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Business Today

INDIGO: Is the truce for real?

EDUCATION SECTOR REPORT: New Chapter

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August 25, 2019 I ₹100

INDIA TODAY GROUP

VG SIDDHARTHA
1959-2019

What Went Terribly Wrong

Unravelling the mystery behind the death of India's coffee magnate

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FROM THE EDITOR

Death of a Coffee King

V G. Siddhartha's apparent suicide and the purported suicide note sent shock waves through India's business circles, especially in Bengaluru from where he operated. It also left a surfeit of unanswered questions – about the exact amount of debt he was reeling under, the value of his assets, the pressures from the private equity partner and his relationship with politicians. For a man who was excessively reserved and took great efforts to shun media publicity, his death has created exactly the kind of media spectacle he tried his best to avoid while he lived.

Some of the answers will eventually come out – like the amount of money he had borrowed from various sources, which is currently difficult to fully collate because of the maze of private and public companies through which they were taken. Others may never be fully answered – including the role of Karnataka politics in the factors that triggered his extreme step.

But his rise and fall provide glimpses of what it takes to succeed and also the factors that can undo decades of hard work.

Siddhartha was not a rags to riches story. He belonged to a wealthy, coffee estate-owning family. His ambition was to build a coffee empire that would rival those around the world and a brand name that could be spotted in the developed world's best locations. He was hard-working and initially borrowed money from his father to set up a stockbroking company. He was a lucky participant in Bengaluru's and India's software services boom. As a stockbroker, he was asked by the legendary Nimesh Kampani to pick up unsubscribed shares in Infosys's initial public offering. When the company listed and the shares went through the roof, Siddhartha made a huge profit. He subsequently invested in other tech shares of Bengaluru companies, including Mindtree. But his first love was always coffee. Any spare cash he had was ploughed back to increase his coffee plantations. Where his family had a few hundred acres, Siddhartha accumulated over 12,000 acres. He married a politician's daughter and had many political friends, but never showed the slightest inkling of building a political career. He was an early beneficiary of India's economic liberalisation, and set up Café Coffee Day, which is currently the dominant coffee chain in the country and holds its own in the market, despite competition from global players such as Costa Coffee and Starbucks.

He painstakingly built up his business – but finally what undid him was, among other things, the debt problems and overexpansion that has been the bane of many Indian businessmen. Siddhartha had tried to reduce his debt by raising equity – through his own IPO and later by selling his Mindtree shares. That did not prove to be enough.

The full story behind his income-tax problems will probably never be known except to a handful of people very close to him. The IT department says that it conducted raids and found evidence of unaccounted cash and a possible evidence of it being political money from his premises. The Congress claims that Siddhartha was pressured by tax authorities because of his political leanings despite the fact that his father-in-law had joined the BJP some time back.

Siddhartha is an extreme example of how using debt to fund expansions can undo you.

Prosenjit Datta

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CONTENTS

COVER
PHOTOGRAPH BY
Deepak G. Pawar

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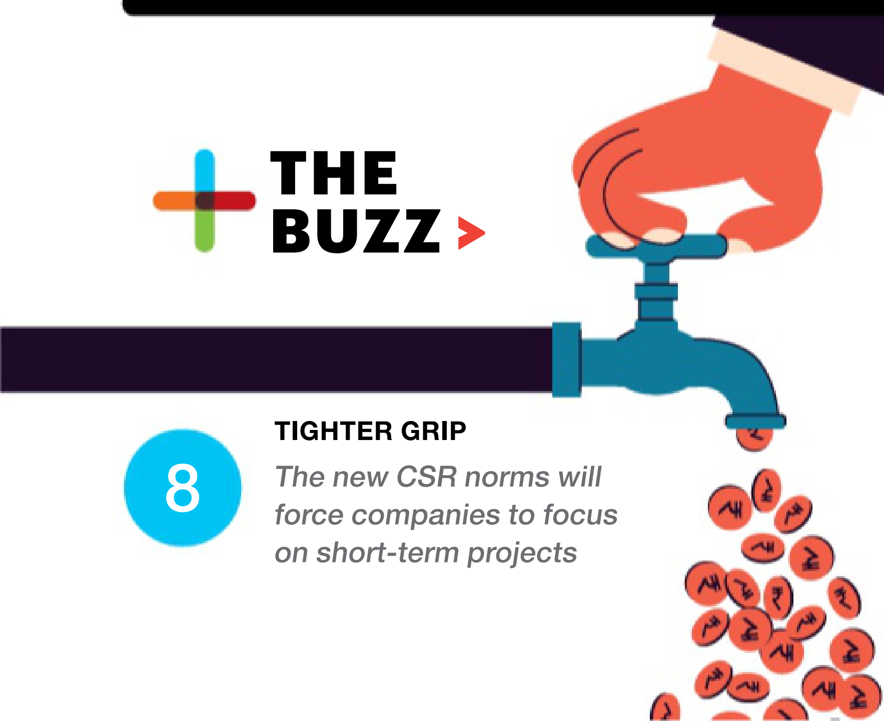
THE BUZZ



THE HUB >

58

MID-FLIGHT TURBULENCE

Is the truce between the warring co-founders of IndiGo for real?

THE BREAKOUT ZONE >

104

WHEN HOLOGRAMS GO TO WORK

Microsoft's HoloLens 2 can be combined with other emerging technologies to help people at work

MAKEOVER MANTRA

108

If your cherished photographs, letters, music or other important documents are locked away in the analogue world, give them a digital lease of life with these simple do-it-yourself steps

An IMPACT Feature

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NHB Directive on Subvention Schemes May Hit 10-20% Real Estate Sales
The situation will get worse for the developers, who are already grappling with the liquidity squeeze caused by the NBFC crisis
businesstoday.in/realestate-nhb

Are Brands Overlooking the Silver Generation?
Demographic projections show that India's population growth will continue to slow rapidly over the next two decades – less than 1 per cent during 2021-31 and under 0.5 per cent during 2031-41
businesstoday.in/brands-silver.generation

Time to Overhaul Mudra Scheme
For many bankers, the new recommendation of giving collateral-free loans with a target is nothing but a risky proposition
businesstoday.in/mudrascheme-npas

NEWS

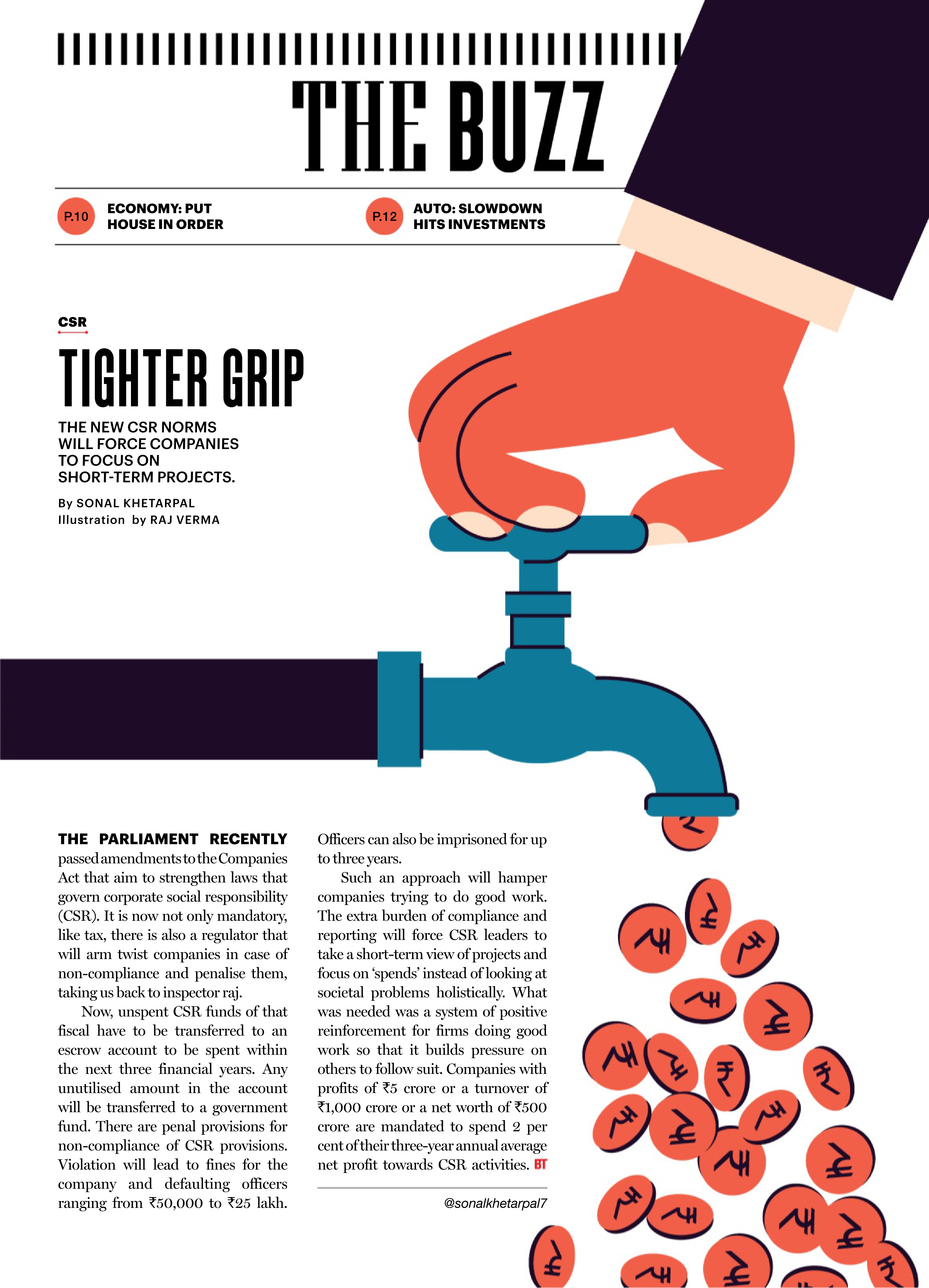
VG Siddhartha's Debt Pile May Have Peaked at Over ₹11,000 Crore, New Data Unravels
The Coffee Day Enterprises stock has fallen 70 per cent from the peak of ₹374.60 to ₹110.95 on August 1, 2019 – an erosion of ₹5,265 crore in market cap
businesstoday.in/ccd-stocks

Rahul Bose-JW Marriott Fiasco: "Hotel Charging 18% GST on Bananas Legal"
One goes to a hotel to avail of services, and, therefore, a banana served to a hotel guest should be seen as a service, say tax experts
businesstoday.in/rahulbose-bananafiasco

How Tax Dept Is Using Data to Increase Revenue Collection
A look at the income tax department's action plan for 2019/20 gives an insight into the department's working
businesstoday.in/it.actionplan-data

P.10 ECONOMY: PUT HOUSE IN ORDER

P.12 AUTO: SLOWDOWN HITS INVESTMENTS



CSR

TIGHTER GRIP

THE NEW CSR NORMS WILL FORCE COMPANIES TO FOCUS ON SHORT-TERM PROJECTS.

By SONAL KHETARPAL
Illustration by RAJ VERMA

THE PARLIAMENT RECENTLY passed amendments to the Companies Act that aim to strengthen laws that govern corporate social responsibility (CSR). It is now not only mandatory, like tax, there is also a regulator that will arm twist companies in case of non-compliance and penalise them, taking us back to inspector raj.

Now, unspent CSR funds of that fiscal have to be transferred to an escrow account to be spent within the next three financial years. Any unutilised amount in the account will be transferred to a government fund. There are penal provisions for non-compliance of CSR provisions. Violation will lead to fines for the company and defaulting officers ranging from ₹50,000 to ₹25 lakh. Officers can also be imprisoned for up to three years.

Such an approach will hamper companies trying to do good work. The extra burden of compliance and reporting will force CSR leaders to take a short-term view of projects and focus on 'spends' instead of looking at societal problems holistically. What was needed was a system of positive reinforcement for firms doing good work so that it builds pressure on others to follow suit. Companies with profits of ₹5 crore or a turnover of ₹1,000 crore or a net worth of ₹500 crore are mandated to spend 2 per cent of their three-year annual average net profit towards CSR activities. BT

@sonalkhetarpal7

MANUFACTURING

LOSING MOMENTUM

HIGH FREQUENCY PMI data suggests that manufacturing is expanding but at a slower pace. The recent economic survey, too, hinted at subdued demand in textiles, iron and steel and auto sectors. The June quarter results mirror the same story. A total of 109 manufacturing companies have reported a 21 per cent drop in profit in Q1FY20 on mere 7 per cent rise in sales. Labour-intensive textile and discretionary sector auto have been worst hit with sales dropping 16 per cent and 7 per cent, respectively. A 27 per cent drop in Maruti Suzuki's profit for the quarter or flat profit growth by Bajaj Auto speaks volumes about the slowdown. A total of 23 chemical firms have reported a mere 5 per cent rise in sales but flat profit. With election-induced slowdown tapering off, experts expect order inflows to improve in the second half of FY20. Execution in terms of revenue visibility and how the companies leverage their working capital needs hold key. All eyes are on rate transmission.-
Aprajita Sharma

Economy

PUT OWN HOUSE IN ORDER

RBI Governor Shaktikanta Das recently came down heavily on advanced economies for unilateral policies and the risk it poses for the world. Das advised emerging market economies to follow policies that promote macroeconomic and financial stability, while focusing on growth.

His words, however, do not reflect ground reality. Are we doing enough for macroeconomic stability? The credibility of India's GDP numbers is frequently challenged for 'overestimation' by economists. There are reports of the CAG putting India's fiscal deficit at 6.1 per cent of GDP as against 3.4 per cent, in 2018/19. This includes off-balance sheet borrowings that the government is encouraging PSUs to do in order to meet capital expenditure needs. The higher fiscal deficit would create inflationary pressure. Also, a distorted macro picture influences policy in the wrong direction. The RBI is already, for example, on a rate cutting spree, citing low inflation and lower fiscal deficit. Similarly, the government's plan to raise part of government borrowing abroad to bridge the fiscal deficit comes with huge risk. Former RBI Governor Raghuram Rajan demolished the 'low rates or low cost' theory for sovereign bonds saying that a higher payout at the time of maturity because of currency depreciation would balance the overall cost.

