in India. He adds that siloed initiatives and point solutions often miss the end-to-end view. Not aligning transformation with enterprise business strategy is one of the key reasons for the lack of impact. Another thumb rule is to invest in scaleable infrastructure, good quality data, and data-driven understanding of processes.

But to bring this transition into effect, not everything can be outsourced. Organisations need to strategically invest in the right training/skilling modules to empower their employees to work with these next-gen tools and meet their business goals. "Upskilling should be a priority from both an employer and employee perspective. Gartner estimates that by 2023, more than 33 per cent of large organisations will have analysts practising decision intelligence, including decision modelling. As business models and technology evolve, employees equipped with emerging technology skillsets will become vital for organisational success," says Trideeb Roy, Director of Sales for Cloud Infrastructure & Software Group at Cisco India & SAARC.

It's safe to say today that the future will hold data-oriented approaches to business strategy. The next decade of economic growth will be determined by today's investments and the speed of digital transformation utilising data and analytics. **BT**

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‘WE SPEND ₹5,000 CRORE ON SKILLING EVERY YEAR’

Rajeev Chandrasekhar, Minister of State for Electronics & Information Technology and Skill Development & Entrepreneurship, says the government is doing its bit for skilling, having trained 30 million people over the past five years, but industry needs to do more

BY **NIDHI SINGAL**

PHOTO BY **YASIR IQBAL**

TIPPING POINT MoS Rajeev Chandrasekhar says the next two years represent an unprecedented opportunity for Indian tech

THE ONGOING digital transformation across the world presents India with a big economic opportunity, which it can take advantage of only if it has a skilled workforce. The Government of India is working on a plan to not just skill the workforce at the district level, but to also upskill, reskill and multiskill it. Rajeev Chandrasekhar, Minister of State for Electronics & Information Technology and Skill Development & Entrepreneurship says the government is spending ₹4,000-5,000 crore every year on skilling and has trained 30 million citizens over the past five years. Excerpts from an interview:

While India is known for its engineering talent, the Indian workforce was believed to be amongst the least skilled in 2019. The situation has improved but there is a long way to go. What is the government doing about this?

I completely agree with one part of the premise of your question, which is that in the post-Covid-19 world, and indeed during Covid-19, the world has discovered that the skills that are required are going to be a lot more fluid and dynamic. There was a certain stasis to the skilling ecosystem—not just in India but around the world—which was, ‘we will have some job roles, we will skill people on the job roles, and then they will find jobs’. What is evident post-Covid-19 is that first, the workforce participation and the mix have gone through a major transformation—where women were not participating, they are participating; where women’s participation was low, it is going up; where men’s participation dominated, women’s participation is increasing. So, there is a lot of fluidity and dynamic changes in the skills that the workforce requires. Second, digital skilling has become like a prerequisite or an important component of all skills and traits. Third, skilling via digital platforms, and not the traditional classrooms or traditional workshops or traditional apprenticeships, has also become an important element.

Now, there is a fourth element to it—migration for work/employment has shown a reverse trend post-Covid-19. People want to go back and seek participation in the workforce locally as a first preference. [Our] Prime Minister said in July 2021 that we need to look at a new type of model... sort of a post-Covid-19 model. And that new model has three-four basic components to it. First, it is not only going to be about ab initio skilling. It is about skilling, reskilling, upskilling, and multiple skilling. So, a student who comes into the skilling ecosystem, doesn’t come on a one-time basis. If he is a school dropout, he doesn’t come in there to skill for a one-time job. But he enters this almost like a totally new education universe system, where he enters with ab initio skilling. Then he can move left or adjacent to reskill, and move up the ladder with upskilling; he/she can also choose multiple skills. In the second element, we are launching a very comprehensive digital skills platform that will extend the reach of skilling further away from the institution that traditionally gives skilling. So, you could have more interesting models of hybrid skilling, where you do some amount of physical [training], some digital [training]. Third, digital skills are now put out as part of almost all of the 4,000 courses and jobs that we are skilling. Going back to the issue of migration and people wanting opportunities closer to their homes and communities, we are creating district skilling plans for each of the 700 districts. The Government of India has appointed a Mahatma Gandhi National Fellow for each district, who will work with the local district collector as the district’s public representative in shaping skills according to local requirements. This will be divided into farm economy and non-farm economy... what type of skills are required there, what type of opportunities exist there, and for skills outside the local community in the state and within the country. And the fourth element is Skill India International, which is for opportunities for people to go abroad.

And we’ve recently launched something in Dubai called Skill India International Tejas. So, this is the direction we are taking... And it is not one size fits all—each district will have its unique requirements for the youth of that district, for the aspirations of the district... We will use our network of Pradhan Mantri Kaushal Vikas Yojana (PMKVY), ITIs [industrial training institutes], Jan Shikshan Sansthan and apprenticeship training schemes to deliver the skills.

IF A COMPANY WANTS TO REMAIN COMPETITIVE AND CONTINUE TO GROW, IT NEEDS TO INVEST TO MAKE SURE ITS TALENT IS UPSKILLED, RESKILLED, MULTIPLE SKILLED, CURRENTLY SKILLED, CONTEMPORARILY SKILLED

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The government has also partnered with Nasscom for FutureSkills Prime. What is this about?

There is what I call the broad-skilling universe; and then you have the upper end of the skilling spectrum, where people are already employed. Here we have platforms by sector that we set up in partnership with industry. One example is the IT industry, where we do FutureSkills Prime, where the government contributes money, the industry contributes coursework, curriculum and money, and allows retraining and lateral and upward movement of reskilling and upskilling within the technology sector.

We have committed ₹460 crore of capital to the FutureSkills Prime programme. So, you have two layers of skilling. One is broad skilling—the blue-collar community of people who are moving from schools to ITIs and schools to basic skilling and moving up that way. Then you have within the industry the skilling model... like we have for technology services, tomorrow we will start something, for example, for semiconductors; we may have it for electronics manufacturing. We may have the same model, which is industry-government partnership, to allow talent within a sector to be better deployed, to be better skilled. One of the things that everybody has noticed [is that] in the last 18 months as the world's digitisation needs galloped, it presented to the Indian industry more and more opportunities for work—projects for servicing, foreign enterprises, foreign governments, foreign consumers, overseas consumers. We are strapped by the fact that while we have many IT engineers, we are strapped back in particular niches, where the demand is far in excess of supply, and that is where you're getting wage inflation—companies have gone abroad or hired engineers, etc. So, those kinds of issues will be dealt with by the FutureSkills Prime platform.

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This programme was launched in 2018 and the target is that in five years, 1.4 million employees would be trained. What has been the progress like?

