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Business Today

June 13, 2021 ₹100

STOCK MARKETS

THE BIG BUTS OF THE BULL RUN

WHY DALAL STREET CANNOT AFFORD TO IGNORE THE UNCERTAINTIES OF INDIA'S ECONOMIC RECOVERY CAUSED BY COVID 2.0

From the Editor

Great Risks On The Horizon

Stock markets have continued to defy gravity despite 18 months of relentless onslaught of Covid. The Sensex, for instance, currently rules at 32x the price-earnings multiple — 25 per cent higher than 25.5x PE multiple of the world's best known index, the Dow Jones Industrial Average. The Sensex is also the most expensive in Asia, almost twice as expensive as the Shanghai Stock Exchange.

In India, as much as in many other parts of the world, markets have shown that they are looking beyond Covid for better times ahead. They expect an uptick in sales across sectors as economies get back to life, and due to superior corporate earnings arising out of enormous belt-tightening, better debt management and expenditure management. That's as far as hope goes—just what the stock markets rely on.

But if wishes were horses, beggars would ride. The world of business and economy may have other ideas in store. Especially, when great risks are building up on the horizon. *BT* lead story this issue deals with the top risks markets and investors must ignore at their own peril.

In an accompanying piece, this issue's markets package explores the long-term prospects of the market which continues to stay buoyant. In fact, almost all markets specialists agree a host of sectors are going to shine in the long run. What are those sectors, after all? Explore in *Niti Kiran*'s sectoral analysis which five sectors will continue to soar... and why.

Meanwhile, the Centre's ₹111-lakh-crore mega infrastructure building plan over the next five years was bound to face one big hurdle — financing. India badly needed a Development Finance Institution on the lines of predecessors such as IFCI, IDBI, SIDBI, NABARD, etc. On March 25, the last day of the Covid-19 curtailed Budget Session of Parliament, the government passed the National Bank for Financing Infrastructure and Development (NBFID) Bill, 2021. It's a unique institution that will raise resources, provide loans, create markets for bonds, derivatives and other instruments for infrastructure financing. Even project structuring and monitoring services and technical assistance will be part of its mandate. But there are hurdles galore. *Joe C. Mathew* identifies the challenges before the new DFI. More importantly, can the Centre ensure this DFI doesn't repeat the mistakes of its predecessors and avoids the pile of non-performing assets nearly all government-run lenders are known to create?

And last but not the least, check out *Ajita Shashidhar*'s fascinating account of how a pure-play FMCG CEO Anand Kripalu entered the murky business of liquor and changed the rules of the game in the industry. Diageo's acquisition of Vijay Mallya's United Spirits in 2013 may well go down in history as the game-changer for the industry. USL brought scale to the British alcohol maker, but it also came with losses of ₹5,103 crore and debt of over ₹5,000 crore. Kripalu was tasked with turning it around in an industry where unscrupulous practices ruled, pricing is tightly controlled by state governments and excise duties are over 60 per cent of the price of the product. Read how Kripalu changed the company — and the industry.

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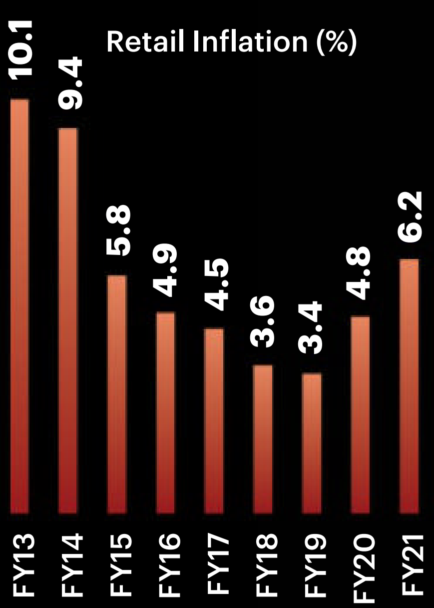
The Point

CPI UNDER CONTROL

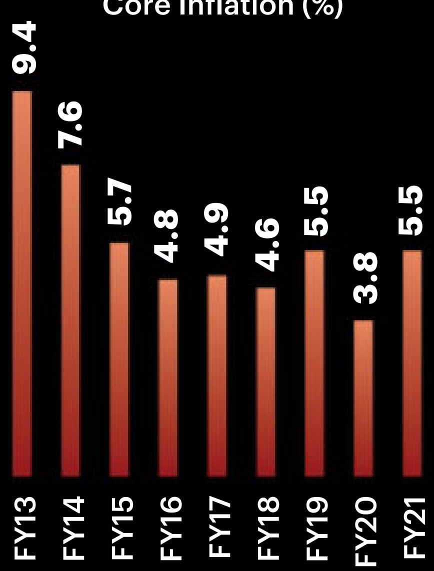
Consumer price index has been well within the RBI's target of 4 per cent +/- 2 per cent for several years now. FY21 was an exception due to supply constraints as a result of the pandemic

By **SHIVANI SHARMA**
Graphics by **TANMOY CHAKRABORTY**

RETAIL INFLATION IS SHARPLY DOWN SINCE FY13...



...CORE INFLATION ALSO SHOWS A STEADY DIP



FOOD INFLATION CONTINUES TO BE HIGH

FY12-FY21 CAGR (%)

General Index
5.82

Pan, tobacco and intoxicants
7.93

Food & beverages
6.1

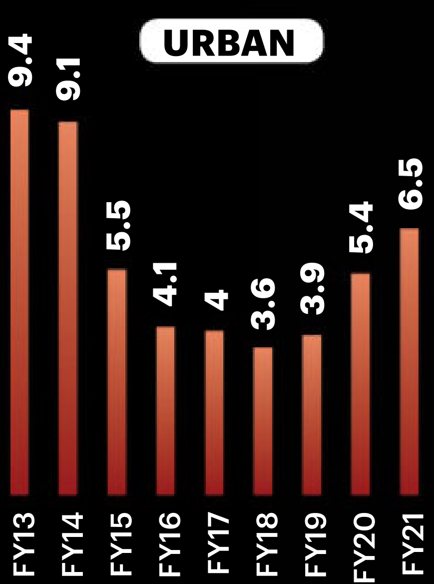
Housing
5.93

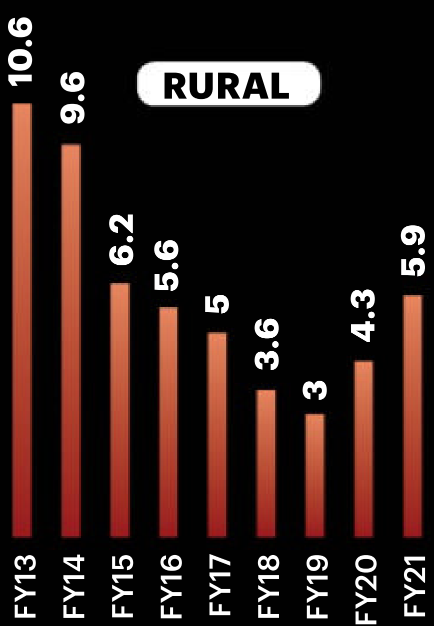
Clothing & footwear
5.9

Fuel & light
5.09

Miscellaneous
5.31

SHARPER DIP IN RURAL INFLATION (Y-o-Y growth %)

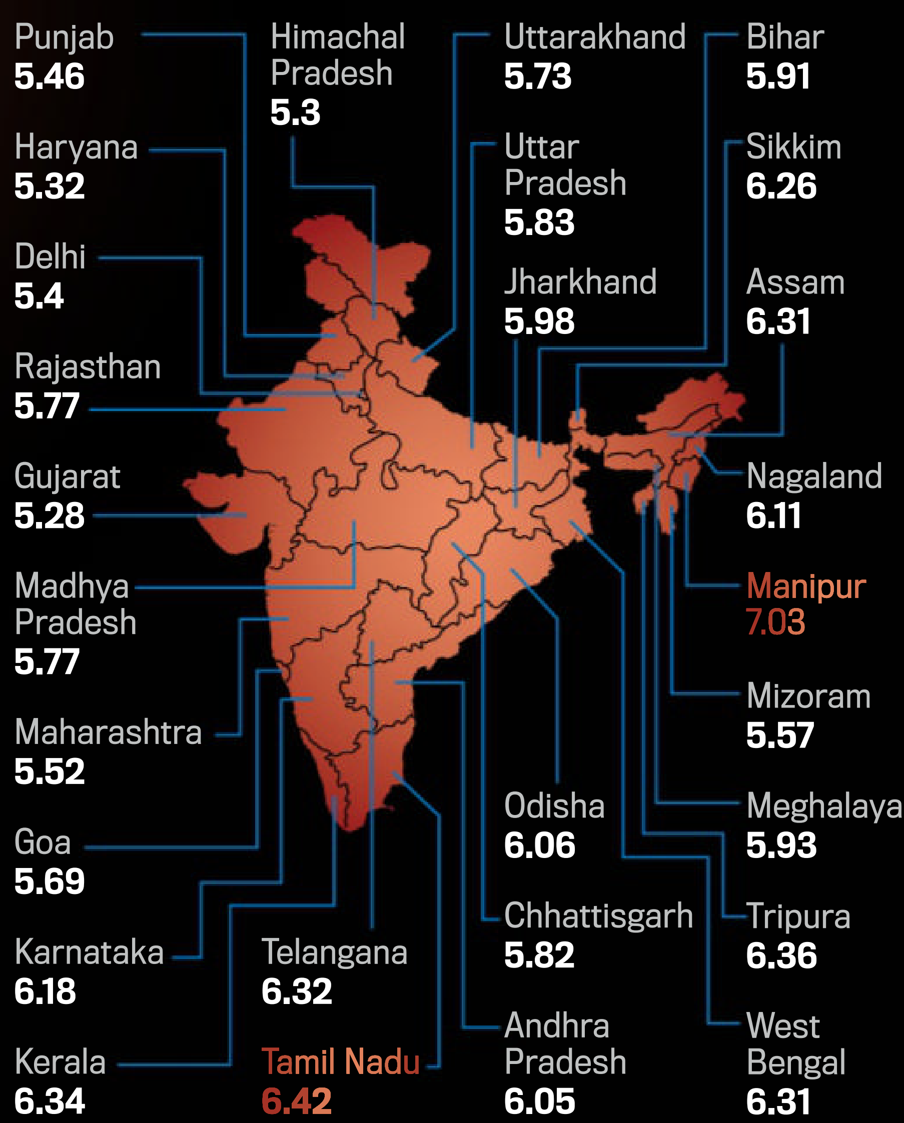




Source: Mospi, CMIE, CARE Ratings

MANIPUR AND TAMIL NADU HAD THE HIGHEST INFLATION RATES

FY12-FY21 CAGR (%)

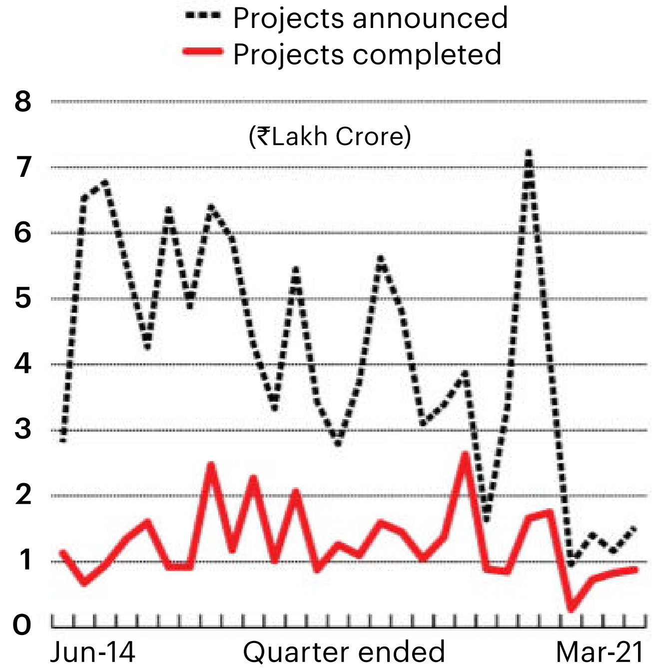


Rise in New Investment Proposals in March Quarter

➘ **There was an uptick in new investment proposals in March 2021 quarter to ₹1.52 lakh crore; this was far higher than ₹1.16 lakh crore in December quarter and ₹96,000 crore in June quarter; proposals for entire FY21 stood at ₹5.1 lakh crore**

➘ **Projects completed rose from ₹83,000 crore in December quarter to ₹88,000 crore in March quarter**

Source: CMIE

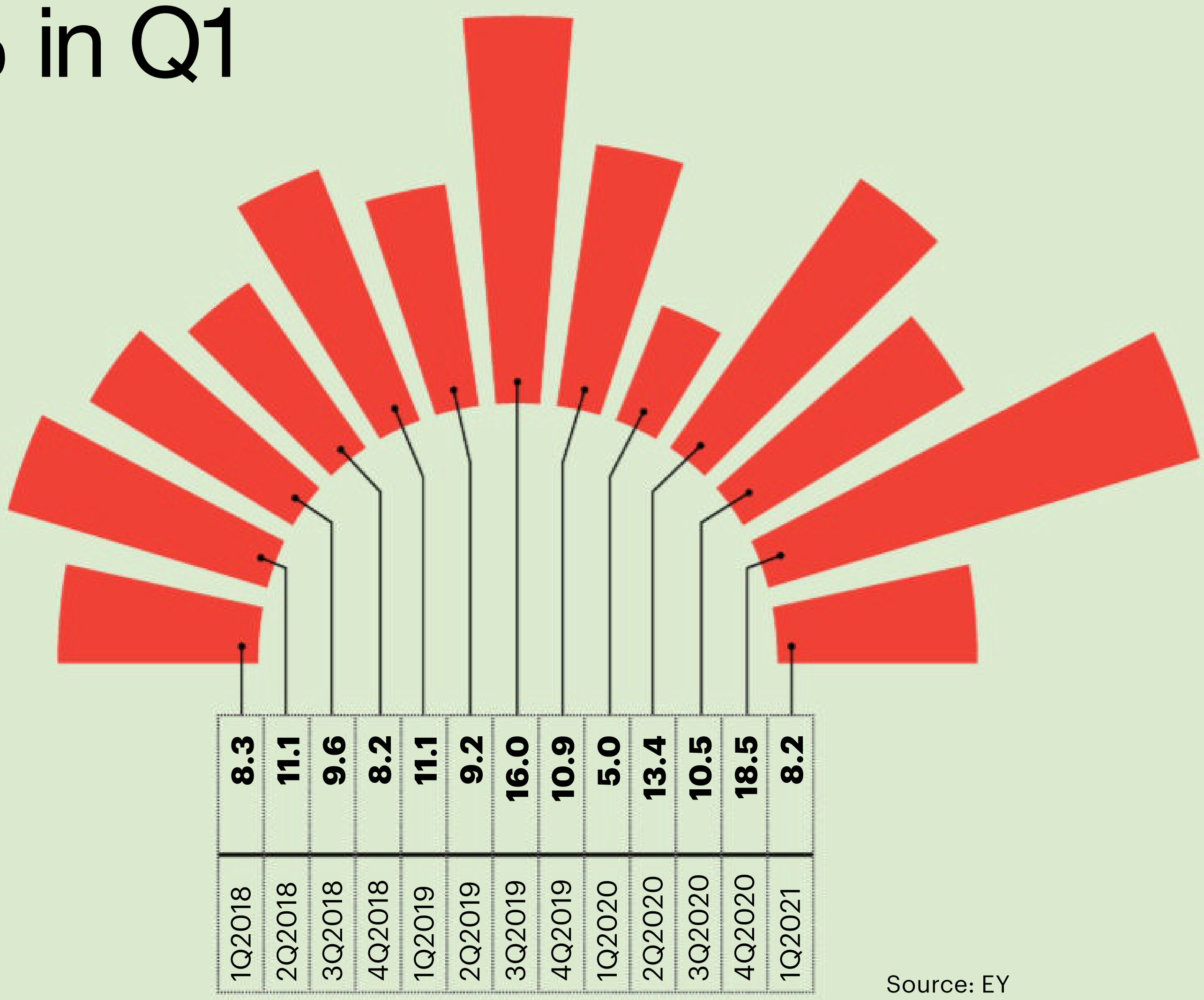


PE/VC Investments Up 64% in Q1

➘ **PE/VC investments rose 64 per cent YoY in first quarter of CY2021 to $8.2 billion. However, they declined 55 per cent sequentially ($8.2 billion in Q1 2021 vs $18.5 billion in Q4 2020)**

➘ **In number of deals, the quarter recorded an increase of 19 per cent compared to Q1 2020 and 10 per cent compared to Q4 2020 (266 deals in Q1 2021 Vs 223 in Q1 2020 and 241 in Q4 2020)**

PE/VC INVESTMENTS VALUE (US$bn)

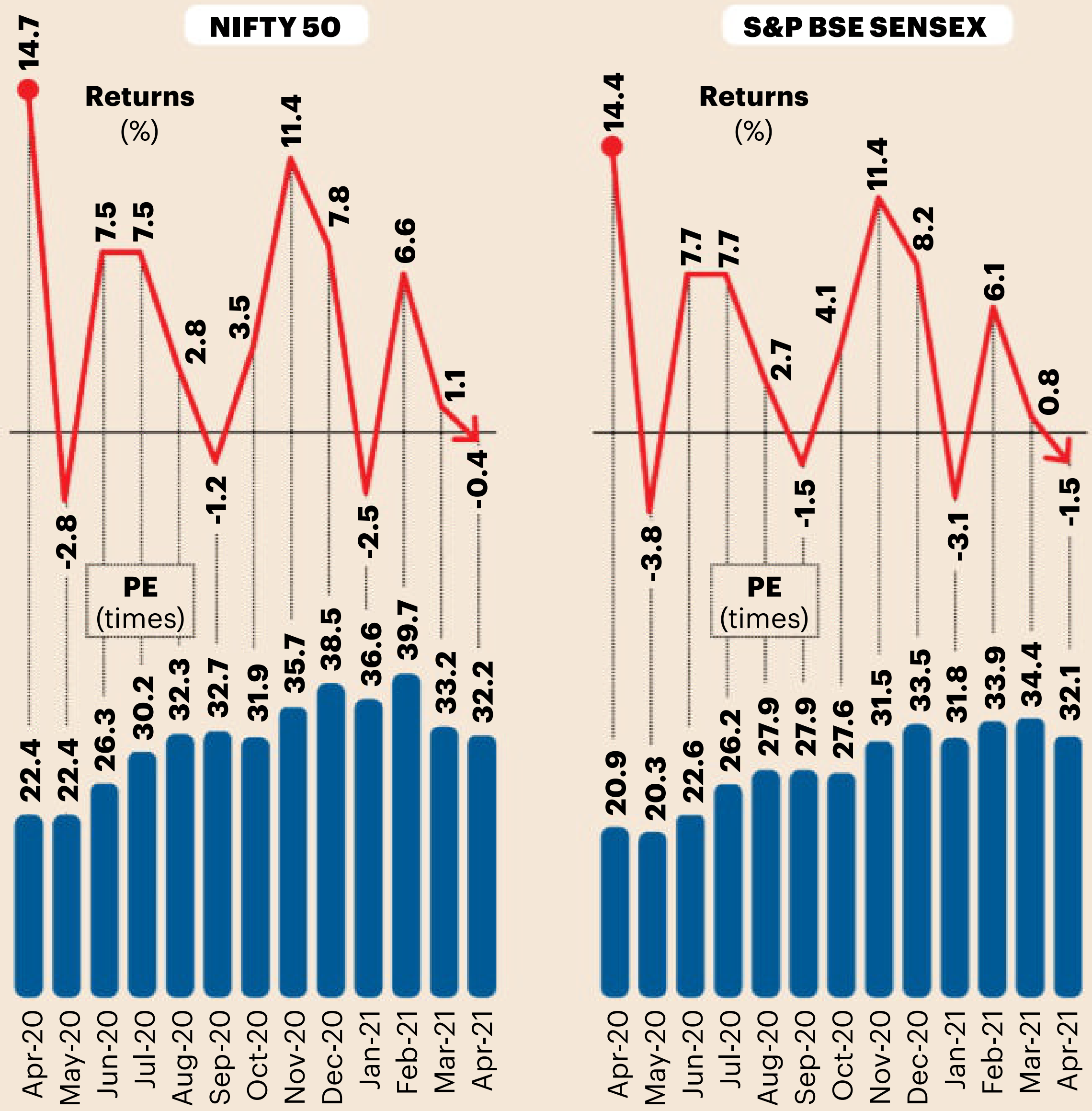


Source: EY

Nifty, Sensex Fall in April

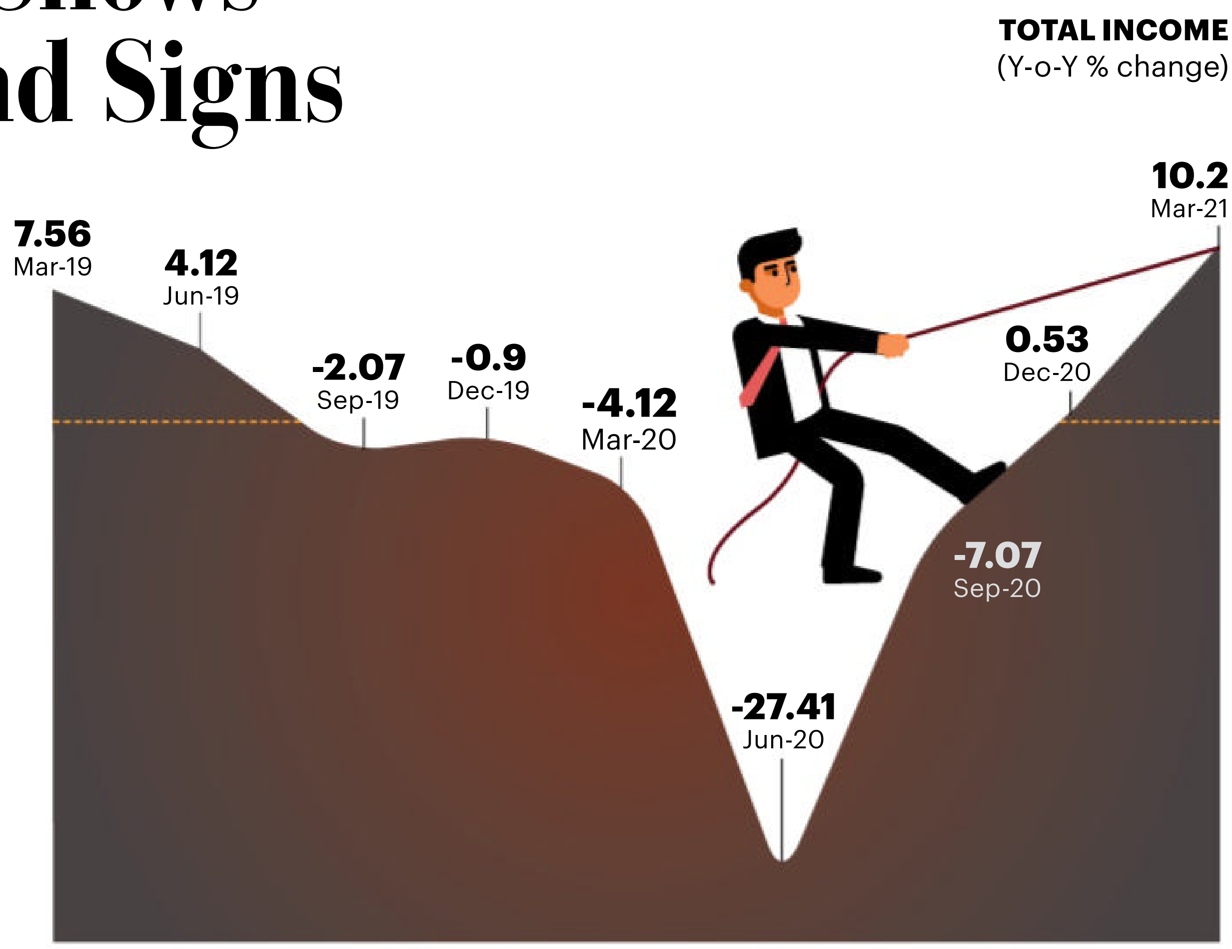
- FY22 started on a dull note for benchmark stock indices. Nifty 50 and S&P BSE Sensex lost 0.4 per cent and 1.5 per cent, respectively, during the month
- The price-to-earnings (PE) multiple of Nifty 50 was at its lowest since October 2020. The P/E of S&P BSE Sensex, at 32.1 times, was also lower than in February and March 2021

Source: CMIE



India Inc. Shows Turnaround Signs

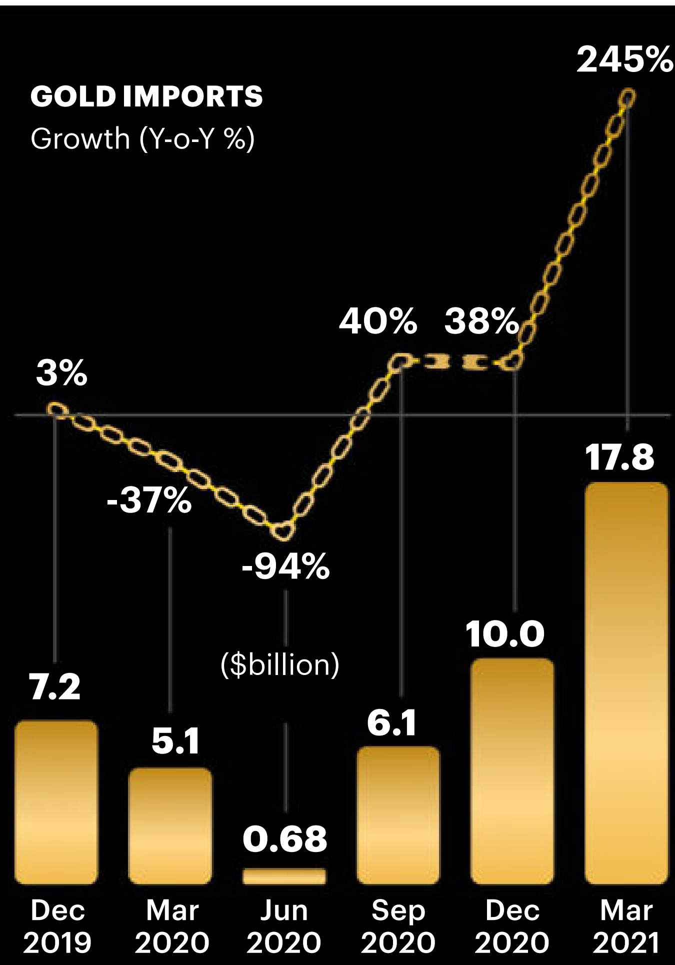
- Total income of 200 companies for which numbers are available grew 10.2 per cent in the March quarter. Core business did better as net sales grew 13.2 per cent. Other income and extraordinary income dipped 15 per cent
- Expenses grew a modest 5.4 per cent and profits a handsome 50 per cent; these companies reported net profit margins in excess of 16 per cent



Gold Imports Jump Sharply in 4th Quarter

➘ India's gold imports grew a robust 245.4 per cent YoY to $17.8 billion during the March 2021 quarter; this was 77.9 per cent higher than the $10.01 billion during the December 2020 quarter

➘ The rise in demand was driven by marriage season and Akshaya Tritiya (buying gold is considered auspicious during the festival)