The recent Budget decision on super tax has already led to an outflow of dollars by foreign investors. This could lead to lower forex reserves and put the rupee on a downhill journey. India needs to focus more on attracting capital flows, especially FDI, where there are challenges. It's time to put our own house in order.
-Anand Adhikari

₹2.73 TRILLION
India's 2018 GDP. India now stands 7th in world GDP rankings, from 5th in 2017

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बड़ी खबरें
लाइव टीवी

IBC AMENDMENTS

Govt Prevails Over Judiciary

AMID TALK about recent amendments in the Insolvency and Bankruptcy Code, what got missed was the fight over authority between the judiciary and the government, an issue on which the latter seems to have prevailed. The amendments have overturned two important orders passed by the National Companies Law Appellate Tribunal (NCLAT) in the Essar Steel insolvency case. The position that emerged from the orders was that financial and operational creditors must be given similar treatment, which means both taking similar haircuts, and that the Committee of Creditors (CoC) has no role in distribution of proceeds of the resolution plan among financial and operational creditors. The amendments proposed by the government contradict the NCLAT positions on both counts. It says the CoC has the final say in commercial consideration in the manner of distribution proposed in the resolution plan, and that it can take into account the order of priority among creditors, including the priority and value of the security interest of a secured creditor.
-Dipak Mondal

AUTOMOBILES

SLOWDOWN IMPACTS INVESTMENT TOO

THE PROLONGED slowdown in the domestic automobile sector which shows no signs of abating has started to impact investment and expansion plans of companies. Market leader Maruti Suzuki, which registered dismal financial results in the first quarter of FY2020, has reportedly put on hold plans to expand capacity at the Gujarat factory. While it was initially planned as a 1.5 million unit per annum factory, the company may not expand it beyond the existing 750,000 units at all. Similarly, many component makers have put investments on hold due to the prevailing uncertainty over electrification in the sector. While the tarmac disappeared long time ago, the sector is now fast running out of gas as well.-Sumant Banerji

PHOTOGRAPH BY VIKRAM SHARMA

Andhra Pradesh Chief Minister Y.S. Jagan Mohan Reddy

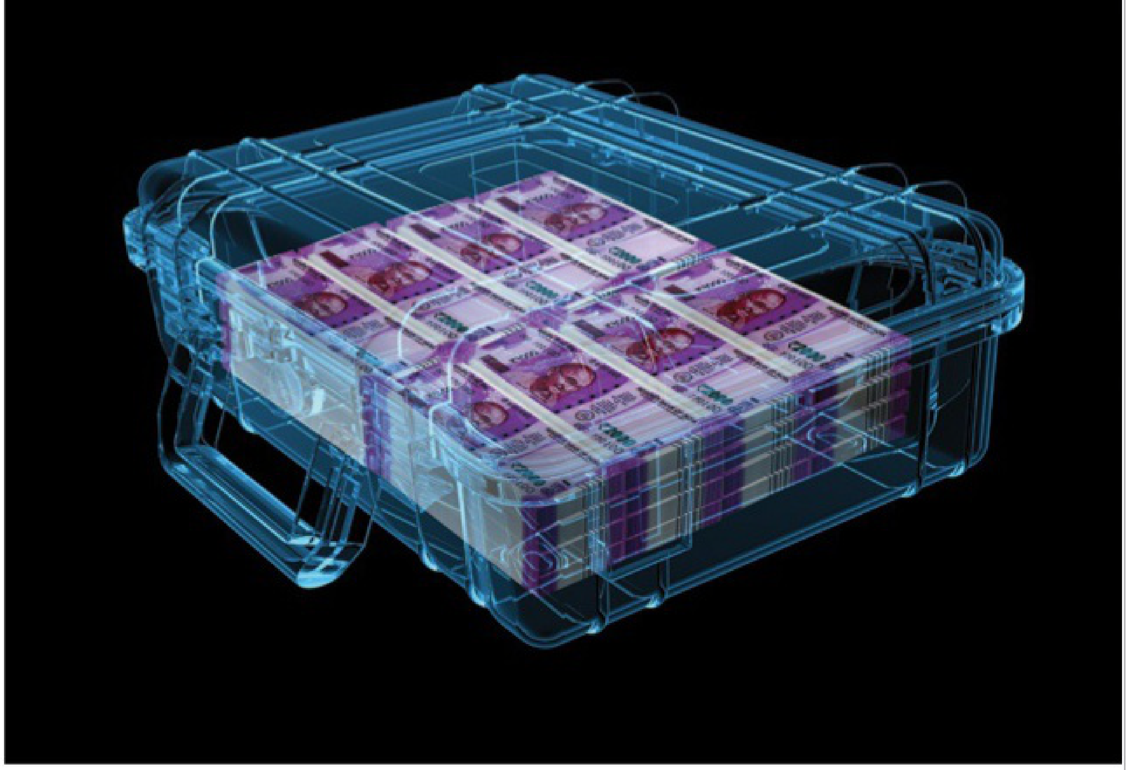
ANDHRA PRADESH

INVESTORS WAIT & WATCH

THE CASH-STRAPPED Andhra Pradesh under new chief minister Y S Jagan Mohan Reddy is keeping investors in a wait and watch mode with clarity yet to emerge on the way ahead on infrastructure, renewable energy and education. It has already cancelled construction work orders issued prior to April 1 but not grounded so far. That has, in turn, impacted several companies such as NCC and L&T, among others. It has, for instance, cancelled work orders worth around ₹6,100 crore for NCC alone. In solar and wind energy, the government wants to re-negotiate power purchase agreements (PPAs) already approved by the Andhra Pradesh Electricity Regulatory Commission (APERC), which the Andhra High Court has now stayed till August 22. The state wants to withdraw the other PPAs (around 21) that are pending APERC approval. In education, the move is now on to re-fix fees charged by private educational institutions.-E Kumar Sharma

RPT

Under the Scanner



RELATED PARTY transactions or RPTs, a term that has always been associated with corporate governance or lack of it, are not the cuss words in corporate world neither do they always insinuate corruption. However, they end up being at the centre of some or other controversy.

At the heart of the fight between co-founders of the IndiGo airlines are certain questionable RPTs. Rakesh Gangwal, one of the co-founders, said that the airline entered into RPTs associated with the other co-founder Rahul Bhatia.

Bhatia refutes these charges by saying that all RPTs were in accordance with the law and less than one per cent of the total turnover of the company.

As the name suggests, RPTs of a company are with those entities that are in some way associated with it – either subsidiaries or entities associated with directors, senior executives or their relatives.

There are stipulated norms for any transactions with such entities. All transactions have to be done at an arm's length pricing and disclosed properly.

Yet these are transactions through which many corporate frauds are committed, and though they are not illegal, RPTs are always under scrutiny.-**Dipak Mondal**

PARLIAMENT

Working Session

IN A WELCOME change, the first session of the 17th Lok Sabha appears to be the most productive in the last two decades. While 35 Bills were tabled; 16 are now law and 12 were passed by the lower house. There were no cases of MPs rushing to the well and no vociferous walkouts. The session commenced on June 17, but was extended to August 7.

Apart from amending the existing laws governing Aadhaar identity, Right to Information, compulsory CSR for corporates, the Parliament also gave teeth to National Investigation Agency and overhauled the Motor Vehicles Act. The session passed the contentious Muslim Women (Protection of Rights on Marriage) Bill, 2019, not only making triple talaq illegal, but also a criminal offence.

The criticism has been that since NDA is nearing a simple majority in Rajya Sabha, and has comfortable relations with many opposition parties, it is bulldozing through the bills.

-Anilesh S. Mahajan

AGR

Rising Dues

IN A RECENT affidavit filed in the Supreme Court, the Department of Telecommunications (DoT) has pegged dues from telcos at ₹92,642 crore on account of licence fee and spectrum usage charges (SUC). Airtel owes the most, followed by Vodafone and bankrupt Reliance Communications. For nearly 16 years, DoT and telcos were at loggerheads as they differed on the adjusted gross revenue (AGR) calculations. Telcos pay licence fee and SUC to DoT as a percentage of their AGR. DoT says this includes a wider range of components such as interest income, dividend, profits on sale of assets, insurance claim, and forex gain. Telcos say these are non-telecom revenues and should be excluded. In a 2006 judgement, telecom tribunal TDSAT termed inclusion of non-telecom revenues by DoT as illegal. The final order on the issue is expected in two-three months. Since telcos, already facing heightened competition, are not provisioning for this dispute, they might be in for a rude shock if the DoT has its way.-**Manu Kaushik**

GRAPHITI

Small Cover

With one of the lowest penetration rates in the world, India's insurance sector faces an uphill task in tapping a huge underserved market.

Graphic by NILANJAN DAS & TANMOY CHAKRABORTY
Research by SHIVANI SHARMA

₹553 THOUSAND CRORE
Gross premiums written in 2017/18; the share of life insurance was 82.8 per cent

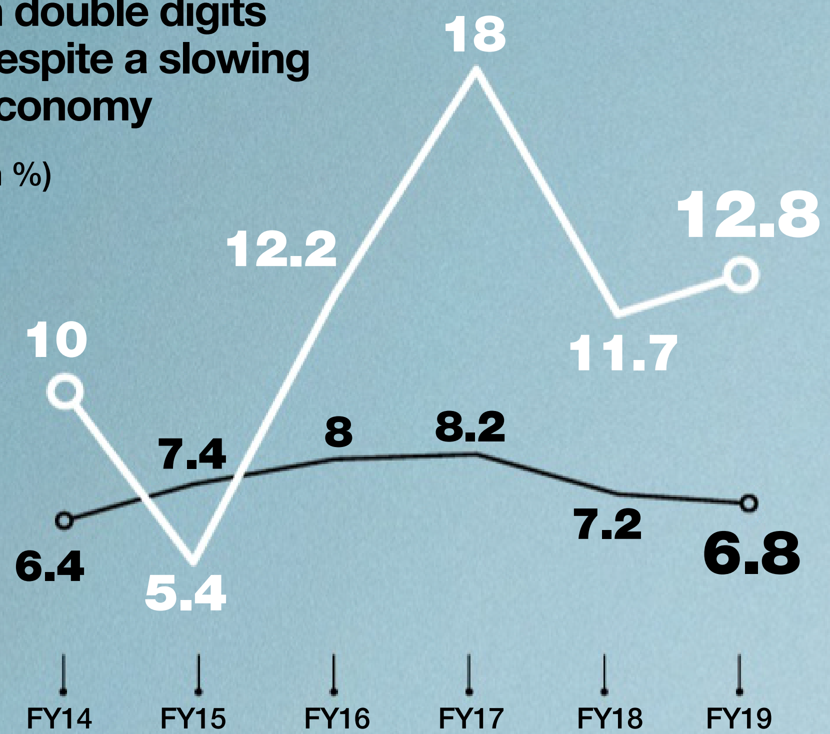
₹6,909 CRORE
Profits of general and health insurers in India in 2017/18 compared to ₹845 crore in 2016/17

STAYING AFLOAT

GDP Growth
Insurance Industry Growth

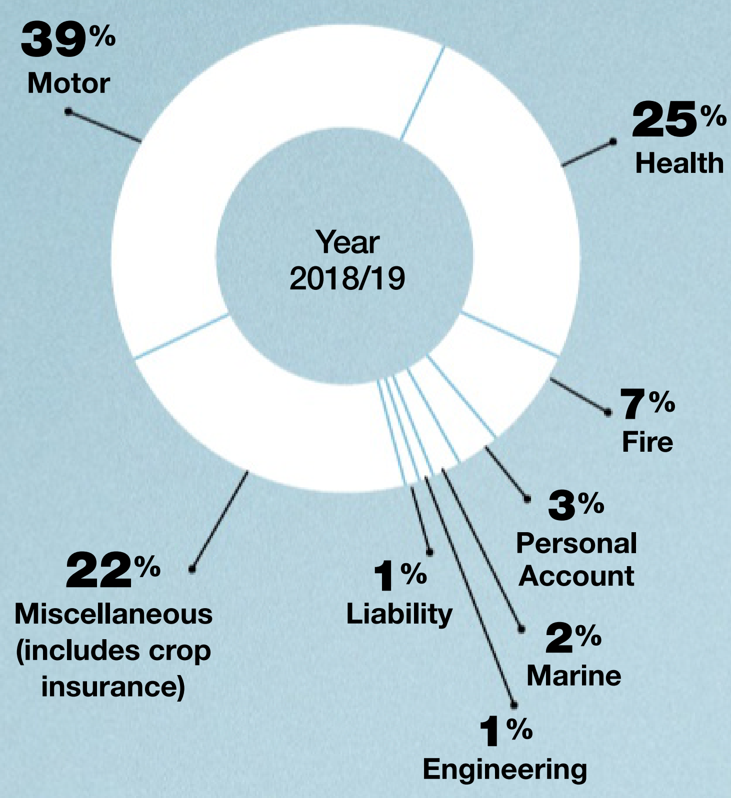
The sector has been growing in double digits despite a slowing economy

(in %)