There are two things. The government's role in FutureSkills is about providing capital and building the platform. On this, I have publicly spoken to the industry as well. I think part of the blame for the problems that the industry finds itself in today, which is the shortage of talent and skill, is that the industry itself did not anticipate this kind of massive growth and massive demand for talent. The government has no role in anticipating the talent that industry requires. We can be enablers; we can be facilitators. We can even provide money and investments for platforms to be created. But at the end of the day, it is the technology companies that have to work on their skill and talent strategic plan.

That was the whole idea of a partnership with the industry. And I have publicly said this to Nasscom—this problem has been created maybe accidentally, maybe because these are circumstances that you did not anticipate... But I think a little bit of slackness on the part of the industry is one of the reasons for what we are seeing today—wage inflation, shortage of talent in certain segments... [such as] emerging technology segments like AI and other areas.

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If someone lacks funds for upskilling and reskilling, how can they look at upskilling/reskilling and multiskilling?

Right now, most of the skilling programmes are free. Over the last five years, all of the basic skilling programmes are almost free. The government is spending ₹4,000-5,000 crore a year on PMKVY and other skilling-related programmes. It is ITIs that charge a low fee, but even there, state governments provide scholarships to those who are economically weak and other communities that require support. But broadly in this Skill India ecosystem, the skilling is almost to a large extent free and the training partners in the training centres are compensated by the government for every skilling programme every student takes.

Your question relates to an existing participant in the industry, who wants to be upskilled and reskilled because there's

WE ARE CREATING SKILLING PLANS FOR EACH OF THE 700 DISTRICTS... A MAHATMA GANDHI NATIONAL FELLOW WILL WORK WITH THE LOCAL DISTRICT COLLECTOR IN SHAPING SKILLS ACCORDING TO LOCAL REQUIREMENTS

an opportunity that they see. If you are a participant in the industry at a company, that can't be the government's responsibility to handhold you for your career progression. That is something that individual professionals find a way to finance and grow. Of course, there are many schemes within the broader Government of India that allow for loans and educational financing for underprivileged sections of our society... there is basic skilling, which is being given for free. Almost 30 million Indians have been skilled in the last five years. And then, in the market, there are sectoral platforms that are aimed at upskilling and/or multiple skilling; where an engineer or graduate can become a software engineer or a coder; or a coder who's coding in a particular language can then learn coding in multiple languages—that is not an area which the government believes should be free.

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According to industry reports, 95 per cent of workers surveyed in India acknowledged requiring more digital skills. Despite this, only 45 per cent of employers in India have a training plan in place. What can India do to skill its workforce?

The principal stakeholder in the success of an organisation is the enterprise itself. In today's world, an enterprise is as successful as its employees are, as its workforce is. This is the basic mathematics of the 'New World'. If an enterprise chooses to not have a talented workforce, that enterprise will fail. This is the new normal... If it wants to remain competitive, continue to grow [and] continue to go after all these new opportunities in this rapidly changing technology world or indeed any other segment of the economy today, it has to be the one that invests resources in making sure its talent is upskilled, reskilled, multiple skilled, currently skilled, contemporarily skilled. A talented workforce is the biggest determinant of the success and growth of an enterprise, and technology companies are big knowing this. Of course, there are Indian technology companies that have become so big that they think they can get a little lazy and sleepy on this. But every time I meet them, I tell them that the next two years represent an unprecedented type of opportunity for Indian tech. And if you as a big company today go to sleep on the issue of talent, some other young small start-up company will grow, expand, invest in talent and eat your lunch and breakfast in the next two years. So [your] survival today depends on how talented your workforce is. Success depends on that and how talented your workforce is, it depends a lot on continuous skilling, reskilling, upskilling and multiple skilling.

I THINK A LITTLE BIT OF SLACKNESS ON THE PART OF THE INDUSTRY IS ONE OF THE REASONS FOR WHAT WE ARE SEEING TODAY—WAGE INFLATION, SHORTAGE OF TALENT IN CERTAIN SEGMENTS... LIKE AI AND OTHER AREAS

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How is the government looking at skilling in artificial intelligence, machine learning and blockchain?

The Prime Minister has said the next decade is India's 'Techade', and if that is so, we have to lead the charge on Web 3.0, ML, AI, supercomputing, and quantum computing. There are a series of areas that are going to be relevant and really big opportunities, both economically and strategically for our industry, and the country. We are evangelising. Our ministry is really about creating awareness, energy and passion, and being an enabler with the tools in skilling, tools in terms of financing start-ups, or helping start-ups get bootstrapped. That is what our business is and our job is. We understand the value of India's Techade. It's like the Y2K moment for India's tech space. This trillion-dollar digital economy is there for us to take. But we have to take a lot of very significant steps as corporates and with a very supportive government. We will do whatever is necessary as a ministry to enable that both in terms of skilling and continuing to boost the start-up and innovation ecosystem in the country. BT

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DIGITAL TWINS TRIGGER PROCESS AND BUSINESS INNOVATION ACROSS INDUSTRI
THE BODY DOUBLE FOR STUNTS IN MOVIES

REPI

IGITAL

IES BY CREATING A VIRTUAL DOUBLE OF MACHINES AND ASSETS. THINK OF IT LIKE , ONLY MORE COMPLEX BY **NIDHI SINGAL**

LICA

FIRST INTRODUCED during NASA's Apollo missions in the 1970s, the concept of digital twins has come a long way in the past five decades. But what truly put it in the spotlight in recent times was the pandemic. Take the case of contract manufacturer Flex. When a leading global medical equipment company shortlisted Flex to manufacture its Class II diabetes product in the first quarter of 2020, it had a challenge on its hands. The US-headquartered company had to accelerate and optimise the development of the product in the wake of the Covid-19 pandemic while ensuring quality and reliability as any mistakes in the design or manufacturing process could put patients at risk. To optimise the manufacturing of this product, it created a digital twin of the factory floor. With the virtual representation of the complex production system, Flex tested how it would perform under various scenarios and gained insights into optimisation tactics. "Without simulation, this testing process would have taken at least three months longer. But our DES [discrete event simulation] tool allowed us to complete our optimisation analysis in only three weeks, enabling our customer to get the product to market faster. This saved our customer time and money," says Paul Baldassari, Executive Vice President of Worldwide Operations at Flex. Plus, there were other efficiency gains—a 70 per cent increase in station output by optimising work order sizes, 47 per cent more units produced per quarter, and a 15-21 per cent higher value-added process utilisation.

Back home, Mumbai-headquartered Tata Consultancy Services (TCS) collaborated with non-profit Prayas Help Group to develop a digital twin of Pune city to predict the evolution of the pandemic. "We were able to simulate the likely extent of virus spread as people go about their lives, and the consequent impact on health infrastructure, institutional quarantining infrastructure, testing infrastructure and so on," says K. Ananth Krishnan, Chief Technology Officer at TCS. This work is being repurposed to help define strategies to effect work-from-home to work-from-office transition, he adds.