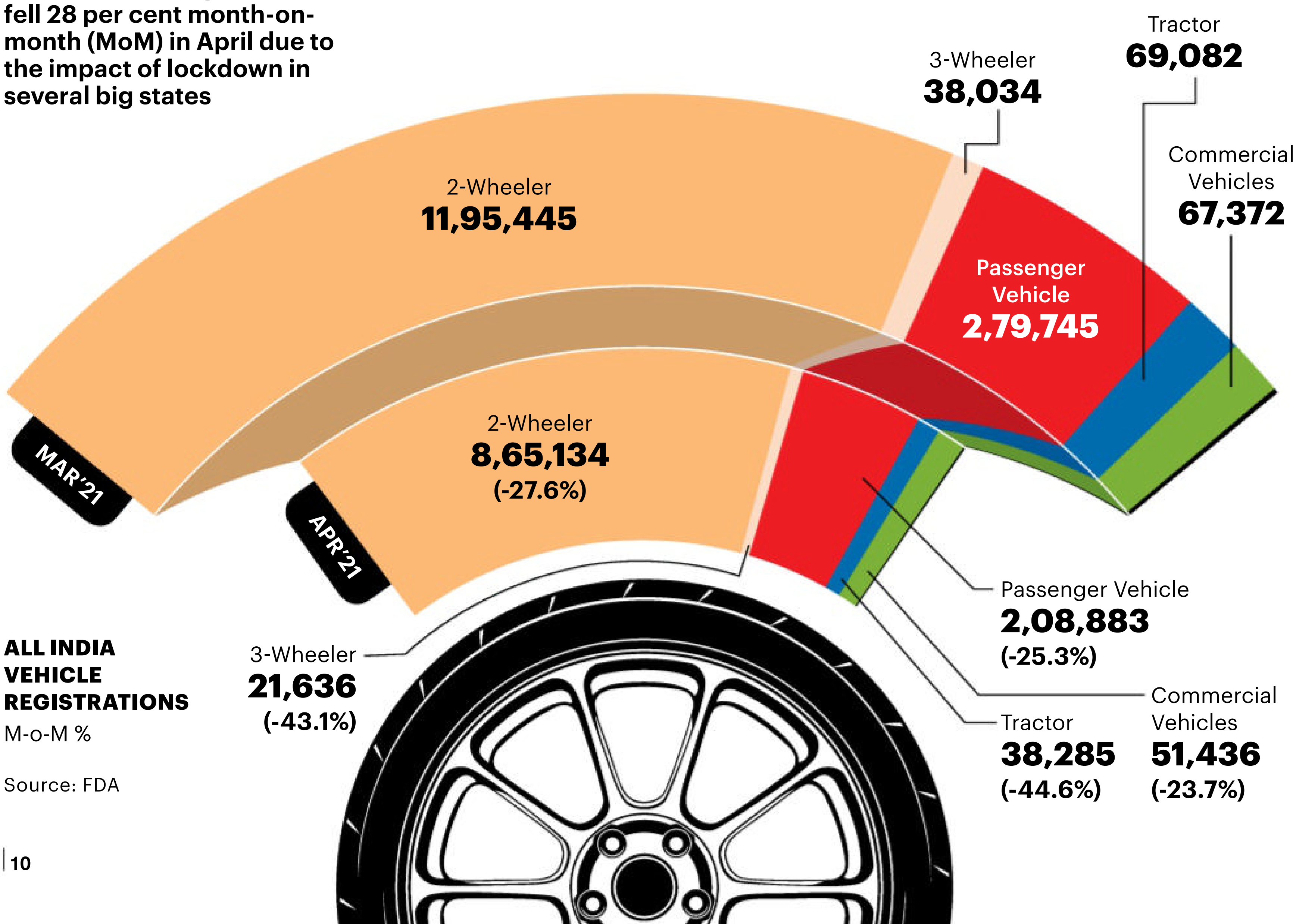


Source: CARE Ratings

Vehicle Registrations fall 28% MoM in April

➘ Automobile registrations fell 28 per cent month-on-month (MoM) in April due to the impact of lockdown in several big states

➘ While the two-wheeler segment saw a drop of 27.63 per cent to 8,65,134 units, passenger vehicles, three-wheelers, commercial vehicles and tractors fell 25.3 per cent, 43.1 per cent, 23.7 per cent and 44.6 per cent, respectively



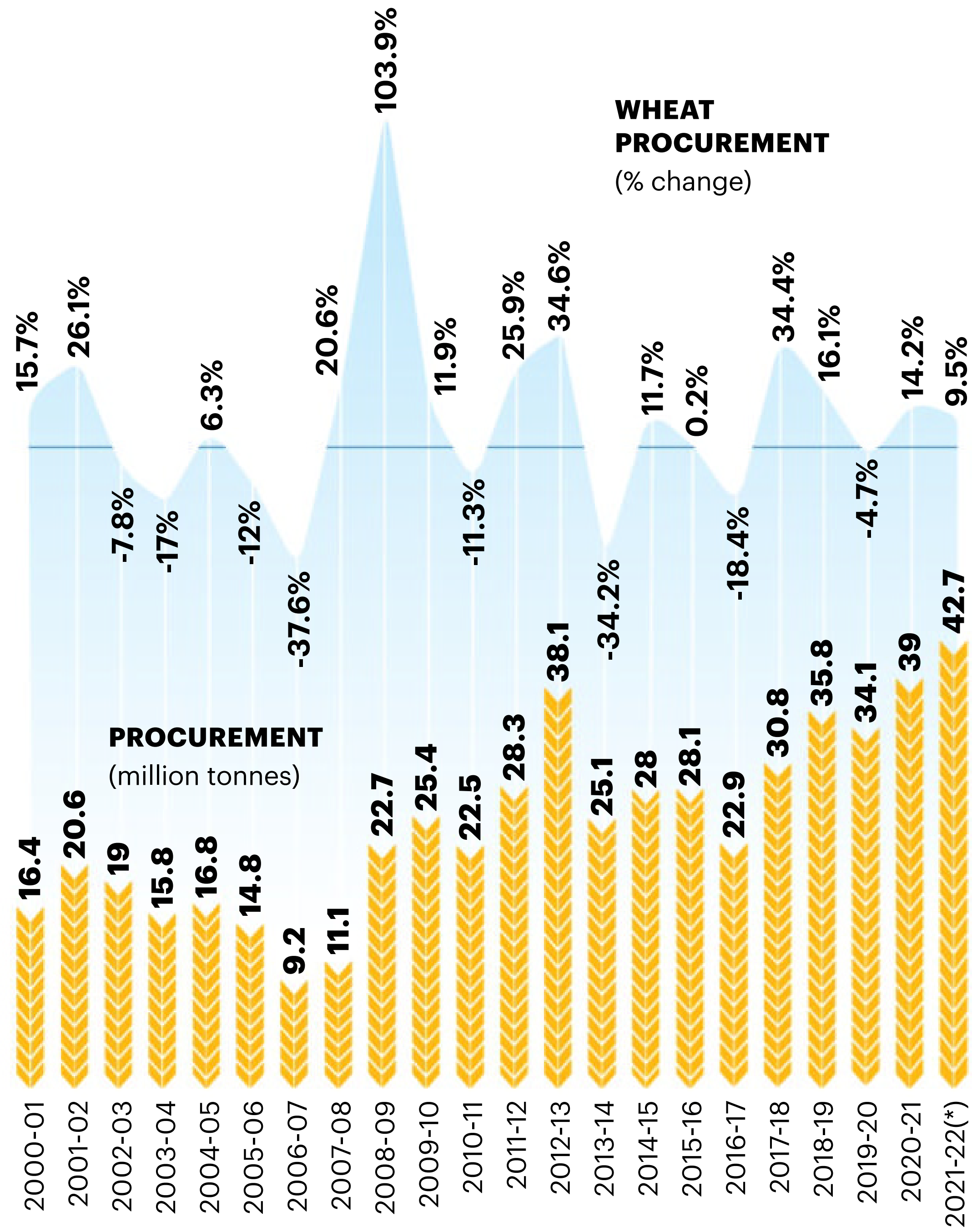
ALL INDIA VEHICLE REGISTRATIONS
M-o-M %

Source: FDA

Wheat Procurement in Full Swing

➘ Government agencies had procured 24.7 million tonnes wheat by April 27 for the rabi season that began on April 1. The target for the season is 42.7 million tonnes

➘ This target is 9.5 per cent higher than the actual procurement of 39 million tonnes during the 2020/21 rabi marketing season.



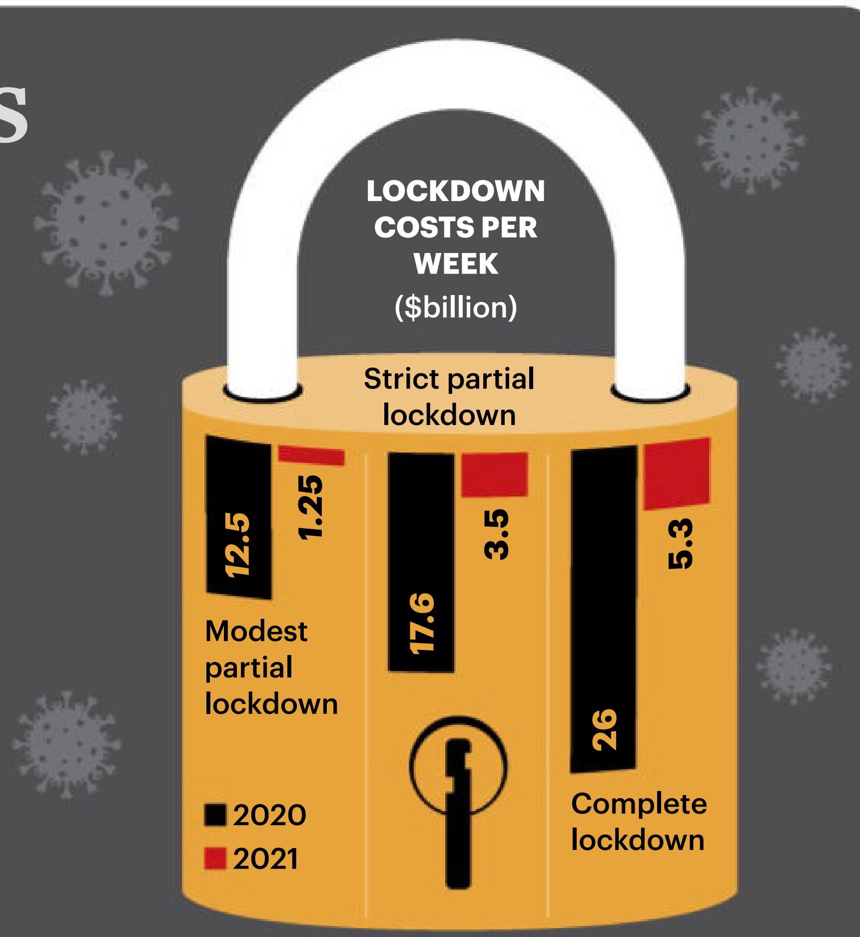
*till April 27; Source: Ministry of Agriculture

Lockdown Costs Have Shrunk, Says Report

➘ After factoring in recent developments and new restrictions, the economic cost of the latest shutdowns is $1.25 billion per week, down from around $3.5 billion in the 2020 (strict partial) lockdown, according to a Barclays India estimate

➘ In a full lockdown scenario, losses will rise to $5.3 billion per week (in bearish case).

➘ The costs of the lockdown reflect the widening geographical spread of the second wave, which will have an impact on growth through end June, says the report



Source: Barclays India

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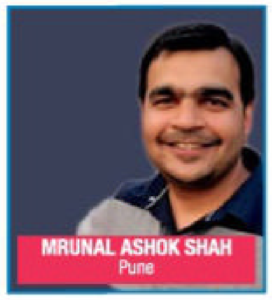
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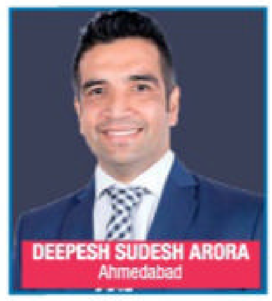
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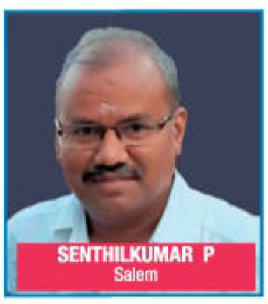
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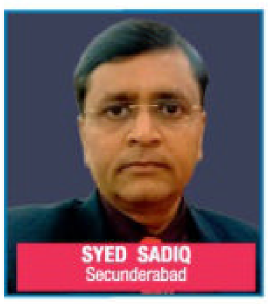
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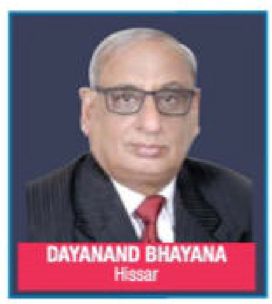
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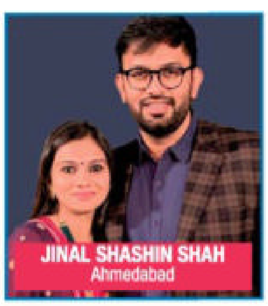
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- J.R.D. Tata

COVER STORY

MARKETS

ON A WEAK BASE

EQUITY MARKETS ARE BUOYANT IN SPITE OF MAYHEM IN THE REAL WORLD. BUT THE RISKS BUILDING UP ARE TOO BIG TO BE IGNORED

BY RASHMI PRATAP
ILLUSTRATION BY RAJ VERMA

There is an old saying that when a pigeon sees a cat, it closes its eyes, and assumes that it is safe. Indian equity markets are being just that pigeon, ignoring risks and overlooking facts. Despite reality staring in the face, investors refuse to pay heed to economic and financial risks due to the disruption from the second wave of coronavirus. Defying the rising death count, case load and slow pace of vaccination, the benchmark BSE Sensex reclaimed mount 50K even as daily official deaths hit an all-time high of 4,329 on May 18 and state after state announced lockdowns to slow the spread of the virus.

With this, Sensex is up 5.1 per cent since the beginning of the calendar year, trading at a price to earnings (P/E) multiple of 32 times, becoming one of the most expensive equity indices in the world. Sensex is nearly 25 per cent higher than the 25.5 times that Dow Jones Industrial Average, the world's top equity index, is trading at. Sensex is also among the most expensive in Asia and nearly twice as expensive as the Shanghai Stock Exchange Composite Index (see The Risks).

The rally in second and third tier stocks has been even more ferocious. BSE Mid-Cap Index is up 18.3 per cent year to date (YTD). It is trading at nearly 55 times trailing earnings per share. BSE Small Index is up 26 per cent YTD; its P/E multiple is 62 times.

Since domestic investors largely bet on small- and mid-cap stocks, while foreign portfolio investors (FPI) focus more on large-cap and index stocks, there are indications that domestic investors have been far more optimistic about India Inc.'s future than foreign investors. In their optimism, they are overlooking several big risks staring them in the face.

A 2020-like Rally? Not Easy

The rally in 2020 was fuelled by expectation of a V-shaped recovery in corporate earnings and India's economic growth in second half of FY21 and FY22 after a washout in first half of FY21 due to the Covid-19 lockdown. The optimism around corporate earnings was boosted by a sharp dip in commodity and energy prices in first half of FY21, mostly due to sharp fall in demand, and an equally sharp decline in interest rates that had continued for most of FY20.

This combination of lower finance and input costs enhanced margins, leading to double-digit growth in net profits despite lower revenues. Corporate profits rose 27.3 per cent in FY21 despite 2 per cent decline in net sales. Raw material costs for manufacturers fell around 7 per cent in FY21. Many companies also profited from decline in labour and sales & marketing costs and other overheads in FY21 due to the pandemic and adoption of work from home.

These tailwinds are gradually turning into headwinds as commodity and energy prices rise sharply, increasing input costs, even as the second wave of Covid-19 lowers corporate India's growth potential. "If infections do not decline to more manageable levels, lockdowns may increase in scope, leading to a more severe impact on earnings recovery. This will weaken rated companies' earnings and derail the recovery seen over the last six months," Moody's Investors Service analyst Sweta Patodia says in a report on May 18. Also, interest rates are going up globally. All this raises a question mark over the unbridled optimism among equity investors.

Steady rise in commodity and energy prices also pose a risk to corporate earnings. Brent crude oil has doubled to $70 a barrel in the last 12 months. Industrial metals such as aluminium, steel, copper and zinc rose 80-100 per cent during this period. Higher commodity and energy prices will translate into rise in costs and lower margins for manufacturers in FY22. "Rising costs could pose headwinds to companies as they recover," says Dharmakirti Joshi, Chief Economist at Crisil.

Most non-essential services as well as manufacturing activities have come to a halt in most parts of the country either due to Covid-19 lockdown or diversion of industrial oxygen for medical purposes. This is expected to hit corporate revenues and profits in first half of FY22. "Production will decline in industries such as steel that use oxygen," says Patodia of Moody's.

55 TIMES
THE P/E MULTIPLE OF THE BSE MID-CAP INDEX; IT IS UP 18.3% YEAR TO DATE

Declining GDP

Stock markets are also ignoring forecasts of decline in GDP, which means

THE WARNING SIGNS

HIGH VALUATIONS
Sensex P/E multiple is among the highest in the world. BSE Small-cap index is at 62 times trailing earnings per share

INPUT COSTS
Commodity prices have risen sharply over past few months. This will hit financials of a large chunk of companies, especially those in the manufacturing business

EARNINGS
Analysts have lowered earnings forecasts as majority of non-essential services and manufacturing activities have come to a halt in most parts of the country

GDP DIP
Global agencies have lowered GDP growth forecasts due to Covid-19 second wave. This means performance of India Inc. will also be impacted

INFLATION
In April, wholesale price index-based inflation surged to 10.49 per cent. This increases the risk of rise in interest rates

corporate performance will be hit as well. Shankar Sharma, Co-Founder and Chief Global Strategist, First Global, says there are significant risks because it is not clear how long the second Covid wave will last. Almost 90 per cent of the country is under lockdown. "There aren't enough vaccines and inoculating the whole population will take a long time. This year appears to be washout without doubt," he says. Sharma says 10-11 per cent GDP growth projections for FY 22 will be lowered. "You will have more like mid-single digit growth of 5-7 per cent, which means that on a two-year basis, the economy is still down," he says.

On May 11, Moody's Investors Service slashed the GDP growth forecast to 9.3 per cent, from 13.7 per cent in February this year, saying the second wave of coronavirus will hamper economic recovery. S&P, too, said India's growth rate could drop to 9.8 per cent under the 'moderate' scenario and 8.2 per cent in the 'severe' scenario if Covid cases peak in late June; it had projected 11 per cent growth earlier. Joshi says the second wave is a healthcare and economic challenge.

Overvaluation Risk

Despite worsening macroeconomic indicators, there has been no let-up in the rally on Dalal Street. What is compounding the risk is that most top index companies are now more expensive than they were before the pandemic. In the information technology (IT) sector, which accounts for nearly one-fifth of index market cap, P/E multiples are now 50 per cent higher than before. For example, Tata Consultancy Services (TCS) is trading at a P/E multiple of 36 times as against 24 times at the end of January 2020. Infosys' P/E has jumped from 21.6 times to 31.4 times during the period. TCS' 15-year average P/E multiple is 22 times while Infosys' long-term average P/E multiple is 20.4 times.

Another heavyweight, Reliance Industries, is now valued at 44 times earnings as against 25.4 times before the pandemic. In pharma, P/E multiples have doubled during the period. This means investors are expecting a dramatic rise in earnings of pharma companies in FY22, ignoring the downside risks from the second wave of Covid. "One-year forward Nifty valuation stands at 21.4 times earnings, which is at the higher end of the historic range, posing a downside risk if earnings disappoint in FY22," says a fund manager at a leading mutual fund.

The Indian equity market remains one of the most expensive globally as well. For example, China's Shanghai Composite is trading at a P/E multiple of 15.7 times, half that of Sensex, while South Korea's Kospi is at 19 times. In India, the index P/E is 11 per cent higher than the pre-Covid peak of 28 times and nearly 65 per cent than the valuation at the end of April last year.

Amid these risks, fund managers say investors should take a stock-specific approach. "There are companies that make you money every year regardless of the macro outlook and there are those that rarely make you money regardless of the external environment," says Saurabh Mukherjea,

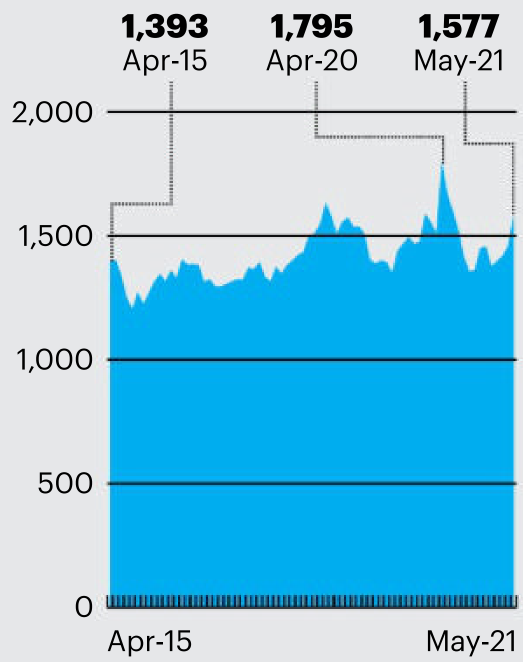
THE RISKS

Here are some of the reasons why the stock market rally could come to a halt

Graphics by TANMOY CHAKRABORTY

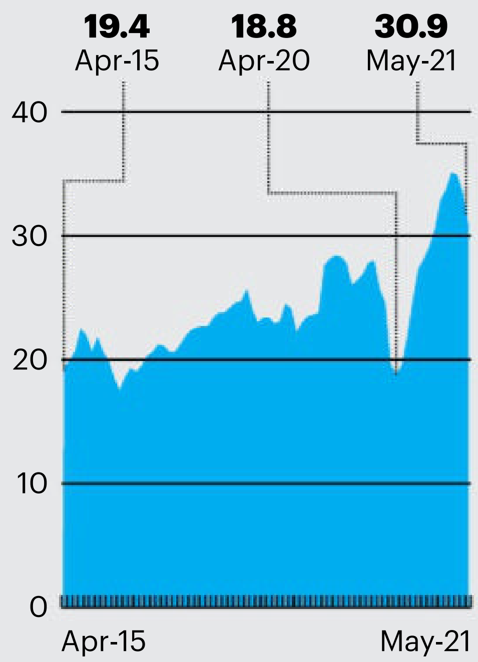
Earnings Per Share Have Been Dipping in Most Recent Periods...

BSE Sensex Trailing Earnings Per Share (₹)



...But P/E Multiples Remain Way Above Average

BSE Sensex Trailing P/E Multiples



Sensex Among Most Expensive Indices

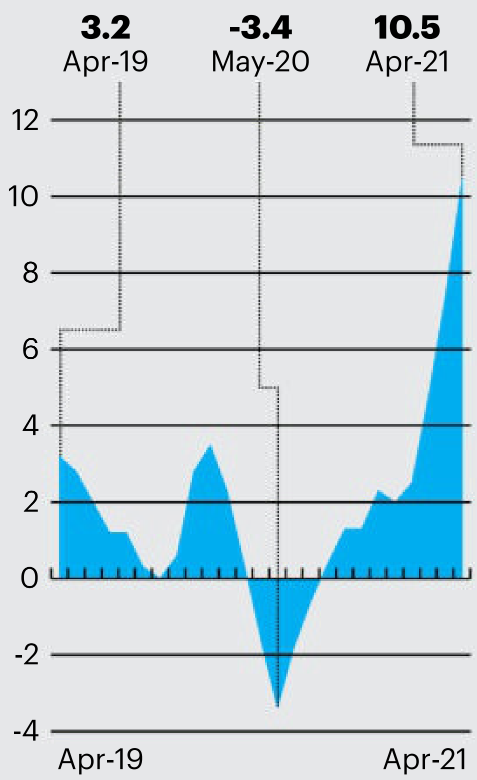
P/E Ratio (trailing 12 months)

S&P BSE Sensex, *India*	31.2
Jakarta Composite Index, *Indonesia*	29.6
S&P 500, *USA*	29.2
Dow Jones Indus. Avg, *USA*	25.5
Kospi Index, *South Korea*	20.3
Nikkei 225, *Japan*	19.7
FTSE Bursa Malaysia KlCI, *Malaysia*	19.2
Taiwan Taiex Index, *Taiwan*	17.1
Shanghai SE Composite, *China*	15.9
IBovespa Index, *Brazil*	14.9
Hang Seng, Hong *Kong*	13.6

Source: Bloomberg

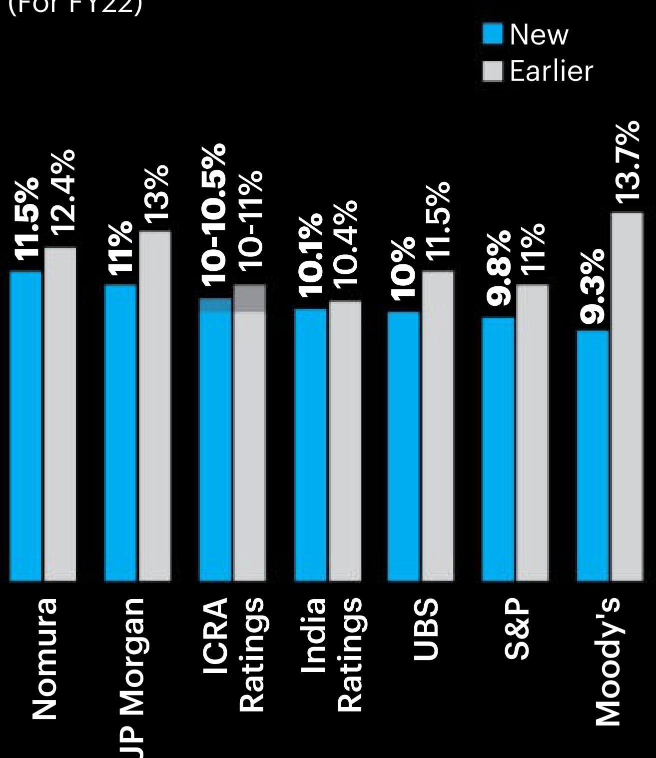
Wholesale Inflation Spike Will Raise Input Costs of Companies

Trend in wholesale price Index (all commodities, in %)



A Number of Agencies Have Lowered GDP Growth Forecasts

(For FY22)



Founder & CIO of Marcellus Investment Managers.

"So, at any given point in time, there will be a handful of stocks where you stand a good chance of making money."

Inflation Is Back With a Bang

Rising commodity and energy prices are also putting pressure on retail inflation. In April, wholesale price index-based inflation surged to an all-time high of 10.49 per cent due to low base effect amid rising food and commodity prices. "Wholesale inflation in April 2021 scaled up to 10.5 per cent compared with 7.4 per cent in March 2021 and -1.6 per cent in April 2020. This growth has been the highest since 2012," says Madan Sabnavis, Chief Economist CARE Ratings.

Rising inflation has already started affecting India Inc.'s operating costs. "Rising crude oil prices not only push up fuel inflation but can also keep core inflation high by pushing up transportation costs. International prices of metals and edible oils have also risen sharply. This is raising manufacturing costs," says Joshi of Crisil. Higher inflation also means lower purchasing power, lower demand for goods and services and thus pressure on corporate earnings. It could also lead to currency depreciation and higher bond yields, both of which are considered negative for equity markets.

Retail inflation is also inching up. Consumer Price Index inflation rose to 5.03 per cent in February after falling to a 16-month low of 4.06 per cent in January.

FII Outflows

Not surprisingly, foreign investors have turned cautious on Indian markets. FIIs turned net sellers in April and May after being net buyers in first three months of 2021. FIIs sold shares worth ₹8,836 crore (on a net basis) in April and have sold ₹6,144 crore worth of shares in May so far, according to data from National Securities Depository Ltd. Since FIIs own nearly a half of all free-float shares (in terms of value), this may keep markets under pressure. FII actions usually are a big factor in market movements in India.

A combination of high valuations and poor corporate earnings in FY22 could also give a jolt to Dalal Street, especially if the Federal Reserve begins to tighten its monetary policy due to surge in inflation in the US.

It's time for equity investors in India to turn cautious after a year of over average returns. The risk-reward ratio is not in favour of bulls any more, unlike in March last year when valuations had fallen to the lowest level since 2014. BT

(Rashmi Pratap is Co-founder & Editor of 30Stades.com)

COVER STORY

MARKETS

FUTURE WINNERS

DOMESTIC EQUITY MARKETS HAVE SHOWN RESILIENCE. HERE ARE FIVE SECTORS THAT WILL DO WELL IN SPITE OF THE COVID-19 MAYHEM

BY NITI KIRAN
ILLUSTRATION BY RAJ VERMA

T

he fatal second wave of coronavirus is ravaging the nation. But unlike in last year's wave, domestic stock markets have been resilient this time. After rising in February and March, the Sensex fell just 1.5 per cent last month, amid extreme panic. The reasons — hope that immunisation will pick up pace over the next few months, optimism about corporate earnings growth and expectations that government and the central bank will come out with expansionary policies if the economy gets into serious trouble like last year. The benchmark index has delivered a 1.7 per cent return year-to date (YTD).

"The market has discounted a sharp rise in cases. A further spike in coming days cannot be ruled out. The market is factoring in that cases under the second wave will peak by May-end or mid-June. However, availability of jabs at private hospitals and faster ramp-up of vaccination will be key factors that will drive the market," says Lav Chaturvedi, ED & CEO, Reliance Securities.