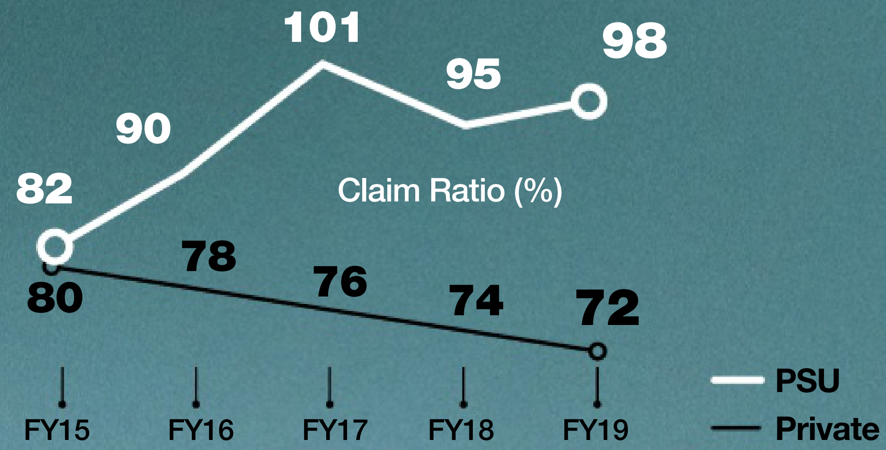
DRIVING GROWTH

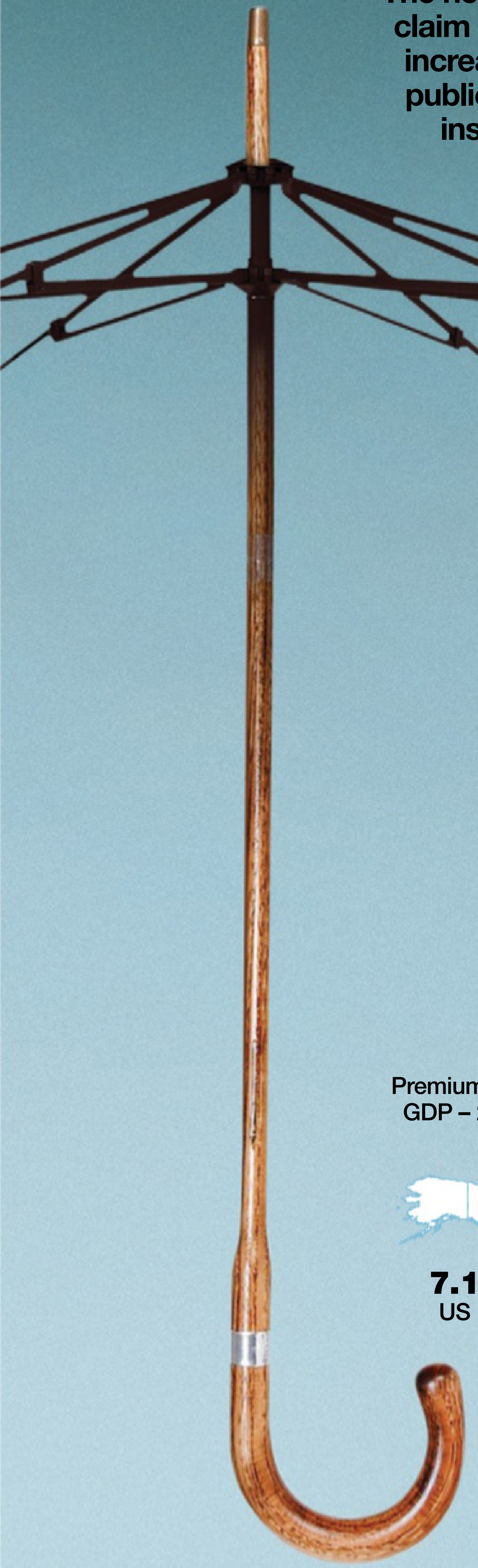
Motor business is the largest general insurance segment



PUBLIC SERVICE

The net incurred claim ratio has increased for public sector insurers



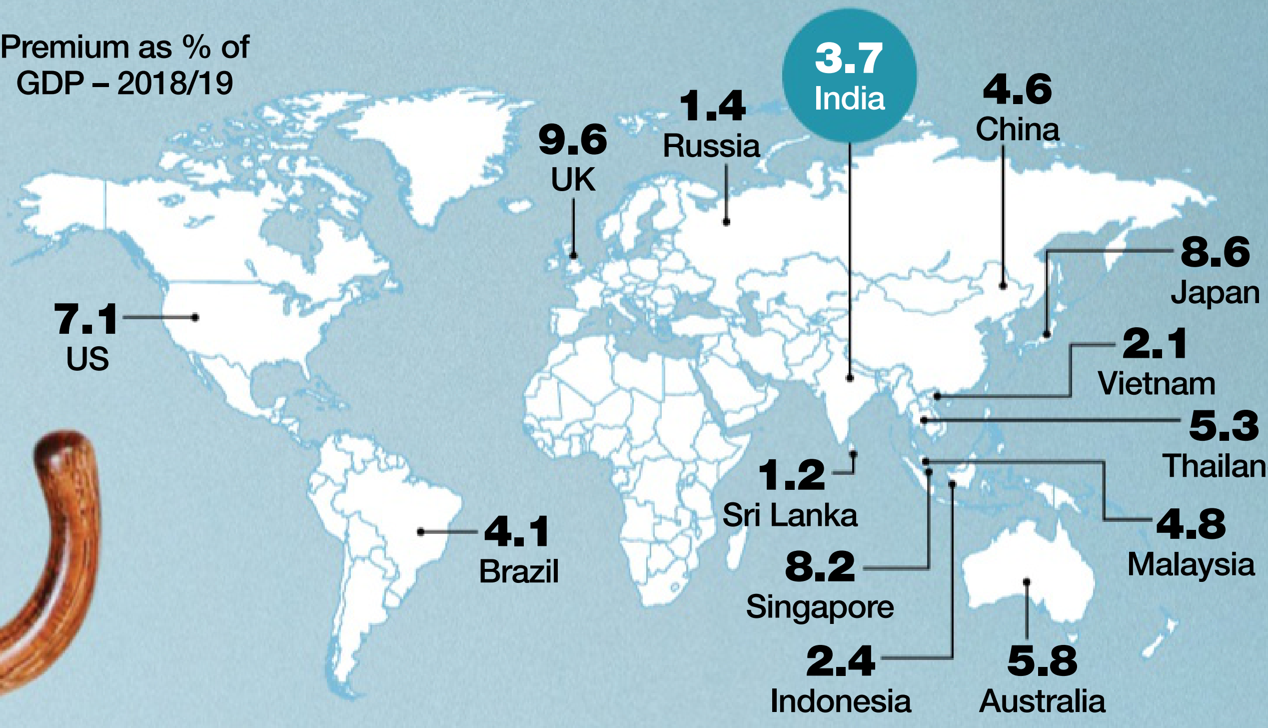


9.6%
Growth in premiums underwritten by life insurers, to ₹4,58,809 crore in 2017/18 from ₹4,18,477 crore in 2016/17

28.2 MILLION
Number of new policies issued in life insurance in 2018; LIC had a dominant share of 75.5 per cent

OUT OF REACH

Insurance penetration is still low in India



Source: Irda, IBEF, PwC

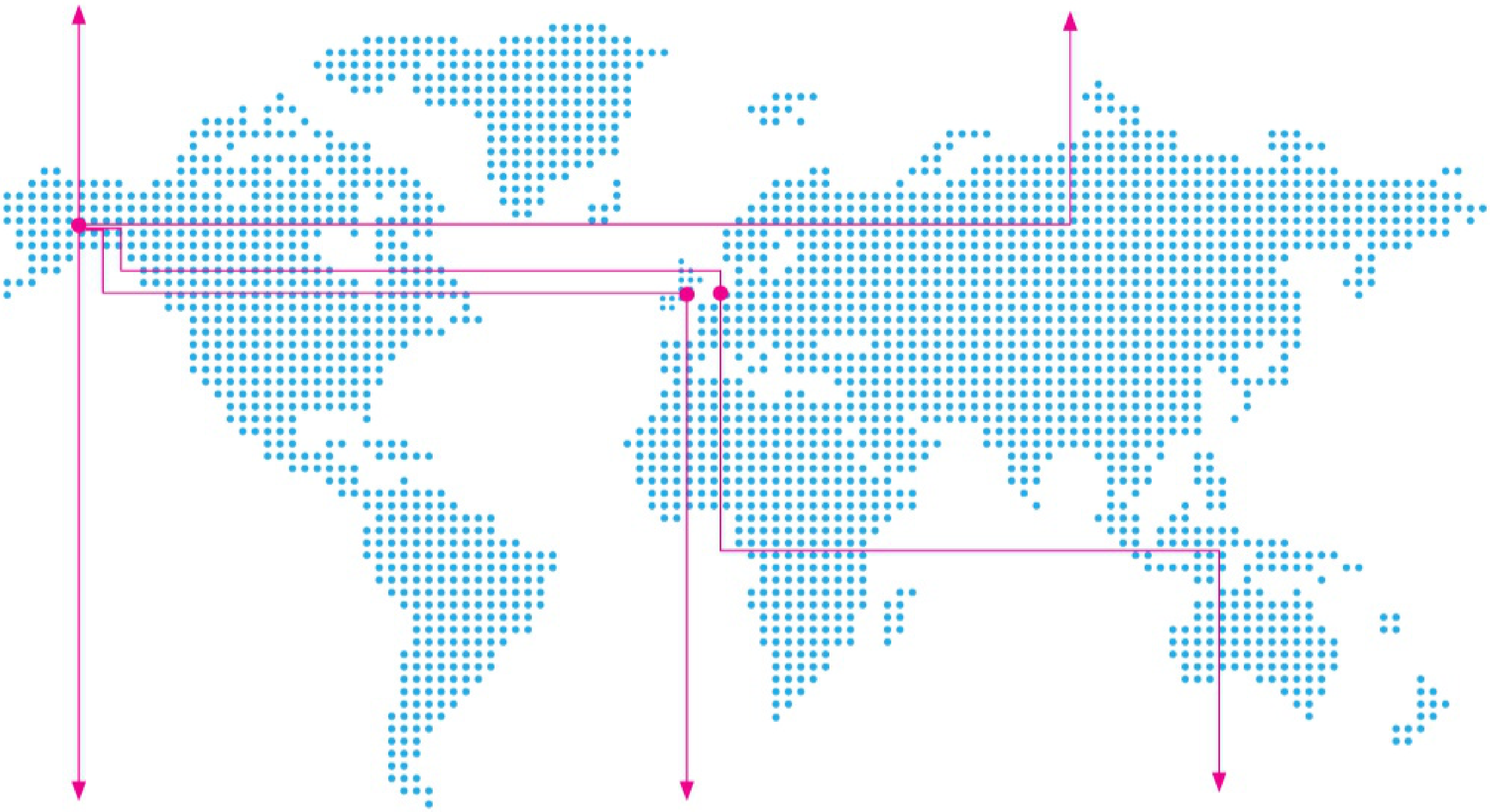
GLOBAL BUSINESS

US-CHINA TRADE WAR ESCALATES

In a surprise move, U.S. President Donald Trump announced via a tweet that he would impose fresh tariffs of 10 per cent on Chinese goods worth $300 billion, starting on September 1. The proposed tariffs would cover nearly all Chinese goods exported to the US, pushing up prices and bringing the prospect of retail job losses. In later remarks, Trump told the media that the proposed 10 per cent tariffs could be a short-term measure, and it could be lifted to more than 25 per cent. A total of $250 billion of Chinese goods are already subject to a 25 per cent import fee. The new mandate came after teams from both countries recently resumed trade talks in Shanghai. Trump, however, said Chinese President Xi Jinping "was not moving fast enough" to resolve the prolonged trade war. The sudden jolt saw the European and Asian stock markets fall by more than 2 per cent.

APPLE SHINES, BUT IPHONE SALES DOWN

Apple has done it again, not on the power of its iconic iPhones but its wearables and services segment. The Cupertino company posted better-than-expected results for its third quarter (April-June), posting a revenue of $53.80 billion against an estimated $53.39 billion and up 1 per cent from the year-ago quarter. But for the first time since 2012, its iPhone sales did not account for more than 50 per cent of the revenue and stood at $25.99 billion, falling 12 per cent posted in the same quarter last year. The company said it had spent over $17 billion on share buybacks and had paid out $3.6 billion in dividends and equivalents during the quarter. Apple recently purchased Intel's smartphone modem business for $1 billion, a big payout going by its acquisition history.



US FED CUTS RATES AFTER A DECADE

The US Federal Reserve broke a 10-year streak and lowered the interest rates by 25 basis points in a bid to keep the economy growing. The boost might not have been required as the US economy grew faster than expected in the last quarter, and unemployment in the country is still at record lows. Earlier this year, the Fed said it would pre-emptively end the process of shrinking its balance sheet to sustain the country's longest-ever expansion. The slow rise of consumer prices in June and pressure from President Trump also made the rate cut inevitable. The previous rate cut happened in December 2008, when Ben Bernanke slashed them to near-zero as the country struggled to cope with a global meltdown.

LONDON STOCK EXCHANGE BUYS REFINITIV FOR $27 BN

The London Stock Exchange will buy financial data provider Refinitiv in an all-stock deal worth $27 billion, including its debt. The former arm of Thomson Reuters is now controlled by the investment giant Blackstone and others. Post the deal, Refinitiv shareholders will own a 37 per cent stake in the LSE group. The acquisition will provide the LSE Group adequate scale to compete with global giants like Bloomberg. LSE's revenue has seen a big shift in the last decade as trading has become more computerised. Around 40 per cent of its revenue now comes from information services – roughly double of what it earns from traditional stock trading. With Refinitiv in its kitty, LSE says it will become even less dependent on shrinking revenue sources and will grow earnings faster than its rivals.

PFIZER'S UPJOHN TO BE MERGED WITH MYLAN

Pharma major Pfizer has decided to merge its off-patent drugs business Upjohn with generic drugmaker Mylan in an all-stock deal, creating a potential powerhouse of generic medicines. Both pharma companies had hit setbacks as their heavy-hitting drugs started to face tough competition. The combined business is expected to earn $19-20 billion in annual sales, and the companies anticipate annual savings of $1 billion by 2023. Upjohn's placing as a standalone entity in the deal has also raised speculations whether Pfizer is mulling to spin it off. Earlier, Pfizer decided to buy Array BioPharma for $10.6 billion to gain access to its new cancer drugs, which could end or control the use of painful chemotherapy for some patients.

BUSINESS STUDIES

WHAT: MBA & Business Master's Conference

WHEN: September 16, Gurgaon

WHAT TO LOOK FOR: Organised by The MBA Tour, the conference will provide a platform where prospective MBA students, business school admission representatives, alumni and other education enthusiasts will interact with each other.