But what is a digital twin? In the simplest of terms, it can be understood as a computer program that uses real-world data to create simulations that can predict how a product or process will perform. It can be a real-time virtual replica of a real-world entity of say, an aircraft engine, a factory shop floor or even a human being. "A digital twin is sometimes referred to as a computer-based copy of anything that exists physically," says Praveen Mysore, Director of Industry Process Consultants and Solutions at Dassault Systèmes India. But it isn't a standalone technology and involves multiple solutions that include the Industrial Internet of Things (IIoT), connectivity, cloud computing, AI and ML.

With increasing demand from healthcare and pharma industries because of the pandemic, the global digital twin market is projected to grow at a CAGR of 58 per cent to reach $48.2 billion by 2026 from $3.1 billion in 2020, according to MarketsandMarkets, a research firm. While India-specific numbers aren't available, Mysore believes that because of the government's push for digitisation and smart city projects, the Asia Pacific region is likely to capture a considerable share, with China, India and Japan leading the way.

Rising popularity

Digital twins have come a long way since inception, and the evolution of technologies such as CAD, IoT, cloud, and big data analytics has made it easier and a lot cheaper to adopt. The initial version was a simple simulation-based event where organisations created the virtual versions of the physical structures to test them for various load cases. The primary advantage was the model's ability to identify the underlying risks without

THE COST OF DIGITAL TWINS

Typical proofs of concept (PoC) or one-plant pilots cost $200,000-500,000, depending on the size and scale of operations and the complexity. Plus, there is the cost of maintaining it along with the necessary IT infrastructure

Payback period is typically 6-12 months for PoCs, with 10x RoI

SOURCE: WIPRO

25 PER CENT

THE IMPROVEMENT IN EMPLOYEE PRODUCTIVITY PIRAMAL GLASS SAW AFTER ADOPTING DIGITAL TWINS

actually investing in a physical prototype; the virtual model provided unlimited information about the product and its design at various operational scenarios. "Over a period of time, the application of digital twins increased, driven largely by the amount of data that gets generated through instrumented assets. The insights generated through digital twins increase tremendously whenever they can be applied in real-time and invariably brings in an element of predictability in addressing runtime failures," says Sampath Kumar Venkataswamy, Senior Research Manager for Manufacturing Insights at IDC Asia/Pacific.

Digital twins have gained popularity in India over the past two to three years in spaces such as manufacturing, utilities, and oil and gas, though for most companies it is at an R&D or proof-of-concept (PoC) stage. "In the next three to five years as these PoCs mature, we visualise large-scale adoption of digital twins, targeted towards specific business needs of an organisation," says a Wipro spokesperson.

Industries such as oil and gas, minerals, metals and mining, power, renewables, pulp and paper, and pharma are focussing on easier optimisation of products and processes by using digital replicas. "For instance, a typical oil refinery can incur losses to the tune of millions due to unscheduled shutdowns and recommissioning efforts. By investing and implementing in a digital twin, these organisations can pre-empt shutdowns and create a targeted ramping down plan to keep production disruptions to a minimum," says Venkataswamy. Its application can be across the value chain, with organisations looking to understand the supply chain impact and its effect on manufacturing operations, which in turn would affect customer deliverables.

There are several examples of companies using digital twins. Cairn Oil and Gas was one of the first upstream companies to take steps to implement a comprehensive digital operations programme. In India, this private oil and gas explorer deployed Honeywell Forge enterprise performance management (EPM) software to improve efficiency, while enabling workers to remotely operate its facility. Telecom, too, is a big adopter, with Finnish network equipment maker Nokia introducing its 5G Digital Design concept to simulate 5G use cases. Using machine learning algorithms, the platform can leverage this technology to monitor and assess the impact of 5G implementation, while providing automated recommendations. "The solution has benefitted several of our CSP [communications service provider] customers across the globe," says a Nokia spokesperson.

$3.1 BILLION

SIZE OF THE GLOBAL DIGITAL TWIN MARKET IN 2020

$48.2 BILLION

EXPECTED SIZE OF THE MARKET BY 2026, AT A CAGR OF 58 PER CENT

SOURCE: MARKETSANDMARKETS

While an increasing number of automotive companies have adopted digital twins, VE Commercial Vehicles, a joint venture in India between the Volvo Group and Eicher Motors, adopted the 3DEXPERIENCE platform of Dassault Systèmes to develop and deliver innovative, high-quality trucks and buses to the growing commercial vehicles market in the country, in a cost-effective manner. Similarly, Gurugram-headquartered JBM Group—which is into automotive, buses and electric vehicles, among others—uses Dassault's virtual twin to develop next-gen products, from conceptualising design to manufacturing and even extending to after-sales support. Deepak Thakur, CEO of JBM (Bus Division), says, "Using this technology, we were able to map the entire new product development lifecycle on a single digital thread."

This technology is also good for the environment. "Carbon digital twins are part of an emerging segment for most companies in India. They can help in visualising the reduction of the carbon footprint of equipment and processes by analysing data," says Kap Prabhakaran, VP of Engineering at Honeywell Connected Enterprise.

The cost factor

There is no standard cost when it comes to building a digital twin as it varies by company and the sophistication of the technology developed. The cost is largely from the infrastructure needed to generate, store and process the data. Some other key components include digital twin software, IoT sensors, integrated platforms, compute solutions, cloud & infrastructure, and training. Rajesh Gharpure, EVP & Global Head of Manufacturing, Energy & Industry 4.0 at Larsen & Toubro Infotech (LTI) explains: "The initial setup cost for a digital twin is high because of the technology components required to implement a basic digital twin use case

USER CLUB

Digital twins are in a nascent stage in India. Here are some early adopters

▶ **Piramal Glass** uses Microsoft's Azure IoT to optimise its manufacturing operations and create a feedback loop between its quality control and production teams

▶ **Cairn Oil and Gas** in India has deployed Honeywell Forge enterprise performance management (EPM) software for improving efficiency, while enabling workers to remotely operate the facility

▶ **Nokia** is leveraging digital twin technology to quickly monitor and assess the impact of 5G implementation, while providing automated recommendations

▶ **VE Commercial Vehicles** has adopted Dassault Systèmes 3DEXPERIENCE platform to cost-effectively develop and deliver innovative, high-quality trucks and buses

"Due to the push for digitisation, Asia Pacific is likely to capture a considerable share [of the digital twin market]"

PRAVEEN MYSORE
DIRECTOR-INDUSTRY PROCESS CONSULTANTS AND SOLUTIONS, DASSAULT SYSTÈMES INDIA

"Carbon digital twins can help in visualising the reduction of the carbon footprint of equipment and processes by analysing data"

KAP PRABHAKARAN
VP-ENGINEERING, HONEYWELL CONNECTED ENTERPRISE

like IIoT, connectivity (4G, 5G, 6G), cloud computing, AI & ML and sensorisation of asset/entity, but digital twin is a necessary foundation over which future 'as-a-service' business models will be built."