Conversely, if infections spread, markets can tank. "The current consensus is that the second wave effect is about to peak. But if it spreads, the economic fallout will be higher than anticipated, leading to further downgrade of GDP & corporate earnings growth, which has not been factored in by the market," says Vinod Nair, Head of Research at LKP Securities.

So, while on one hand, markets fear Covid-related disruptions, impact on GDP, asset quality, corporate earnings and fiscal health of governments, if the situation comes under control, resumption of economic activities can be quite sharp. Apart from these, inflation and interest rates will also drive stock markets. Spread and intensity of the forthcoming monsoon in India will also be keenly watched, says Deepak Jasani, Head of Retail Research, HDFC Securities. Amid all these uncertainties, market experts are bullish on quite a few sectors.

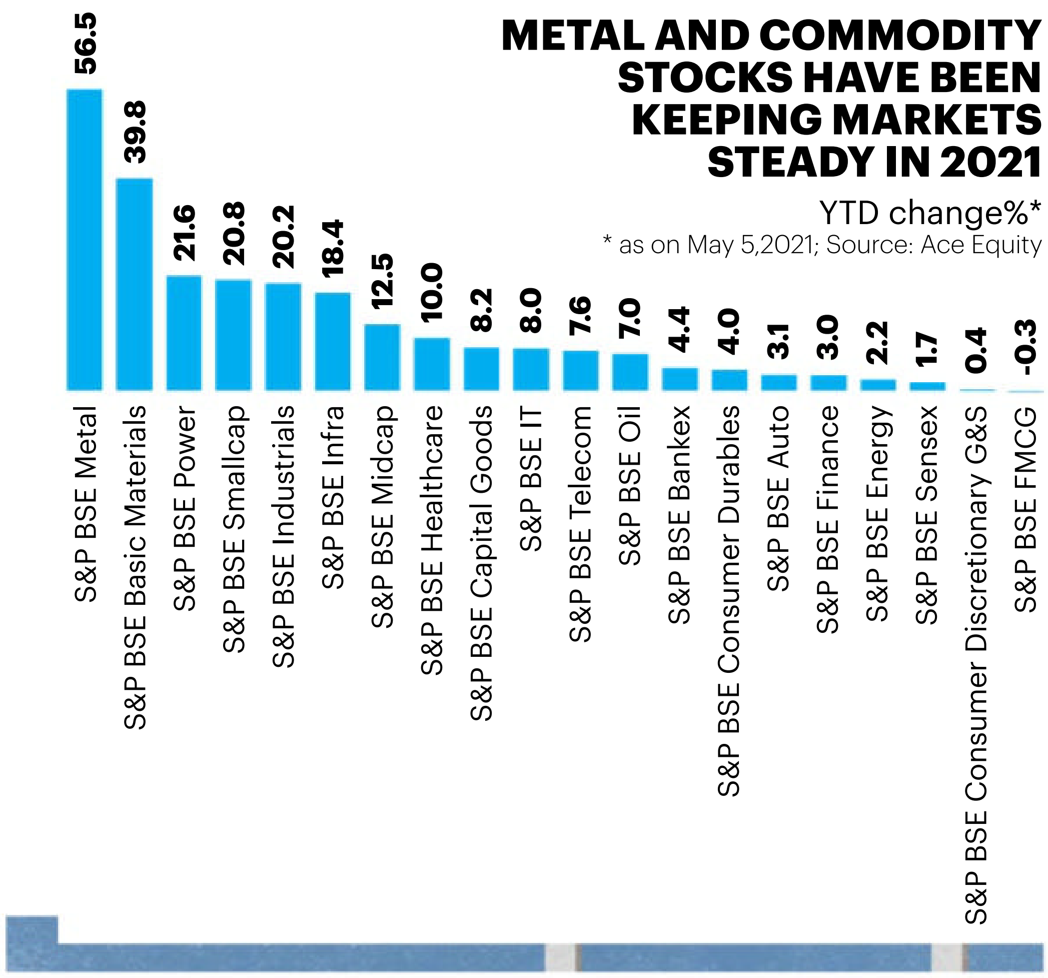
IT: The information technology (IT) index was among the best performers last fiscal. It delivered over 100 per cent returns as against a 68 per cent rise in the headline index. It has risen 8 per cent this calendar year and is currently trading below its 52-week high. "IT stocks have corrected from their 52-week highs. Therefore, one can add quality IT stocks in his/her portfolio for the long term," says Gaurav Garg, Head of Research at CapitalVia Global Research. Moreover, half the stocks in the index have outperformed the index with YTD returns of up to 345 per cent and are expected to move ahead with strong momentum. Most IT companies have reported big deal wins in the fourth quarter and expect revenue buoyancy to continue this fiscal with double-digit growth. IT majors Infosys and Wipro reported 13.1 per cent and 3.4 per cent top line growth, respectively, in Q4FY21 on a year-on-year basis. While Infosys has pegged revenue growth guidance at 12-14 per cent in constant currency, Wipro expects revenue from IT services to grow 2-4 per cent sequentially in the June 2021 quarter.

SECTORAL OUTLOOK

IT: Signing of big deals and double-digit revenue guidance augur well for the sector

Pharma/Healthcare: Outlook for formulations, API and contract manufacturing for developed and emerging markets remains robust

Infrastructure: Lots of opportunities due to government's capex push and grand infrastructure plans



Pharma/Healthcare: The pandemic drew investors' attention to this defensive sector last year when it delivered 76 per cent returns. Now, with the overwhelming second wave, the growing clamour to build quality healthcare infrastructure has turned the spotlight back to this segment. Investors can choose large-cap pharma counters where volatility is on the higher side, says Garg. "It might not be a wise decision to buy frontline index stocks at this point in time. Many pharma stocks have given multi-year breakouts which, in turn, can propel them to new highs as the Covid-19 situation worsens," he adds.

The financial performance of the sector has been commendable — 19 companies that have declared their March quarter results have posted 11.4 per cent growth in total income and 25 per cent in profits as against 7 per cent and 22 per cent, respectively, in the March'20 quarter. Further, the outlook for formulations, API and contract manufacturing for developed and emerging markets remains robust. "We expect re-rating to continue for companies with differentiated business models (Sun Phama and Divi's), robust ANDA pipeline (Aurobindo Pharma or Lupin) and superior executors (Laurus). Vaccine distribution or manufacturing will provide further upside to Gland Pharma, Dr. Reddy,

Metals: Margins of steel companies to remain strong on the back of better spreads in the near term

Auto: Forthcoming kharif sowing and a bumper rabi harvest expected to drive sale of passenger vehicles and tractors

Aurobindo Pharma and Strides Pharma," says a recent Motilal Oswal report.

Infrastructure: The government's massive infrastructure development plans augur well for the sector. However, partial lockdowns in many states may pose a risk to execution and dent the near-term performance of companies in the sector. The infrastructure index fell 1.3 per cent in April; it is up 18.4 per cent YTD. Chaturvedi of Reliance Securities says it is better to bet on sectors that could be beneficiaries of revival in capital expenditure and so infrastructure, cement, select auto and industrials can be preferred from the long-term perspective. "While government's budgetary expenditure plan might get hit due to the second wave of Covid-19, it may not compromise on its capital expenditure programme in order to sustain economic activity," he says.

A Motilal Oswal report expects opportunities for all players in the sector. So far, the companies in this segment have reported 31 per cent growth in net sales and 94 per cent rise in net profits in Q4FY21.

Metals: The BSE Metal index was the best performing index last fiscal with 151.2 per cent returns. Over the past one month, domestic steel stocks have returned 35 per cent. "Given the lower cost of iron ore in India, we expect profitability of domestic ferrous companies to improve more, which is already evident in their better RoE potential. In our view, domestic ferrous companies are at an advantage with no threat from imports and a remunerative exports market," says an Edelweiss Research report. This is particularly true in case of SAIL, whose RoE is expected to improve significantly given its fully captive iron ore and higher volumes. For JSW Steel, RoE is expected to improve substantially owing to commissioning of the 5mtpa Dolvi plant, the report adds.

Auto: The auto index was down 2.8 per cent in April as partial lockdowns impacted domestic sales. Shares of Maruti Suzuki and Hero MotoCorp were down 6 per cent and 3 per cent, respectively, during the month. On the financial front, while both Maruti and Hero Motocorp posted over 30 per cent growth in revenues in last quarter of FY21, their profitability took a hit. Now, with Covid restrictions and voluntary plant shutdowns by original equipment manufacturers, volume recovery could be impacted, though sale of passenger vehicles and tractors would find support from the forthcoming *kharif* sowing and bumper *rabi* harvest.

Be Wary

Analysts are wary of some sectors. Retail, hospitality and aviation will take some time to recover from the effect of Covid, says Jasani of HDFC Securities. These sectors had shown strong recovery after the ebbing of the first wave with business reaching close to 70 per cent of pre-Covid levels but the second wave has dented their prospects.

Garg of CapitalVia Global Research says real estate is another area where we might see some uncertainties due to partial lockdowns. Chaturvedi of Reliance Securities says asset quality of banks and NBFCs with sizeable exposure to MSMEs, MFIs and unsecured loans may again come under a cloud. The BSE Bankex has corrected 12.3 per cent since the peak, outpacing the 7.3 per cent fall in the Sensex. Large-cap banking stocks, including HDFC Bank and ICICI Bank, with more diversified revenue streams have corrected 10-14 per cent from their 52-week highs, while lenders such as Bandhan, IndusInd and AU Small Finance, with higher exposure to business loans, commercial vehicle loans, loan against property and microfinance loans, are down 18-30 per cent. Similarly, Mahindra & Mahindra Financial Services and L&T Finance Holdings - with relatively higher share of vulnerable loans - have declined over 25 per cent. An Emkay Research report estimates that for large banks such as ICICI, Axis, Kotak Mahindra, HDFC and SBI, the hit to the adjusted book value (ABV) will be a near non-event (<1 per cent). Among NBFCs, Mahindra & Mahindra Financial Services, LIC Housing Finance and L&T Finance Holdings could see a 4-6 per cent hit. Most of these projections assume a return to normalcy by Q2.

Balanced Bet

As economic outlook is bright on a long-term basis, all the sectors are expected to gain. But it is a good time to have a balanced portfolio of new economy and old economy sectors as both are expected to benefit, says Nair of LKP Securities. "In the near term, a few sectors like finance may underperform due to NPA issue and FMCG/consumer goods due to high valuations," he adds.

But growth opportunities will remain intact in sectors with good long-term prospects on account of increased government spending and economic recovery. BT

@nitikiran

TRADING PLACES

AS FPIs TURN CAUTIOUS ABOUT THE INDIAN MARKET, RETAIL INVESTORS ARE STEPPING IN. WHAT'S THE ROAD AHEAD LIKE?

BY B.S. SRINIVASALU REDDY
ILLUSTRATION BY RAJ VERMA

Foreign portfolio investors (FPIs) dominated the stock market in 2020/21, saving the day for equities even in the face of the deadly pandemic. However, they have turned cautious post Covid 2.0. In April alone, FPIs exited positions worth over ₹9,600 crore, snapping their net buying spree for six months in a row during which they had pumped in close to ₹2 lakh crore.

FPIs invested a total of ₹2,74,034 crore in equities in FY21, while domestic institutions, particularly mutual funds, sold a net ₹1,20,732 crore. FPIs have made India the top investment destination among emerging markets. Even high networth individuals (HNIs) and the new breed retail investors have proved to be very smart buyers in FY21.

Risky Bet?

The second wave of Covid-19 has increased the risk perception in the equity market compared to last year. "There is a reversal of India's perception in the international media, from a country that managed Covid-19 very well and supplier of vaccines to the world, to a country that has failed to provide essential health support to its citizens," says Srinivas Rao Ravuri, Chief Investment Officer, Equities, PGIM India Mutual Fund.

Acute pressure on the health system has led to over a dozen state governments imposing restrictions on non-essential activities to break the chain of the virus, hampering production, and thereby leading to job and income losses for individuals and output and revenue losses for companies. Reflecting the trend, the Index of Industrial Production slumped 3.6 per cent year-on-year in February.

However, the economic loss this year is expected to be lesser compared to last year, with lockdowns being sporadic and region-specific, and imposed only for a few weeks. "In recent weeks it (economic activity) is estimated to have dropped 15-20 per cent compared to the pre-Covid level. There was a fairly robust recovery underway prior to the second wave," says Gaurav Misra, Co-head, Equity, Mirae Asset Investment Managers India.

9.3 PER CENT

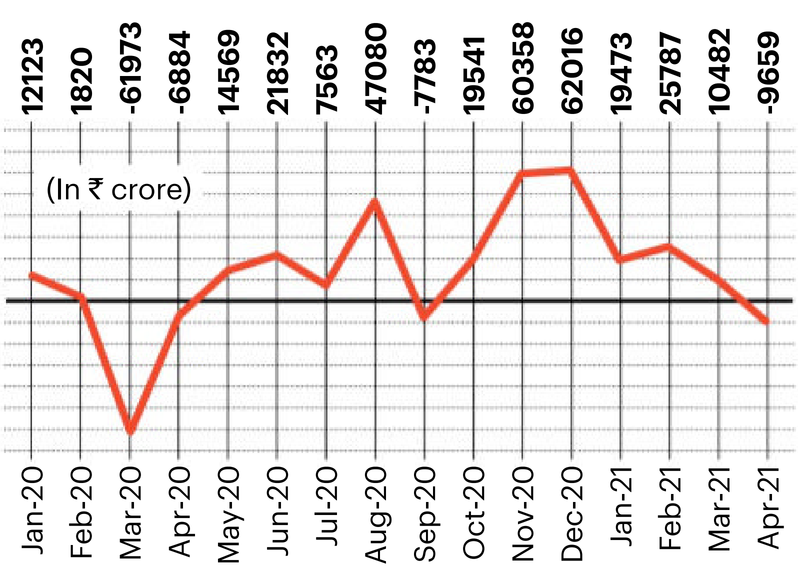
MOODY'S FY22 GDP GROWTH FORECAST FOR INDIA, AGAINST 13.7 PER CENT EARLIER

Pandemic Impact

Based on the severity of the second wave of Covid-19, several agencies have downgraded the growth forecast for the country — The economic research wing of State Bank of India slashed it to 10.4 per cent from 11 per cent, while India Ratings brought it down to 10.1 per cent from 10.4 per cent.

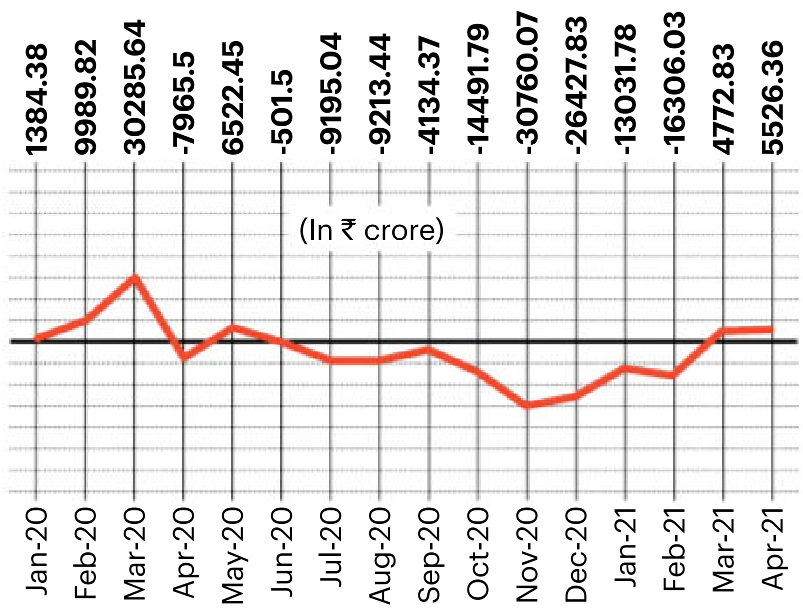
US-based rating agency S&P Global Ratings, which projected India's growth rate at 11 per cent earlier, had slashed it to 8.2-9.8 per cent for FY22, based on two scenarios — severe and moderate. Meanwhile, Moody's also slashed India's GDP forecast for FY22 to 9.3 per cent from 13.7 per cent earlier.

MONTHLY NET FPI INVESTMENTS IN EQUITIES



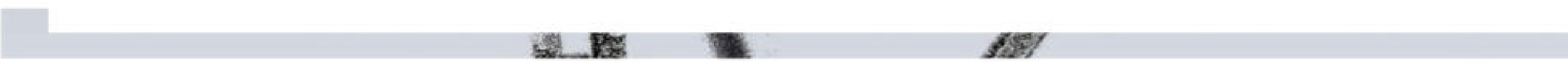
Source: NSDL

MONTHLY NET MF INVESTMENTS IN EQUITIES



Source: Sebi

> **“**THE PLATFORMS THEMSELVES CANNOT BE ATTRIBUTED TO BE THE SOLE REASON FOR THE BULL RUN. THE PANDEMIC HAS PROVIDED PEOPLE WITH MORE TIME TO EVALUATE THEIR INVESTMENTS AND PARTICIPATE IN THE MARKET RALLY**”**
>
> **Nikhil Kamath,** Co-Founder and CIO, True Beacon and Zerodha



“If Covid-19 is handled appropriately, the broad growth trajectory will remain unchanged, with some cut in the growth rate. Beyond that, the magnitude of its impact on corporate earnings will set a firmer direction for the market,” says Misra of Mirae.

Last year, when Covid-19 started spreading globally around mid-February, the Indian market started easing. In March, for the first time in 30 years, the 10 per cent circuit breaker was triggered twice in a single month — on March 13 and March 23 — when trading was stopped for 60 minutes. However, after that the equity market recovered gradually and the benchmark indices — the BSE Sensex and the NSE Nifty — went on to touch record highs in following months, creating the steepest V-shaped recovery ever.

The growing disconnect between the economy and equities was another impact of the pandemic that the Indian market saw in 2020. The volatility index (VIX), which in common parlance indicates the fear (when at higher level) and confidence (at lower level) of investors in the market, hit an unprecedented high of 86.63 on March 24, 2020 and stayed above 70 till month-end, and only by August it could return to the previous five-year norm of below 20 points, albeit with a few exceptions.

86.63

INDIAN VIX ON MARCH 24,2020. IT STAYED ABOVE 70 TILL THE MONTH END, AND DIPPED BELOW 20 ONLY IN AUGUST

Though similar trends were witnessed globally in 2020, the situation seems to be different in India vis-à-vis other countries, including emerging markets, currently, given the second wave of the pandemic that swept the country and the government’s feeble response to it.

In contrast, since March 2021, we have not seen too many wild fluctuations in indices or the market. Even volatility remained below the normal over the one-month period ended May 7, 2021 — it had inched above 20 only on May 11. However, the growing disconnect between the economy and the stock market, which was flagged as a concern during the first wave of the pandemic, still remains.

Investment Trends

Covid-19 has brought some unexpected changes in market composition, particularly in terms of stature and influence of its *dramatis personae*, compared to pre-pandemic levels. Individuals are garnering a higher slice of the trading cake, compared to registered entities, including mutual funds.

The share of individuals and proprietary trading have gone up by 6.6 per cent and 1.7 per cent, respectively, compared to pre-pandemic levels on the NSE cash segment, according to a study based on the average turnover, correspondingly bringing down the share of registered firms, including institutional investors, corporate and partnership firms, by 8.3 per cent in the 12 months to January 2021. The share of mutual funds, too, eased from around 7.5 per cent to 5 per cent.

During the 10 months ended January 2021, the two depositories together added over one crore new investor accounts, taking the total to over 5 crore. The journey from 3 crore to 4 crore had taken over 28 months. In the year ended February 2021, depositories added about 131 lakh accounts, according to data from the Securities and Exchange Board of India (Sebi) .

Millions of retail investors are thronging the market, taking advantage of online trading platforms. Nikhil Kamath, Co-Founder and CIO True Beacon and Zerodha, India's leading online trading platform, says, "The platforms themselves cannot be attributed to be the sole reason for the bull run, but the fact that the pandemic has provided people with more time to evaluate their investments and participate." The trend has been in line with a global phenomenon, but sensing the opportunity, several Indian brokerages have initiated campaigns to attract first time investors into their fold.

"Over the last five years, retail turnover has doubled in the stock market; the combined share of FPIs and domestic institutional investors (DIIs) has declined to 18 per cent of the total volume," says Ravuri of PGIM. "FIIs own about 25 per cent of BSE 200 companies, whereas DIIs own about 13 per cent. So, the trend in FII activity will continue to impact market movements," he adds.

SIP inflows are coming down with most retail investors shifting to trading on their own or investing in other asset classes. From about ₹6,000 crore of systematic investment plan (SIP) inflows in April-May 2020, it has declined below ₹3,000 crore by January 2021. This trend has affected the assets under management (AUM) of mostly equity and growth mutual fund schemes.

There is also a growing trend among Indian investors to diversify their portfolios by investing abroad. Dedicated overseas mutual fund schemes garnered inflows of around ₹5,000 crore in just two months — December 2020 and January 2021 — according to Sebi data.

Driving Influences

Investors generally analyse factors pertaining to their target equities while playing in the market, including valuations, liquidity, general business environment and economic growth prospects. FPIs also look for political and social stability in the country they choose to invest, besides seeking markets that offer high returns.

The Indian market has always commanded premium valuation compared to its emerging peers, historically. The country had outperformed markets such as Germany, Japan, France, Russia, the UK and China, but lags South Korea and Taiwan, in FY21, according to the India Strategy report released by Motilal Oswal Financial Services (MOFS) in April.

So, what makes India so attractive among emerging markets? "There are a number of factors like the promising structural growth story for the next one-two decades and diversified representation in the indices, including attractive sectors like technology, healthcare and consumption," says Ravuri of PGIM.

Liquidity in the economy is the lifeblood of a thriving market. Due to the severe impact of pandemic-driven lockdowns and job losses, some funds are being taken

"COVID CASES, PROGRESS IN VACCINATION, COMMODITY PRICE INFLATION & CORPORATE EARNINGS GROWTH ARE KEY FACTORS EXPECTED TO DECIDE MARKET DIRECTION IN FY22"

Gautam Duggad, Head, Institutional Research, Motilal Oswal Financial Services

“IF COVID-19 IS HANDLED APPROPRIATELY, THE BROAD GROWTH TRAJECTORY WILL REMAIN UNCHANGED, WITH SOME CUT IN THE GROWTH RATE”

Gaurav Misra, Head, Co-head, Equity, Mirae Asset Investment Managers India

out of investible resources — from equities directly or from mutual funds — for meeting exigencies.

Also, the Reserve Bank of India (RBI) is ensuring that liquidity in the economy is not constrained at all costs. The central bank has announced measures to ensure the same, including acquisition of government securities (G-secs) to the tune of ₹1 lakh crore during the April-June 2021 quarter.

However, the scheduled higher government borrowing programme for FY22 could hamper credit flow in the economy. Though the government claims it will borrow ₹12.05 lakh crore from the market in FY22, lower than the ₹12.80 lakh crore estimated for FY21, this figure is 64 per cent higher than the initially budgeted target of ₹7.8 lakh crore, before the advent of Covid-19.

Though inflationary pressures are building up, normal monsoon forecast for the year and consequent rise in production are giving comfort to investors. Markets are jittery about rising inflation since it could force RBI to raise policy rates, resulting in higher credit cost.

Recent moves like the US Federal Reserve refraining from hiking rates and announcement of $1.8-trillion stimulus have resulted in a stronger rupee. FPIs favour a stable rupee as it enhances the value of their investments in India in dollar terms. However, steeply rising global commodity prices could make India vulnerable to both inflationary pressures and currency depreciation. The rising inflation in the US has the potential to nudge the Fed to hike policy rates anytime now, which could affect FPI inflows.

On the domestic front, “Covid cases, progress in vaccination, commodity price inflation, corporate earnings growth are key factors expected to decide market direction in FY22,” says Gautam Duggad, Head, Institutional Research, Motilal Oswal Financial Services, adding, markets have been fairly resilient hoping that Covid 2.0 is only a short-term phenomenon.

The market is already at peak valuation if one has to go by the latest price-earnings (P/E) ratio. According to an analysis by MOFS, Nifty 12-month forward P/E of 20.7 is now at a premium of 18 per cent against its long-term average (LTA) of 17.6x, while the Nifty 12-month trailing P/E of 27.4x is 45 per cent higher than its LTA.

The most reliable parameter from the long-term investor perspective is ‘trailing P/E’, when the pandemic is causing disruption. “Retail investors should take a long-term view and should invest systematically in diversified equity funds and should not try to time the market. Having a long-term approach to investing in equities is super critical and investing through bull and bear periods will give investors the advantage of decent average pricing,” says Duggad of MOSF.

Referring to the explosion in retail investor base, Ravuri says, “Typically retail participation is a function of markets; in good markets they become very active as money making looks very easy. But when the market turns, investors, especially those who trade, incur losses and exit.”

Looking Ahead

Despite the general consensus that Indian equities could survive any short-term impact of the pandemic on expectations that inoculation would be expedited and health infrastructure would be fixed on a war footing, the current pace of preparedness and activity does not inspire that confidence among investors.

“We expect range-bound markets depending on how the Covid situation unfolds and vaccinations picks up pace. The pace of earnings will broadly decide the market trajectory for FY22 as expectations of recovery are quite high,” says Duggad of MOFS.

Ultimately, the longevity of the impact of Covid-19 will decide the direction of the market in FY22. The pace of vaccination is a key concern since supply side bottlenecks still remain a hindrance. The April-June 2021 result season will also throw some light on the road ahead for the Indian market. BT

B.S. Srinivasalu Reddy is a Mumbai-based journalist

COVER STORY

MARKETS

SANITISING YOUR PORTFOLIO

A SANITISED FINANCIAL PORTFOLIO IS THE FIRST THING YOU MUST AIM FOR TO TACKLE THE PANDEMIC. HERE ARE SOME THINGS YOU CAN DO

BY ABEER RAY
ILLUSTRATION BY RAJ VERMA

Volatility is often considered the hallmark of equity investment. The stock market has had its share of yo-yos in the past as well, but the current phase seems to be prolonged like never before. A large number of stocks are expected to decline in value once the correction occurs. The economic downturn mirrors the fear and recession concerns due to business slowdowns (or shutdowns in many cases) and loss of jobs amidst the second wave of Covid-19. So much so that even regular investors with a penchant for equity and equity oriented securities and high-risk mutual fund portfolios are now changing their focus as well — from capital appreciation to capital protection.

Managing Finances

Experts say the resulting panic should not influence one's financial decisions. Instead, they advise portfolio reshuffling and diversification to meet future needs and goals. The pandemic has been a lesson in disguise for those who never counted investments beyond low-valued fixed income schemes. Buying life, health and term insurance policies has gained precedence over other financial plans and is imperative to minimise the impact of the current shock on investments and ensuring a financially secure future for our loved ones. The need of the hour, therefore, is to build a sanitised portfolio with the right asset allocation and choice of investment options.

Focus On Health Insurance

Since Covid-19 is caused due a viral infection, almost all health insurance plans cover hospitalisation expenses. The Corona Kavach Policy announced by the Insurance Regulatory and Development Authority of India includes hospitalisation coverage, pre- and post-hospitalisation, home care treatment expenses and AYUSH treatment. Those who already have a comprehensive health plan can avail of the pre- and post-hospitalisation costs, including in-patient and out-patient expenses. The new normal is to go for a higher cover instead of the normal ₹5 lakh. Those with existing health plans may consider buying a top-up or super top-up health plan. There are standalone super top-up policies as well.

"Super top-ups are useful in case of multiple hospitalisations," says Rakesh Jain, Executive Director and CEO, Reliance General Insurance. "The deductible is applied not only on the first claim, but to the extent of deductible in the super top-up policy as well. While selecting a super top-up scheme, the deductible should be equal to your base health insurance plan. The super top-up kicks in once your base sum insured is exhausted. A top-up plan covers additional expenses, but is beneficial in case of single hospitalisation only."

For increased protection from the virus, you can buy a critical illness cover also. Most insurance companies classify chronic co-morbidities as critical illnesses. Says C.S. Sudheer, Founder and CEO, Indianmoney.com, "Critical illness cover provides insurance coverage for big health emergencies like cancer, heart diseases, organ transplants, etc., that require enormous financial support for the treatment procedure. This cover generally pays out a lump sum amount, even without hospital bills, thereby safeguarding one's family from the financial crunch arising out of a prolonged situation. However, so far, no insurance companies have included Covid-19 as a critical illness. So, taking a critical illness cover during a pandemic is a subjective matter."