OPPORTUNITIES GLITTER

WHAT: Gem & Jewellery India International Fair

WHEN: September 13-15, Chennai

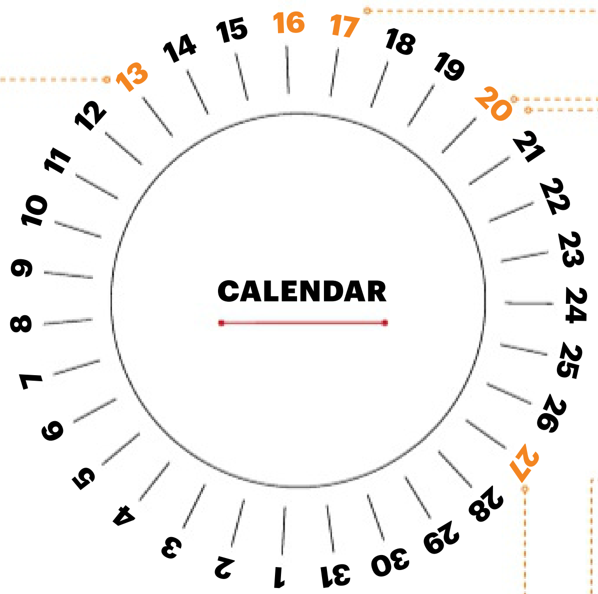
WHAT TO LOOK FOR: The business-to-business jewellery trade show will offer an opportunity to domestic and global jewellers to network and explore various dimensions in the gems and jewellery sector.

PHARMA CONNECT

WHAT: Pharmatech Expo

WHEN: September 17-19, Kiev

WHAT TO LOOK FOR: FICCI is organising India Pavilion in Ukraine with support from the Ministry of Commerce and Industry. Over 20 countries will participate in the expo where the entire pharmaceutical production process will be showcased.



MOVING ABROAD

WHAT: IREX Residency & Citizenship Conclave 2019

WHEN: September 27-28, Delhi

WHAT TO LOOK FOR: The conclave will host companies from Cyprus, Portugal, Malta, Spain, the Caribbeans, Australia, New Zealand and the US that offer residency and citizenship through investments. The participants will get to explore the various options available to Indian residents.

DESIGN TO SUCCESS

WHAT: Hive - Global Leaders Program

WHEN: September 20-22, Gurgaon

WHAT TO LOOK FOR: Hive will help participants create their one-page life plan with its Designing Your Life Workbook at its second edition of the three-day event. Leaders, entrepreneurs and other like-minded individuals will collaborate to create their next action plan.

KEEPING CHECK

WHAT: CII Banking & Finance Summit

WHEN: September 20, Delhi

WHAT TO LOOK FOR: Organised by the Confederation of Indian Industry, the sixth edition of the event will see leaders in NBFC, banking, insurance and mutual fund industries discuss systemic issues in the banking and financial space.

RevFin Founder Sameer Aggarwal

THE BUZZ

START-UP

REVFIN GREEN LENDING

THE DELHI-BASED FIRM FINANCES OWNERS OF E-RICKSHAWS AND ELECTRIC TWO-WHEELERS, AND WILL SOON SUPPORT CLEANTECH PRODUCT MANUFACTURERS.

By Aprajita Sharma

Photograph by Shekhar Ghosh

The Founder
Sameer Aggarwal, an engineering graduate who did his MBA from IIT-Kharagpur. Before launching RevFin, Aggarwal worked for HSBC in London.

The Trigger
After coming back to India in 2017, he was shocked to find how Delhi was engulfed in toxic air and wanted to start a green business. A chance meeting with an e-rickshaw manufacturer also made him realise how credit crunch plagued people keen on owning and driving e-rickshaws for a living, and RevFin was born.

The Business
The start-up has developed a digital lending platform to fund e-rickshaw and electric two-wheeler owners, and loan disbursement is done through its NBFC arm, Aristo Securities, which RevFin acquired last year. The company has also tied up with nine EV manufacturers whose dealers (a total of 20) help it reach out to people. "Our consumers mostly hail from Tier-II and Tier-III cities," says Aggarwal.

In a bid to mitigate credit risks, RevFin has implemented a four-pronged method, including documentation, biometric verification, psychometric assessment and even physical verification. Anyone looking for a loan must download the company's app and upload his/her identity proof and other relevant documents. Next, the applicant should record a video that captures all biometric details. Finally, there is a two-stage psychometric test. Initially, the potential customer has to undergo an online Q&A session regarding loan and repayment history. In the second stage, simple questions are asked to assess overall personality, based on which loan approval and credit limit are determined. "With psychometrics, we try to understand their attitude towards life. We often ask how the person spends the weekend. If someone is mostly sleeping during the weekend (which shows lack of initiative), he is less likely to repay the loan than someone who cleans the house."

KEY NUMBERS

FOUNDED IN
Mar 2018

TEAM MEMBERS
11

FUNDING
₹5 CRORE
in seed funding from a clutch of angel investors

NUMBER OF LOANS DISBURSED:
521

TOTAL AMOUNT DISBURSED:
₹5.47 crore;
average ticket size is ₹1 lakh

REVENUE:
₹26 LAKH
in FY2018/19

The Road Ahead
RevFin is looking at a loan book of ₹3,000 crore in the next five years and wants to enter the solar panel space in 2019. But the current liquidity crisis has hurt the company's expansion plans. "We are ready for the next phase of growth, but funding is not coming through," rues Aggarwal. "Also, 15 per cent of our total collection comes in cash as many of our customers are not conversant with digital payments, and that poses operational issues." BT

COVER STORY

WHAT WENT TERRIBLY WRONG

UNRAVELLING THE MYSTERY BEHIND THE DEATH OF INDIA'S COFFEE MAGNATE.

BY RUKMINI RAO

PHOTOGRAPH BY DEEPAK G PAWAR

DEBT TRAP

TOTAL DEBT

11,097

Figures in ₹crore. Income and PAT for 2018/19. Consolidated data
Source: MCA; company annual report


V.G. SIDDHARTHA
1959-2019
TOTAL INCOME
COFFEE DAY ENTERPRISES
4,466.79
NET PROFIT
AFTER TAX
COFFEE DAY ENTERPRISES
127.51

In

DEATH, V.G. Siddhartha unfortunately attracted the kind of publicity he had sought to avoid throughout his life. The intensely private businessman, who had built one of the best known consumer retail brands in India, Café Coffee Day, had avoided drawing attention to himself. But even before his body with a blood stained face and clenched fists was fished out from the backwaters of Netravati river by local fishermen at the break of dawn on July 31, his disappearance 36 hours ago, and the typed and signed letter he purportedly left behind, put his life and business dealings under scrutiny and triggered intense speculation.

The letter, which he had reportedly written two days before disappearing, was addressed to the board members and the CCD family. It said, "My intention was never to cheat or mislead anybody, and I have failed as an entrepreneur." He blamed himself for failing to create a profitable business model and also blamed severe extraneous pressures from PE firms, lenders as well as the tax department for taking an extreme step.

From his days as a young and ambitious stock broker in Mumbai in the 1980s to building a conglomerate over the next two decades, Siddhartha was always a big picture man. His death has not only raised some uncomfortable questions for corporate India but also about his businesses. On the surface, while his listed business – Coffee Day Enterprises (CDEL) – was facing severe cash flow problems and was highly leveraged, there seemed little reason for Siddhartha to have taken such an extreme step. At a consolidated level, his business was making profits, and the recent sale of shares in the mid-sized IT firm Mindtree to L&T had given the company enough cash to reduce its debt to a more manageable level. The coffee retailing operations seemed on a solid footing, but like many businesses, it was facing a liquidity crunch.

There were businessmen who had far greater debt problems, and Siddhartha's businesses at least seemed to have enough assets to cover the debt by a good margin.

As days go by though, more evidence points to Siddhartha having taken on debt in his private capacity to buy land and invest in long gestation projects, and angry lenders hounding him for quick returns. There is also a political angle to the tale. Siddhartha was the elder son-in-law of S.M. Krishna, former CM of Karnataka, a former Union Minister and a former Congress stalwart who had recently joined the BJP. But despite his father-in-law changing sides, Siddhartha had close friendships with many Congress politicians from Karnataka, including strongman D.K. Shivakumar. Close friends and prominent business leaders from Bengaluru speculated that he might also have got caught in the crossfire between the two parties.

In the letter, Siddhartha's also talked about an income tax probe. Was he talking about the 2017 I-T raids on his companies and his premises, which purportedly uncovered undeclared income, or something more recent?

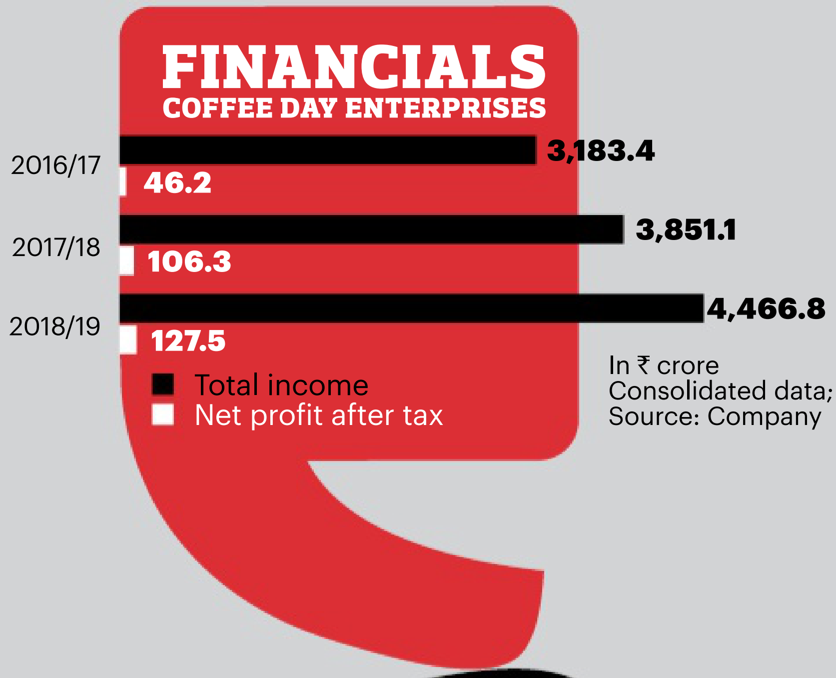
Some of the answers will never come out – including the exact role his political friendships played or the kind of pressures he felt from the tax department. But as more details are revealed, it is increasingly apparent that despite his land assets (over 12,000 acres of coffee plantations as well as a SEZ), he had borrowed to the hilt and was possibly unable to keep good on his promises to his lenders and PE investors.

While his apparent suicide may have given his senior management and family some additional time to make good his promises, the problems are far from over. But let us come to that part a bit later.

THE BEGINNING

The only child of a wealthy family of coffee planters from Chikkamagaluru in Karnataka, Siddhartha moved to Mumbai in the 1980s after completing his Masters in Economics from Mangalore University, to pursue a career in finance. His two-year stint with JM Financial gave him enough insights into the world of stock brokerage and the money in high inter-market arbitrage. After returning to Bengaluru, Siddhartha borrowed around ₹7.5 lakh from his father to set up his own trading business, Sivan Securities, which later became Way2Wealth Investment Consultancy. A portion of the profits from Sivan was used to systematically buy coffee plantations across Karnataka.

By the early 1990s, Siddhartha aspired for more as opportunities came along his way. By then he had married Malavika, the daughter of S.M. Krishna.