Typical PoCs or one-plant pilots cost $200,000-500,000, depending on the size or scale of operations and the complexity of the model. Plus, there is the cost of maintaining the digital twin along with the necessary IT infrastructure. The payback period is typically 6-12 months for PoCs with the RoI in certain cases being more than 10x, says a Wipro spokesperson. Take the example of Piramal Glass, which uses Microsoft's Azure IoT to optimise its manufacturing operations and create a feedback loop between its quality control and production teams. The company is tracking every part of the process from the time the raw material is fed into the furnace to the time its bottles come off conveyor belts. "With Azure Digital Twins, Piramal Glass has achieved 40 per cent reduction in manual data gathering, 25 per cent improvement in employee productivity, and 5 per cent reduction in defects," says Shivir Chordia, Azure Business Group Lead at Microsoft India. "The RoI is OPEX reduction, improved productivity due to automation, and better run-and-operate models," explains Nikhil Malhotra, Tech Mahindra's Global Head of Makers Lab. The IT company had created a complete training landscape for its energy customers in India where a digital twin not only is a digital representation of the landscape but also enables training of company associates around plant operations, enabling OPEX reduction and improved productivity of associates.

For companies, adopting this technology has several advantages like reduced OPEX, improved productivity due to automation, and even discovering errors that are otherwise difficult to find; but the technology can be leveraged to its full potential only when challenges such as availability of quality and real-time data, reliable connectivity and infrastructure, and upskilling and reskilling are addressed. BT

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DIGITAL DRIVE

WITH CHANGING BUSINESS DYNAMICS AMID UNCERTAINTY CREATED BY THE PANDEMIC, DIGITAL TRANSFORMATION TURNED OUT TO BE THE MOST PRESSING REQUIREMENT FOR ORGANISATIONS AND BUSINESSES ACROSS THE GLOBE. FOR INSTANCE, RETAILERS DEVELOPED SAFER WAYS FOR CUSTOMERS TO SHOP WITH THE HELP OF TECHNOLOGY, WHILE MANUFACTURERS LEARNT HOW QUICKLY THEY COULD GET NEW PRODUCTS TO MARKETS. IN FACT, DIGITALISATION AIDED THE WHOLE WORLD TO WORK FROM HOME. THIS TRANSFORMATION TOWARDS DIGITAL IS CLEARLY VISIBLE IN THE DATA AND MARKET SURVEYS. A LOOK AT THE KEY NUMBERS

By **RAHUL OBEROI**
Graphics by **RAJ VERMA**

KEY TECHNOLOGIES THAT WILL FUEL DIGITAL TRANSFORMATION ACROSS SECTORS

Artificial Intelligence (AI): AI is the fusion of vast data and availability of computing power and memory, which can make sense of collated data and help derive value from it

Next Generation Communications (5G): 5G goes far beyond faster connectivity for smartphones to connect billions of smart devices with various applications to a seamless network designed to manage and utilise them

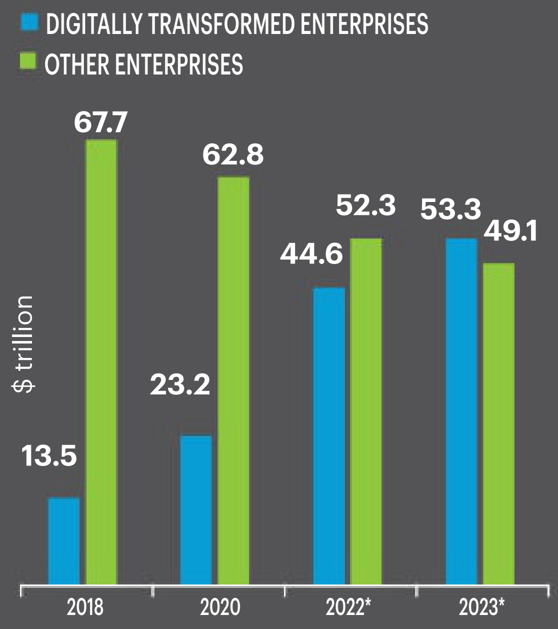
Rural Connectivity Solutions: Connectivity in rural areas will enable the people there to access the global economy, thereby steering growth. It requires the technology ecosystem to collaborate and develop innovative solutions in broadband technology with wider reach

Industry 4.0: Digitalisation is at the heart of Industry 4.0. This would require innovation and advancement of key technologies like machine vision, robotics, smart energy infrastructure and emerging edge-computing applications

Manufacturing: With the rapid growth in digitisation, India offers tremendous opportunity for local players to innovate, design and manufacture IT hardware products and solutions in the country

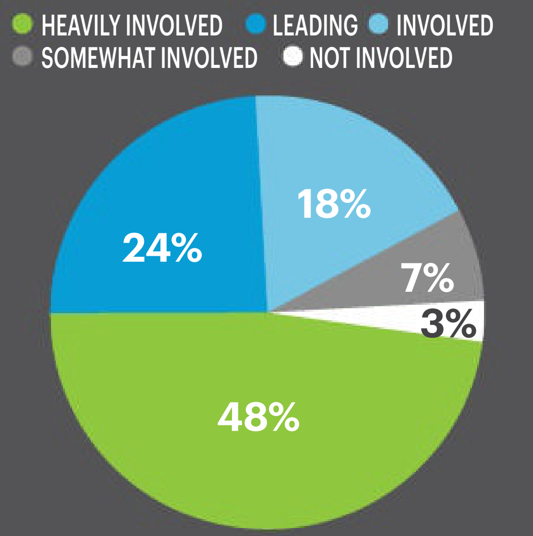
Source US-India Business Council

Digitally transformed organisations are expected to contribute to more than half of global nominal GDP by 2023



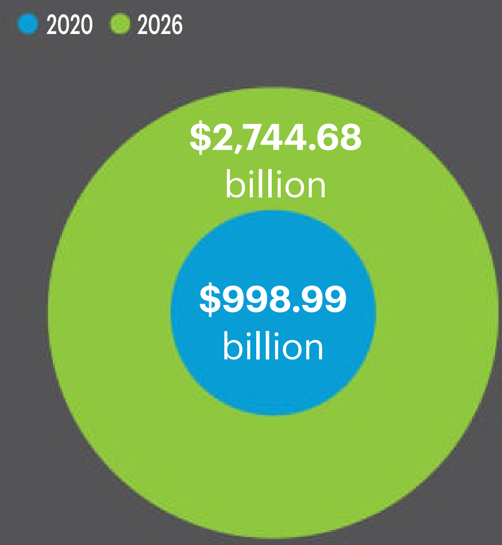
*Projections;
Source Statista.com

Data and analytics leaders' involvement in digital transformation initiatives at their organisations