Another cover that has gained prominence is term insurance. Term insurance is the 'go to' product that can help secure families' future. The idea behind paying for a term plan is to enable your loved ones manage necessary expenses and pay for liabilities in your absence.

INVESTMENTS: TAKING STOCK

Do not exit investments yet; continue with SIPs in MFs

If you are a pro who foresees market movements, consider investing in lump sum to benefit from the low net asset values (NAVs). A lower NAV would help you accumulate more units

If you had bought a ULIP before January 2021, stay invested to benefit from the EEE feature (exempt under income tax at all stages); if it's a recent buy, stay invested to gain from the compounding effect of regular investments (you get a fixed rate of interest that is compunding in nature)

Don't underestimate your fixed-income schemes, these hold in good stead even during volatility

Create an emergency fund like putting aside a fixed sum in your savings account or creating a recurring deposit with a bank

But in all these, do keep one thing in mind. Do not visit a branch office. Choose from term policies sold on digital platforms. The term insurance amount must cover possible future expenses of your loved ones along with debts. The nominee must be explicitly mentioned for the insurer to hand over the proceeds in the absence of the policyholder.

Investing in MFs

Remember the famous adage "This too shall pass"? The current state of the market must not prompt you to exit investments. If you have invested in mutual funds through systematic investment plans (SIPs), check if their performance is still aligned to your long-term financial goals. Recurring investments in SIPs are deemed best to absorb market shocks and fetch returns in the long run. If you have the financial capability and necessary risk tolerance, a lump sum investment in MFs may allow you to tide over the market downturn by accumulating more units at deep discounts.

Says Suresh Sadagopan, Founder, Ladder7 Financial Advisories, "Lump sum investments can be done now in equity only if it is for the long term (five years plus). There can still be a lot of turbulence in the market due to the pandemic. Also, equity investments work well only in the long term."

The vacillating movement of the market has also brought forth a renewed outlook towards mutual funds. Do not judge MFs based on their performance alone, check for the quality of the portfolio of the schemes. "The top 10 holdings in a mutual fund scheme define the fund manager's outlook and associated portfolio risk. Compare schemes before and pick them according to your risk appetite and financial goals. Also, review your portfolio annually, especially after every hint of market correction, to keep it in sync with your financial objectives," says Raj Khosla, Founder and Managing Director, MyMoneyMantra.com.

Safety Is Key

Taking risks is necessary to earn returns. But, in the current situation, caution is the buzzword. Park money in debt instruments like fixed deposits or a public provident fund. You may also create an emergency fund by putting aside a lump sum in your savings account or creating a recurring deposit with a bank. Safe investment options, including small savings schemes, which ensure safety of capital and steady returns, are advisable despite low-interest rates. The price of gold and silver has also declined considerably, which gives you an opportunity to increase your investments in gold mutual funds or dematerialised instruments like Sovereign Gold Bonds. While the returns may not surpass your equity instruments, they will reduce the effect of market volatility on your investment portfolio. Says Dhirendra Kumar, Founder and CEO, Value Research, "Apart from the pleasure of wearing jewellery, gold bonds are the best way to hold the metal. All other forms of gold have either a physical risk or some cost. In contrast, gold bonds provide full gold returns (tax-free on maturity) as well as an extra 2.5 per cent."

Choosing ULIPs

Balancing risk and safety is not an easy task. Allocating some part to equity while putting the rest in comparatively safe instruments is not easy unless one has a sound knowledge of personal finance. If your financial goals are long-term, put your money in unit-linked insurance plans (ULIPs). "Investing in ULIPs helps you create a corpus over a period and can be customised according to the insured person's requirements," says Vivek Jain, Head, Investments, Policybazaar.com. "ULIPs are highly recommended for people in the 25-40 age group. Once settled, they can start investing a part of their income towards future goals." This is because ULIPs have multiple fund choices within a single plan, which helps you choose between funds as per requirement.

Discarding Expensive Debt

The pandemic has resulted in job losses. However, this does not translate into relief from interest on loans and credit card debts that continue to accrue if not paid. Try to clear off recurring debts quickly so that there is more liquidity to tackle emergencies. You may also opt for debt consolidation by seeking a personal loan at reasonable interest rate to pay off your high-interest credit card debt and loans all at once.

Says Adhil Shetty, CEO, BankBazaar.com, "It is wise to reduce your existing debt as much as possible, especially, in the light of the pandemic. However, do not close all your existing loans at the cost of your investments. Instead, adopt a systematic approach. Figure out the best way to close the most expensive ones — typically personal loans, credit card loans, or any unpaid revolving credit. These are the most expensive loans, and it makes fiscal sense to close these as early as possible. One of the ways to do this is by taking a secured personal loan against your assets such as fixed deposits or insurance or mutual funds. The secured loan has a much lower rate of interest. You may even want to dip into some of your investments with very low returns to repay the loans. This will also free up your credit limit."

While health is a cause for concern, the effect of Covid-19 can be felt on our finances too. However, it must not cause us to lose sight of both our short-term and long-term financial goals. Taking care of your finances is equally important. After all, it is easier to sail through any problem if you have enough money in hand. BT

Abeer Ray is a Delhi-based journalist

INSURANCE: WIDER COVER

Don't have a standard health insurance? Buy a Corona Kavach Policy from any insurer; consider a super-top-up policy to raise your cover

Buy a critical illness policy to cushion heavy expenses on particular illnesses in case of need

Online term life insurance is also a good option. Term insurance amount must cover possible future expenses of your loved ones along with debts

FIGHT AGAINST COVID WITH TEST-

Chief Minister Yogi Adityanath has continued his efforts to contain the spread of covid infection by working on the strategy of test trace and treat. The aim of this Mantra is to first recognize the infected person then conduct covid test and then provide proper treatment. By continuously increasing the testing of corona, it has been insured that all government and private testing labs must work with full capacity. Under elaborate 'contact tracing', CM Yogi has given strict directions for testing of all persons who came in contact with any infected patient. On the other hand all efforts are on to maintain availability of Health workers, essential medicines, medical equipments and backup of oxygen along with increasing the number of covid hospitals. Chief Minister Yogi Adityanath is himself monitoring the efforts to contain the covid infection. Along with it special focus is also on covidd vaccination. Uttar Pradesh has become the first state to announce free vaccination for the people above 18 years old age in state. So efforts are continue to save lives from coronavirus with an integrated approach.

In the fight against Corona, on the instructions of Chief Minister Yogi Adityanath, facilities are being increased day by day. The number of beds is being increased continuously to provide treatment to more and more people in hospitals and the availability of beds is continuously increasing in the state. The Chief Minister himself is monitoring the availability of beds in hospitals across the state. CM has given instructions to immediately increase about 33,000 beds in the state to deal with the Covid crisis in the state. He has also instructed to increase 33,000 more beds in addition to about 1.80 lakh beds of L-1, L-2 and L-3 hospitals in the state. Yogi has given the responsibility of increasing the additional 15,000 beds to the Health Department and 18,000 bed to the Medical Education Department immediately. A total of 25 medical colleges, medical universities and institutes are operated in the state under government and 33 under the private sector. In these, 18,181 beds have been arranged. Of these, 12,659 beds are isolation beds and 5,522 beds are ICU beds. Since last March, 9,000 beds have been additionally increased. Which includes 6,000 isolation bed and 2,705 ICU beds. Chief Minister Yogi has instructed to double the availability of the beds. There are more than 1,16,000 L-1 beds in the state, L-2 and L-3 have more than 65,000 beds. Two CHCs are being prepared as Covid Dedicated Hospitals in all the districts. Chief Minister Yogi has instructed the general public to make available proper information about the availability of beds. Officers have been told that in all such hospitals in the state where corona infected patients are being treated, the details of vacant beds in the hospital twice every day should be made public. This details should also be uploaded on the portal of Integrated Control and Command Center of the district. Allotment of beds should be done with complete transparency. On the instructions of Chief Minister Yogi, the officers are busy doubling the number of Covid beds in all districts of the state including Lucknow, Kanpur Nagar, Prayagraj, Varanasi, Jhansi, Gorakhpur, Meerut districts. Chief Minister Yogi had ordered to extend 200-200 beds in all districts with immediate effect. All these beds are equipped with oxygen facilities. In this way, about 15,000 beds are increasing in 75 districts.

CONTINUOUS FOCUS ON TESTING

Per day testing capacity is being increased rapidly in Uttar Pradesh. Health department is conducting covid testing of more than 2.5 lakh persons daily. State has tested samples of more than 4.5 crore people till date. State has 125 labs in government sector while 104 labs in private sector for covid testing. Yogi government is doing efforts to increase the speed of testing in state also. Yogi government has directed to increase the resources for augmenting the testing capacity in

TRACE-TREAT AND VACCINATION

DRDO Covid Hospital Awadh Shilpgram, Lucknow

KGMU, RML, SGPGI, JIMS Noida, RIMS Saifai, SSPH greater Noida, Meerut Medical College, BRD Gorakhpur, Prayagraj, Jhansi, Kanpur, Agra, Azamgarh, Kannauj, Ambedkar Nagar, Banda, Saharanpur, Jalaun, Basti, Bahraich, Firozabad, Shahjahanpur and self regulatory state medical College Ayodhya. 83 RT PCR machines costing Rupees 12.45 crores, 35 semi-automatic extractor worth Rupees 14 crore, and 23 biosafety cabinet costing Rupees 1.61 crore will be purchased for these institutions. Apart from this, 29 autoclaves worth Rupees 4.25 crores, 29 deep freezers of 80 degree, 29 deep freezers of 20 degree and 29 fridges will also be purchased. Along with increasing the resources for testing capacity, manpower is also being increased. 558 scientists, lab technicians, data operators and lab attendant will also be hired and for their honorarium more than Rupees 52 lacs will be spent every month.

SURVEILLANCE BECAME THE STRONG WEAPON

Chief Minister Yogi Adityanath's surveillance and contact tracing model is proving effective in the ongoing fight against covid-19. With this model state government is making efforts to break the chain of coronavirus and to control its infection. Uttar Pradesh has become the first state in country where surveillance team are going door to door and conducting survey of people. In state 59,000 monitoring committees are working in rural areas while 14,000 monitoring committees are working in urban areas. They are going door to door and identifying the infected person on the basis of survey. Its information and details are being shared with Municipal Corporation and health department so that infection can be contained at one place timely. Till date surveillance of more than 3.35 crore homes has been conducted in the state which covers more than 16 crore population of the state. Apart from it, village and mohalla surveillance committees are also keeping an eye over the people who are in home Quarantine. It's their responsibility that people who are in home Quarantine must remain inside their homes. Also these committees are providing the information to the administration about the people who are coming from outside to Mohallas and villages. The large influx of migrant workers and labourers has started to Uttar Pradesh after lockdown in Delhi and Maharashtra. In such situation 349 Quarantine centers have been established in a state to stop the spread of virus. Migrants are being screened after their arrival by district administration and if any symptoms are found they are being put under Quarantine. Once found infected, they are being admitted in covid hospitals or isolated at home. CM Yogi has directed to Quarantine asymptomatic migrant workers for minimum 7 days.

CM YOGI'S APPEAL TO THE PEOPLE OF STATE

- Do not go out unless it is very necessary
- High risk category people like children less than 10 years, people of more than 60 years age, pregnant ladies, people with comorbidity and low immunity should not step outside their homes.
- Do not step outside without mask
- Don't go to the crowded places unnecessarily
- Businessman and traders must use mask and gloves
- Employees should be called come in shifts. Not more than half employees should be called to office at one time.
- Mask and gloves are a must for those officers and employees working in field
- Sanitization cleanliness drive and fogging should be conducted regularly and the provision of containment zone should be implemented strictly
- Must obey the night curfew
- Respect and co-operate with covid warriors
- Do not hold life saving drugs and oxygen necessary for fight against Corona
- Do not pay heed to the rumours

SHIELD OF VACCINATION AGAINST COVID-19

Vaccination drive is going on rapidly in the state to decrease the effect of Corona infection in State. Till now more than 1.52 crore doses of vaccine have been given in state. On the other hand state has decided to administer free vaccine to the people of more than 18 years age from 1st may. For this Yogi government has already placed an order of 50 lack vaccine doses each from biotech and serum institute. Uttar Pradesh is the first state in the country to announce free vaccination for all. Soon after Prime minister's announcement of vaccination to persons above 18 years age, Chief Minister Yogi Adityanath announced to provide vaccines to everyone in state free of cost. Uttar Pradesh has released a global order for vaccination of each and every citizen of state. Uttar Pradesh has become first state in the country to do so.

HIGH SECURITY OF VACCINES

There have been elaborate arrangements for the safety of vaccine during covid vaccination drive. Earlier there was a cold storage of 80,733 litres for the regular vaccination drive in state. For routine immunization and covid vaccination there was need of cold storage of 2,03,938 litres in state. Now Yogi Government has achieved the capacity of cold storage of 2.5 lakh litres in state. Central government has provided 680 large Iceland refrigerators and 716 small Iceland refrigerators to Uttar Pradesh. State stores have been prepared at every divisional headquarter for proper storage of covid vaccine. There are 18 divisions in state so 18 state stores have been prepared for this purpose. From these state stores vaccines are being transported to stores made at district level through insulated vans. From district vaccination stores vaccine is being transported through vaccine carriers with ice pack facilities to primary Health Centers or Community Health centers in rural areas where vaccination points have been prepared.

ROLE OF VIGILANCE AND FOLLOW-UP GROUPS

To provide relief and medical facilities timely to the common people during Corona pandemic, around 60,569 vigilance and follow up committees have been formed in 58,194 Gram Panchayats of state. While in urban areas 12,016 such groups have been formed. Committees are also working in 22,069 containment zones of different districts of state during second wave of Corona pandemic. In urban areas the Corporator is the head of committee and asha workers, civil defence members, Resident welfare association's representatives and regional employees are members of these committees. While in villages, committees are working under the leadership of Gram Pradhans. Lekhpal, employment workers volunteers, asha workers anganbadi workers and Village Panchayat members are also part of these committees. The vigilance and follow up committees are providing medical kids to Corona infected patients along with other patients with serious diseases in rural and urban

areas. They are also helping in vaccination, telecalling following of social distancing uses of mask and providing information on cleaning hands. These committees are managing the arrangement of Quarantine and homes for people with symptoms of Corona infection. Special attention is being paid on the health of senior citizen of more than 60 years age, pregnant ladies, small children and identification of people with comorbidity at village and mohalla level.

FOCUS ON SANITIZATION

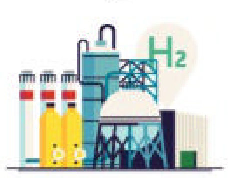
On the directions of chief minister Yogi Adityanath special sanitization campaign is running during lockdown in state. There are 1,355 wards in the 17 municipal corporations of state while 12,016 wards are in 651 local bodies. To break the chain of covid infection comprehensive sanitization campaign is running in state to make all these wards infection free. Sanitization is being done with mounted spray machines in 26,913 containment zones of the state. Apart from this anti Larva is being sprinkled and sanitization is being done with smog guns and handheld machines. During this campaign garbage collection vehicles are also spreading awareness through their public address system regarding coronavirus Infection. To break the chain of infection more than 1.5 lakh markets, important places, hospitals, Government and private institutions have also been sanitized. In this state wise cleanliness drive more than 83,000 sanitisation workers and 9,576 vehicle are involved. Anti Larva has also been sprinkled in 6,295 wards for prevention of dengue and malaria along with coronavirus infection. To prevent the infection in slums of state awareness is being spread by launching the sanitization and special cleanliness campaign. Government is appealing to the people living in the slums to use masks for prevention of Corona infection and free Masks are also being distributed.

YOGI BECAME THE TEAM LEADER

- **On April 14, Chief Minister Yogi Adityanath himself got infected by Covid during the second wave of Corona infection. During his stay in home isolation, Chief Minister Yogi continued to do all the state work regularly like a team leader. Everyday, not only with senior officials of the government reviewed the corona management in the state, but through the virtual dialogue programs, he got to know about the various sections of the society.**
- **On April 30, the Chief Minister Yogi Adityanath took the front in the field as soon as the Corona investigation report came negative. It started with the inspection of the dedicated Covid Hospital being constructed by the Defense Research and Development Organization (DRDO) in Lucknow and after that Chief Minister Yogi is constantly visiting the spot to take assessment of the Covid control work.**
- **Leading the ongoing war against Corona, Chief Minister Yogi inspected 47 districts of 11 divisions including Saharanpur, Moradabad, Ghaziabad, Gautam Budh Nagar, Meerut, Aligarh, Agra, Varanasi, Ayodhya during the last two weeks. The Chief Minister held a review meeting with the officers in the districts and also went to the command center to know the reality of corona control.**
- **CM Yogi, worried about the outbreak of corona infection in Aligarh Muslim University (AMU) campus and went to the university campus to take assessment of the situation himself. It was the first time after 37 years that the Chief Minister of the state had come to the AMU campus. The Chief Minister directed the officers to comprehensively manage corona testing and vaccination in AMU.**
- **To see the reality of Corona control efforts, Chief Minister Yogi himself selected the village and went there to know the reality of medical kit distribution and cleanliness campaign to the corona victims. The Chief Minister also instructed the officers to make proper arrangements for sanitization and vaccination by deploying the Sector Magistrate in the village.**
- **UP has become the first state in the country to make global tender for 40 million vaccines. More than 1.52 crore vaccine doses have been imposed in the state of the age group of above 45 years. From May 17, 2021, the corona vaccination work of people in the age group of 18 to 44 years is being increased from 18 districts to 23 districts. Till now more than 5.27 lakh people of this age group have been vaccinated.**
- **The Chief Minister has given instructions to set up 100-bed pediatric ICU (PICU) in government medical colleges. Of these, 50 beds will be ICU and 50 beds will be full of oxygen. Instructions have been given to establish 25-bed PICU in each district. The Chief Minister has also given instructions to carry forward the establishment of PICU on a war footing.**
- **More than 42,495 people are being provided food daily from more than 402 community kitchens in the state, while community kitchens are being made in many districts including Hardoi, Shamli, Unnao and more. The government has delivered food to more than 2.5 lakh people. The aim of the government is that no one should sleep hungry in this difficult period of epidemic.**

THERE WILL BE NO SHORTAGE OF OXYGEN FOR COVID PATIENTS

Yogi Adityanath government has put all possible efforts to provide oxygen to patients infected with Covid in state. After efforts of Chief Minister, Central government has also increased the quota of oxygen for Uttar Pradesh to 1,050 metric tons. Uttar Pradesh has become the first state in the country to transport oxygen from rail route for the patients. To fulfill the requirement of oxygen in state, arrangements have been made to bring oxygen from plants in Bihar, Orissa, Bengal and Jharkhand. After directions of Chief Minister Yogi Adityanath control room has started in home department for supply of oxygen to the different districts of state. This control room is working 24/7. UP is the first state which is trying to provide oxygen to every part of state in minimum time through online monitoring system. GPS enabled phones have been made available to all the tanker drivers who are involved in oxygen supply. Process of oxygen audit has also been initiated so that its misuse can be curbed. To save the time for oxygen supply empty tankers are being transported in planes to refilling station. Also green corridor is being made for the tankers coming from other states so then they reach their destination as early as possible. 84 tankers have been involved for oxygen supply through different mediums and 20 oxygen trains have already reached in state.



OPENING SHUTTERED INDUSTRIAL UNITS

The shuttered oxygen factory in GEDA sector 13 of Gorakhpur district has been made functional again. Now 1,500 cylinders can be produced daily from this unit. Till now three industrial units of Gorakhpur are producing 2,600 cylinders daily. Now after the start of fourth plant around 4,100 oxygen cylinders can be supplied. The Bharat pumps and compressors limited in Prayagraj district was making oxygen cylinders till 2012 but later it also closed. After the intervention of yogi government it has started functioning again. Company will very soon supply more than 3,000 cylinders. The local youth are also getting employment after opening of this oxygen production company. Yogi government has already placed an order of 3,000 cylinders to the company. An oxygen plant closed from last three years in darekhu of rohania area in Varanasi has been taken over by government and it will also start functioning very soon. The plant with the capacity of 4 metric tons will produce 400 oxygen cylinders daily. Two refilling plants in Meerut have also started production of oxygen again. Each of these plants has the capacity of 1,000 cylinders daily. An oxygen plant in Agra district will start functioning very soon with the help of State Government and Indian Army. Another oxygen plant of a private sector company is being established in khandauli area of Agra. One equipment intercooler copper tube was needed for this plant. Air

force played a crucial role in bringing it from Ahmedabad to Agra.

ENOUGH OXYGEN IN HOSPITALS

There are already 32 oxygen plants in the different medical institutions of state. Under the PM cares fund orders have been placed by Central Government for establishment of 39 oxygen plants. The important fact is that all these plants will make oxygen from air with new technique. Proposal for establishing maximum 11 oxygen plants in Kanpur Nagar have been received from private sector. Apart from it proposals have been received for establishment of 4 plants in Bareilly and Prayagraj, 3 each in Jaunpur, Kanpur Dehat, Aligarh and Mau, 2 each in Mathura, Ghaziabad and Varanasi and Chandauli and 1 each in Agra, Kasganj, Barabanki, Budaun, Basti, Sant Kabir Nagar, Gonda, Gorakhpur, Maharajganj, Lalitpur, Unnao, Hardoi, Sitapur and Hapur districts. These plants will produce 20 lakh cubic metre oxygen all together. 8,000 D type Jumbo cylinders are being purchased for refill in medical colleges and other medical institutions of state. One Jumbo cylinder contains 46.7 litre oxygen and as per this calculation 5,000 Jumbo cylinders will carry 2,33,500 liter oxygen. All oxygen cylinders will be stored at Cancer institute Lucknow and Jumbo cylinders will be send to other districts according to their requirement. As per the medical facilities point of view Community Health Centre is a very important and small unit. Apart from augmenting the process of establishing oxygen plants at CHC, Useful technologies like oxygen concentrator which can be used immediately will also prove effective. Keeping this in mind, 10 oxygen concentrators are being provided to all Community Health Centres after directions of Chief Minister Yogi Adityanath.

INTEGRATED EFFORTS WILL PREVENT INFECTION

COMMAND CENTRE

Covid control rooms, established in all districts have been made more active for supervision of Corona infection. Many arrangements are being done through these control rooms which includes availability of beds in hospitals, availability of medicines and presence of health workers. Nodal Officer has been appointed for 24 hours supervision of control room.

SECTOR MAGISTRATE

Chief Minister Yogi Adityanath has implemented sector system for better management of covid prevention in districts. These sector magistrates will move in their areas and will keep an eye over every activity. It will be their responsibility to provide help according to the government policies to the needy persons.

COVID HOSPITAL

For prevention of covid in rural areas 2 community Health centers each in all districts are being converted into dedicated covid hospitals. These hospitals will have 50 beds with L1 category facilities.

TELECONSULTATION

Tele consultation facility has been made available to the non covid patients. District wise panel of experts has been constituted for this purpose. All doctors practicing different medical systems are included in these panels. Numbers, timings and expertise of these doctors is being circulated widely.

AYUSH DOCTORS

A team of AYUSH doctors is being made in every district. These doctors will work in coordination with local Administration and integrated command and control centre. Ayush department has already distributed Ayush Kadha to more than 20,000 families and arsenic album medicine to more than 6 lakh people.

SANITIZER PRODUCTION

The 97 sugar Mills and other industrial units have procured around 2 crore litre sanitizer till 26 March during second wave of covid in state. The sanitizer procured in sugar mills of Uttar Pradesh is being supplied not only in state but also to the other parts of country from Ladakh to Kerala.

REMDESIVIR INJECTION

On the instructions of Chief Minister Yogi Adityanath, Remdesivir injections have been distributed to hospitals and medical colleges. It has been made available to district magistrates and Chief medical officers also for the help of needy persons. Central government has given 1.61 lakh vials of this injection to state for use till 30th April. From 1st May its supply has been doubled. Government is also contacting other suppliers for its availability.

BUS SERVICE

Transport department is plying 9,000 buses for migrant workers and daily commuters. All buses are running after being sanitized completely and with complete adherence to covid protocol. Around 55,000 employees including station masters and other category workers are performing their duties at bus stops.

PROCUREMENT CENTER

Easing the norms for procurement of wheat, farmers have been given permission to sell their yield on minimum support price at any government procurement center of district as per their convenience. For this purpose Yogi government has given relaxation in the order of attachment of nearest procurement center to the revenue village of farmers.

Corporate

RAISING THE BAR

Anand Kripalu's mandate while taking over the reins of Diageo India in 2014, was not just to turn around the debt-ridden United Spirits, but also drive cultural change in an industry tainted with unscrupulous practices

BY AJITA SHASHIDHAR
PHOTOGRAPH BY MANDAR DEODHAR

A **peg of Johnnie Walker** Black Label with soda has been his favourite after a hard day's work. Anand Kripalu, Managing Director and CEO, Diageo India, proudly calls himself a Black Label loyalist. "If you go to a bar anywhere in the world and you hear someone ordering a Black Label and soda, it has to be an Indian. I am a proud Indian who is a diehard Black Label and soda fan."

At his sprawling apartment in South Mumbai, he effortlessly puts together a colourful whisky-based cocktail, Manhattan. "Earlier, if someone suggested a whisky cocktail, I would tell them not to spoil the whisky by adding other ingredients. The last seven years has enabled me to look at the world of spirits through a new lens," he says. Not only has Kripalu's perspective of alcohol consumption changed, the 62-year-old has been instrumental in bringing about an attitudinal change in India's ₹40,000-crore alcohol beverage industry.

Anand Kripalu,
MD & CEO,
Diageo India

In an industry known for unscrupulous methods of doing business and lack of corporate governance, Kripalu's mandate when he took over in 2014 was to ensure business was done the 'right way'. State governments control alcohol sales in over 70 per cent of the states and greasing palms of government officials was the norm. "The toughest battle was doing business the right way," says Kripalu. "We have walked out of many states, saying we will do business only the right way. In one state from being a market leader, we got wiped out to zero. They told us you either do it or you don't and we said we will not. There was no other way of saying we have zero tolerance," he adds. Some of the states, which earlier were not willing to relent to Diageo's compliance norms, eventually turned around and have started doing business with them.

Suresh Menon, Secretary-general, International Spirits & Wines Association of India (ISWAI), agrees Diageo and other multinational liquor companies such as Pernod Ricard and Bacardi did play an important role in transforming compliance mechanisms. "In the initial years there was a feeling that Diageo would blink. In the interest of business, it would succumb to industry overtures. Diageo didn't do that, which is laudable. Even at the cost of business, they stood their ground and didn't compromise on compliance agenda."

Kripalu admits he was sceptical being part of an industry that was known for all the wrong reasons. "When I started talking to Diageo's global team, I realised I may have an opportunity to leave a legacy behind. Therefore, I decided to take the plunge."