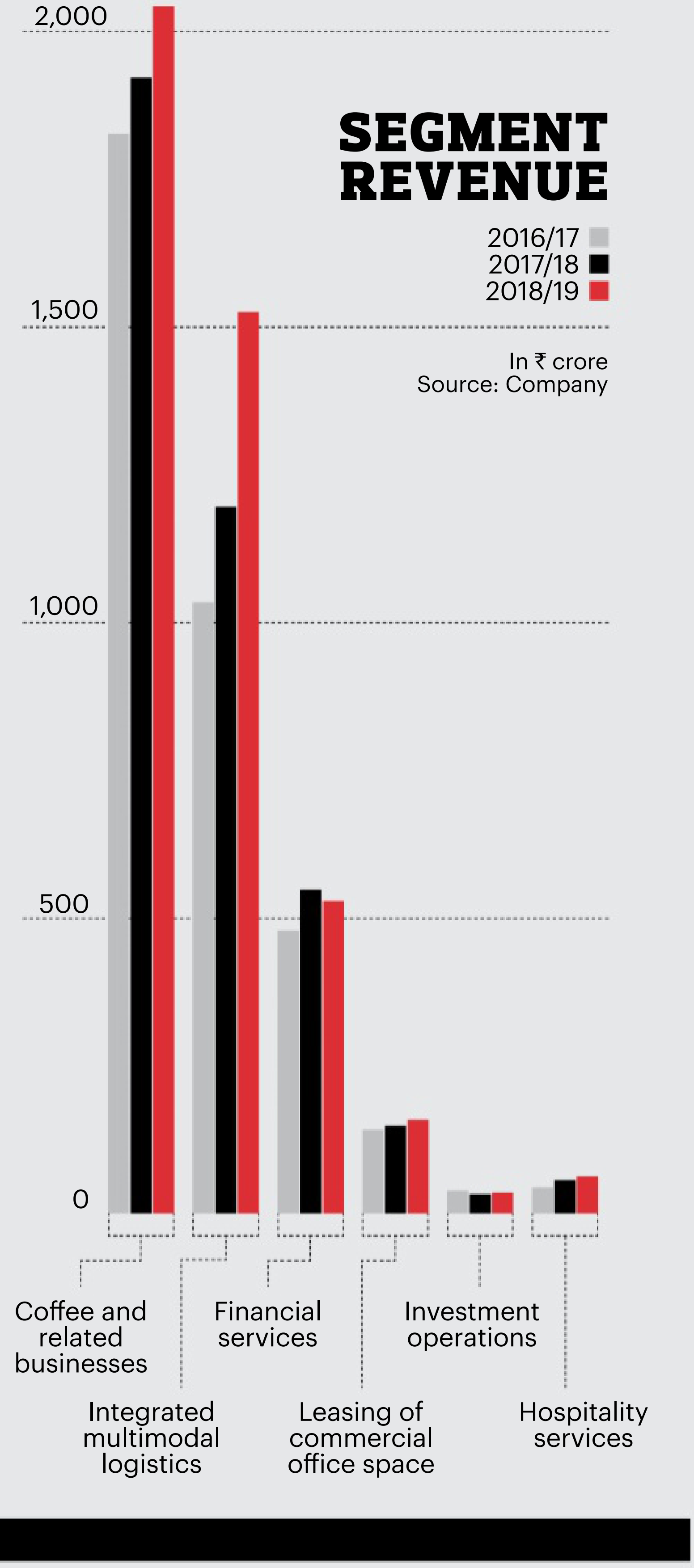
SIDDHARTHA'S DEBT TRAP

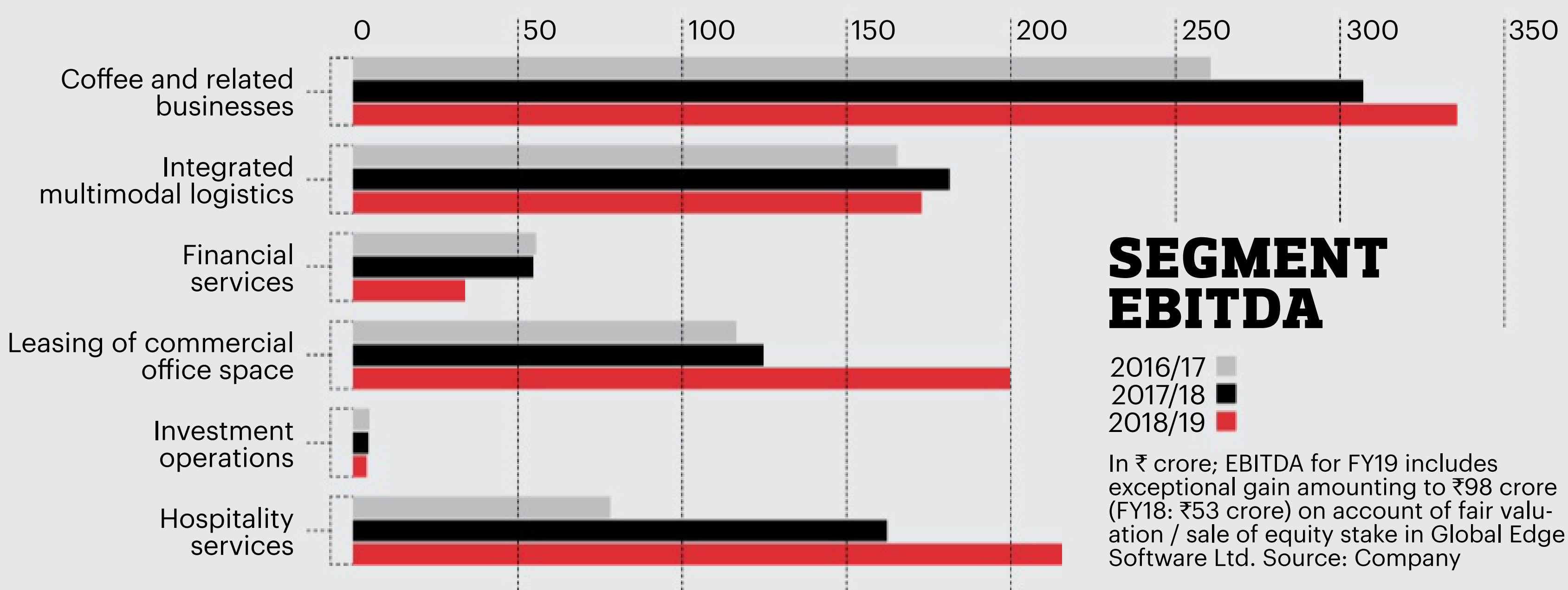
₹6,547 CRORE
Coffee Day Enterprises consolidated debt

₹1,028 CRORE
Personal guarantee

₹3,522 CRORE
V.G. Siddhartha, promoter group's four private holding firms'* outstanding pledges

*Devadarshini IT, Coffee Day Consolidations, Gonibedu Coffee Estates, Sivan Sec.





HOW SIDDHARTHA AND CCD SLIPPED THROUGH THE CRACKS

6 DEC 1993
Siddhartha sets up Amalgamated **Bean Coffee Trading Co**

1995
Coffee Day Group opens stores to sell coffee powder and beans under **'Fresh & Ground' label**

1996
The **first Café Coffee Day (CCD) outlet** opens on Brigade Road in Bengaluru's central business district

8 MAY 2000
Way2Wealth Securities is set up to provide financial intermediary services by spinning off the securities broking division of Sivan Securities

2005
Goes global with first international café in Vienna

2010
Standard Chartered Private Equity (Mauritius) II Limited, KKR Mauritius PE Investments II Limited and NLS Mauritius LLC invest **$210 million**

2011
Group acquires Sical Logistics in 2011 for **₹200 crore**

20 MAR 2015
ABC changes name to **Coffee Day Global**

NOV 2015
Coffee Day Enterprises' IPO of **₹1,150 crore** receives tepid response

SEP 2017
I-T authorities conduct search operations at CCD headquarters and Siddhartha's estates and house

JAN 2019
IT department attaches Siddhartha and company's **20% stake** in Mindtree, blocking sale of shares

MAR 2019
L&T agrees to buy CDEL's and Siddhartha's stake for **₹980/share**

MAY 2019
Siddhartha uses **₹2,100 crore** from Mindtree sale to retire debt

JULY 29
He **goes missing near a bridge** in Mangaluru

JULY 31
Siddhartha's body found in the Netravati river

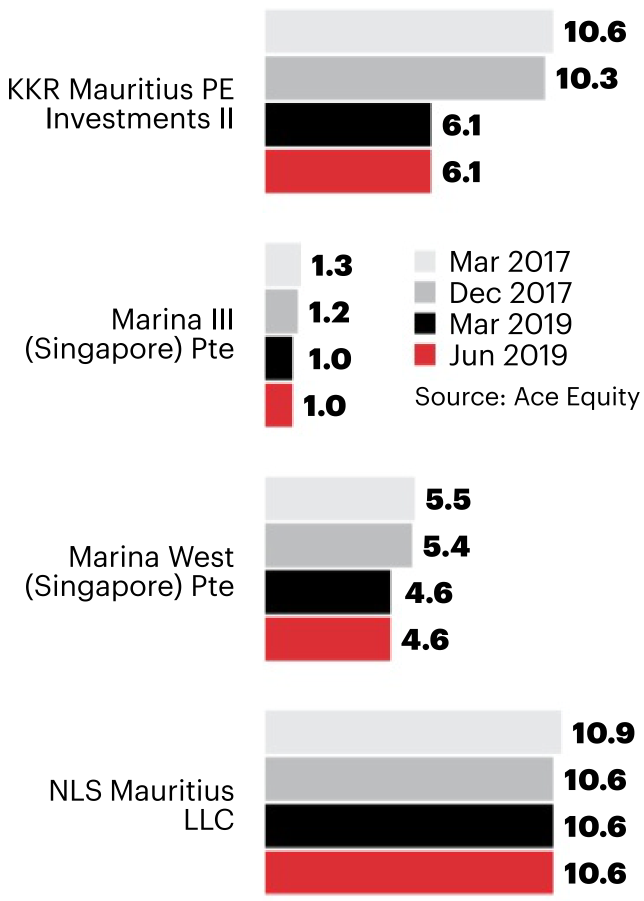
From an ancestral holding of a few hundred acres, Siddhartha had by then acquired close to 6,000-7,000 acres. The Infosys IPO came along. This was a turning point, which shaped and defined some of his most profitable investments in the information technology sector over the next decade and a half. In 1993, on the advice of investment banker Nimesh Kampani, he bought around 60,000 shares of undersubscribed Infosys ahead of its listing. He exited the stock in six months making 6x returns. Tiger Ramesh, CEO, Magnasoft, one of Siddhartha's companies, recalls: "When he invested in undersubscribed Infosys and made a windfall gain out of the stock, that was his first experience with what IT could do in the stock market." His subsequent investments into other IT firms, especially Mindtree, was a no brainer said Ramesh.

In parallel, Siddhartha was also investing time in his family's coffee business. He led several representations to the Centre on behalf of coffee growers, to free up coffee for exports from the controlled pooling regime. "He was young, determined, sharp and also an influential man. He knew what potential coffee had," recalls Bopanna, who was a part of the coffee growers delegation. Once coffee as a commodity was freed up, Siddhartha's dreams for coffee really took off. He set up Amalgamated Bean Coffee Trading Company (ABC) to export green coffee in 1993 and dabbled with the idea of an internet cafe shop on Brigade Road in Bengaluru.

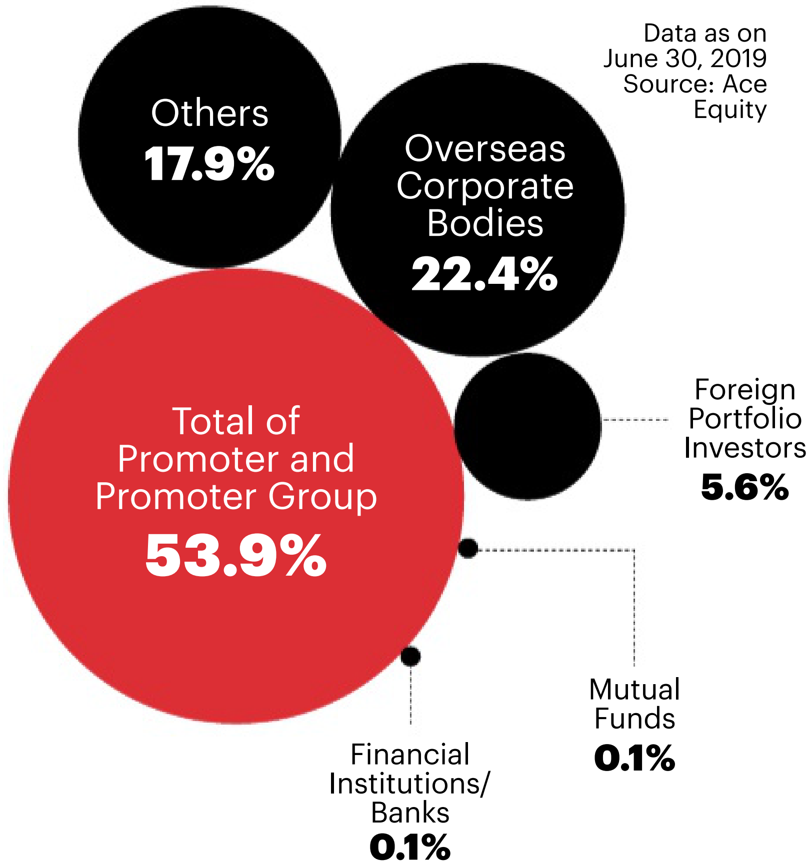
HIGHS AND LOWS OF COFFEE

On his return to India from a trip to Singapore, Siddhartha wanted to set up a café like he had seen there. Poornima Jairaj (wife of K. Jairaj, a retired IAS officer from the Karnataka cadre), who was working with Sivan Securities, joined hands with Siddhartha to set up the first cyber café in the heart of Bengaluru's central business district in 1996. "The idea was to sell coffee but in a space where internet can be free. It was a revolutionary idea in the mid-1990s," recalls K. Jairaj. But the real foundation began in 2000. S.M. Krishna was the Chief Minister at that time. Siddhartha had already set up several companies like Ganga Coffee Curing Works, A.N.

PRIVATE EQUITY HOLDINGS (%)



SHAREHOLDING PATTERN OF COFFEE DAY ENTERPRISES



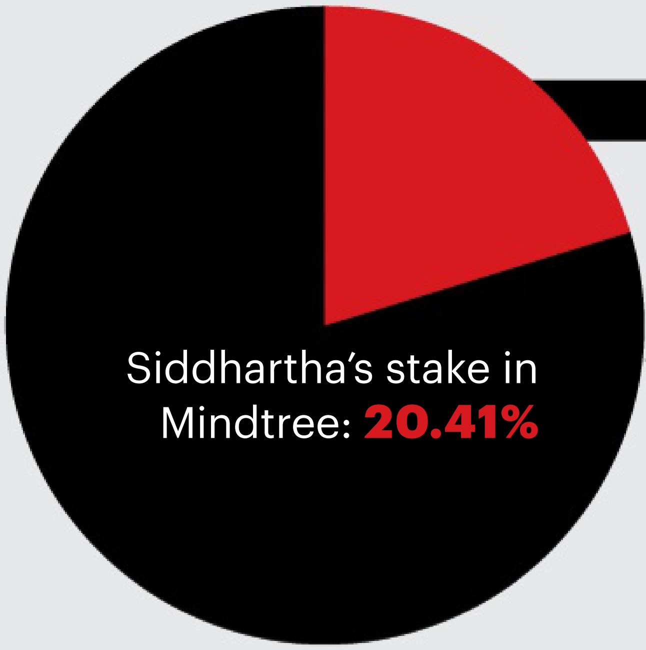
Coffee Day International, Tanglin Developments, Giri Vidhyuth (India), Vaitarna Holding, Vakrathunda Holding, and Vaitarna Timber Trading. His businesses ranged from coffee trading and plantation to real estate and financial investments.

The current holding company, Coffee Day Enterprises or CDEL, which is listed, was originally formed as a partnership firm in February 2008 under the name Coffee Day Holding Company. It was converted into a private limited company, Coffee Day Holdings. The name changed to Coffee Day Resorts in 2010, which eventually became Coffee Day Enterprises Private Ltd, for which a fresh certificate of incorporation was issued by the Registrar of Companies on August 6, 2014. The company went public in January 2015.