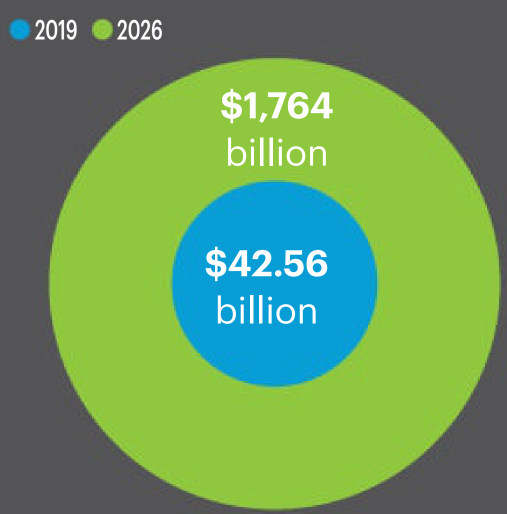
Source Gartner Sixth Annual Chief Data Officer Survey

The size of the global digital transformation market is expected to grow around 18 per cent annually from 2020 to 2026



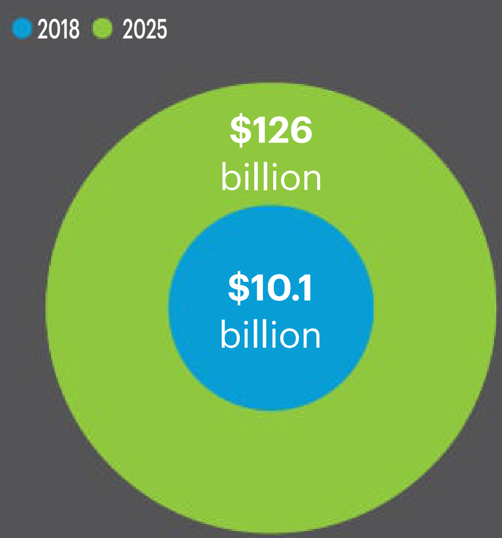
Source Mordor Intelligence

India's digital transformation market is estimated to grow at a CAGR of 70% during 2020-2026



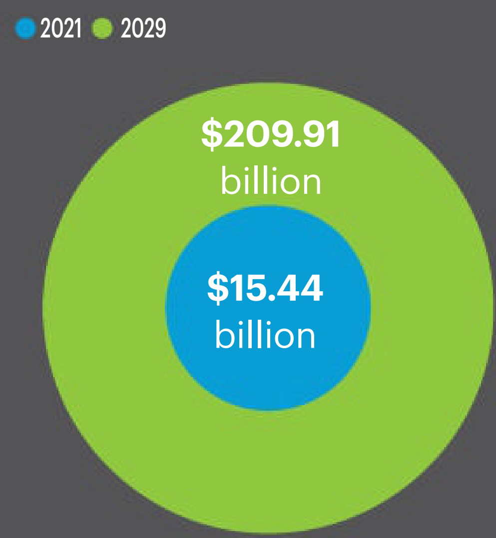
Source Research and Markets

Projected revenue from global AI market by 2025



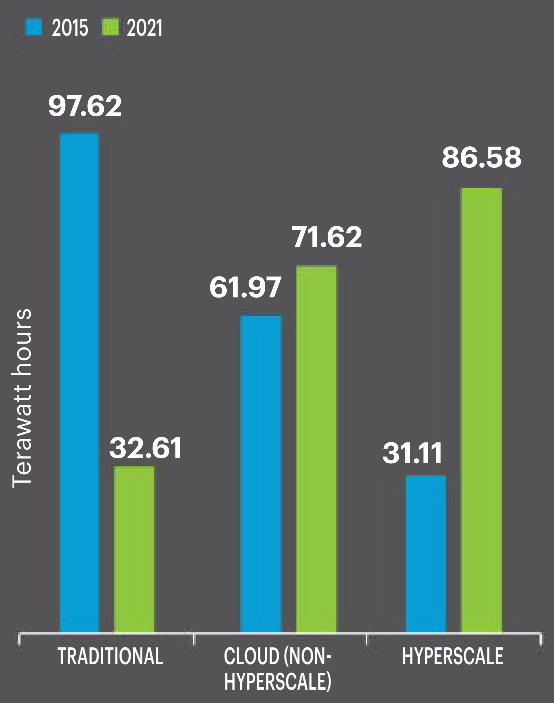
Source Statista.com

Expected global cloud computing market size by 2029



Source Grand View Research study

Global energy consumption by data centres



Source Statista.com

$450-500 billion

Expected contribution of AI to India's GDP by 2025, accounting for 10 per cent of the country's $5-trillion GDP target

Source Nasscom

$7.8 billion

Projected total revenues for artificial intelligence by 2025 at a CAGR of 20.2 per cent since 2020

Source IDC

77 per cent

Chief Information Officers in India embrace SaaS solutions to drive digital transformation post Covid-19

Source SixthSense, Rakuten India

76 per cent

Consumers say their expectations of digital services have increased since the start of 2020

Source Cisco AppDynamics App Attention Index

THE GOOD LIFE

TRENDS | TECH TONIC

Indian single malt brands have grown almost seven-fold in six years, accounting for over a third of the whisky market, compared to only 15 per cent in 2017

THE TIPPLE OF CHOICE

Move over Scotland. A bunch of Indian single malts is making its presence felt both globally and in India

BY **SMITA TRIPATHI**

IN MARCH, when the results for the International Wine and Spirits Competition (IWSC) were announced for 2022, the Indian single malt whisky industry rejoiced. Of the 10 awards that went to India, four were for single malts. Leading the pack was John Distilleries—with breweries in Goa—that has been making Indian single malts under the name Paul John since 2012. Three of its variants—Mithuna, Oloroso, and Pedro Ximenez won awards. With a spectacular score of 95 out of 100, Mithuna by Paul John was the only Indian spirit to be conferred a gold medal. Part of the Paul John Zodiac series, Mithuna—named after the Gemini sign—is no stranger to awards, having been declared the third best whisky in the world by famed reviewer Jim Murray in the 2021 edition of his iconic *Whisky Bible*.

Indri-Trini, launched by Haryana-based Piccadily Distilleries late last year, won a silver at the IWSC. It has also won a slew of other awards including a gold at the International Spirits Challenge 2022, all within a few months of launch. What makes it different is that liquid from three different casks—bourbon, French red wine and PX sherry—is married together to get the expression called Trini. Indri is the name of the village where the distillery is located.

For most connoisseurs, single malts are synonymous with the Scottish Highlands. But a bunch of Indian distilleries is creating a mark on the global whisky landscape with a range of sophisticated, locally brewed single malts.