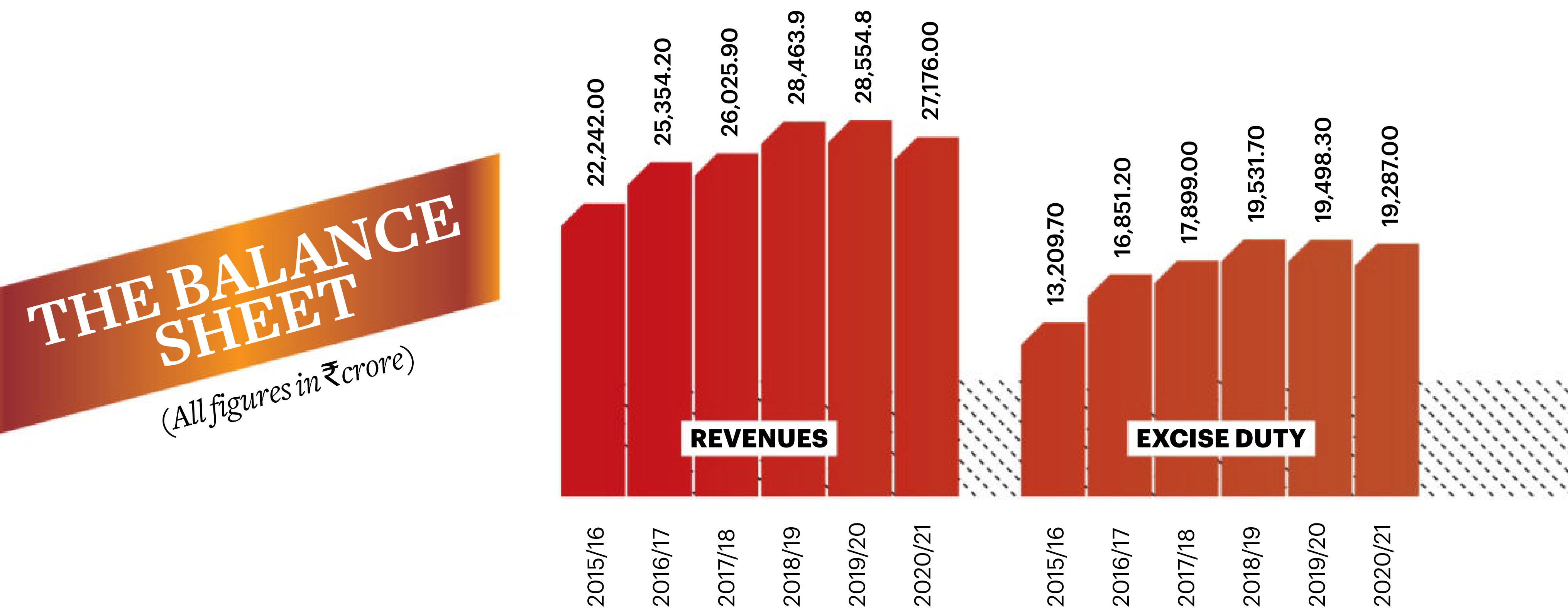
65 PER CENT
Share of pemium brands in Diageo's portfolio (priced above ₹800)

When Kripalu took over, Diageo had just announced the acquisition of Vijay Mallya's United Spirits (USL). Though this acquisition gave the British alcohol major the much-needed scale, it came with debts of ₹5,000 crore. The company's losses were at ₹5,103 crore and Kripalu had the onerous task of turning around a business in an inclement business environment. In an industry where pricing is controlled by state governments and excise duties are upwards of 40-50 per cent, profitability seemed a distant dream.

However, USL's sheer scale and its national footprint did put its new owner at an advantage. On the back of a premiumisation strategy and adoption of a stringent cost-efficiency model, which involved shutting down unviable manufacturing facilities and franchising some mass brands, Diageo has not just more than halved its debt burden, it has been profitable since 2016/17. "We have been judicious in where to invest. It's not a story of cutting costs, it's about productivity to fuel growth and invest in the right parts of the business. The shape of the P&L also validates that," explains Abanti Sankaranarayanan, Chief Strategy and Corporate Affairs Officer, Diageo India.

USL Acquisition

Though Diageo formally took controlling stake in USL in 2013/14, its association with the then Vijay Mallya-owned company dates back to the early '90s, when it partnered



with USL to bottle Scotch whisky brands Black & White and VAT 69. "In 2006/07 Diageo had expressed interest in forming a joint venture with USL, but citing pricing considerations Dr Mallya didn't agree to the proposal. A few years later Diageo came back with the idea of buying out Mallya, by which time the latter had been plagued with problems of Kingfisher Airlines and decided to exit the spirits business," remembers Menon of ISWAI. Today, Diageo owns 56 per cent of USL, while the rest is with financial institutions and the public.

The USL acquisition gave scale to Diageo India. While USL sold 120 million cases a year in 2013/14, Diageo India sold just 1.25 million cases. USL had 94 manufacturing facilities. Assam itself had five factories, while Nagpur had three. Being closer to market was important for an alcohol company to avoid taxation imposed by each state. For a ₹100 product, an alcohol company generally ends up paying ₹75 as taxes. What makes it even more unviable is that it has to pay an export pass fee to the state where it manufactures, and an import tax fee in the state where it sells. That's not all, it also has to pay a transit fee to states through which its trucks pass.

Therefore, producing and selling closer to market is a far more viable option. The USL acquisition helped Diageo piggyback on popular USL brands such as Mc Dowell's No.1, Royal Challenge and Black Dog. It also helped Diageo significantly improve distribution might. "Earlier Diageo would supply to Nagpur from its facility and paid 15 per cent octroi. Now, it was possible to make it locally or bring it into a warehouse and supply, which meant they paid 15 per cent on far lesser value," explains ISWAI's Menon.

Since operating 94 factories did not make business sense to Diageo India, it has over the last seven years halved manufacturing facilities to 47. "We cut down where we felt there were opportunities for rationalisation. We also invested in quality manufacturing, and added automatic lines," points out Sankaranarayanan.

Being Compliant

Diageo India, says Kripalu, is obsessed about selling rightly and ethically. "In 2014, I would have spent more time on compliance and the past than I spent on the future of the company. Till we fixed that, there was no future," he says. "People told me *dhandha band ho jayega* (business will shut down) if I held on to my stand. I told them that was absolutely fine, but I will not budge."

The company tried to do away with USL's push-sales method. In the alcohol industry, where only surro-

TURNING IT AROUND

After acquiring a controlling stake in 2014, Diageo raised its stake in United Spirits to 55.9 per cent in May 2020. The turnaround includes:

Focus on premiumisation; now 65 per cent of Diageo's portfolio is premium brands

Strong focus on profitability

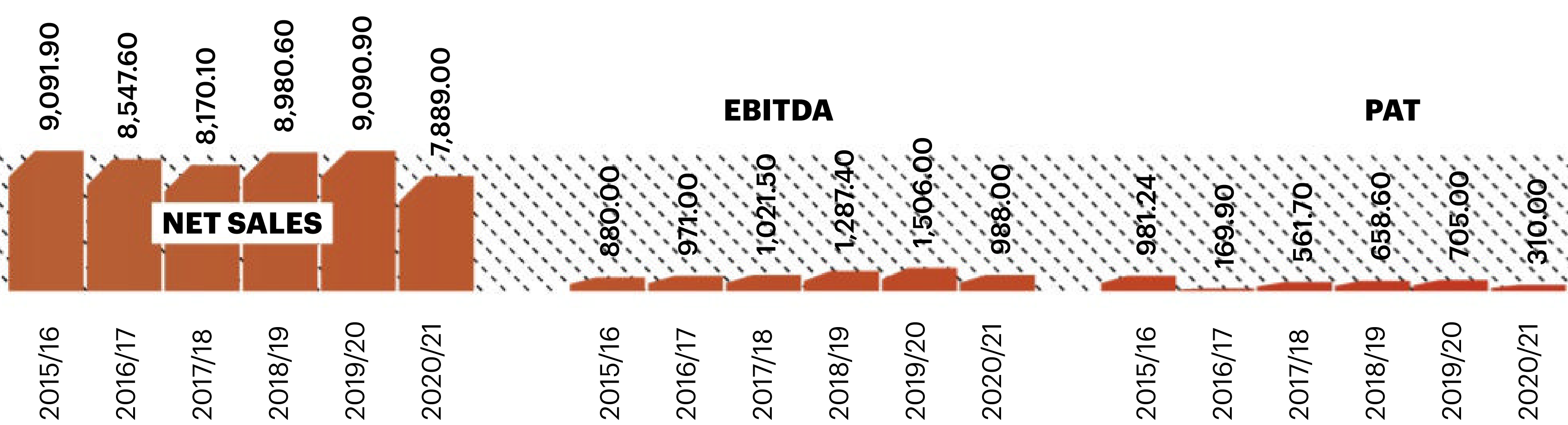
Halved factories from 94 to 47

Investment in quality manufacturing, addition of automatic lines

Reduced people costs

Switching from volume to value mindset

Franchising of mass brands such as Bagpiper, Director's Special, Hayward's Whisky



gate advertising is allowed, brand loyalty often becomes a challenge. "USL paid more to distributors and retailers in terms of margins to ensure its brands were sold. A branded liquor company will typically spend a lot on product innovation and promotion. There is a pull from consumers, he/she asks for a brand and doesn't buy what the shopkeeper pushes," explains Abneesh Roy, Executive Vice president, Research, Edelweiss Securities.

In fact, this push-sales strategy is a major cause of compliance lapses. Close to 70 per cent of Indian states either manage liquor distribution or retail sales, and compliance norms of most multinationals doesn't allow them to give incentives to government employees. "The retail store manager or distributor expects us to give them incentives to sell our products and our hands are tied. They, therefore, prioritise local brands, which are not bound by compliance issues and give them what they want," points out the CEO of a leading multinational alcohol beverage company.

In Andhra Pradesh, Tamil Nadu, Kerala and Delhi, the government owns both wholesale and retail channels. In Madhya Pradesh and Chhattisgarh, the state government owns retail stores, while in Karnataka the state partly owns the retail network. An alcoholic beverage company requires almost 2,00,000 permissions annually to manufacture its brands in India. On an average every unit requires around 11,000 permissions, approvals and licences every month to do business. This explains the bureaucratic interference companies have to undergo. In addition, the nature of taxation and duties varies in each state.

Sankaranarayanan claims Diageo has been managing the non-harmonised regulatory environment with data and evidence-based advocacy, strong argumentation, and by putting forward win-win arguments for the industry, consumers and state governments. "We share best practices not just from other countries, but also from other states within the country. By telling State A that State B is doing this and that is resulting in more excise revenue or a better market structure through premiumisation, we are helping provide data and evidence-based arguments to shape policymakers' thinking. We are no longer just reacting or fire-fighting, but actively shaping the environment."

These conversations have indeed helped in changing the complexion of the industry, agrees ISWAI's Menon. "When there is advocacy at the government official's level, it has now been taken to a much higher level, it is no longer a case of begging. People are willing to listen if you have a logical argument, are willing to concede."

Kedar Ulman, Chief Supply Chain Officer, Diageo India, points out that a key ingredient of compliance also includes tightening systems and processes. "We used to have 40-45 days of stock with the distributor; now we have reduced it to 15 days. Since fiscal prudence was not tight earlier, working capital was not as tightly governed. There were no questions asked why we had 45 days of stock with distributors. Now, if I increase my stock from 15 to 17 days, I am asked questions. We have systems in place and we can't push stocks."

PHOTOGRAPH BY RACHIT GOSWAMI

We have been judicious in where to invest. It's not a story of cutting costs, it's about productivity to fuel growth and invest in the right parts of the business. The shape of the P&L also validates that

Abanti Sankaranarayanan, Chief Strategy & Corporate Affairs Officer, Diageo India

Premiumisation In Focus

When Diageo took over USL, there was a mindset change among upwardly mobile Indians. Having travelled across the globe, Indians wanted to 'drink better' and were not apologetic to spend a premium for a good drink. The willingness to spend created an opportunity for value growth, which Diageo India capitalised upon. India for the longest time was the world's largest whisky market by volume, but the lowest per capita consumption in value terms.

The taboo against liquor consumption was gradually fading away too. "Earlier, you couldn't drink with your father, today you can drink with your grandmother too. This attitudinal change actually lowers barriers to ensure increased consumption," explains Kripalu.

Diageo, in fact, was a late mover in premium spirits. Global competitor, Pernod Ricard by virtue of having the first-mover advantage had covered considerable ground. "We focused on key brands we believed would help drive profitable growth through premiumisation. We did whatever we needed to do as marketers and sales people to make those brands more relevant and bring those brands alive in the retail store," says Kripalu.

The company strengthened its focus on Johnnie Walker, Black & White, Black Dog, VAT 69, McDowell and Royal Challenge. Since only surrogate advertising of alcohol brands is allowed, retail stores are their television screen. Diageo spent a fortune on packaging and brand visibility. The focus moved from brand-push to brand-pull. "We stepped up investment behind our brands. If you look at our A&P (advertising and promotions) spends, for example, we have increased or maintained it to NSV (net sales value) ratio," says Sankaranarayanan.

Over 65 per cent of Diageo's portfolio today consists of premium brands (priced above ₹800). "In the prestige and above segment, you have a fair degree of pricing power. If a particular state takes up excise by 25 per cent, the commensurate increase can be taken much more easily than the popular segment. In the popular segment the more the excise duty increases, the less profitable the segment becomes," explains Krishnan Sambamoorty, Vice president, Research, Motilal Oswal Financial Services.

The company also invested in superior liquids for brands such as McDowell's No. 1 and Royal Challenge. McDowell's No.1 has been ruling the hearts of Indian whisky drinkers for over seven decades. Its strong aftertaste stood out and consumers loved drinking McDowell's as it gave them a hit. However, the brand was losing its popularity among millennials.

"Younger consumers were not adopting the brand as they found the taste too strong. We were not recruiting people into brand franchise. At the same time, we didn't want to completely change the product as we had loyalists," explains Deepika Warrier, Chief Marketing Officer, Diageo India. With alterations in the liquid, Warrier claims McDowell's is among the fastest-growing brands in the Diageo portfolio. The company also invested in better-looking packs to give it a more contemporary look.

The Diageo team is particularly proud of its most recent launch Hipsters, which are sleek 180-ml bottles of its premium brands Johnnie Walker, Black & White and VAT 69, priced at ₹250-600. "Scotch is the aspirational drink in India. But it isn't really affordable for a top-end consumer. We realised that a lot of consumers who wanted to drink better wanted to drink more often. In the brands that we launched Hipster, its almost 10 per cent of the brand mix," says Warrier.

Alcohol buying is often a considered purchase and

NO LONGER A TABOO

From an era when alcoholic beverages were taboo and consumed mostly by men outside homes, recent years have seen increasing permissibility for alco-bev consumption

Indians want to "drink better", experiment with their favourite tipple; Rise in millennial and mixed-gender consumption occasions too

The Covid-induced lockdown has further unlocked social permission and at-home consumption, with homestayers starting to drink less and better at home

Covid also saw the industry behave like a semi-essential category, with consumers stocking up

Across consumers, the trend has been to drink less, but not downtrade from the drink of choice

Consumers have diverted "duty free" travel retail spending to experimenting with premium spirit brands, triggering strong growth in Scotch segment

Explosion of "craft" brands particularly in gin not impulse driven unlike many other FMCG categories. Kripalu, who was earlier, heading Mondelez India, often told his team, "Somebody has to make a conscious choice not to buy a Cadbury chocolate when they walk into a store. It has to be so visible and impactful that somebody has to say, I have seen it, I love it, but I am not going to buy. Our Hipster pack of Scotch whisky has been entirely implemented in front of store, it shouts out, pick me up, therefore, a bit of impulse is playing over there."

Alongside its premiumisation strategy, Diageo, franchised its economy brands such as Bagpiper, Old Tavern and Hayward's, which did give the company large volumes but were negligible in terms of value. "The franchisee manufactures, sells, markets and pays us a royalty," explains Warrier.

Roy of Edelweiss lauds Diageo's premiumisation and franchising strategies, but at the same time he also feels that the company, despite its scale hasn't been able to eat into the share of Pernod Ricard in the premium market. "It usually takes three-four years to address merger-related issues. But even after seven years, Pernod Ricard is still growing faster," points out Roy.

Leaders who were sitting in cabins let go of their offices. The moment we made these changes, we gave a clear message that leaders are role-models

Aarif Aziz, Chief Human Resources Officer, Diageo India

Cultural Shift

Joining the alcohol industry, says Kripalu, was like checking into Hotel California. "One can check in any time, but can never leave. Once in the alcohol industry, you are stuck there forever. When I spoke to FMCG folks, they would tell me, Anand, if you are there maybe I will take that risk, but the impression was that they would never be able to sell toothpaste or food products."

When Kripalu told people in FMCG circles about his vision to create the best-performing, most trusted and respected consumer products' company, they would laugh at him. "People said it is almost a stupid vision. I told them I am not sure if we will ever get there as a business. But that's the North Star as a business."

Kripalu says he was determined to build an institution and not merely grow the organisation. The erstwhile USL was a hugely hierarchical and promoter-centric organisation. "We had to change that, as our culture is not about being hierarchical. It's about being more transparent, where meritocracy and loyalty are a virtue. We are far more performance driven. I believe that culture drives performance," explains Kripalu.

22 PER CENT

Proportion of women in Diageo India's workforce. A third of the company's senior leaders are women

Over the next few years, Diageo India evolved into a far more non-hierarchical, open organisation. The company, says Aarif Aziz, Chief Human Resources Officer, Diageo India, tried to break down all bastions of hierarchy. It even got rid of designated car parks for senior management. "We realised if we want a non-hierarchical culture, we need to make sure that we communicate that as you are higher in the roles, you may have more compensation or benefits, but not more privileges. The moment you have privileges, you are creating a sense of hierarchy. So, we got rid of senior management perks such as dedicated car parking."

"Leaders who were sitting in cabins let go of their offices. The moment we made these changes, we gave a clear message that leaders are role-models,"

Younger consumers were not adopting the brand as they found the taste too strong... At the same time, we didn't want to completely change the product as we had loyalists

Deepika Warrier, Chief Marketing Officer, Diageo India

adds Aziz. This helped the company attract good talent from outside the alcohol industry as well. In order to take the business to the next level, diverse thoughts and ideas were the need of the hour.

Diversity included not just talent from diverse industries, but also gender diversity. In 2013/14, women comprised 7 per cent of Diageo's workforce; today it is 22 per cent. There are three women in Kripalu's eight-member core team and a third of the company's senior leaders are women. The alcohol industry has traditionally been male-dominated. Alcohol consumption in India has always been associated with men and that reflects in the workforce too.

The alcohol major, says Warrier, is working overtime to break stereotypes. On International Women's Day, the company released a video showing three women having brunch over a glass of Black & White, one of Diageo's fastest-growing Scotch whisky brands. "We have changed the conversation. It's not that women don't drink whisky," says Warrier. Also on the cards are innovations such as lighter variants of whisky targeted at women, but in the interim the company would have more women in the narratives of their existing brands.

Opportunities Galore

Building a profitable business in Indian alcohol is certainly an uphill task, thanks to innumerable taxes. Gross margins of an alcohol company are in the region of 30 per cent and operating margins are around 13-14 per cent. Operating margins of most FMCG companies are in the region of 20 per cent, while gross margins are upwards of 45 per cent.

"Despite a heavily controlled environment, Diageo India has made significant progress on improving profitability due to improving gross margins, enabled by premiumisation and productivity across all lines of the business," explains Ulman.

Despite regulatory challenges, industry incumbents are confident their business would grow on the back of scale. "Profitability in India will come with scale. With consumers getting more globalised, there is huge scope for better brands," says the CEO of a leading alcoholic beverage company.

Kripalu says the changes currently are only in the fringes and there is a lot more that is waiting to unfold. "Consumers want to flirt with options. You must have seen the advent of craft beer. There are so many flavours. The same thing is happening in single malts and whiskies too. People are asking for smoky, sweet or floral whiskies. There is an opportunity to make the category much more exciting."

Kripalu sees a huge opportunity in getting more women into consuming whisky. "I think creating serves which are compelling to women is an absolutely large opportunity, probably bigger than the opportunity to grow consumption among men. But much depends on sanitising the image of this category. The day you start changing the narrative of alcohol in India, the flow-on effects will be enormous."

In the twilight of his professional life, Kripalu says the Diageo-USL experience has been the management experience of a lifetime. "We tried to build an institution. Businesses can go up and down, but institutions stay forever. While a business is built on numbers, an institution is built on values and culture." BT

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Industry

Back on Growth Path

After a prolonged downturn, India's steel industry is set for good times. But it may have to expand quickly to meet the expected spike in demand

BY SUMANT BANERJI

An aerial view of ArcelorMittal Nippon steel plant

The corridors of the Ministry of Steel at New Delhi's Udyog Bhawan are buzzing once again. After a prolonged slump, investors are lining up to exploit the sector's vast untapped potential.

The biggest statement of intent was made by South Korean Ambassador to India Shin Bongkil on April 20 at a virtual roundtable conference organised by the Indian Chamber of Commerce. Bongkil said South Korean steel giant POSCO was again looking at setting up an integrated steel plant in Odisha at an investment of $12 billion, which would make it the country's biggest FDI project.

While Posco is yet to officially confirm it, Bongkil's statement comes barely four years after the company scrapped plans to set up a similar steel plant in Odisha that it had been chasing since 2005. Frustrated by the slow progress and a global downturn in the commodity cycle, which necessitated conservation of resources, POSCO had even surrendered 1,880 acre of land it had got from the government in 2017. Plans for smaller steel plants in Karnataka and Jharkhand were also junked.

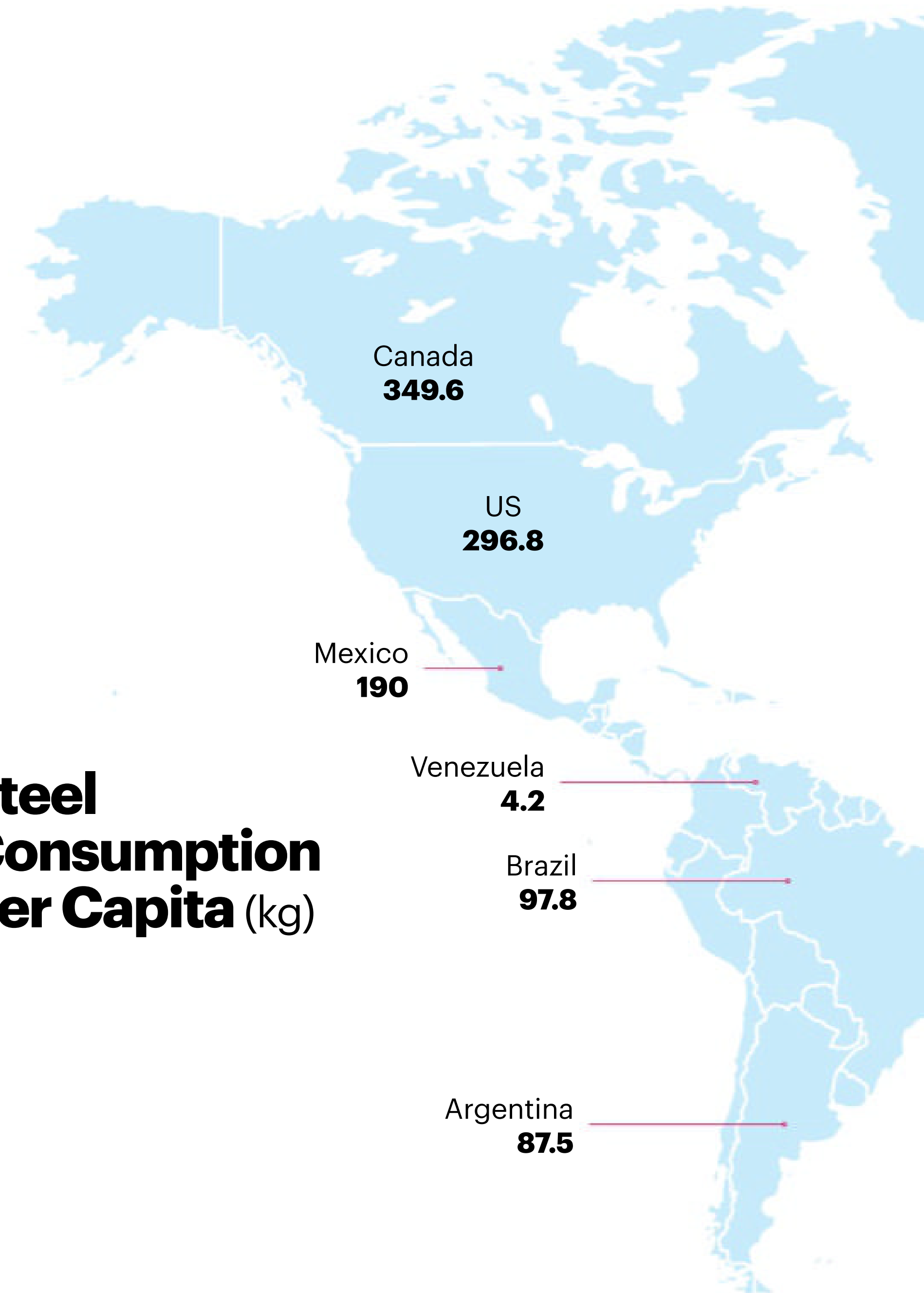
At that time, it was seen as a big blow to India's attractiveness as an investment destination. Today, it would act as a shot in the arm for an economy already struggling with low private sector investment and one that is trying to revive itself from the ravages of the pandemic.

Over the last decade, India has made steady progress as a steel producer, expanding its output from 58 million tonnes (MT) in 2008 to 110 MT, growing at double the pace of the world. In the process, it has overtaken Russia, the US and Japan to become the second-largest steel-producing nation after China. Yet, it is still far from exploring its true potential.

India has one of the lowest per capita steel consumption at just 74.3 kg, compared to China's 633 kg, the US' 297 kg, Japan's 498 kg and Germany's 418 kg. Keeping this in mind, the government has set a target of achieving 300 MT of capacity by 2030/31, more than double the current 142 MT. Given that it takes a minimum four-five years for any steel plant to be set up from scratch, the investment cycle needs to start now if the target has to be achieved.

"Increasing demand and price in the global market is giving the Indian industry the required fillip," says Dilip Oommen, CEO, ArcelorMittal Nippon Steel (AMNS) India. "As India develops into a stronger economy, steel consumption is bound to rise. From that perspective, the industry remains very attractive. We expect the current trends of steel demand to continue in the medium term. Definitely, 2021 looks firmer than expected in terms of demand."

Steel Consumption Per Capita (kg)

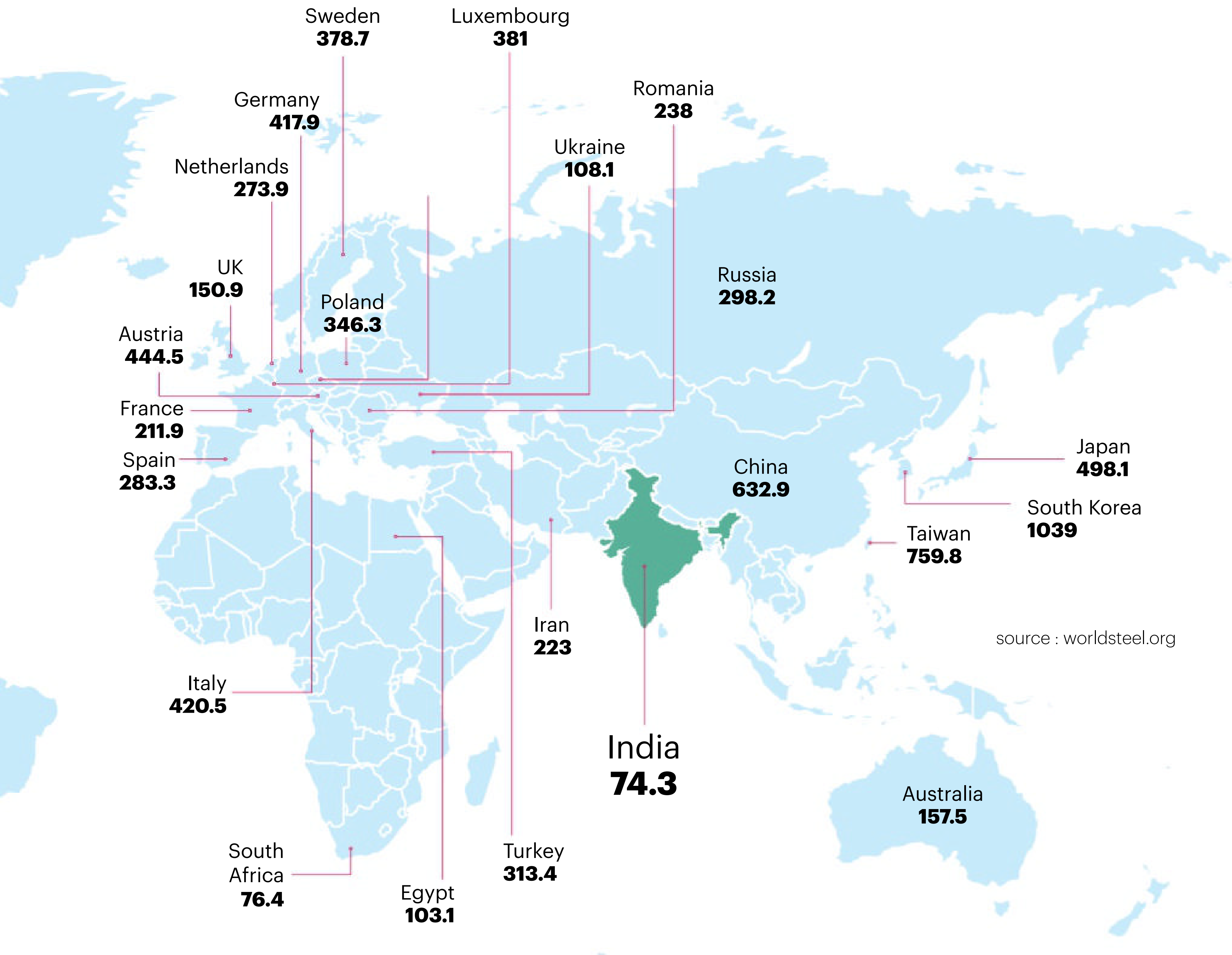


97%

Increase in global steel prices between May 2020 and January 2021. Since then, prices have gone up by another 45 per cent

Bull Run In A Pandemic

Other factors have also turned favourable for the industry in India. Since the lockdown last summer when global commodity prices suffered a meltdown, the rebound has been nothing short of spectacular. Led by a commodity hungry China, the world's largest producer and consumer of steel, global prices have almost tripled from last May. In



5.5%
Dip in consumption in India in FY21, against the earlier projected 10 per cent. Production was down 7 per cent

300
MILLION TONNES
Target capacity under the National Steel Policy by 2030/31, which means capacity needs to grow by 7 per cent CAGR

100
MILLION TONNES
Estimated planned capacity expansion by 2030

India, too, prices have surged. According to commodity market intelligence website Steelmint, prices of hot rolled coil (HRC) in India are currently at an all-time high of ₹66,600 per tonne as on May 12. In May last year, it was at just ₹37,200 per tonne and had dropped below ₹36,000 the following month.