During 2000-10, the companies achieved significant milestones. In 2000, through his investment company Global Technology Ventures, Siddhartha invested in Mindtree for about 7 per cent stake. Over the years, this increased to 20 per cent. Ashok Soota, a Co-founder and former CEO of Mindtree, recalled how they couldn't have asked for a better investor to start the company. "We were really, really lucky with our first two VCs. He was a superb investor and he gave us all the freedom," Soota had said in an earlier interview with *BT*. Siddhartha also introduced Mindtree to some of its critical clients like Franklin Templeton, and later convinced the company to move into his 'Global Village' on Mysore Road developed by one of subsidiaries. "He clearly saw the upside to his investment but at the same time, he wanted to be a 'White Knight'," said Soota. Global Technology Ventures (now Coffee Day Trading), another subsidiary, had by then already funded close to 17 IT start-ups including Mindtree, Kshema Technologies, Arzoo.com, Liqwid Krystal and iVega Corp, among others.,

These were busy years for coffee, related businesses and the construction business. The 'Fresh & Ground' coffee powder retail stores of CCD expanded across South India. In 2005, CCD set up its first international café in Vienna through a subsidiary. In 2006, Tanglin Development launched its first SEZ 'Global Village' and also a hospitality venture, Coffee Day Holiday Resorts, under the brand name 'The Serai' in Chikkamagaluru. By late-2000, Starbucks was seriously looking at India, and Siddhartha wanted to have scale before more competition arrived.

K. Ramakrishnan (Ramki), former President of Marketing at CCD, which he had joined in 2010 and stayed on till the pre-IPO days, said: "As a boss he was inspiring and demanding at the same time. He could envisage the future and simultaneously attend



THE MINDTREE SAGA

Bought for:	Sold for:	Profit:	Amount (post-tax) to be used to pay off debt:
₹435.79 CRORE	**₹3,269 CRORE** Sold to: **L&T**	**₹2,858 CRORE**	**₹2,100 CRORE**

In 2000, through his investment company Coffee Day Trading (formerly known as Global Technology Ventures), Siddhartha invested in Mindtree for about **7% stake.** Over the years, he increased it to **20.41%.**

"We were really, really lucky with our first two VCs. He was a superb investor and he gave us all the freedom": **Ashok Soota,** Co-founder and former CEO of Mindtree, told *BT* in an earlier interview. (He left in 2011.)

Between July and December 2018, Siddhartha's pledged shares increase to **70%**

By March 2018, Siddhartha had quit the board of Mindtree to concentrate on CDEL.

Former Chairman, Mindtree, Krishna Kumar Natarajan, said in an earlier interaction with *BT* that Siddhartha was finding it difficult to spare 10-12 days annually to Mindtree board commitment.

Siddhartha talked to PE investors about selling his **20% in Mindtree.**

The sale hit a roadblock as the tax department attached these shares for a tax demand of **₹625 crore.**

The shares were released and by March 2019, Sidhartha agreed to sell his entire stake in Mindtree to **L&T at ₹980 a share.**

This was much to the displeasure of the founders of Mindtree, who had always counted upon him as a staunch supporter.

But Siddhartha was under huge pressure to reduce debt and sold his stake for **₹3,269 crore.**

to the minutest details." Siddhartha's vision was to make CCD one of the top cafe chains in the world, and he would say, "I want an Indian brand like CCD to take the pride of place in Times Square and Orchard Street. That will be a moment of pride for India and us," recalls Ramki.

DEBT WEIGHT

The period that saw massive expansion, also saw debt piling up. The company needed funds for both operations and capex. In 2010, Standard Chartered Private Equity (Mauritius) II Ltd, KKR Mauritius PE Investments II Ltd, and Arduino Holdings Ltd (which later transferred the debentures to NLS Mauritius LLC) invested close to $149 million. Compulsorily convertible preference shares held by Standard Chartered Private Equity (Mauritius) II Ltd and the compulsory convertible debenture held by KKR Mauritius PE Investments II Ltd and NLS Mauritius LLC was converted into equity shares at the time of listing. By June 2015, the consolidated debt was of around ₹2,700 crore.

When CDEL decided to do an IPO looking to raise ₹1,150 crore in 2015, it was the IPO the market had heard of since Bharti Infratel. One of the main objectives was to reduce the debt by about ₹630 crore, so that the debt servicing costs could come down and money could be used for further investment. CDEL had raised over ₹334 crore from anchor investors ahead of the IPO, while in March, the firm had mobilised ₹100 crore in a pre-IPO funding from Nandan Nilekani and Rare Enterprises (promoted by Rakesh Jhunjhunwala), among others. But the IPO opened to a lukewarm response. It was over-subscribed 1.8 times, and the non-institutional investors category only got 53 per cent subscription. On the BSE, the stock listed at ₹313 – 5 per cent below the issue price of ₹328.

A former investment banker who did not wish to be named, said, "It was not really the response Siddhartha was expecting. He was quite disheartened that the market could not see his vision."

According to the 2016/17 annual report filed by the company, the gross revenue from the coffee business increased by ₹1,827 crore, contributing 51 per cent to the consolidated top line. The substantial increase in revenues came from setting up of new café outlets and deployment of new vending machines. Revenue from the retail division increased by 14 per cent from ₹1,253 crore in 2015/16 to ₹1,423 crore in 2016/17. Café Coffee Day (CCD) by then had 1,682 cafes in 241 cities and 537 CCD Value Express kiosks, 415 Fresh & Ground Coffee retail stores, 41,845 vending machines in corporate workplaces and hotels.

The company's net debt, as on March 31, 2017, stood at ₹2,972 crore (including short-term borrowings amounting to ₹541 crore). Data (Ace Equity), however, reveals that the company's free cash flow was a negative ₹533 crore at the end of 2015/16. In fact, by the end of December 2016, the promoter group had already pledged more than half (54 per cent) of their holdings to raise money largely for the construction business (Tanglin) and the hospitality business. Many people, including Nandan Nilekani, warned Siddhartha against over-leveraging, says a business associate close to him. "He was very optimistic about the market. What could one do?"

Stock markets had taught Siddhartha that patience was an essential virtue for an investor. But to expect PE funds to stay invested for a long term was a miscalculation on his part. In the fourth quarter of 2017/18, KKR's shareholding had come down from 10-plus per cent to 6 per cent. (Interestingly, this was bought by Malavika Hegde, Siddhartha's wife.)

Things had come to such a pass that the total debt became overwhelming. The overall liquidity crisis in the banking system only added to Siddhartha's troubles – his cost of funds increased. By March 2018, Siddhartha had quit the board of Mindtree to concentrate on CDEL. Former Mindtree Chairman, Krishnakumar Natarajan, in an earlier interaction with *BT*, had said that Siddhartha was finding it difficult to spare 10-12 days annually to Mindtree board commitments.

Months before his reported suicide, Siddhartha was looking at ways to refinance his existing debt and also raise fresh money for day-to-day requirements.

People in the banking circles say he was often spotted in Mumbai. His first big headache was a loan of ₹800 crore that he took several years ago from HDFC Ltd. That loan was coming up for repayment early this year, which they paid up. The mortgage player was in no mood to roll over or take fresh exposure in any of his group companies, and the money market was anyway tight. The bankers, mutual funds and NBFCs were hit hard with several defaults. Siddhartha, however, managed to convince Axis Bank and Standard Chartered Bank to put in close to ₹1,000 crore in his businesses. The additional money did reduce his burden, but he was facing refinancing pressure from several fronts. The fund raising had actually started a year ago as the cash flows from companies was not sufficient. Sources say that Siddhartha managed to raise fresh money from Yes Bank, Karnataka Bank, Bajaj Finance, Shapoorji Pallonji

WHAT ROLE DID THE TAXMAN PLAY?

THE LETTER REPORTEDLY typed and signed by V.G. Siddhartha alleges harassment by B.R. Balakrishnan, the previous Director General-Investigations, Income Tax, Karnataka and Goa Range. The company's and Siddhartha's shares in Mindtree were attached and on two separate occasions, a Mindtree deal was blocked. He alleged that the tax department took possession of Coffee Day Global shares (CDGL) even though the company filed revised tax returns. Siddhartha called it unfair and said it had led to a serious liquidity crunch. The income tax department retorted to claims in a press release after outrage on social media under #taxterrorism. The department said the search on a prominent politician's case (D.K. Shivakumar) had led to credible evidence of concealed transactions by CCD and after search operations on Siddhartha's company and other properties, he had admitted to not revealing unaccounted money of around ₹480 crore. *BT* spoke to another senior DG level officer who was earlier in Bengaluru. "He (Balakrishnan) is a man who is credited with some successful investigations and known to run quite effective operations," the officer said. Explaining the procedure, he said search operations are either conducted by an assistant commissioner or a deputy commissioner level person. The search papers, however, would need authorisation from the Commissioner of Income Tax, and the DG briefs and oversees the processes. While Balakrishnan may have been overseeing the investigations, Siddhartha should have taken legal steps, instead of ending his life, the tax official said.

WHAT CDEL SHOULD DO TO SURVIVE

Simplify the organisational structure

Consolidate similar businesses under group entity

Monetise non-core assets of the group

Work on structured debt reduction plan

Strengthen the board and appoint a CEO

IN THE HOT SEAT

S.V. Ranganath
Interim Chairman

Nitin Bagmane
Interim Chief Operating Officer

R. Ram Mohan
CFO

Cyril Shroff
Cyril Amarchand Mangaldas & Co., legal counsel

Group, Kotak Mahindra Investments, Piramal, and a few other lenders. "He got some ₹500 crore of new money from these lenders," says a source. Clearly, Siddhartha's debt was rising without any major change in cash flows or revenues. But Siddhartha wanted to project a rosy picture. For example, group company Sical has a mine contract from which he claimed revenue of ₹10,000 crore spread over several years.

Bankers also say that Siddhartha was running out of collateral. He had put all assets on the table – from pledging the shares of group companies, their assets, strategic investments in other listed companies, corporate guarantee by almost all his large companies, personal guarantee on various group company loans, and fixed deposits of group companies. In fact, the lenders also have a charge on all his cash deposits with landlords of the cafés and also future outlets. "The company often talked about net debt (gross debt minus cash deposits, etc), but the fact was that all the cash and deposits were under the charge of lenders," says a banker who did not wish to be named.

COMPLICATED STRUCTURE

In 2017/18, CDEL started streamlining its reporting to bring in better clarity on its finances. Right from the time of listing, many analysts had pointed out how complex the company's structure was and how the reported numbers failed to show the value that Siddhartha had envisaged. In fact, the auditor's note by BSR & Associates, dated May 24, 2019, states that they did not audit the financial statements of 40 subsidiaries included in the consolidated annual financial results, whose annual statements show total assets of ₹12,140 crore (March 31, 2019) and total revenue of ₹4,092 crore. "The consolidated annual financial results also include the Group's share of net profit (and other comprehensive income) of ₹87.82 crore... in respect of two associates and two joint ventures which has not been audited by us."

A holding company, four major subsidiaries, 40-plus step-down subsidiaries and over half a dozen associates and joint venture companies – CDEL has a complex structure, difficult for public investors to follow. This makes it difficult for lenders, shareholders and regulators to trace the end-use of funds and also the returns. The business model, however, worked well for Siddhartha as he was borrowing at all levels and also funding his new ventures from the holding company. But such a structure is a recipe for disaster as asset liability management becomes difficult. Interestingly, the two-member board-level risk management committee had him and his wife, since 2015. In the past one year, the committee never met. Siddhartha was also managing the affairs of the group almost singlehandedly without top notch professionals.

IL&FS is a recent example where a 3-tier structure (holding company, subsidiaries and special purpose vehicle) eventually brought down the entire company. The analyst community quote another parallel in Videocon Industries, which used the flagship

A COMPLICATED STRUCTURE

Coffee Day Enterprises is the holding company, but there are many subsidiaries. An auditor note by BSR & Associates LLP, dated May 24, 2019, said they had not audited the financial statements of 40 subsidiaries included in the consolidated annual financial results.

Coffee	Office Space Development	Integrated Multimodal Transport		Financial Services	Hospitality
Coffee Day Global Ltd	Tanglin Development Ltd	Sical Logistics Ltd	PNX Logistics Pvt. Ltd	Way2Wealth Enterprises Pvt. Ltd	Coffee Day Hotels & Resorts Pvt. Ltd
	Tanglin Retail Realty Development Pvt. Ltd	Sical Bangalore Logistics Park Ltd		Way2Wealth Securities Pvt. Ltd	Barefoot Resorts and Leisure India Pvt. Ltd
		Sical Multimodal & Rail Transport Ltd		Way2Wealth Distributors Pvt. Ltd	Wilderness Resorts Pvt. Ltd
		Sical Mining Ltd		Way2Wealth Capital Pvt. Ltd	Karnataka Wildlife Resorts Pvt. Ltd
		Sical Iron Ore Terminal Ltd		Way2Wealth Insurance Brokers Pvt. Ltd	
		Sical Iron Ore Terminal (Mangalore) Ltd		Way2Wealth Brokers Pvt. Ltd	
		Sical Adams Offshore Ltd		Way2Wealth Commodities Pvt. Ltd	
		Sical Infra Assets Ltd			

Videocon Industries to fund its telecom subsidiary, a cash guzzler. The failed telecom business eventually hurt the entire business.

Siddhartha was funding his technology park subsidiary Tanglin, step-down subsidiary Tanglin Retail Realty Development, logistics arm Sical and also the resort and hotel business. But revenues from these businesses were not sufficient.