"Indian single malts are certainly creating a niche for themselves as there is a gradual but steady transition from global single malts to

Mithuna by Paul John was the only Indian spirit to be conferred the gold medal at the IWSC 2022. Priced at ₹20,000, it's available in Goa, Mumbai and Bengaluru

Indian single malts," says Hemanth Rao, Founder of the Single Malt Amateur Club that has around 4,500 active members.

It started over a decade ago when Bengaluru-based Amrut Distilleries' Indian single malt, Amrut Fusion, was rated the third finest whisky in the world in 2010 by the *Whisky Bible*, putting Indian single malts on the globe. While Amrut has been in the liquor business since 1948, it was only in 2004 that it decided to launch Indian single malts. Says Rakshit Jagdale, Managing Director of Amrut Distilleries, "I was doing my MBA in the UK and as part of my thesis my father wanted me to check if there was potential to market an Indian single malt whisky in UK. We did a lot of sampling and the response for Amrut was great." Subsequently, it was launched in Scotland in 2004. "My father was very clear that we must sell this product abroad first. Get all the accolades and then introduce it in India. So it was only in 2011 that we launched in India," says Jagdale. Since then things have only been on a high. Today India accounts for 60 per cent of Amrut's sales, and Fusion—so called because it is made of 80 per cent Indian malted barley and 20 per cent Scottish peated barley—continues to be a bestseller. Whisky collectors look forward to Amrut's limited edition luxury releases. The Greedy Angels 12-year-old, released in 2016, is priced at $1,000. Only 15 cases (each with 12 bottles) were released globally and while US stocks are completely sold out, you may be able to pick up a bottle in Europe. In July, Amrut will launch the Greedy Angels 8-year-old, priced at ₹16,000. Only 48 individually numbered bottles will be available in India. Another limited edition is the Fusion XI, being launched in July-August to celebrate Fusion's 11th anniversary. Priced at ₹25,000, only 200 cases will be launched globally, half in India.

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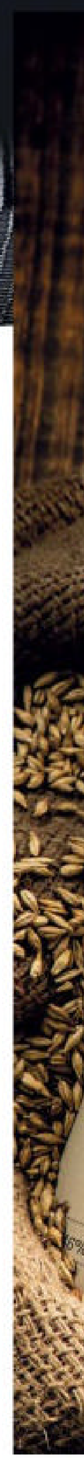
"Indian single malts are becoming more popular every day, posing competition to Scotch. According to industry associations, single malt brands have grown almost sevenfold in six years, accounting for over a third of the market compared to only 15 per cent in 2017," says Vikram Damodaran, Chief Innovation Officer of Diageo India. Diageo launched an artisanal Indian single malt called Godawan in March. Distilled at Alwar, it is currently available only in Delhi and Rajasthan. Godawan, which made an appearance at the 75th Cannes Film Festival, will be launched globally by the end of May.

Another home-grown player, Radico Khaitan, has its own single malt whisky called Rampur. Distilled at its distillery in Rampur, near Moradabad, the Rampur Select was introduced to the world in 2016 at Las Vegas. Since then, Radico has launched different variants including the Rampur Double Cask, where the malted whisky spends two-thirds of its life in American bourbon casks and the rest in sherry oloroso casks. And its latest, Rampur Asava, launched during the pandemic, is the first single malt matured in American bourbon barrels and finished in Indian Cabernet Sauvignon casks. "The temperature at Rampur varies from 42-43 degree Celsius in summer to 2 degrees in winter, so the malt interacts at a very aggressive pace with the cask," says Sanjeev Banga, President of International Business at Radico Khaitan.

Rampur is exported to 38 countries. In the Indian market, only the Double Cask variant is available in NCR, UP, Rajasthan, Uttrakhand, and CSD canteens. The Asava is also for the global market but can be bought from the Delhi or Mumbai Duty Free. It's priced at approximately $115. "We have tripled our malt distillation capacity. So, we will



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1. Amrut's Greedy Angels 12-year-old is India's oldest and most coveted single malt whisky, priced at $1,000

2. Rampur Double Cask by Radico Khaitan is the only Rampur variant available in India. It's priced at ₹7,500 in NCR

3. Indri, named after the Haryana village where the distillery is located, is the newest kid on the block and has won a slew of awards. Priced at ₹3,150, it is available in Delhi, Goa, Karnataka, Haryana, Uttar Pradesh and Maharashtra

get additional volumes in 2023-24. That's when we will roll out into more Indian markets as well as global markets," says Banga. "Once global malt connoisseurs start recognising a brand, Indian consumers warm up to it," he says, explaining Radico's decision to focus on the export market.

So, how is an Indian single malt different from a Scottish one? The way a malt matures in a colder climate like Scotland varies from the way it matures in a tropical climate like India. While in Scotland, approximately 2 per cent of the liquid is lost to the environment annually; in India it's up to 12 per cent. "You need to mature a whisky for 12 years in Scotland to get the same character as whisky matured in India for four years," says Madhu Kanna, Global Business Head of Indri-Indian Single Malt, which launched first in India. The ideal age for an Indian single malt to be bottled is between five and seven years.

The other difference between Scotland and India is the barley. Scottish malts use the two-row barley that is rich in starch, and in India the six-row barley, rich in proteins is used. "When you break down proteins, you get more fatty acids in your whisky, which makes it aromatic and smooth on the palate. Two-row barley is more floral and maltier," explains Kanna.

Vikram Achanta, Founder and CEO of Tulleeho—a drinks training and consulting firm—sums it up: "New players have broadened the Indian single malt category. Having five-six malts with various variants has provided many more points of reference for the Indian consumer, who is now more open to drinking Indian single malts." Cheers! **BT**

@smitabw

A LIFE IN COLOUR

Picking a printer for home no longer means making a choice between great colour prints and low maintenance costs. Let us take a look at a few printers that manage to do both

BY **NIDHI SINGAL**

▶ **Printing has** come a long way since Johannes Gutenberg developed the first movable type printer in the 15th century. For a home printer, there are, broadly, two choices: inkjet and laser. While inkjet printers are known for vibrant colour prints, laser printers are generally used for black-and-white ones. Inkjet printers have lower upfront costs, but are expensive to run, with the cost of ink cartridges adding up to be higher than the printer itself. Laser printers are cheaper to run, but are more expensive upfront. What, then, does one do if one wants a printer that is easy to maintain and prints in colour? Meet ink-tank printers, which have gained traction among home users in recent years.

Compact in size, ink-tank printers have individual colour tanks—for black, magenta, cyan and yellow inks. And you just need to refill each tank—an easy process using spill-free bottles—as the ink runs out. Ink-tank printers output vibrant colours like inkjet printers, but at a much lesser cost per page. They are inexpensive to maintain, though the upfront costs are higher than inkjets. Easy to set up, these printers are the perfect companion for your home desk. Here are our top picks.