At the same time, demand has also been unusually strong — a win-win for companies. The industry had initially feared a steep double-digit decline in production as well as consumption in FY21, but thanks to a strong rebound in the second half, it was able to contain the fall in overall consumption to just 6.7 per cent and production loss to 7 per cent. The forecast for this year is very positive.

"India suffered severely from an extended period of severe lockdown, which brought most industrial and construction activities to a standstill. However, the economy has been recovering strongly since August, much sharper than expected, with the resumption of government projects and pent-up consumption demand," global industry body World Steel Association said in its short-term outlook last month. "India's steel demand is expected to rebound by 19.8 per cent to exceed the 2019 level in 2021. The growth-oriented government agenda will drive it."

Sky high prices are, however, bad news for user industries, including infrastructure, automobiles and consumer durable, especially at a time when demand is uncertain due to the second wave of Covid. During the downturn of 2016/17 when steel was being widely dumped in India by

China, the government had taken a slew of measures, including raising import duties and clamping safeguard and anti-dumping duties on a number of steel grades, to protect the domestic industry. In Budget 2021, Finance Minister Nirmala Sitharaman rolled back some of these measures to help bring down prices.

Customs duty on iron and steel melting scrap, including stainless steel scrap, for example, has been removed entirely till March 2022, while on primary/semi-finished products of non-alloy steel and on long products of non-alloy, stainless and alloy steel, it has been reduced to 7.5 per cent from 10 per cent. Some of the trade remedial measures imposed between 2016 and 2019 that have also been revoked include anti-dumping duty till September 30, 2021 on straight length bars and rods of alloy steel, originating or exported from China, high-speed steel of non-cobalt grade, originating or exported from Brazil, China and Germany, and flat-rolled product of steel, plated or coated with alloy of aluminium or zinc, originating or exported from China, Vietnam and Korea.

Similarly, countervailing duty has been revoked till September on certain hot- and cold-rolled stainless steel products from China and provisional countervailing duty has been revoked for the same period on import of flat products of stainless steel from Indonesia. As part of a sunset review of anti-dumping duty on cold-rolled flat products of stainless steel of width 600-1,250 mm and above, 1,250 mm of non-bonafide usage originating or exported from China, South Korea, European Union, South Africa, Taiwan, Thailand and the US has also been discontinued.

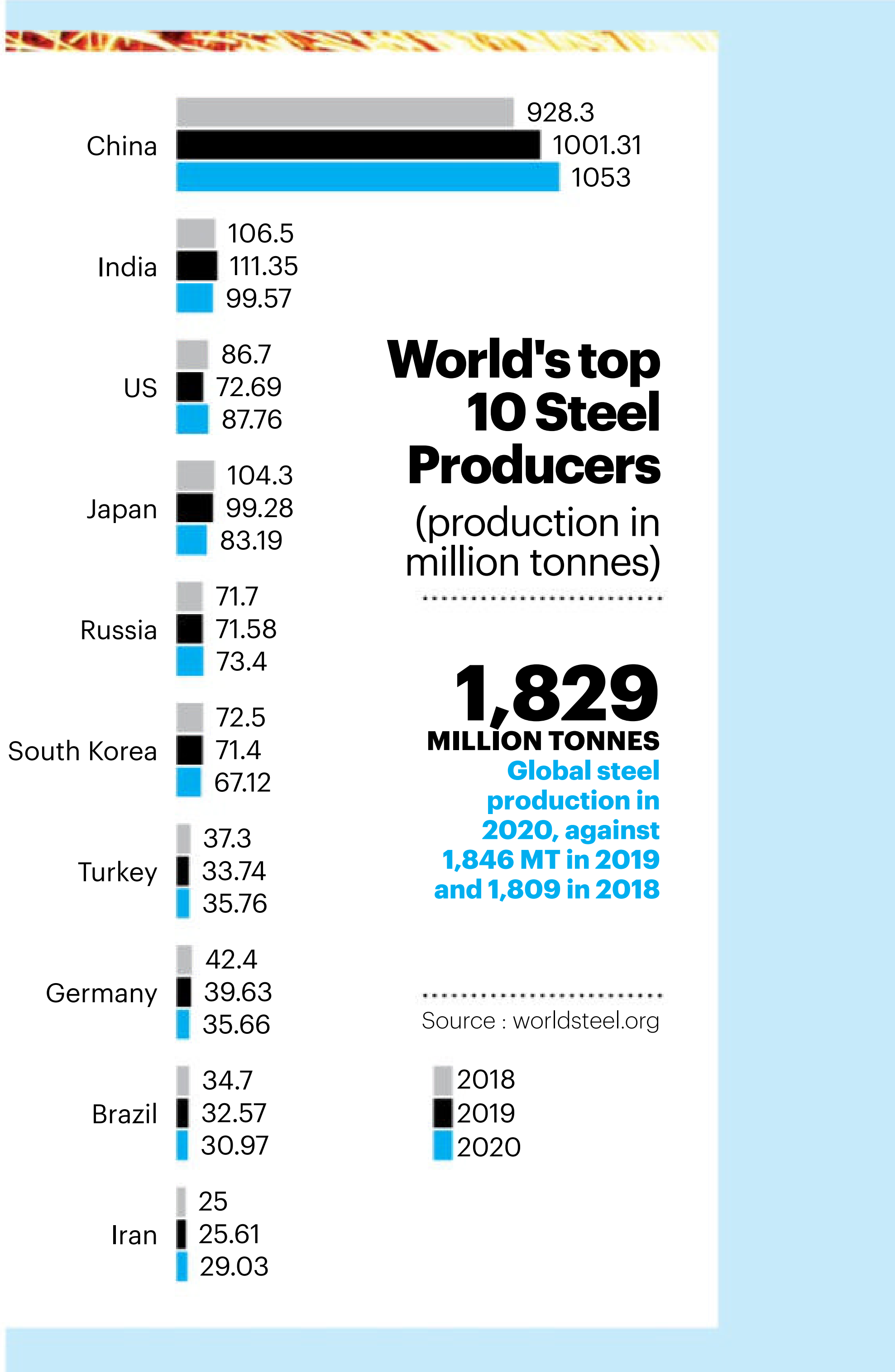
However, at a time when prices of steel in the international market are still significantly higher than in India, these measures have not had the desired effect. According to Steelmint data, prices of HRC in China hit a new all-time high of $1,010 this month, 14 per cent more than the prevalent rate in India.

"While this upward cycle in steel prices brings relief to domestic steel companies grappling with low demand and stagnant prices, it has spooked end-user sectors, who are worried about a steep increase in their raw material costs," Care Ratings said in a recent report. "Besides, increase in steel prices also raises fear of inflation in the domestic markets as raw material cost for many sectors goes up, putting a cascading effect on consumers."

"High steel prices have put the forging industry at risk, particularly when we are still struggling from Covid-inflicted business losses and resultant pressure on cash flows and cash reserves," says Vikas Bajaj, President, Association of Indian Forging Industry. "Rising demand for steel and low production in the domestic market due to increased exports are the prime reasons for price hikes."

Will The Growth Sustain?

There are no signs of the bull run halting anytime soon. Experts predict strong growth for much of this decade as



India eventually shrugs off the effects of the pandemic and renews its march towards a $5-trillion economy by 2030. It would mean an average GDP growth of over 6 per cent, which would translate into a substantial growth in demand for steel. So much so that demand may outstrip supply.

"There will be a non-linear demand generation of steel, which will outstrip supply from domestic manufacturers," says Saurabh Bhatnagar, Partner and National Leader, Metals and Mining at EY. "The pace of demand generation will stay ahead of the pace of capacity creation."

"India needs to start investing in capacity augmentation, else we will have to import 80 million tonnes of steel by 2025, which can go up to 150 million tonnes by 2030," warns V.R Sharma, Managing Director, Jindal Steel and Power (JSPL). "A number of projects started in the last decade are yet to be commissioned. They need to go onstream as soon

Seven Plants on the Block

AT LEAST SEVEN major steel plants have been lined up for divestment. These include Rashtriya Ispat Nigam Ltd (RINL), Neelachal Ispat Nigam Ltd (NINL), India's largest iron ore producer National Mineral Development Corporation's maiden integrated Steel Plant (NISP) at Nagarnar in Chhattisgarh, Ferro Scrap Nigam Ltd and three units of Steel Authority of India (SAIL) — Alloy Steels Plant at Durgapur, Visvesvaraya Iron and Steel Plant at Bhadravati and the stainless steel unit at Salem. The proceeds from these would be critical for the government to balance its finances in the backdrop of slippage in fiscal prudence, as it has loosened its purse strings to fight the pandemic. The government has set a target of ₹175,000 crore from disinvestment in FY22. It had aimed at an even higher ₹2.14 lakh crore in FY21, but could eventually garner less than ₹33,000 crore. Most of these plants are loss making, but are still expected to generate significant interests among investors. Setting up a greenfield factory from scratch in India is such an arduous exercise that buying an existing facility is a far simpler and faster process.

as possible if we have to avoid a demand-supply mismatch."

Also, most companies in India had put off their expansion plans last year. Now that the rebound has shown itself to be stronger than expected, the challenge is for companies to accelerate expansion while trying to make up for that lost year.

"The pandemic and the subsequent lockdown forced many steel players to defer their capex plans in 2020. At least 8-10 million tonnes of capacities that were expected to be commissioned in FY21 got pushed ahead. To meet the vision (National Steel Policy), an additional capacity of 25-30 mt would be required by 2024/25," says Rashmi Rawat, Deputy Manager, Industry Research, Care Ratings.

Some of the projects that were already underway would go onstream to provide some support. These include JSW's 5-MT Dolvi greenfield expansion and NMDC's 3-MT steel plant at Nagarnar in Chhattisgarh. In addition, Tata Steel has also started construction for expanding its Kalinganagar unit in Odisha to add 5-MT capacity by 2024, while AMNS India plans to ramp up finished steel producing capacity to 8.5 million tonnes per annum (MTPA) by the end of 2024. "As one of the most attractive emerging markets with among the lowest per-capita consumption segments, India is making accelerated investments, primarily driven by government spending. GDP growth of 6-7 per cent in the medium term augurs well for the industry," says Oommen.

The medium-term expansion plan for companies that has been designed in line with the National Steel Policy is also aggressive. JSW Steel plans to expand its capacity in India to 45 MT, while Steel Authority of India Ltd (SAIL) is looking to more than double its capacity to 50 MTPA by 2030. Similarly, JSPL is looking at a capacity of 27 MTPA by 2030, which includes expanding its Angul unit to 12 MTPA.

AMNS India is planning to ultimately expand the capacity of its Hazira unit to 18 MTPA, at an estimated investment of ₹50,000 crore. It has also signed an MoU with the Odisha government to set up a 12-MTPA integrated steel complex, the feasibility study for which is underway. "Steel demand is estimated to grow at 7 per cent per annum in the medium term domestically. Hence, there is a need to grow capacity at a similar rate," says Oommen.

In addition to these are projects, including Posco's tie-up with state-run Rashtriya Ispat Nigam Ltd for its steel unit in Vizag, and Essar Steel coming back into the fray to develop a 3-MTPA steel plant in Kadapa for the Andhra Pradesh government. And if Bongkil's pronouncement fructifies, it will be the cherry on the cake.

Exports, The New Market

While the domestic market remains the mainstay, another avenue that has opened up for the Indian industry is exports. As the country went into a lockdown in April last year, steel firms saw a surge in demand overseas. In May 2020, India exported nearly 1.3 MT of steel. The next month, it went up over 1.5 MT. By the end of FY21, the country had shipped a record 11.65 MT of finished steel, a 30 per cent growth compared to FY20.

The reason was once again China, which accounted for nearly 30 per cent of India's exports in the initial months. As the world went into a lockdown to break the chain of the spread of the virus, China was already past the peak and its economy was opening. At the same time, it focussed on shutting down many of its old, polluting steel mills and filled that gap through imports. The trend is likely to continue in FY22 as well.

"We expect exports to remain high in FY22 due to rising global demand for steel and attractive export realisations," says Rawat of Care Ratings. "Domestic steel prices are at a discount to international prices, which would incentivise steel companies to scale up exports."

The withdrawal of China from the global export market also opens up avenues for India in other geographies such as Europe and the US. On April 28, China announced the removal of export rebates on 126 steel products, including hot-rolled coils, and also the reduction of import duty on crude steel, pig iron and scrap-to-zero with effect from May 1. This augurs well for Indian companies.

"Given the strong demand, export rebate cuts, the Chinese government's intent to keep steel capacities under check and stricter production curbs imposed in the Tangshan region (which accounted for about 14 per cent of China's crude steel production in CY2020), China may not have excess steel volumes to divert to export markets," says Jayanta Roy, Senior Vice president and Group Head, Corporate Sector Ratings, ICRA. "As a result, international steel prices are expected to remain buoyant in the near term, which in turn would support Indian prices."

According to CRISIL, the steel industry collectively reduced its debt by ₹25,000 crore in FY21 and is poised to pare at least another ₹10,000 crore in FY22

It is not to say that exports will be prioritised over the domestic market, but it does give companies an extra avenue to explore, one that is more lucrative as well. This in turn reinforces the view that India needs to expand its capacities for the medium-to-long term.

"As a principle, we export only after catering to the domestic market. Exports peaked at 60 per cent during the lockdown last year. However, as domestic demand rebounded, the percentage of exports declined drastically to negligible levels in January 2021. We will continue to serve the domestic market before exporting, as MSME customers remain a priority for us," says AMNS India's Oommen.

"Once the Covid crisis in India is over and domestic demand starts picking up, India will re-prioritise domestic supplies over exports. However, given its huge reserves of iron ore and China's focus on eliminating/replacing inefficient and polluting capacities of steel making, India will become a major source of steel in the world. Its share of exports will hence rise proportionately," says Bhatnagar of EY. "Regardless of Covid, steel manufacturers will continue to push outputs of their mills. If they do not find the market within India, they will find a market outside India."

High Debt : Need For Caution

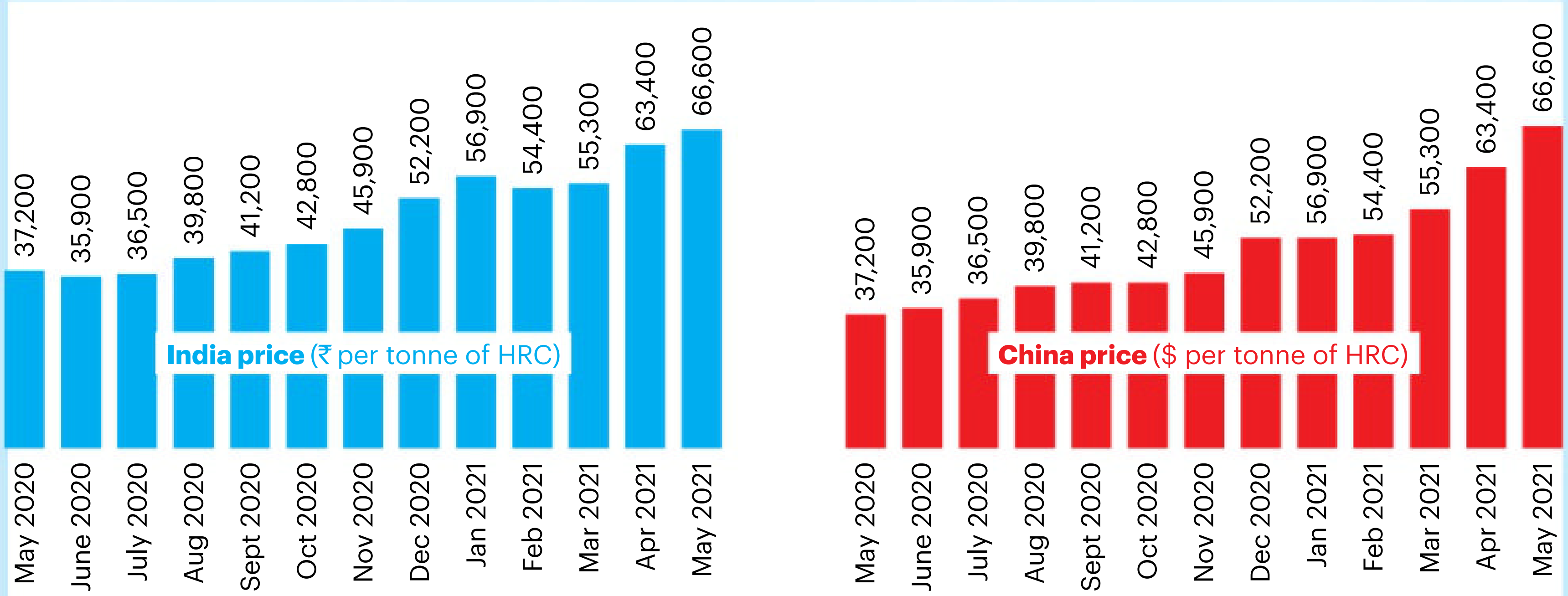
Not everybody, however, wants companies to throw caution to the wind and blindly press ahead with investments. Arnab Hazra, Deputy Director-general of industry body Indian Steel Association, feels companies should not be in a rush to commit to big-ticket investments and be wary of the cyclicity of the sector. "These are very unprecedented times. Most of the rally in global prices is driven by China, which is not under our control. We need to be cautious," he adds.

There is merit in his argument. The last time when the global steel cycle turned in 2015, Indian companies were busy expanding capacities. Excess capacity in China saw it dumping steel in global markets and India was a prime target. As prices crashed and profitability was hit, the industry found itself in a debt trap. By the end of FY16, gross NPAs in the sector amounted to ₹1.15 lakh crore. It accounted for four of the 12 big firms — Essar Steel, Electrosteel Steels, Monnet Ispat and Bhushan Steel — pushed by the Reserve Bank of India for NPA clean-up under the Insolvency and Bankruptcy Code (IBC).

The IBC-induced wave of consolidation has just gotten over. It saw ArcelorMittal buy Essar Steel, Vedanta take over Electrosteel, Tata Steel lapping up Bhushan Steel, and JSW acquiring Bhushan Power and Steel. At the same time Tata Steel's subsidiary Tata Sponge Iron bought the steel assets of Usha Martin and JSW led a consortium that acquired Monnet Ispat and Energy. The non-performers came at a significant discount, but pushed debt levels of the acquirers. Hazra says the industry must pause a bit and use this opportunity to pare their debt first.

"Whatever expansion plans or projects already committed will, of course, come onstream. But for fresh big-ticket investments it is too early," says Hazra. "Given what happened last time, banks are not eager to lend to the steel industry. The situation on price and profitability is very

How Steel Prices Moved



HRC: Hot-rolled coil steel; source: Steelmint research

volatile right now. Companies should chalk out their plans on paper, but wait for at least 12-18 months for the situation to stabilise before committing...It does not matter if the National Steel Policy misses its deadline by a few years. Nobody in 2017 foresaw the pandemic but we do not want a repeat of the crisis of 2016/17," he adds.

What he says is already happening. The debt levels have started to come down with companies advancing their payments. Tata Steel, SAIL, JSPL and others have worked aggressively to bring down their debt in the last few quarters. Tata Steel, for example, has pared its debt by ₹28,000 crore in FY21 to bring its overall debt down by 28 per cent to ₹75,389 crore. It repaid ₹12,000 crore to its lenders in the last quarter alone. SAIL has also reduced its debt by over ₹16,150 during the fiscal, the highest reduction ever in a year for the state-run firm. Its overall debt has come down to ₹35,330 crore at the end of FY21, compared to ₹51,481 crore in FY20.

30%
Growth in finished steel exports in FY21 to 11.65 MT. China accounted for nearly 30 per cent of exports in the initial months

The most aggressive of the lot has been JSPL, once straddled with debt of nearly ₹50,000 crore. On May 10, it repaid ₹2,462 crore to term lenders, over and above the debt repayment target for FY21. It has reduced its debt by ₹20,000 crore from a peak of ₹46,500 crore in December 2016. Recently, it had announced divestment of its thermal power business, both to reduce its debt and cut down its carbon footprint by almost half. The estimated size of that divestment was ₹12,000 crore. "The significant debt reduction is part of our long-term financial strategy to create a strong balance sheet," says JSPL's Sharma. "In the coming quarters, we intend to further strengthen our balance sheet and become net debt-free shortly."

The forecast on prices and margins for the industry remains upbeat for the near term even as costs of inputs such as iron ore have risen, and prices of steel are at the far end of their elasticity. "While the tailwinds to realisations from higher input costs and global prices could abate going forward, domestic demand growth would provide an offset. Consequently, realisation in FY22 may still be 15 per cent higher than the average of the past five years," says Manish Gupta, Senior Director, CRISIL Ratings. "That, along with rising volumes and moderate coking coal prices, would mean healthy operating margins of 23 per cent, against 25 per cent in FY21."

This only means the debt reduction spree will continue. According to CRISIL, the industry collectively reduced its debt by ₹25,000 crore in FY21 and is set to pare at least another ₹10,000 crore in FY22. "Despite capex rising by 15 per cent, they can slice debt by another ₹10,000 crore," says Naveen Vaidyanathan, Associate Director, CRISIL Ratings. "That would drive a sharp improvement in credit metrics with financial leverage (debt-Ebitda ratio) declining below 2.5 times next fiscal, compared to above 4.0 times in FY20."

It may or may not happen immediately, but with balance sheets being strengthened and demand forecast rosy, it is a matter of time before investments in the steel sector kick off in the right earnest. It may herald a return of the private sector investor to the Indian economy at large. BT

@sumantbanerji

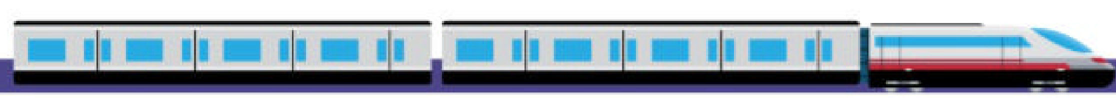
A Bank For Infra

THE NATIONAL BANK FOR FINANCING INFRASTRUCTURE AND DEVELOPMENT PROMISES TO ADDRESS THE CAPITAL NEEDS OF THE CASH-STARVED INFRASTRUCTURE SECTOR, BUT EXECUTION REMAINS KEY

BY JOE C. MATHEW
ILLUSTRATION RAJ VERMA

Development Finance Banks In India

1948	1955	1964	1981	1989	1996	2006	2021
IFCI	**ICICI**	**IDBI**	**NABARD**	**SIDBI**	**IDFC**	**IIFCL**	**NBFID**



On

March 25, the last day of the Covid-19 curtailed Budget Session of Parliament, the government passed a Bill that turned the clock 30 years back to India's pre-economic-liberalisation era in terms of infrastructure financing.

The proposed law that the Rajya Sabha cleared that day (the Lok Sabha had passed it two days earlier) was the National Bank for Financing Infrastructure and Development (NBFID) Bill, 2021. It called for the establishment of a development finance institution (DFI), a tried and tested concept that had led to the birth of institutions, including IFCI (Industrial Finance Corporation of India), IDBI (Industrial Development Bank of India), SIDBI (Small Industries Development Bank of India), NABARD (National Bank for Agriculture and Rural Development), etc., in the past.

The concept of statutory DFIs was junked by the Narasimha Rao government in 1991 and those that came into existence since then have been corporate entities registered under the Companies Act — institutions such as IDFC (Infrastructure Development Finance Company) and IIFCL (India Infrastructure Finance Company Ltd) — and not organisations created through special legislations.

The enactment of this law has cleared the way for the birth of NBFID, the first Parliament-backed institution for infrastructure financing in three decades. If all goes according to schedule, setting up of the institution, appointment of its board of governors and operating management etc should be over by the second half of 2021/22.

The government says the new institution will have a unique shape and structure based on the lessons learnt from past experiences. But, despite the assurance, one big question remains: What is the real hurdle before India's infrastructure financing — Is it the absence of a credible institution? Shortage of funds? Lack of viable projects? Or is it a combination of all these? There are no easy answers. But the success of the new DFI will depend on multiple factors.

The Architecture

On February 1, while delivering her Budget speech, Finance Minister Nirmala Sitharaman announced the decision to introduce a Bill to set up a professionally managed DFI to act as a provider, enabler and catalyst for infrastructure financing. She budgeted ₹20,000 crore to capitalise the new institution and set a lending portfolio target of ₹5 lakh crore in its first three years. Fifty three days later, as the Budget session got over, Sitharaman had the Bill ready, and passed. But during a brief discussion on the day the Bill was introduced in the two Houses, it was not even subjected to customary scrutiny by any standing committee or select committee of Parliament.

The law was enacted in a hurry as the success of the government's mega plan — the ₹111-lakh-crore infrastructure investments over a period of five years — partially depends on the resources NBFID can raise. A National Infrastructure Pipeline (NIP) with over 6,500 projects in the areas of transport, energy, water, telecommunications, sanitation, commercial infrastructure and social infrastructure, including education and health, are ready, and are waiting for funds, to take off. "Purely public funding and taxpayers' money alone cannot meet that kind of money for building the infrastructure of the country. Through the establishment of this unique organisation, we will probably meet about 8-10 per cent of the expected expenditure of the NIP itself," Sitharaman had informed the Lok Sabha.