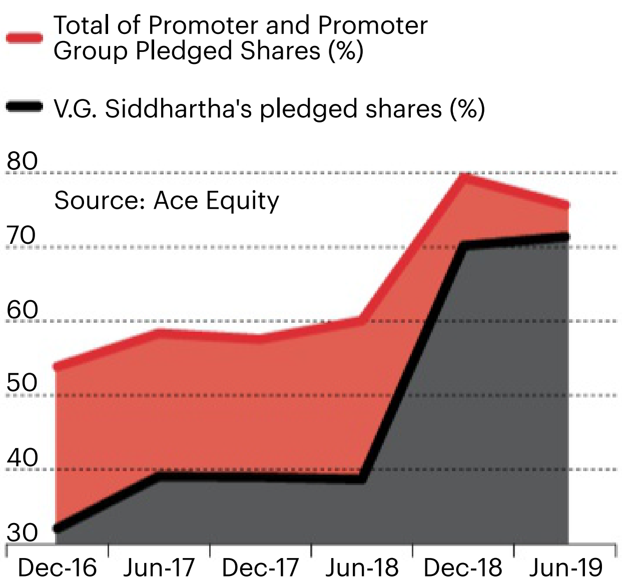
There have been various cases of multiple layers of subsidiaries being used to siphon off money. At CDEL, there are several instances of money transfers or deals that raise corporate governance concerns. For example, in 2017/18, CDEL extended a loan of ₹356 crore to Coffee Day Hotel & Resort at zero interest. The Companies Act does not allow this, but CDEL took shelter under an exemption clause in the Act, which allows zero interest for tourism, hotels and convention centres. Similarly, there were some related party transactions. CDEL purchased raw coffee from Mysore Amalgamated Coffee & Estates for ₹39 crore, while at the same time it also sold raw coffee to Kathlekhan Estate Pvt. Ltd for ₹35 crore. In another instance, CDEL loaned ₹41 crore to related company Dark Forest Furniture and also purchased fixed assets (furniture) from it for ₹20 crore.

The locations of some of the subsidiaries also raise doubt. CDEL has subsidiaries in places like Denver, Cyprus, Austria, Czech Republic, and others. The recent income tax raids and investigations would surely look into these areas for any possible siphoning or discrepancies.

Barring financial services and hospitality, other segments like coffee business, office space leasing and investments were all doing well. At the end of 2017/18, the PAT for six verticals stood at ₹148.26 crore as against ₹81.64 crore in 2016/17 and the net adjusted debt stood at ₹3,323 crore. By the end of June 2018, close to 50 per cent of the promoter group share and 39 per cent of Siddhartha's shares were also pledged.

Between July and December 2018, the liquidity squeeze only increased for the group. By December 2018, the promoter group share pledging had gone up to 79 per cent and 70 per cent for Siddhartha. His talks with PE investors to offload 20 per cent in Mindtree hit a roadblock after the tax department

PLEDGED SHARES IN COFFEE DAY ENTERPRISES



Infrastructure	Technology Investments	Offshore Entities
Giri Vidhyuth (India) Ltd	Coffee Day Trading Ltd	Norsea Global Offshore Pte Ltd
	Ittiam Systems Pvt. Ltd	Bergen Offshore Logistics Pte Ltd
	Magnasoft Spatial Services Inc.	AlphaGrep UK Ltd
		Shanghai Dao Ge International Trading Ltd
		Coffee Day Schaerer Technologies Pvt. Ltd

attached the shares. The shares were later released, and much to the displeasure of the founders of Mindtree, Siddhartha sold his total stake to L&T at ₹980 per share. Post-tax, around ₹2,100 crore from the sale was used to service debt. Before this, CDEL had sold its stake in Global Edge Software for ₹98 crore.

At a group level, at the end of 2018/19, CDEL had revenues of ₹4,264 crore as against ₹3,788 crore the previous year. PAT increased to ₹128 crore from ₹106 crore a year ago. The company is yet to publish its annual report for 2019, but according to CMIE estimates, the total debt for 2018/19 is around ₹6,547 crore. The company was already in talks with Coca-Cola and ITC for partnering in the vending business and even a possible stake sale to further reduce debt.

Even though CDEL's consolidated debt was ₹6,547 crore, the group companies were profitable individually. For a large corporation with substantial assets, most analysts still believe that the debt was manageable even though the free cash flow was negative. This raises a question over which are the debts that Siddhartha reportedly refers to. Data collated by BT shows that CDEL and four of the promoter group (private) companies had outstanding pledges of nearly ₹3,500 crore. Moreover, Siddhartha also stood as personal guarantor to debts of over ₹1,000 crore. There is no clarity on how these funds were used. In all, the debt may be around ₹11,000 crore.

In a turn of events that no one had imagined, on the evening of July 29, Siddhartha went missing from a bridge across the Netravati river in Mangaluru. His body was found in the river 36 hours later. In a letter that he is said to have written, he mentions his overall asset valuation at close to ₹18,000 crore to pay off all the debts. It also mentions transactions that the board and others in the management team were not aware of.

WHAT NEXT FOR COFFEE DAY ENTERPRISES?

Following the demise of Siddhartha, the board of CDEL has appointed independent director S.V. Ranganath as the new interim Chairman. The board also constituted an executive committee comprising Ranganath, Nitin Bagmane as COO, and R. Ram Mohan as CFO, to exercise the powers of a CEO. Interestingly, CDEL never had a CEO; as CMD, Siddhartha was carrying out the function of a CEO.

The company released a statement saying the executive committee would look at explore opportunities to deleverage the Coffee Day Group, and that the audit committee and executive committee will hold discussions with the statutory auditors and other advisors in the next board meeting on August 8, to probe the transactional details mentioned in the letter. However, market analysts say the company's top priority now should be to simplify the organisational structure. A Mumbai-based analyst, who did not want to be named, said: "Either consolidating the entities or giving more clarity and data pointers on the segments will help the company as markets can then read it better." Another senior analyst said, "There is a need to strengthen the management and the board, and an external CEO from an FMCG or retail background would make more sense now

Apart from the stake sale in Mindtree, Siddhartha was also trying to sell a part of his real estate business under Tanglin. The company was said to be in an advanced talks with Blackstone, the world's largest asset manager. Global Village, the property on Mysore Road, is spread over 90 acres and has almost 4.5 million sq. ft built-up area. It is estimated to have an annual rental cash flow of ₹250 crore, and a valuation of around ₹3,600 crore. Sources in the company say the new executive committee could look at opening new channels of communication to close the deal.

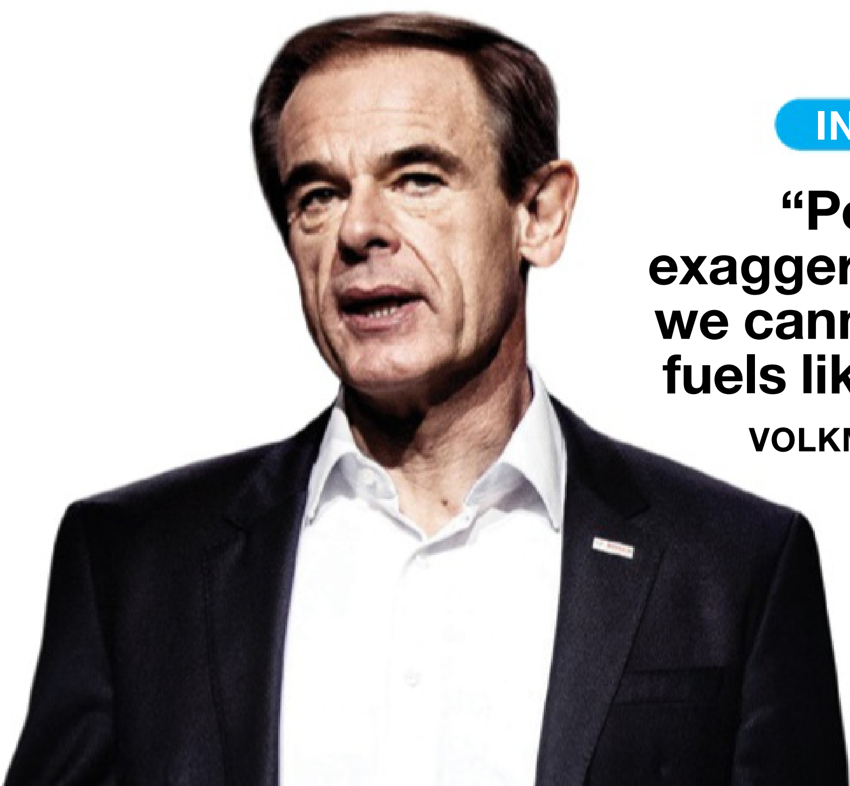
Siddhartha was also in talks to sell a substantial stake in the flagship brand, Café Coffee Day, to Coca-Cola. Industry analysts point out that after Coca-Cola bought out Costa Coffee, a stake in Coffee Day Global would mean a substantial footprint for them in one of the biggest consumer markets in the world. He valued Coffee Day Global's retail business in India at ₹7,000-8,000 crore.

For Siddhartha 'a lot happened over coffee'. For creating a brand like Café Coffee Day, he will be remembered far beyond his tragic death. BT

With inputs from Anand Adhikari.
Data by Niti Kiran

@rukminirao

THE HUB



WHITE KNIGHT OR GREAT WHITE SHARK?

In a fund starved market, private equity firms with oodles of cash are stepping in to pick up anything they can. But there are dangers

By RASHMI PRATAP
ILLUSTRATION BY AJAY THAKURI

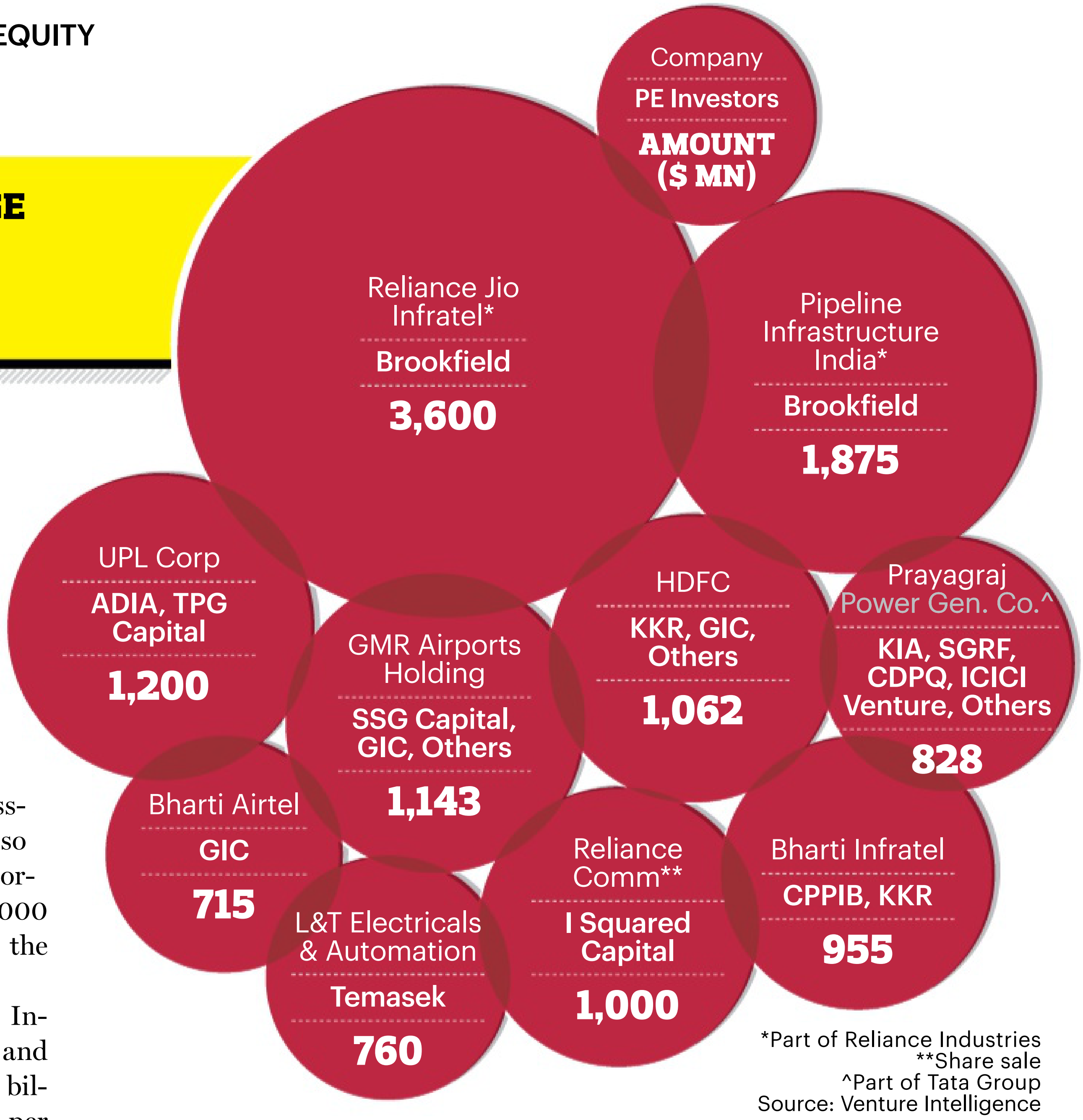
T**here's a recurrent** theme in ace investor Warren Buffett's communications to shareholders of his holding company Berkshire Hathaway – a disdain for private equity (PE) firms. From accusing PE firms of charging unreasonable management fees to alleging that they are "lying a little bit to make the money come in", Buffett is one of the biggest critics of PE investors.

Before 2016/17, Indian promoters too felt the same way. "Bringing them onboard is akin to signing a slavery bond," the CFO of a large auto component firm had once said.

That perception is changing. With the economic slowdown hurting earnings of companies, traditional sources of capital drying up and debt rising, PE firms are now the only silver lining for cash-starved Indian companies. Once confined to funding smaller promoters, start-ups and IT firms, PE investors are now getting board seats on some of India's top tier companies, including government-owned entities. And they are here to stay.

Canadian investment firm Brookfield Asset Management has inked a deal to invest ₹25,215 crore ($3.66 billion) in Reliance Industries's telecom tower assets in the

PE DEALS WITH LARGE BUSINESS GROUPS IN LAST THREE YEARS



*Part of Reliance Industries
**Share sale
^Part of Tata Group
Source: Venture Intelligence

single-biggest PE deal ever in India. Reliance Jio Infratel, the tower arm, will use the money to repay part of its ₹37,000 crore debt, including the ₹12,000 crore owed to RIL.