AT YOUR FINGERTIPS

This all-in-one printer, which offers great colour prints, supports dual-band Wi-Fi along with Bluetooth LE for faster and more reliable connections. It can print 11 black pages a minute or five colour ones. The transparent tanks make it convenient to monitor ink levels. And it lets you do everything—print, scan and even order supplies—on the nifty HP Smart mobile app, with a few taps. Ideal for low-cost, high-volume printing, the ink that comes with the printer is good for up to 8,000 colour pages or 6,000 black-and-white pages, HP claims. Original ink refill bottles are inexpensive too—the 135-ml black one is priced at ₹596, while the 70-ml bottles of cyan, magenta and yellow cost ₹524 each.

Available on: *hp.com/in*

PHOTOGRAPHERS' DELIGHT

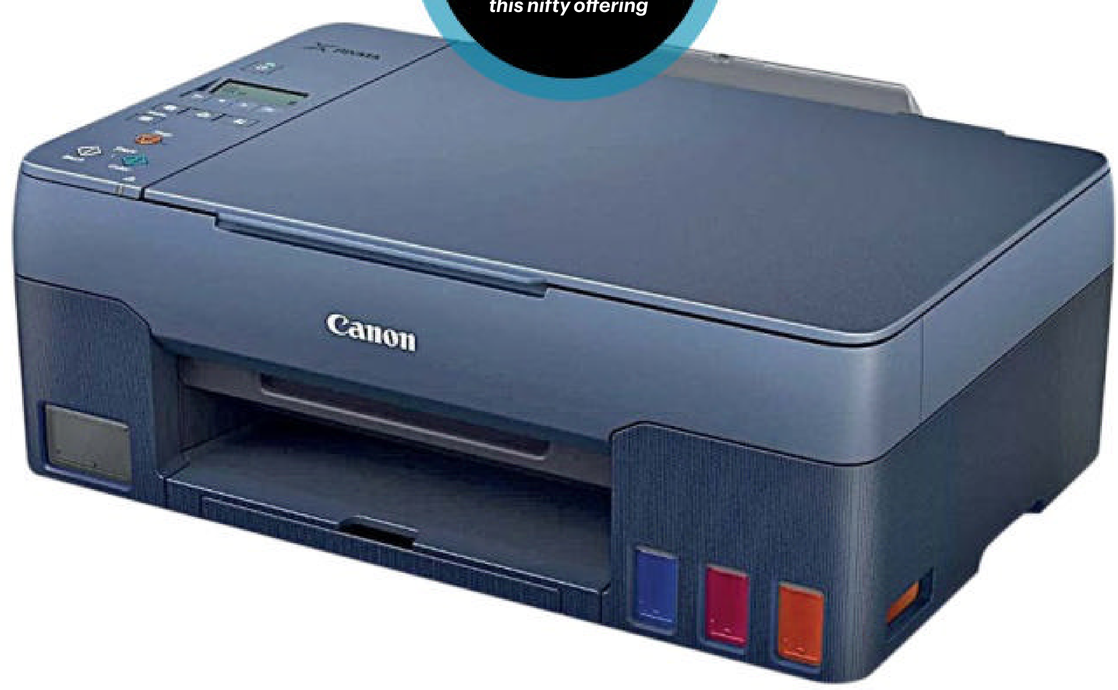
Developing and printing photos are passé. Despite Instagram, some of us like to print our memories and frame them. If you are one of them, this printer could be your go-to device. Boasting of high-quality prints on photo paper, this compact all-in-one comes with integrated tanks that have easy-to-view ink levels. In the box are spill-proof high-page-yield ink bottles, which have an output of 7,600 black-and-white pages or around 7,700 colour pages in economy mode, according to Canon. Running costs are low as well, with each original ink refill bottle priced at ₹561. Do remember that this printer supports only wired connectivity.

Available on: *in.canon/en*

CANON PIXMA G2010

₹13,200

If you're into printing photos and framing them, you can't go wrong with this nifty offering



Best Bang for Your Buck

Do you want a no-frills ink-tank colour printer at a killer price? Yes, you say? Here is one solution from Epson that you could consider. Designed only for printing needs, this compact ink-tank printer is a good option if you want vibrant, colour prints. The printer comes with 70-ml ink refill bottles and the company claims that the bottles in the box are good to print up to 4,000 black-and-white pages and 6,500 colour pages, at a cost of 7 paise per black-and-white page and 18 paise per colour page. Original ink refill bottles are priced at ₹419 for each colour. The L130 can print up to 27 black-and-white pages in a minute in draft mode, or 15 colour pages in draft mode. Do bear in mind that this printer doesn't support wireless connectivity. But at this price, there's not much you can complain about.

Available on: *epsonshop.co.in*

EPSON ECOTANK L130

₹9,699

This solution from Epson is a no-frills ink-tank printer that gives good-quality at very low running costs

'PURPOSE IS AN EXISTENTIAL TOOL'

Ranjay Gulati, whose research spans the breadth of senior leadership management practices, shares his insights

By Krishna Gopalan

TO RANJAY GULATI, the Paul R. Lawrence MBA Class of 1942 Professor of Business Administration at Harvard Business School, the concept of purpose and performance go together. Gulati, whose book, *Deep Purpose: The Heart and Soul of High-Performance Companies,* released earlier this year, goes as far as to say that purpose drives performance in an interview with *Business Today.* Edited excerpts:

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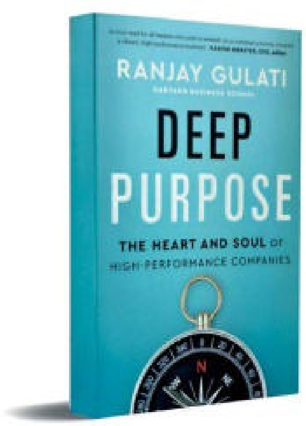
Most companies have a grand vision statement. How different is that from purpose?

Any business has tactics or day-to-day actions and then there is strategy, which is long-term. Then, there is a vision followed by values and behaviour forming the bit on culture and honesty. On top of all this is purpose or, rather, why we exist. To me, this is a forcing mechanism to contemplate the future and look at key issues such as our place in the world. Simply put, it is just having a more expansive view of the business.

It brings to mind my interactions with a few small companies that were slowing down after a period of intense growth and getting serious funding. I asked them what the problem was and they said, "We have lost the energy." That really set me thinking. Then, in an interesting conversation with Satya Nadella (Microsoft's Executive Chairman & CEO), he said, "We need a compass called purpose. Strategy will keep changing." I then realised it is purpose that creates the energy within the organisation. Today, every company needs to think of its stakeholders—its employees and consumers, too. That is what purpose does by being a forcing mechanism. Purpose is not some management tool. In fact, it is more than that, an existential tool. Dharma in Sanskrit is the word that encompasses all of this.