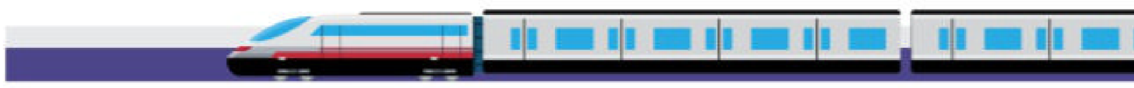
This is what the new institution aims to achieve — It will raise money, provide loans and be an underwriter;

₹5

LAKH CRORE

Lending portfolio target of NBFID in the first three years of its operation. Budget 2021 allocated ₹20,000 crore for capitalising the new institution

The NBFID Bill

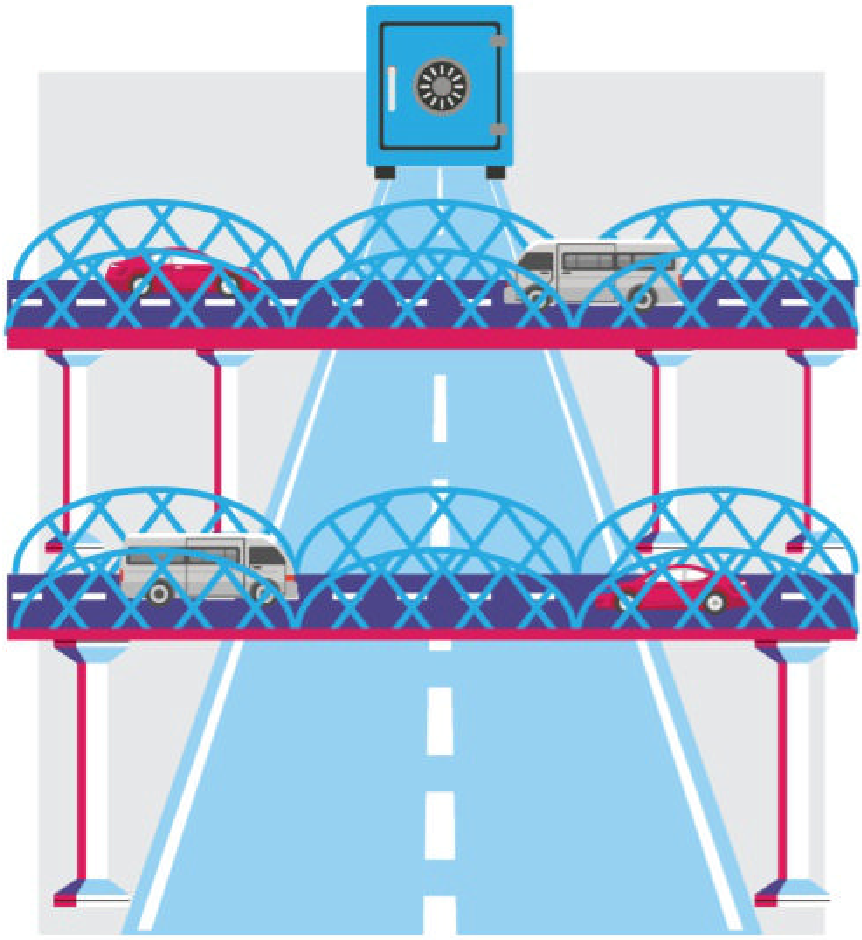


Objectives

Co-ordinate with the Centre and state governments, regulators, financial institutions, institutional investors and other stakeholders in India and outside

Facilitate building of institutions to support the development of long-term non-recourse infrastructure financing, including bonds and derivatives

Lend or invest, and attract investments from the private sector and institutional investors for infrastructure projects in India and abroad



Structure

The Centre will hold 100 per cent stake in the beginning, which could be diluted up to 26 per cent through equity participation by multilateral institutions, sovereign wealth funds, pension funds, insurers, financial institutions, banks and others

Chairperson of the Board to be appointed by the Central government in consultation with the RBI

Functions

- Can form subsidiaries or joint ventures or branches, in India or outside, for carrying out its functions
- Co-ordinate operations of institutions in the field of infrastructure finance and investment
- Provide consultations to the Centre, the Reserve Bank of India (RBI) and other institutions
- Set up trusts for establishment of funds to assist in infra financing, including real estate investment trusts and infrastructure investment trusts
- Aid the development of a deep and liquid market for bonds, loans and derivatives for infra financing
- Extend loans and advances to any financial institution funding different infrastructure projects

it will create markets for bonds, derivatives and other important instruments for infrastructure financing; project structuring and monitoring services and technical assistance will be part of its mandate. Overall, NBFID will be an ecosystem architect for infrastructure financing. The government has promised operational autonomy and protection from oversight agencies, including Central Bureau of Investigation (CBI), Central Vigilance Commission (CVC) and Comptroller and Auditor General of India (CAG). It will offer some incentives in the form of grants, guarantees and concessions to attract investors. Starting off with 100 per cent government equity, the institution will see dilution of 74 per cent stake by attracting investments from multilateral institutions, sovereign wealth funds, pension funds, insurers, financial institutions, banks, etc. over a period of time.

The Relevance

Experts believe it is time for a DFI, though the country's infrastructure finance needs will not be the same as that of the early post-independence years.

"Post-independence, we had very few large business houses. The British had left and there was a shortage of industrial capital. DFIs of that time (IFCI, ICICI and IDBI) did enormous work by creating a new class of Indian businessmen who are today listed on stock exchanges and own/run very successful companies. By 1990s it was very clear that new forms of finance had become available, and therefore the DFI system was not required for industrial capital," says Vinayak Chatterjee, Chairman, Feedback Infra.

What happened in the 1990s was that most dedicated development finance institutions became commercial banks and long-term infrastructure investment funding became part of mainstream banking. Other forms of private capital also became available for infra-funding.

"In the past when banks were getting liberalised, we saw narrowing of services provided by DFIs, NBFCs and banks. Hence, they were made to merge, become banks. At that time banks were strengthening and DFIs were weak, so it made sense to merge them with banks which were growing. Now we are seeing a reversal. Banks are getting weaker and weaker over a period of time, and in the process, one of the elements of the banking industry, which was lending for long-term infrastructure investment, is taking a backseat," says N.R. Bhanumurthy, Vice chancellor, Dr B.R. Ambedkar School of Economics, Bengaluru.

"PURELY PUBLIC FUNDING AND TAXPAYERS' MONEY ALONE CANNOT MEET THAT KIND OF MONEY FOR BUILDING THE INFRASTRUCTURE OF THE COUNTRY. THROUGH THE ESTABLISHMENT OF THIS UNIQUE ORGANISATION, WE WILL PROBABLY MEET ABOUT 8-10 PER CENT OF THE EXPECTED EXPENDITURE OF THE NIP ITSELF"

Nirmala Sitharaman,
Finance Minister

PHOTOGRAPH BY YASIR IQBAL

There were multiple reasons why banks started weakening, including missteps some of them took, leading to large non-performing assets (NPAs) and bad loans and liquidity crunch in the sector. The quality of projects became suspect and long-term investments in sectors such as energy and power become too risky, making banks averse to funding such projects.

"We have come full circle now. We started with strong banks and weak DFIs, now it is weak banks that are not able to perform the role of DFIs. There is also a tendency to reduce the role of public sector banks. Given all these things there is certainly a need for having some institution, which can focus on long-term investments," adds Bhanumurthy.

Chatterjee puts it in a different way. "Since the beginning of the 21st century India has had enough capital for industry and services, but there has been a shortage of long-term developmental capital for public works and large impactful infrastructure projects. NBFID is being created to address this problem. One should not relate this DFI to the older ones. The earlier one was for industrial capital. This one is for public works and infrastructure capital," he says.

"The Bill is targeting those areas where private capital has no role to play. This DFI is a development fund looking at economic returns (through creation of social capital etc.) distinct from a pure financial return," he adds.

Capital Calculations

Once it's agreed that there is space for a new DFI, the next question is how to capitalise it, and manage funds without any of the problems faced by banks and non-banking financial companies (NBFCs) in their attempts to fund development finance. Are government concessions good enough?

Sitharaman is confident that both global institutional investors and domestic retail investors will be keen to participate in the project. The money that is expected to be raised from sovereign funds globally and also from other big investors who want to invest in India will all be drawn towards this institution, she says. The government has already approved a grant of ₹5,000 crore in addition to the ₹20,000 crore it is ready to put in as equity. The grant is expected to reduce the cost of funds in lieu of potential cost savings expected from the issue of tax-free bonds. Unlike commercial banks, the new institution can access the line of credit directly from the Reserve Bank of India (RBI). The Bill also talks about a framework where the RBI will be enabled to issue regulations for granting licences to other infrastructure-focussed DFIs. While DFIs will enjoy an income tax exemption of five years, it will be 10 years for NBFID.

"For just one bullet train project, the Japanese have given ₹1 lakh crore for 60 years at 0.5 per cent interest with a 15-year moratorium. This is what I call developmental finance. Now for one project if we can raise ₹1 lakh crore, will there be a problem in raising ₹5 lakh crore for the nation?" asks Chatterjee of Feedback Infra.

According to the Bill, the plan is to apply for, receive, accept, administer and manage grants, aids, subsidies, funds or donations, etc., from national and international sources, including World Bank, New Development Bank, Japan International Cooperation Agency, United States Agency for International Development, European Investment Bank, Asian Development Bank, International Finance Corporation and other organisations.

The Challenge

Shubham Jain, Senior Vice president and Group Head of rating agency ICRA, says the success of the new DFI is not only about having long-term capital. "There is no dearth of capital in today's times. In fact in operational projects, we have such a good track record that India has been able to attract long-term investors, including marquee names like Ontario Capital, Teachers Fund, etc. But if you look at their investment portfolio you will not find greenfield investments. Why? They don't want to take exposure because they know the risks involved. The projects can get stuck at various approval levels," he adds.

While there are several operational reasons for such projects getting stuck, experts cite regulatory hurdles as one of the common issue plaguing the infrastructure sector. For instance, various authorities are in charge of roads, airports, ports, real estate, etc. If these authorities are not able to provide enough protection to lenders or investors, their interests in such projects decline. Even though concession agreements are very clear in terms of obligations and the rights of various parties, the timeliness and fulfilment of all those obligations mostly remain in letter and not in spirit, thereby impacting investor interest. A new bank, if it puts money into the same system, might end up having the same issues.

ICRA's Jain says the government has been taking lots of initiatives to address such issues. "HAM (hybrid annuity model) is one such intervention where for the first time they provided the termination payment even during construction. What they said is okay, even at the construction stage, if something goes wrong in the project, where the lender may have disbursed 60, 70 per cent or whatever amount, if the project has to be terminated because of any reason, the authority will pay the termination payment," he explains.

C. Rangarajan, Former Governor, RBI, also feels the new DFI is worth trying out, though its success in the early years largely depended upon the government and the RBI providing resources at a lower rate of interest. "Without that the model would not have worked. But as we moved into 1991, to a newer regime, we felt the bond market would develop, while long-term funding would be met by the capital market. However, the bond market has not developed the way we thought it would in the early1990s," adds Rangarajan.

According to Rangarajan, while the Central government looks to set up an-

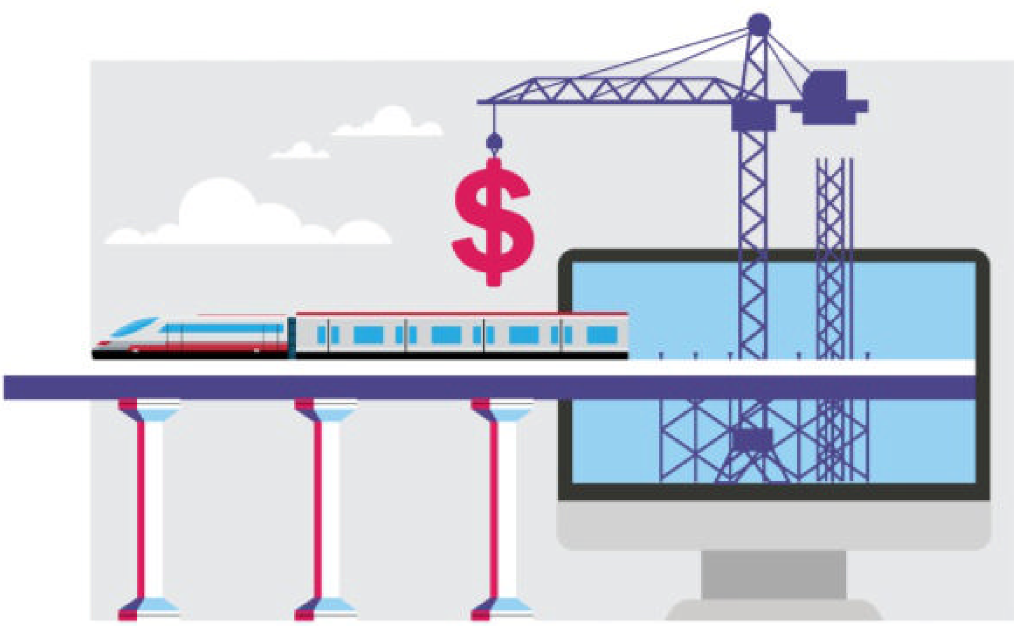
WHAT THE CENTRAL GOVT CAN DO...

Guarantee bonds, debentures and loans issued by the institution as to the repayment of principal and the payment of interest at such rate, terms and conditions as may be agreed by the Centre

Support the Institution through grants or contribution, as and when necessary, in the form of cash or marketable government securities

Prescribe a concessional fee, not exceeding 0.1 per cent, at which government guarantee may be extended to the institution for borrowings from multilateral institutions, sovereign wealth funds etc

Hedge costs in connection with any borrowing of foreign currency by the institution for the purposes of granting loans and advances or repayment



₹111

LAKH CRORE

Government's planned infrastructure investment over five years. Projects worth ₹44 lakh crore are under implementation

other institution, a combination of government support and development of the bond market — which is what the new DFI is trying — could work.

While the government itself provided the initial capital earlier, it might be difficult to do today since the Centre also needs to recapitalise banks in a big way. "As we move along, more credit needs will require more capital for banks also, and that will be the first priority of the government. As credit moves further up, recapitalisation will also become necessary. At some stage, the government will have to see whether its direct participation is needed," says Rangarajan, adding, everything will depend on how much money the new institution is able to raise from the market, even in the form of equity.

Also, one of the important subscribers of the bond market are long-term suppliers of funds like insurance and pension funds, and if the bond market really develops, they can come in. "All of these depend on the confidence the institution is able to build. The institution will have to be run efficiently and it is important that what happened to banks, the accumulation of non-performing assets (NPAs), doesn't happen to the institution. The correct assessment of the projects and their viability are all that will be required. If long-term suppliers of funds, including insurance and pension funds, see that the institution is moving in the right direction, probably capital will come in. The confidence has to be built and that is when the bond market will develop as well," according to Rangarajan.

Kavaljit Singh, Director of Madhyam, a Delhi-based public policy research institute, says the setting up a new DFI is the easiest part. "It is a legislative process. You introduce a Bill and get it passed. Given the majority this government has, there will not be any problem. The problem is once it is established, to run it professionally without cronyism, without corruption, the day-to-day functioning. It is the biggest challenge not just in India, but also in other countries as well," he adds.

According to Singh, in theory at least, DFIs are different from commercial banks. "They have many advantages over commercial banks. Unlike commercial banks they don't operate with the primary objective of maximising profits. They combine profit making with social and developmental objectives. So they have to walk on two legs. That is why it is all the more difficult. You have two objectives. You want to remain commercially viable also while pursuing developmental objectives."

"Most commercial banks in India lend for up to 10 years. And they give working loans. But for construc-

THERE ARE DFIs WORKING TODAY WITH MIXED RESULTS. NABARD IS IN EFFECT A DFI FOR FARM-RELATED INFRASTRUCTURE. NHB REFINANCES HOUSING FINANCE COMPANIES... WITHOUT EXAMINING THEIR RECORD AND IDENTIFYING SHORTCOMINGS, THERE IS NO PURPOSE IN FLOATING ANOTHER DFI"

P. Chidambaram, Former Finance Minister

PHOTOGRAPH BY BANDEEP SINGH


PHOTOGRAPH BY VIKRAM SHARMA

THE INSTITUTION WILL HAVE TO BE RUN EFFICIENTLY AND IT IS IMPORTANT THAT WHAT HAPPENED TO BANKS, THE ACCUMULATION OF NPAs, DOESN'T HAPPEN TO THE INSTITUTION. THE CORRECT ASSESSMENT OF THE PROJECTS AND THEIR VIABILITY ARE ALL THAT WILL BE REQUIRED"

C. Rangarajan,
Former RBI Governor

tion of rural roads, water supply, sanitation, railway etc, you need long-term financing. Similarly, there are some industrial projects which may take 20 years, 30 years to become profitable, like hospitals, for instance. So infrastructure doesn't mean only physical infrastructure, it also means social infrastructure such as education," says Singh. "So, DFIs have a very peculiar role to play. They should not compete with banks because they can't, their role is something else. Now, in India there are good DFI lending practices, and there are bad ones as well. Infosys is a product of DFI. That's a good lending practice. Then we have Jaypee Greens and HUDCO, whose primary objective is to provide low-cost housing to the poor, upgrade the slums. Now, they have funded a golf course, that's a bad practice. So there are all these good, bad, ugly practices. So, the running and the governance, matters. There lies the challenge," he adds.

The Worry And The Defence

Former Finance Minister P Chidambaram is of the opinion that the government should examine the performance record of existing DFIs and identify shortcomings before building a new one.

"There are DFIs working today with mixed results. The National Bank for Agriculture and Rural Development (NABARD) is in effect a DFI for agriculture-related infrastructure. The National Housing Bank (NHB) refinances housing finance companies and does direct lending to housing schemes. IRFC Ltd finances railway projects. These are effectively DFIs. The UPA started IIFCL to refinance as well as directly lend to infrastructure projects. Without examining their record and identifying shortcomings, there is no purpose in floating another DFI," he says.

It's not just the effectiveness that is being questioned, the model in which the government attempts to protect NBFID from the scrutiny of all investigating, regulatory and audit agencies such as the CBI, the CVC and CAG has raised eyebrows both within the Opposition benches of Parliament, and outside. They feel that one of the largest banks of the country with a loan book of some ₹20 lakh crore or ₹30 lakh crore eventually, should be subjected to external oversight.

Sitharaman says NBFID will be answerable to Parliament. "We are not going from one extreme to the other extreme where there is no oversight at all. But that heavy fear of taking decisions as a result of oversight is now being given space wherein legitimate commercial decisions can be taken, professionally. There is a separation of government control, government ownership and government decision-making. The decision-making here runs through a complete professional route. Therefore, to say that there is a complete lack of answerability, lack of absence of transparency is not right. They are going to be answerable to Parliament," she argues.

For the time being, the government has brushed aside criticism. One reason for that is despite all the concerns and differences, every stakeholder agrees that there is an urgency to raise more funds to finance the country's ever-increasing infrastructure needs. Existing funding mechanisms and institutions are proving to be insufficient. A new developing financing ecosystem is essential. A new apex DFI, therefore, needs to be tried out. BT

@joemathew

Management

A HELPING HAND

INDIA INC. IS GOING ALL OUT TO HELP A STRESSED AND BURNT-OUT WORKFORCE TIDE OVER THE HEALTH CRISIS

BY S. VIDYA
ILLUSTRATION BY RAJ VERMA

“I **strongly** believe that real assets of Borosil are not reflected on our balance sheet at all. We need to protect these assets in whatever way we can.” Borosil Ltd Managing Director Shreevar Kheruka wrote this on his LinkedIn page on April 30. Mourning the death of four employees due to Covid-19, he announced payment of two year's salary to families of employees who lose their life to the deadly disease. The company will also fund their children's education till graduation.

Last month, Britannia Industries' MD Varun Berry made it clear after the declaration of the company's annual financial results that lives of employees are more important than bottom line. Berry said the company is asking sales staff to avoid stepping out even if distribution is affected in the short term.

Borosil and Britannia are not alone in focusing on employee well-being during the second wave of the coronavirus outbreak. A very large chunk of India Inc. has rushed to support its employees as the disease affects more younger people compared to the first wave last year when senior citizens with co-morbidities were the hardest hit. The virus has claimed 2.79 lakh lives in India so far.

If mental health became the focus of worklife in the first wave of the pandemic, this time, the severity of the spread of the virus has forced companies to come up with multi-pronged approaches to help employees — from financial

18+

WHAT IS AVAXHOME?

EXTENDING SUPPORT

The steps taken include financial assistance in the form of enhanced medical cover, ex-gratia payment to family of employees dying due to Covid

Apart from giving employees extra cash, organisations are also tying up with hospitals and hotels (for quarantine facilities)

Most are also organising medical help such as hospital beds, oxygen cylinders and plasma donors

A number of companies have tied up with food providers for complementary and paid meal services assistance to extra leaves to organising hospital beds, oxygen cylinders and plasma donors, apart from vaccination drives.

Solatium For Kin

In addition to dealing with the grief of losing a loved one, families suffer loss of income if their earning member dies. Several companies are promising to pay salary to deceased employees' families for a fixed period of time.

"We are giving one year's salary to the bereaved family and sponsoring education of their children for five years," says V.V. Apparao, CHRO, HCL Technologies.

Multinational IT major Capgemini, which has set up a ₹200 crore Benevolent Fund for medical emergencies of employees, has also announced an ex-gratia fund in addition to group term life insurance benefits.

Food delivery startup Zomato, which is heading for an IPO on the back of increased online ordering fuelled by the pandemic, says it will pay families of deceased employees 100 per cent income for two years. The app's delivery personnel have been recognised as essential service providers.

More Money In Employee Hands

The fortunate others who recover after the infection still have to pay for a lot of expenses such as doctor consultations, tests, medicines and hospital bills.

Cosmetics maker L'Oreal India says it has offered a one-time Covid insurance for those who test positive to cover medication, home care and other costs. It has also enhanced the group mediclaim policy cover. "Employees can also avail an interest-free medical loan for self and family. For our field force, we have field safety allowance and travel safety allowance. We have also extended Covid insurance to our extended field ecosystem of distributor sales reps," says Roshni Wadhwa, Director (Human Resources), L' Oreal India.

"Employees can avail salary advance for Covid-19 treatment for themselves, spouse, children and dependant siblings, parents or parents-in-laws," says Venkat Neelakantan, Vice President, Capgemini.

HCL says it is extending its earlier policy of hiring the spouse of the deceased, if he or she has the requisite skills, in Covid-related deaths too. "Or, in instances where the spouse is interested, we train them for two-three months and then onboard them," says Apparao.

Hospital Tie-Ups

Apart from giving employees extra cash, organisations are also tying up with hospitals and hotels (for quarantine facilities).

"We have collaborated with Fortis Healthcare to convert our Noida Special Economic Zone facility into a Covid care centre and are extending this initiative at other locations to provide medical help to employees, their families and society at large," says Harshvendra Soin, Global Chief People Officer, Tech Mahindra.

Apparao says HCL is investing an undisclosed sum in a few hospitals in Delhi-NCR, Chennai and Bengaluru to increase critical care bed capacity, oxygen plants and ventilator-fitted ambulances. "Finding hospital beds for employees who reached out to us was difficult. Our success rate used to be 30-40 per cent. But with our recent partnerships, we are able to find beds in NCR and a couple of other locations. The hospitals we invested in have increased their capacities and are able to accommodate our people."

L'Oreal has also tied up with hospitals to offer home-care services and access to Covid care centres in mild cases.

Neelakantan says Capgemini has been able to provide oxygen cylinders to all eligible employees and their dependent family members in Pune, Mumbai, Bangalore and NCR. "We are extending this support in other cities as well. Additionally, our employees residing as paying guests requiring emergency accommodation can use our guesthouse facility in Mumbai and Pune."

Extra Time Off

A large part of the workforce has been working from home (WFH) for nearly 14 months now. With complaints that WFH is blurring the lines between work and leisure time,

"We are giving one year's salary to the bereaved family and sponsoring education of their children for five years"

V.V. Apparao, CHRO, HCL Technologies and the added stress of dealing with Covid care-related tasks, organisations are offering employees extra time off.

Food delivery startup Swiggy announced a four-day work week in May for its entire core staff. "Please utilise the extra day to take rest, take care of yourself, take care of your family and friends," HR head Girish Menon wrote to employees.

Tata Motors and Tech Mahindra are among the several companies which have announced a special Covid leave policy for those testing positive, with the Tata Group firm spokesperson saying they are offering a special quarantine leave for 14 days. HCL has asked leaders to reassess the workload of employees. "In some cases, we encouraged people to tell clients not to expect the same level of service as not everyone is keeping well."

With the virus throwing every aspect of life out of gear, even something as simple as providing employees healthy meals can free up their time and reduce stress. A number of companies have tied up with food providers for complementary and subscription-based meal services. For instance, Neelakantan says Capgemini employees and their families affected by Covid-19 can get three full meals for a week under their Project GoodFood.

Meanwhile, with the government opening up vaccination for those in the 18-45 age bracket, which includes a large chunk of the workforce, several companies have announced drives to inoculate employees. But the initiative has not really taken off due to shortage of vaccines, say companies.

"Employees can avail salary advance for any Covid-19 related treatment for themselves, spouse, children and dependant siblings, parents or parents-in-laws"

Venkat Neelakantan, Vice president, Capgemini

Mental Health Focus Continues

Companies have also been organising tele-consultations with doctors, thermometers, oximeters and providing contacts for RT-PCR testing. A category manager in a fashion retail firm who prefers to remain anonymous says almost her entire family fell sick due to Covid and the free tele-consultations offered by her employer were a great help. She says she didn't require hospitalisation, but when she reached out to her employer, they said they would try to organise a hospital bed it if they could.

Several companies are also providing mental health resources announced last year. "Facebook LIVE sessions are being led by plant management teams and union leaders for all blue-collar and white-collar workers. During these sessions, experts like psychologists, counsellors, dieticians and nutritionists are invited to interact with employees and their families," says a Tata Motors spokesperson.

To be sure, a few employees say they are not covered by such policies because they have been hired on contract. Several others say they prefer to rely on their own resources instead of turning to their employer. Still others say the firms, especially in badly hit sectors, reimbursed a few medical bills, but there are not many stand-out policies for them given that the company is not doing too well financially because of the pandemic.

Brand Image On Mind

The companies are also expecting some gains for their brand image. Business and brand strategy specialist Harish Bijoor says this is likely to play a role in retention of talent once the situation improves. "The pandemic is going to push back businesses one step. The hope is that the way corporate enterprises have managed their employees during the pandemic will make these businesses walk two steps forward after being pushed a step backward. To an extent, these measures are an investment."

There is also a thin line between chest thumping over every simple measure and announcing initiatives with genuine care for employees. "The moment a company says I'm doing this, the sanctity and purity of the gesture comes into question to an extent. Not overtly but subliminally. It is important not to overdo that. Fundamentally, we are in a human-to-human business. My advice to brands is think human, be human, project human," says Bijoor. BT

@SaysVidya

Column

Dude, Where is My Vaccine?

WHILE THERE ARE MANY CRITICS OF THE GOVERNMENT'S VACCINE STRATEGY, OVER 75% OF 18+ INDIANS COULD BE VACCINATED BY OCTOBER '21

BY DR. SRIVATSA KRISHNA

It **is sad to see** commentators write about things they are clueless about – which is much like YoYo Honey Singh trying to teach M.S. Subbulakshmi how to sing Venkateshwara Subrabatham. Vaccination is one such thing where people with kindergarten knowledge are preaching the treatise! Vaccinating a billion people is a tough challenge and India with its EVin (Electronic Vaccine Intelligence Network) has the basic infrastructure in place to do it, yet we are stumbling. Not because of the absence of good intent or good policy design by the Government of India (GoI), but due to politics and its sad consequences.

First, a monopsonist, or a sole buyer, can easily aggregate demand and drive down vaccine prices. Market power in product markets exists when firms have the ability to set prices they charge, within limits of the demand curve for their products. If 30 state governments are allowed to buy, then it will lead to interstate competition and drive prices up for everyone. So, the initial policy of GoI to centrally procure vaccines and allocate it to states was the correct policy response (did someone say government's don't follow "evidence-based policy" design?)

Second, the supply of vaccines in India is limited and we get about 60-70 million doses a month, even though Serum Institute of India (SII) claimed they would make about 100 million doses a month by early 2021. As such the supply curve of Covid vaccines is inelastic in the short to medium term. This is the nature of the beast and cannot be improved overnight. To quote one of my intellectual role models Warren Buffet "No matter how great the talent or efforts, some things just take time. You can't produce a baby in one month by getting nine women pregnant."

Third, the question asked by many prominent pharma cognoscenti is why did India not place firm vaccine orders in July 2020 and wait till January 2021 to do so? Should we place firm orders before even the Phase 3 trials are completed and results come out? Who pays for consequences if trials go wrong, and people die? Let us not forget that when a previous version of the Chinese SARS Virus happened, some well-meaning officers did just that — placed firm orders and gave advances, but the outbreak turned out to be less virulent than predicted and by the time the vaccines were ready, people did not take the vaccine. The money spent was wasted — with hindsight. Even after over a decade, the threat of adverse career consequences, if not possible criminal proceedings, hangs over their heads thanks to a CAG/ Public Accounts Committee (PAC) adverse comment on the waste of public money! Would any of our corporate pharma honchos be willing to take mega purchase decisions with the proverbial sword of Damocles hanging over their heads for the next 20 years of their career? So, in India's legal and administrative system, the orders could not have been placed before January 2021.

Fourth, why were vaccines exported under the Vaccine Maitri programme? Vaccines, unlike oxygen concentrators and Remdesivir, cannot be hoarded for consumption later. SII had produced some vaccines even before the emergency use authorisation. Thus, many Covid vaccines had an expiry date of around May 2021. Thanks to a deadly cocktail of ignorance of the masses at large and political propaganda that vaccines could lead to impotency and deaths (some prominent leaders dubbed it the "BJP vaccine" and refused to take it, while the rest of their families quietly took it), there was severe vaccine hesitancy. So, all through mid-January onwards, for several weeks,

ILLUSTRATIONS BY RAJ VERMA

while vaccines were available for health workers and frontline workers, uptake was unsatisfactory. Thus, the government took the sensible step of exporting it to other countries, which earned it enormous diplomatic goodwill (which can be seen reciprocated with the outpouring of support from the world at large now, during India's second wave, which is a tsunami). It also prevented some vaccines from getting wasted and thrown away.

Fifth, the next step was opening it up to 45+ citizens to take the vaccine and then suddenly, even though things were going fairly well, we saw some Chief Ministers arguing they wished to vaccinate all their citizens and would pay for it also! Their followers and some media commentators accused GoI of brute centralisation in pricing control, supply control, and attendant "lack of democracy" in allocation of vaccines trying to attack the strongman image of Modi. The GoI reaction was to tell states it will now be a 50:50 formula as per their request! That they were welcome to negotiate directly with vaccine suppliers. In turn, suppliers fixed differential – higher - prices for states. Again, the same states and media commentators went into a hand-wringing mode saying they don't have the money to vaccinate their entire populations and GoI should do so centrally. But, this is what GoI was doing in the first place till it got accused of not caring enough for all citizens and being a "control freak" – so it is do you are damned and don't do you are still damned!

Lastly, let's come to the possibility of global tenders. Even assuming the bids come at a 60 per cent plus discount (Pfizer/Moderna cost around $35 per dose), can India afford it at $10-15 per dose for a family of four or five? The answer is a clear no. The issues of cold chains (-30 to -70 degrees) and indemnity come next. These are likely non-starters, and will get a feeble response for now in India.

India, with a per capita income of $2,099, cannot afford to stockpile 2-4x vaccines for its population like the US has done. And the European Union (much more prosperous than India) still suffers from acute vaccine shortages. Even today the pace of vaccination is low in Europe. Investec, in a research note, has analysed the vaccine ecosystem and argued that in another three months we will have a 2X-3X increase in supply through a combination of enhanced domestic production, imports and newer vaccines coming in (Sputnik, Novavax, Biological-E, Cadila, Covaxin Inhaler, and Johnson & Johnson single-shot probably at around $5 per dose) and by October 2021 India can vaccinate 75 per cent of its 18+ population. They also estimate that even at these prices the industry profit pool will be around $2 billion by January 2022. In sum, India will vaccinate and get the better of Covid.

Exactly a 100 years ago, the Spanish Flu pandemic devastated, and led to 40 million deaths, of which about 20 million were in India in just four months. Till date there is no vaccine for the Spanish Flu. But India has a vaccine for the Chinese virus and shall through unparalleled determination of its gritty people conquer the once in a century Covid challenge too. Indeed, we should now invest in our capabilities to design more vaccines completely end-to-end in India itself so that we can meet the challenges of future pandemics as and when they come. Let us not forget there are 8,000,000,000 people on earth versus 10, 000, 000, 000, 000, 000, 000, 000, 000, 000, 000 estimated viruses in the world! We will still win. BT

The writer is an IAS officer. Views are personal.

If 30 state governments are allowed to buy, then it will lead to interstate competition and drive prices up for everyone. The initial policy of GoI to centrally procure vaccines was the correct response

Interview

"THERE IS SIGNIFICANT GROWTH IN R&D IN INDIA"

US-based Medtronic is the world's largest medical technology and solutions provider operating in over 150 countries, with 76 manufacturing units, 90,000-plus employees and annual revenues in excess of $30 billion. Medtronic, which spends over $2 billion on research and development (R&D) in a year, is mainly focused on solutions in cardiac and vascular care, diabetes and minimally invasive and restorative therapies. It has been operating in India since 1979 and has two global R&D centres in Bangalore and Hyderabad focused on renal care and engineering services. This is apart from its first global IT Solutions Center, established in Bangalore in 2014. **Mani Prakash,** Vice President, Enterprise R&D, talks to **P.B. Jayakumar** on the company's proposed R&D investments in India, changes in global med-tech R&D and what role India is going to play in Medtronic's global R&D plans. Edited excerpts:

What all medical innovations are expected in the next five years?

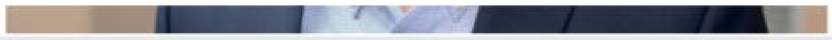
Many innovation efforts are happening across our portfolio. In most countries, the pacemaker used to be large and sat under your skin for many years. Our innovation will focus on miniaturisation with batteries that can endure for long term. So, we are bringing all our knowledge together to create a pacemaker that sits inside for a long time. You make a cut in the leg and send the pacemaker into the heart; the patient doesn't even feel the pacemaker.

Similarly, in diabetes, AI innovations will decide how much insulin needs to be delivered every day by measuring the kind and quality of food the patient is eating. A lot of changes are happening in robotic surgeries with remote capabilities and use of AI. For instance, implantables in the brain are becoming smaller? They will become smaller and much more effective with algorithms that are going to come out.

Affordability of healthcare is an issue. How can you help as costs are the main reason a lot of people are unable to access healthcare?
Access to healthcare is definitely one of the biggest challenges around the world. Collaborations between companies and governments are going to be important. To ensure that access to healthcare is broadened, we're definitely in support of working in collaboration with the government of India. It is innovation

that will make the difference. Innovations always don't have to be expensive. Today, the focus has been on the higher end of the market, but as we look at the impact the new technologies can have, I think they will be great equalizers over time. It's definitely an area of focus for us.

> **We have to make for India and the world, as India is a small market now**



A large chunk of Medtronic revenue comes from the cardiovascular field. Now that you are into robotic surgery, how is it evolving?
Today, the medical technology field is poised for great innovations. Our CEO has stressed many times that Medtronic will put 'tech' back into med-tech. Medical technology has primarily focused on engineering skills like electrical engineering or mechanical engineering. But we are expanding to areas like digital and other aspects of software in order to go where the industry is heading. We are poised to be right at the centre of that transformation. I can say MEIC is putting us at the forefront of that change.

Robotics will play a very critical role for us, whether it is in spine surgery where we already have products or the new robots that we will be launching going forward. The team at MEIC is working on various robotic programmes. The MEIC team will play a key role in areas like cybersecurity. The team is working on all cutting-edge R&D of Medtronic, mainly related to software and engineering.

You mentioned about changes in med-tech field. In which direction is research in medical devices progressing?
The change will first happen in consumer facing areas, and that will give direction. This is because you don't have the potential risks. Consumer will take the lead. Artificial Intelligence (AI) and machine learning will come into medical devices. Look at the main acquisitions we have done in the last one year. We are confident these areas will make a key impact. We are looking forward to working with regulators because AI and machine learning are new in the med-tech space. These technologies will be absolutely critical for us going forward.

How sure are you of the IP environment in India?
Medtronic has R&D locations in over 20 countries. Are there some countries where we have not gone because of IP? The answer is sure. We take all the factors into account while taking decisions and make sure that there is framework, infrastructure and government willingness to talk if there are any challenges. So, ability to talk to the government and discuss these topics openly is probably a big positive in our decision to set up the centre in India. If the risk level was high, I am sure we would not have done it. The ability to discuss these topics has given us confidence.

Recently, the Indian government took a few policy initiatives to promote Make in India for medical devices. Are you happy with the incentives and the policy environment?
We have been pleased with the level of collaboration we've had both with the government of India as well as the government of Telangana. The interactions with both of them have been positive. This has been most important for us as we considered many locations around the world. The ability to have direct conversation and policy support or policies where industries can collaborate with hospitals and educational institutions is something very positive.

India has a very large population. The medical device market is still in its early stages of growth. So, there is definitely potential, though the market is small from a global perspective. Governments can ensure access to more state-of-the-art medical tech to patients in India. So, we look forward to such collaborations. We have to make for India and make for the world, since India is a small market now. We are definitely looking at a big market in India in future.

How much have you invested in R&D in India so far? Ten years ago, what were the factors you took into account when you decided to invest in R&D in India?
I don't have a cumulative number, but if you look at our current investment plan of $160 million over the next five years, that is a sizeable increase. Ten years ago, we had no R&D in India; it has gradually increased over the years. Investment in R&D is absolutely criti-

cal for Medtronic. This is something that our CEO has said on many occasions. Annually we spend $2.3 billion on R&D globally. And now we are seeing significant growth in R&D in India.

There are many factors that drive R&D investment decisions such as existing innovation environment or potential to create such an environment. The innovation environment includes R&D, government policies, ability to get talent in the right areas, etc. So, this was a big positive from India. Talent and capabilities in India were critical factors. People are also willing to move to Hyderabad from other locations in India. The third point is that this is a partnership. We are not in this to set up an R&D centre and go away. There is a longer-term plan for us. This partnership with India is for working closely to meet the healthcare needs of India. India will be the largest in the world in number of patients and number of doctors.

What is the kind of investment you are looking at in India considering the potential? What are the growth opportunities you see in India?

The Indian market is definitely continuing to grow and our investments will be driven by two big aspects. First is growth within healthcare infrastructure and growth of healthcare and medical devices in India. Second is continued growth of talent and education system in India. I am very hopeful of the positive growth we see in India, and in the end, investment comes when you deliver. Our MEIC team has been very good at that. The future is bright, and the best I can say is that we are going through a start-planning process. If the last three-five years were any indicator, our India R&D centres have earned the right to be heard and be part of the global R&D development; they have done an awesome job.

Medtronic is investing $160 million to expand the Medtronic Engineering and Innovation Center (MEIC). How will that contribute to your global R&D plans?

MEIC will support 15 Medtronic operating units around the world and work on some of the latest cutting-edge healthcare technologies in software development and testing, mobile apps for medical use and engineering research. The work will include robotic-assisted surgery, surgical navigation and imaging, surgical devices, implantables, ventilators and many others. As announced, $160 million will be spent over the next five years on physical infrastructure as well as human and scientific capital. We have over 400 employees at MEIC. It is about building talent on engineering and software side of things.

We have been commercially operating in India for over 40 years. We got into innovation in India about 10 years ago and have grown from there. The role India has played in being at the forefront of technology and having the right skill sets are probably the main reasons for our interest here. The medical device (segment) in India has been growing for decades, and I think with the convergence of digital technologies, India is well-poised to leap further. We are looking at MEIC to be that core for us. It will be our largest R&D location outside the United States. We have confidence in talent available here and also the future prospects.

What is the direction of medical innovation R&D going forward for Medtronic? How important will that be for global business in the future??

With Geoff Martha coming in as CEO, we have gone through a global reorganisation, with focus on operating units. We have 20 different operating units specialising in surgery, cardiac procedures, neuro modulation and the like. From an innovation and R&D standpoint, it is important to be close to the customer. That's why all our R&D teams are within those operating units. We know a gynecologist or a surgeon or a cardiologist as a healthcare specialist, but their areas of work and needs are very different. We do R&D in more than 20 countries. The advantage with India is that it is an enterprise asset, which means this is where we can use the power of our technology and talent to help most of our operating units. MEIC is in a unique position to help multiple operating units across Medtronic. This is just the start of the journey. BT

@pb_pbjayan

Our India R&D centres have earned the right to be heard and be part of the global R&D development; they have done an awesome job

Protecting Parents

HOW TO BUY INSURANCE FOR YOUR 60-PLUS PARENTS AT AFFORDABLE PREMIUM

BY APRAJITA SHARMA
ILLUSTRATION BY RAJ VERMA

You don't want your parents to age. But aging is inevitable. What you can do is provide them the best possible healthcare. With health expenses rising, especially due to Covid-19, medical expenses of parents can pinch your pocket hard. That is why you must buy a suitable health insurance policy for them. However, health insurance plans turn expensive with age. If your parents are 60-plus, covering both in a comprehensive plan (₹10 lakh cover) may cost you up to ₹50,000-60,000 a year. The other option is senior citizen-specific policies, with lower premium but some limitations.

As you do your research to zero in on the best health insurance for your parents, note that the premium should not be the only parameter. The policy should provide decent coverage in case of hospitalisation. "Take a note of pre-existing diseases (PEDs). If these are minor, such as mild hypertension or diabetes, there will be a wide variety of policy options, but if the parents have chronic diseases such as diabetes that requires them to take regular insulin shots, your options will become limited. If money is not an issue and there is no major PED, comprehensive health plans will be the best. Buy senior citizen-specific plans if your parents have a PED, but such plans come with limitations such as 20-50 per cent co-payment, room rent limits, disease-specific limits and waiting period on PEDs," says Amit Chhabra, Head- Health Insurance, Policybazaar.com.

The Major Plans

60-Year-Old Male, Senior Citizen Health Insurance Plans, ₹10 Lakh SI			
Insurer	Plan Name	Premium (₹)	Features
Star Health Insurance	Senior Citizen Red Carpet	26,550	Day Care, Health Check-ups,
Aditya Birla Insurance	Activ Care Standard	24,202	Health Assessment, Domestic Evacuation, Wellness Factors, Worldwide Emergency
Care Health Insurance	Care Senior	25,828	Entry at 61

60-Year-Old Male, Comprehensive Health Insurance Plans, ₹10 Lakh SI			
Insurer	Plan Name	Premium (₹)	Features
Care Health Insurance	Care	25,265	Health Checkups, Day Care Treatment, Alternative Medicine, Hospitalisation at Home
Star Health Insurance	Star Comprehensive	30,881	Health Checkups,Eye & Dental Cover, Day Care, Hospitalisation at Home, Alternative Medicine, Domestic Evacuation, Wellness Discount
Aditya Birla Insurance	Activ Health Platinum Enhanced	31,927	Health Checkups,Day Care, Hospitalisation at Home, Alternative Medicine, Domestic Evacuation, Worldwide Emergency
Bajaj Allianz General	Individual Health Guard	39,884	Health Checkups, Day Care, Wellness Discount, Alternative Medicine

Source: Policybazaar.com

Key Features For Comparison

Co-payment: Co-pay means you share expenses with the insurer. So, if there is 30 per cent co-pay and the approved claim is ₹4 lakh, you will have to pay ₹1,20,000 (30 per cent of ₹4 lakh). Note that the insurer will not cover the entire medical bill. It will deduct a few expenses such as consumables. The co-pay will apply on the approved claim amount, not the total hospital bill.

Room rent: If your policy has a room rent limit of ₹5,000, but the hospital charges ₹10,000 a day for the room, you will have to pay the remaining ₹5,000 a day. There is no room rent limit in comprehensive policies.

Waiting period: Various insurers may have a waiting period of one-four years for PEDs. Go for the one with a lesser waiting period. "Our Senior Citizen Red Carpet policy covers PEDs after 12 months; this is the bare minimum in the industry for this age group," says Anand Roy, Managing Directors, Star Health and Allied Insurance. Some companies may offer Day One cover for PEDs if you agree to pay extra.

Disease-specific limits: There could be disease specific limits too. For instance, a policy may pay a percentage of the cover for diseases such as cataract and hernia. Max Bupa recently launched a 'Senior First' plan that has no sub-limit on cataract, joint replacements, etc. "In current conditions, one must also check Covid-related restrictions and if domiciliary hospitalisation is covered or not," says Adarsh Agarwal, Appointed Actuary at Digit Insurance .

Restoration benefit: This feature reinstates sum insured after you exhaust it during a policy year. For example, if you have exhausted the base sum insured of ₹5 lakh in the first claim, you will still be eligible for ₹5 lakh in the second claim the same year. The catch here is if only ₹3 lakh was used in the first claim and the second claim amounts to ₹6 lakh, the policy will pay only ₹2 lakh. The restoration will start from third claim onwards. A few insurers offer restoration after partial exhaustion too. Besides, in most cases, it is applicable for different diseases. But Max Bupa's Senior First policy offers it for same illness too.

OPD Cover

Senior citizens may have to visit a doctor quite frequently. But a typical health policy does not cover outpatient department (OPD) expenses. Some insurers, however, have of late started offering OPD cover. This could either be a standalone policy or a feature in the main policy. Needless to say, having an OPD cover will add to your premium. Should you have it? "Ideally, it helps, but the trouble is that it is quite expensive. There are hardly any plans right now which offer good OPD coverage," says Chhabra.

Options to Reduce Payment

A policy with limitations will have a lower premium. However, there are also other ways to reduce the premium outgo.

Deductibles: Deductible is the amount you agree to pay yourself. The insurance company will take care of the rest of the amount. For example, if the policy has a deductible of ₹35,000 on a ₹15 lakh policy, you'll pay ₹35,000; the rest will be paid by the insurer. "A 63-year-old senior citizen will pay ₹2,000-3,000 per month on a normal policy, while the one with a ₹35,000 deductible will have a significantly lower premium of ₹1,400 per month," says Jayan Mathews, Co-Founder & Chief Product Officer, Vital.

Super top-up Plans: Super top-up plans also work on the concept of deductibles but these are standalone health policies with higher coverage. For example, a standalone super top-up policy of ₹20 lakh with ₹5 lakh deductible will cost ₹9,705. The ₹5 lakh deductible means claims worth ₹5 lakh in a year will be borne by you. The ₹20 lakh super top-up will be activated after that. Your office policy or a separate base policy of ₹5 lakh can take care of the deductible. "If your employer covers your parents for up to ₹5 lakh, you only have to buy a super top-up plan of ₹20-25 lakh. Otherwise, you may buy a normal policy of ₹5 lakh to cover the deductible amount," says Avdesh Mishra, Founder, Caterpillar Insurance & Investment Services.

"Star Health Comprehensive plan for two 60-plus adults for ₹25 lakh coverage will be available at around ₹80,000. If you take a base policy of ₹5 lakh and a super top-up of ₹20 lakh, you will be charged only ₹55,489," he adds.

YOU MAY GET A DISCOUNT ON PREMIUM IF YOUR PARENTS HAVE A HEALTHY LIFESTYLE

Wellness Discount: If your parents are fairly healthy and maintain a healthy lifestyle such as walking certain steps every day, you may get a discount on the premium amount. "If a customer is healthy, our Activ Care policy, a comprehensive plan, rewards the insured with up to 21 per cent of the premium as HealthReturn," says Mayank Bathwal, CEO, Aditya Birla Health Insurance. These HealthReturns can be utilised for buying medicines, diagnostic tests or paying the next policy premium.

Other Features

Some insurers offer a long-term discount if premiums are paid in advance. "In case a policy is purchased for two years, the premium is reduced by 7.5 per cent. We also have a family discount, which reduces the premium by 5 per cent if the policy is purchased on an individual basis," says Bathwal.

Star Health gives 10 per cent discount on submitting medical records such as Stress Thallium Report, BP Report, Sugar (blood & urine) Report. "These tests should have been done within 45 days prior to the date of purchase of the policy. If these documents are submitted at the time of purchase or at the time of renewal, the discount will be valid for all subsequent renewals," says Roy.

Agarwal of Digit Insurance says a few insurers offer zone-wise premium pricing. "If you are in Tier-II or Tier-III cities, prefer such insurers. You may opt for 30-60 days of pre- and post-hospitalisation instead of 60-90 days. In reinstatement of Sum Insured, you may go for once in a year restoration of SI instead of unlimited restoration."

Are Tests Mandatory?

After a certain age, the insured has to fill a questionnaire before the policy proposal is accepted or rejected. The underwriters decide whether medical tests are needed or not on the basis of these declarations.

"Under Star Sr. Citizen Red Carpet policy, we do not mandate any physical tests irrespective of the age and the sum insured opted. In case the customer discloses any pre-existing condition, we may ask for related reports (when required). However, on a case-to-case basis, the company may ask the insured to undergo tests. At present, the cost of such medical examination is fully borne by the company. Under all circumstances, the customer will be intimated in advance about the need to undergo pre-policy medical tests," says Roy.

Pre-policy medical check-up is compulsory at Aditya Birla. "The cost is borne by the company in case the policy is accepted. If rejected, 50 per cent cost is borne by the customer," says Bathwal.

Healthcare Fund Vs Insurance

If you are unable to afford insurance for your 60-plus parents, you may start investing for building an emergency medical fund. Instead of paying huge premiums, the same amount can be invested in suitable investment avenues. "We have seen that the premium can be over 10-12 per cent or even more of sum assured after a certain age. Hence, it may be more practical to invest in a contingency fund rather than looking for medical insurance," says Suresh Sadagopan, Founder, Ladder7 Financial Advisories.

"Any contingency fund needs to be invested in fixed interest investments to avoid volatility and illiquidity. I would suggest a combination of short-term as well as medium to long-term fixed-income investments," he says. BT

@apri_sharma

Network

Building A Symphony

From left: Pavitra Shankar, M.R. Jaishankar, Nirupa Shankar and Githa Shankar

Life is a symphony for the family of **M.R. Jaishankar,** Chairman and Managing Director of Bengaluru-based real estate developer Brigade Group. His daughter **Nirupa Shankar**, Executive Director of the group, says their everyday life begins with Western retro music playing from the parents' room in the morning and ends with old Hindi songs at night, with parents signing along.

"Every holiday we took, our parents would try and find a musical event to attend, such as a performance by the philharmonic orchestra," she adds. Nirupa and her younger sister **Pavitra**, who is also Executive Director, were trained in classical music at a very young age. Both have had solo performances in interschool competitions.

While studying at the University of Virginia, Pavitra was part of an acapella group (those who sing without instruments). Nirupa, too, took classes in Western classical masterpieces and even bluegrass music, a genre popular in Virginia.

Their love for music also spilled over to the business as well. Brigade group has built one of the largest interactive music museums — the Indian Music Experience (IME)— at their residential project Brigade Millennium in 2018. Shankar's wife **Githa** spearheaded the project, which took nine years to complete, with funding from Brigade Foundation that she heads.

IME was created for protecting, preserving and educating the public about the legacy of India's rich music and heritage. The exhibition features music collection, instruments, costumes of legends, listening stations and interpretive graphic panels that chronicle the life and work of celebrated artistes. Other attractions include mechanised puppet displays and folk art murals. IME has a sound garden for explaining musical sounds as well.

The museum has had over 40,000 visitors, including school children, families and tourists, so far.

– NEVIN JOHN

Kulkarni, The Cricket Buff

Mukund Kulkarni, who heads the stressed retail loan and SME verticals at Asset Reconstruction Company (India) Ltd, the country's largest asset reconstruction firm, is a cricket buff. In all these years of working in different companies like Barclays, Cholamandalam DBS and ICICI Bank, cricket was his only constant companion. "We have a small team in our society. We make it a point to hire a turf once in a month to play," says Kulkarni. But that was pre-Covid. Nowadays, it is more about watching and learning new skills. "I like the way Rohit Sharma plays and the way Virat Kohli plans his innings," says Kulkarni, who has also been busy buying stressed loans from banks and NBFCs in the past one year. In fact, retail and SME loans have been increasing, and so are the efforts to recover them in the current challenging times. A fast bowler himself, Kulkarni is waiting for the pandemic to end, to give his best both on and off the work pitch. – ANAND ADHIKARI

Anand's Organic Farming

In his quest to shift to organic food, **Anand K.,** CEO of SRL Diagnostics, took to organic farming in 2011. "When we were searching for organic food options, we found out with commodities such as rice, wheat, milk and vegetables, it's difficult to know whether they are truly organic because there's no specific certifying agency for such foods in India," he recalls. Companies that export organic foods to the US and Europe get their certifications from agencies abroad.

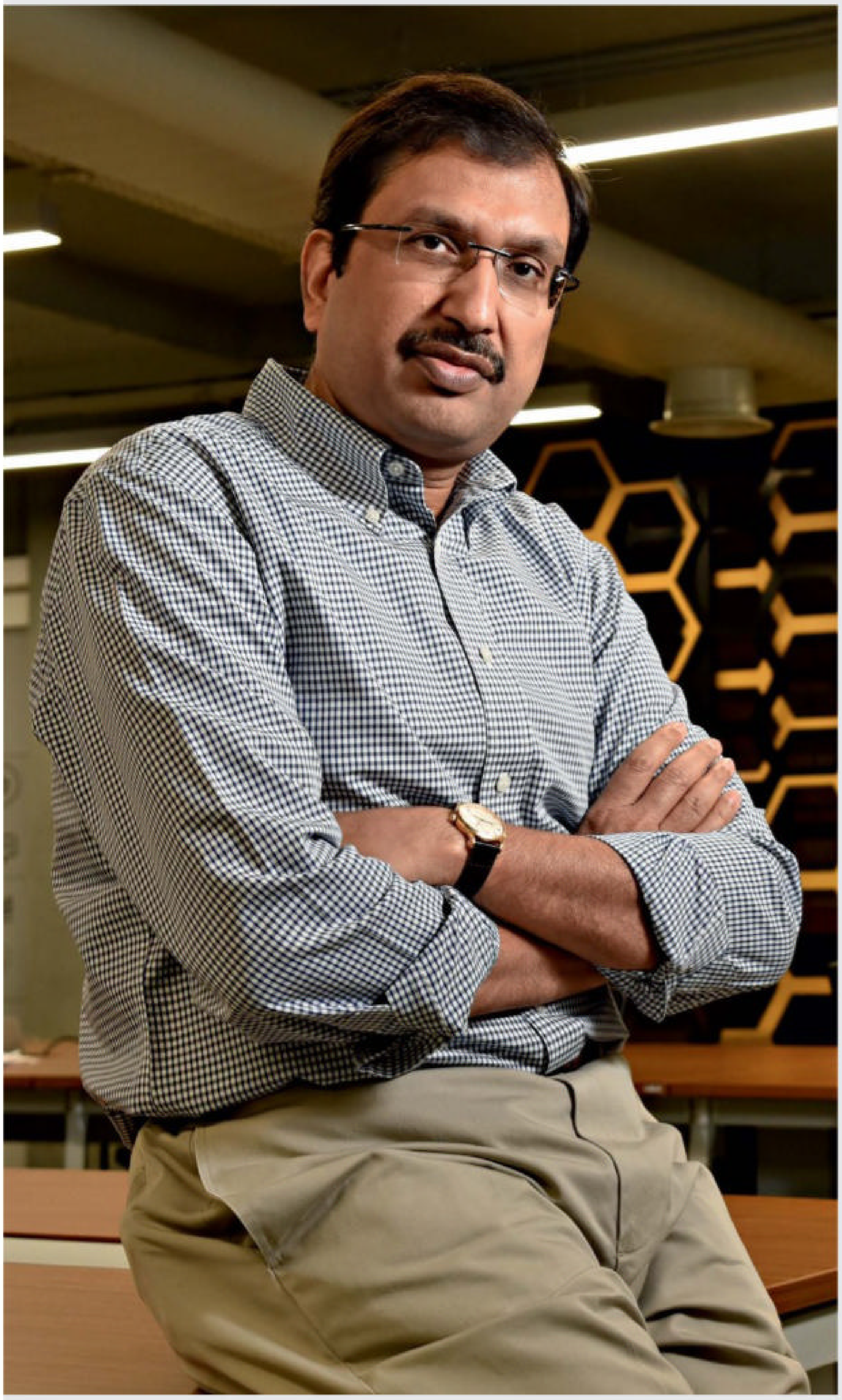
Anand roped in two more friends, and bought a 15-acre farm about 100 kilometres from Chennai. His next step was to convert the area into an organic farm. It usually takes three-five years for a farm to become completely organic because the whole soil needs to be replenished. "We are growing paddy (different varieties of rice), pulses and oil seeds currently. We also have organic milk. The yields are much less compared to regular rice varieties promoted by agricultural institutes, but our quality is much better. Today, we have been able to come up with a solution for at least a few families," he says. Anand wants to scale up the project, besides creating similar cooperative initiatives across the country. "At this point, we all work on it part-time. We can look at making this into a larger enterprise," he adds.

– MANU KAUSHIK

Best Advice I Ever Got

"EMBRACE NEW OPPORTUNITIES THAT COME YOUR WAY"

KAMESH GOYAL, Chairman, Digit Insurance



PHOTOGRAPH BY LANTERN CAMERAI

What was the problem you were grappling with?
I was in two minds about starting up. I started my career with New India Assurance and resigned as CEO from Allianz Group. Had someone told me eight years ago that I will have a start-up, it would have sounded ridiculous to me since insurance is very capital-intensive. I wanted to simplify the jargon-heavy industry. But taking the call to leave a well-paying and secure job was difficult.

Who did you approach?
I approached my mother. Her advice has often helped me in personal and professional life.

What was the best advice you ever received?
She always says that tomorrow's aspirations are not slave to today's situation; it should not be a constraint to what one can do tomorrow.

How effective was it in resolving your problem?
Her support encouraged me to launch Digit Insurance. Now, I make sure to adapt to changes continuously. I embrace whatever opportunity comes my way. She also tells me success is not a personal outcome, it is teamwork. When Digit Insurance became a Unicorn, she asked me what I have done for the people who helped me achieve the milestone? I told her we have stock options. The team will benefit as the company does well. Besides, though our offices were shut during Covid-19, we kept paying all our support staff. Everyone got bonus pays and even increments up to the mid-management level. We recruited people too. BT

–APRAJITA SHARMA

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