DEEP PURPOSE: THE HEART AND SOUL OF HIGH-PERFORMANCE COMPANIES

AUTHOR RANJAY GULATI
PUBLISHER PENGUIN INDIA
PRICE ₹ 799

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Why does one hear so much about purpose today?

Credit must go to Larry Fink (BlackRock's CEO), when he asked companies to think of purpose. Also, there is growing pressure where companies need to get involved in areas such as sustainability, inequality and a whole bunch of issues around what one sees socially. Today, we see a growing level of transparency where customers are boycotting companies. That means companies need to act by getting involved, and sitting on the fence is not an option. Besides, having a purpose is a strong talent magnet.

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Are there industries where having a purpose is a lot easier? At what point do they need to start thinking?

Yes, one could say it should be obvious in food and healthcare but they, too, don't always have a purpose! From a larger perspective, we see BP has gone beyond petroleum and was the first one to pull out of Russia.

A business has many roles to play and it must think beyond the obvious. In terms of when an organisation needs to think, I will take the example of start-ups, where they need to come up with an elevator pitch. For some entrepreneurs, it is an idea, while others say, "I want to change something." It is this approach that signifies ambition and a greater understanding of the space. That said, it is never too soon to articulate your purpose.

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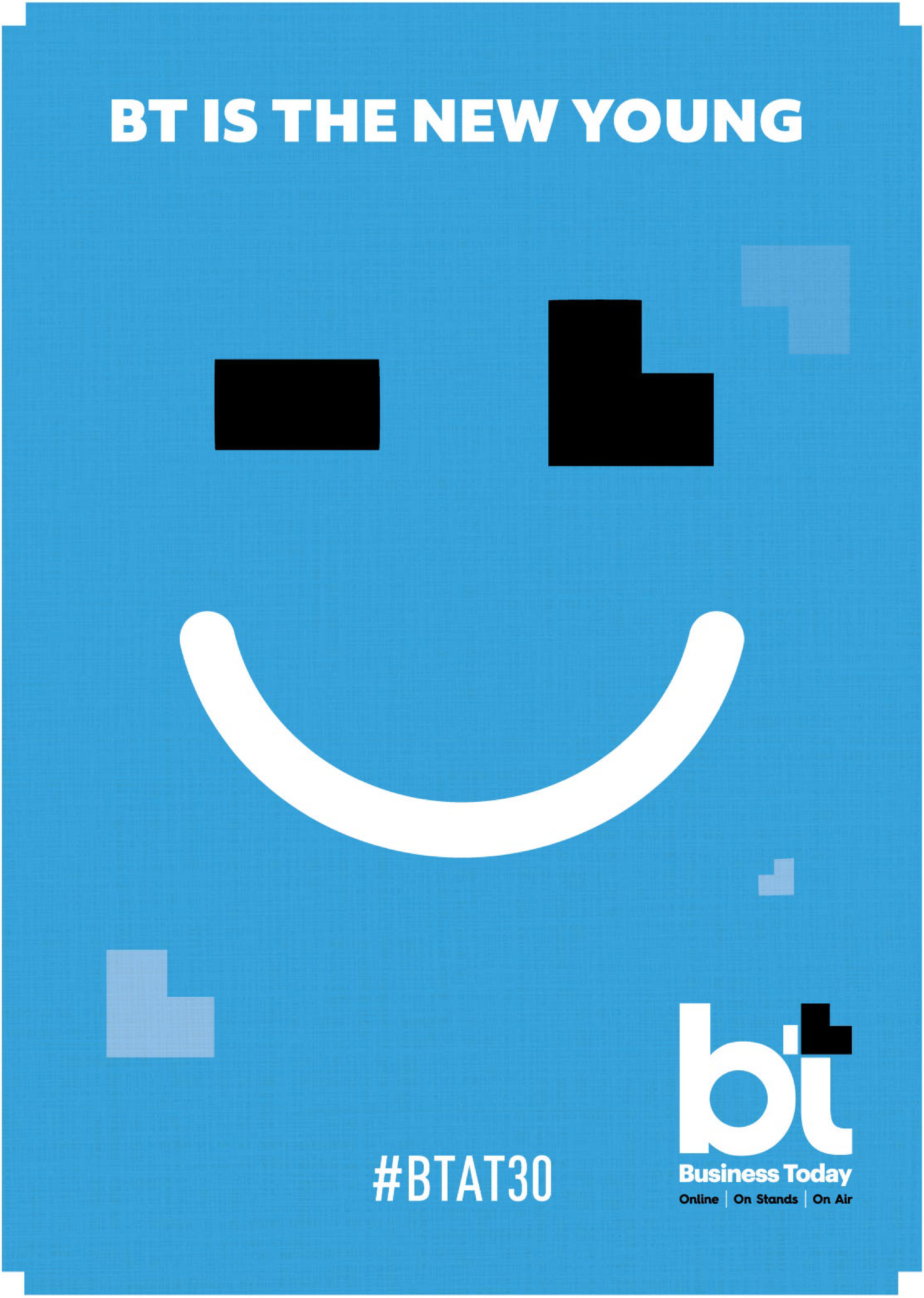
Is there data or research to suggest that a purpose-driven organisation has a positive disposition among its stakeholders?

That is not definitive yet, since measuring purpose is not easy. Look at high-growth companies and then identify what is the common story and one of them is purpose. Companies are slowly trying to measure their own purpose. BT

@krishnagopalan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The Best Advice I Ever Got

BALBIR SINGH DHILLON | HEAD | AUDI INDIA

Audi India is the Indian arm of the premium German car brand

'Don't reinvent the wheel; see what it can do'

What was the problem you were grappling with?

When Audi India decided to bring the Audi e-tron to India, I was excited but equally anxious. Electric vehicles (EVs) are a shift in personal mobility, and customer concerns like charging infrastructure, range anxiety and the overall awareness quotient were fundamental areas to be addressed.

Who did you approach for advice and why?

I took inspiration from a book. The book that helped me was *Screw It, Let's Do It: Lessons in Life* by Richard Branson. It's hard to read about the journey of a storied businessman like Richard Branson and not catch the motivational bug and zest for life.

What was the advice you received?

Reading about Branson's life allowed me to view the problem or challenge in a more positive light. It reaffirmed my thoughts and ideas on the strategy and what I wanted to achieve. To address this challenge, it was important that I didn't reinvent the wheel, but look at what the actual problems were and how those could be addressed without complicating the system. So, at Audi we created an app ecosystem around EV knowledge sharing with information about charging infra, after-sales service, warranty, buyback and even battery recycling for our e-tron customers.

How effective was it in resolving the problem?

I can proudly say that we have received an overwhelming response for the e-tron brand in India. Today, we are the only brand in India that sells five electric cars [in the luxury segment]. We launched all these between July and September 2021, and what a journey it has been! Our cars are sold out even before they reach Indian shores and we have a strong order book for the next few months. BT

—ABHIK SEN

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