This comes just months after Brookfield agreed to buy RIL's loss-making East West Pipeline, also known as Reliance Gas Transportation Infrastructure, for ₹13,000 crore in the largest ever deal in the infrastructure sector.

In July last year, Abu Dhabi Investment Authority (ADIA) and TPG Capital Asia invested $1.2 billion ($600 million each) for a 22 per cent combined shareholding in UPL Corp, a unit of listed agrochemicals giant UPL Ltd, in the largest transaction in that space.

"Earlier, PE firms were doing mega deals with either new companies or mid-level corporates and taking them public in a couple of years. But now they are doing much bigger and more deals with larger companies," says Arun Natarajan, Founder of Venture Intelligence, a data and research firm on private company financials and transactions.

Debt Distress

"The fact is that at this point of time, when capital is not available from banks, top PE firms are moving around in India with open cheque books. And big companies don't need mid-level money," says Natarajan.

The combined debt of all BSE-listed entities has gone up by 13.2 per cent in 2018/19 while corporate earnings have been almost stagnant for the last five years, making it imperative for companies to look for other sources to pare debt as servicing high leverage eats into profits and growth.

"At this point of time, when capital is not **available from banks**, PE firms are moving around with open cheque books"

Arun Natarajan
Founder, Venture Intelligence

After divesting its entire stake in tower assets to Brookfield, RIL will get ₹12,000 crore, which will help it reduce its own outstanding debt of ₹2,88,243 crore as of March 31, 2019, by 4 per cent. Similarly, the ₹8,000 crore invested by Singapore sovereign wealth fund GIC and SSG Capital Management in GMR Airports last May will help the company reduce its ₹20,000 crore net debt as of December 2018. This is the largest PE deal in India's airport sector.

According to Ranu Vohra, Co-founder, MD and CEO of Avendus Capital, both demand and supply factors are leading to a growing acceptance of PE firms by top companies. "On the demand side, a lot of promoters are trying to deleverage their balance sheet and raise money at a time when the business plan requires more capital and projects require more time. PE (firms) are the predominant form of funding at this time when long-term equity is just not present."

The overall market capitalisation reached an all-time high of ₹157 lakh crore in January 2018. However, there has been a severe polarisation, with only a few Nifty50 stocks participating in the rally. So, while cash-rich companies are commanding record valuations, those requiring fresh capital have seen a sharp decline in market capitalisation, making it difficult for them to raise equity capital from the domestic market.

"India is a capital deficient country and capital is needed across the board. So, the presence of PEs is increasing," adds Vohra.

Divesting Non-core Assets

Besides cleaning up debt, the other reason PE money is sought is divesting of non-core assets by promoters, leading to transfer of control. Ganeshan Murugaiyan, Managing Director and Head of Investment Banking and Strategic Coverage, BNP Paribas India, says larger business groups are open to aggressive restructuring of their portfolio by selling non-core assets and re-deploying capital in other businesses.

This is, however, in stark contrast to the attitude of Indian promoters a decade back when selling 'family silver' only meant financial despair. "Earlier, control deals had a negative connotation and were seen as a kind of distress exit, whereas now it is considered alright to do it as part of portfolio management," says Murugaiyan.

Often, succession planning at family-run businesses also a reason behind these exits. "It is no more the general progression where promoter thinks about succession planning as second and third generations get into the business. As they see the benefits of a professional PE management, and if the interest of the next generation lies elsewhere, they are comfortable bringing in PE investors," says Tarun Bhatia, Managing Director and Head of South Asia, Kroll, a global risk consultancy firm.

Vohra of Avendus says the promoters are looking at setting up next generation businesses for the next 10-20 years and exiting traditional businesses due to change in the global economic environment. "With availability of control capital, deal sizes have become bigger," he says.

Max Group is a case in point. Analjit Singh, Founder and Chairman of Max Group, sold his chain of 13 hospitals to PE major KKR-backed Radiant Life Sciences and followed it up in February by selling his 51 per cent stake in Max Bupa to True North. "Our aim is to recreate the Max India story all over again by seeding high-potential businesses and doing them the Max way, which will likely create significant value for those who stay invested with us," Singh had said in April.

Bhatia of Kroll says a key shift has taken place over the last couple of years — the Indian market has become a lot more comfortable with the concept of buyouts.

Moreover, says Murugaiyan, there have been several successful exits – PE to PE; PE to strategic investor; or IPO in the Indian market – giving confidence to investors as well. "Now there is an established proof of concept that the entry and exit work smoothly in India and can be done for sizeable control deals as well," he says.

According to EY's Private Equity Monthly Deal Tracker, PE and venture capital exits were at $26 billion in value in 2018, almost equal to the value of exits in the previous three years combined.

Supply Side Factors

A lot of PE funds have raised money

WHERE ARE THE BIG PE PLAYERS INVESTING

Brookfield

₹25,215 crore
(about $3.6 billion): Investment in Reliance Jio Infratel in July 2019. The biggest deal by any PE player in India so far.

₹13,000 crore
Bought RIL's East West Pipeline in March 2019

₹3,950 crore
Acquired five assets of Hotel Leela Venture in 2019

$1 billion
Bought Hiranandani office and retail assets in 2016

Blackstone

$10 billion-plus
Investment in India since 2006. Of this nearly $6 billion has been invested in 34 deals in the real estate sector

₹2,500 crore
In June, it bought Mumbai-based Radius Developers, making it the largest buyout in the country's office space

KKR

2019: Ramky Enviro Engineers
2017: Radiant Life Care
2017: Bharti Infratel; 2017
2016: Max Financial Services
2016: SBI Life Insurance;
2016: Avendus Capital
2015: Emerald India
2010: Coffee Day Resorts

for India, with estimates pegging it at \$11 billion as of now. Of the \$4 billion that Asia-focussed fund Blackstone Group raised in April 2018, about 60 per cent was earmarked for India. The same is true for biggies like KKR and Brookfield. “With dry powder (funds) available, PEs are also scouting for the right kind of companies to invest in,” says Vohra.

PE investors need to meet their internal rate of return (IRRs) targets, and in an emerging market scenario, they are heavily dependent on growth. “India is still one of the emerging markets that offer good growth potential and have not had a major accident so far. India remains attractive from the macroeconomic and political stability perspective despite issues like currency depreciation or the recent slowdown in growth,” says Murugaiyan.

PEs deploy funds from a global pool of capital and compare the risk-reward metrics to other investment opportunities that they have. That is why, says Murugaiyan, it will not be correct to think of PE firms as just bargain hunters. “They do not buy because valuations are cheap but buy at a point when they can make returns on their investment,” he says.

Currently, some of the distressed promoters like Kapil Wadhawan of DHFL and Subhash Chandra of Essel Group are scouting for buyers for their businesses to repay debt. While both have been in talks with PE firms and strategic investors, no deal has been finalised yet.

“There are separate distress and turnaround funds which look at distressed assets. But a majority of PEs are looking for growth as the primary thesis of their investments. PEs can buy at high multiples also if they believe they can make returns on their investment and exit in five to seven years,” Murugaiyan adds.

With PE steadily gaining a firm footing in India, it may also impact corporate culture in the long run. Vohra says there are bound to be subtle as well as dramatic changes if PEs continue to get a bigger slice of India

Why the PE Route?

The liquidity crisis in the banking system has dried up funds and large companies have been forced to look elsewhere.

High debt levels of many companies have made them unattractive to traditional lenders.

Many large global PE firms are on the lookout for avenues to invest.

Indian companies are keen to divest non-core assets.

Taking on PE firms helps companies diversify ownership and professionalise operations.

“Larger business groups are open to **aggressive restructuring** by selling non-core assets”

Ganeshan Murugaiyan
MD and Head of Investment Banking, BNP Paribas India

Inc. “Most PE funds invest for a certain time frame. Sometimes, they get a newer management, aligned with the PE investors, to get the metrics right in a specified time period. So they move in a focussed direction to achieve the metrics,” Vohra says.

Moreover, with a PE investor, any organisation that is largely family-driven with centralised decision-making, is bound to become more decentralised. “Their presence will also impact the board structure along with compliance and governance,” adds Vohra.

Relationships of company promoters with PE investors are not always fairy tales. In fact, if returns on investment are not as expected, PEs can be the biggest nightmare for any entrepreneur. While Cafe Coffee Day Founder V.G. Siddhartha mentioned in his last letter that one of his PE partners was forcing him to buy back his firm’s shares, this is just one instance of how PEs can be a bane.

Typically, PEs buy into equity but their investments are structured on the lines of debt as they expect fixed returns. And when companies come under financial pressure, unable to generate the promised returns, they are taken over by the PE firms.

In India, Lilliput Kidswear owner Sanjeev Narula moved the court in 2011, alleging that PE investors Bain Capital and TPG (owning 45 per cent) were trying to take over control of the company by choking funding. The claims were disputed by the two PE partners. Other relationships that turned sour include that of Sagar Ratna founder Jayaram Banan and India Equity Partners; Maiyas Beverages founder P. Sadananda Maiya and PE investors including Peepul Capital; and clash of Actis Capital with Mudaliar family, promoters of Nilgiri Dairy Farm.

Since PE firms in India were so far getting access to only small and mid-sized companies, the severity of disputes was at a similar scale. As they get into bigger companies, equally bigger battles for money and control cannot be ruled out.

The growing presence of PE firms will lead to apparent changes, but the fact remains that they offer a robust pool of capital which is a credible alternative to capital markets or strategic exits for companies.

@RashmiPratap3

5%

India's sovereign external debt to GDP ratio, one of the lowest in the world

THE SOVEREIGN DILEMMA

Even if the government decides to go ahead and issue sovereign bonds in foreign currency, its rising borrowings will continue to put pressure on liquidity in the domestic market.

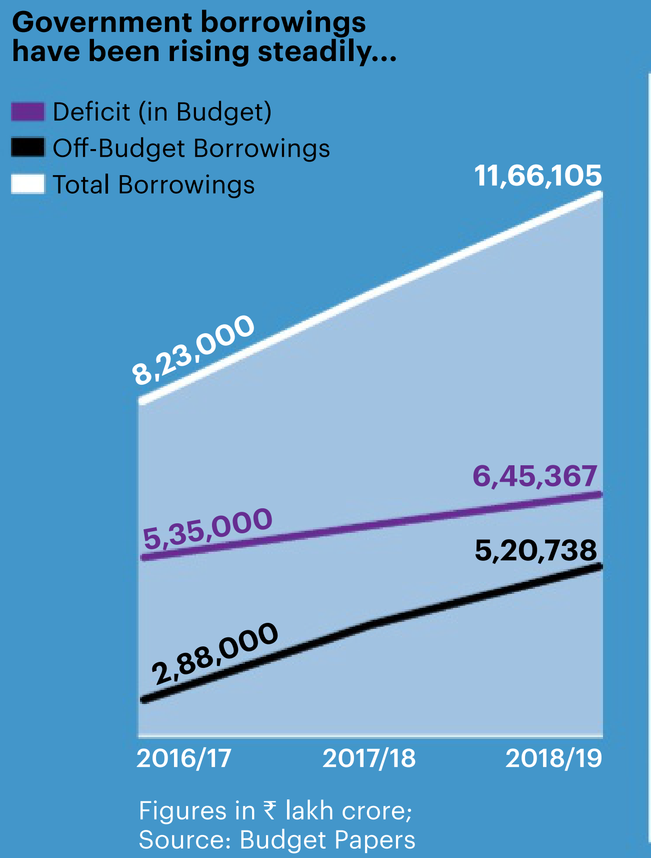
By ANILESH S. MAHAJAN

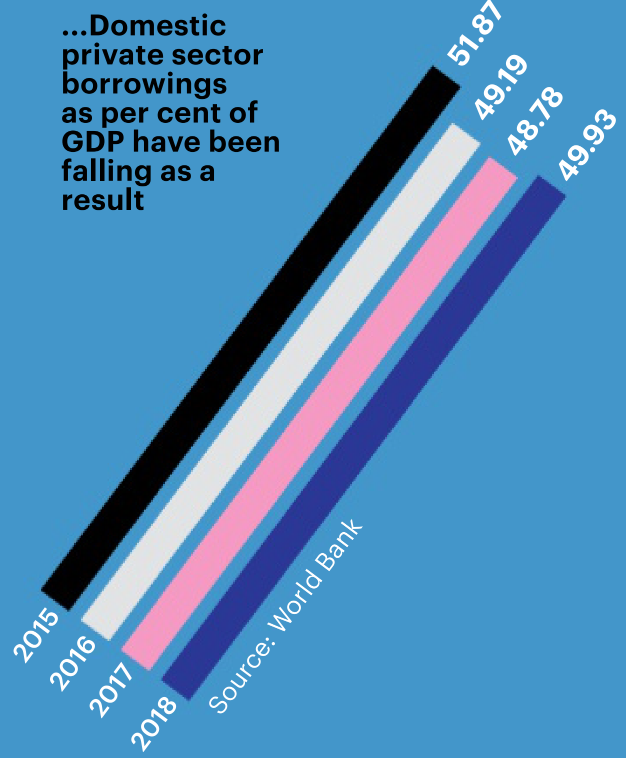
ILLUSTRATION BY RAJ VERMA

O**n July 20,** Argentina moved towards an effective default after failing to reach an agreement with vulture funds demanding full payment of their $1.3 billion dues. This is its second brush with a sovereign debt crisis since 2001/02 when it too had been engulfed by what was then called the Latin American contagion, a direct result of huge foreign currency borrowings that the countries in the region had made in order to finance their deficits and huge infrastructure projects in last few decades of the 20th century.

A fear of a repeat might be playing on the minds of economists watching Finance Minister Nirmala Sitharaman's

NO LET-UP





OTHER OPTIONS TO INCREASE LIQUIDITY

Increase in ceiling on FPI investments in government bonds

Transfer of surplus from the Reserve Bank of India and use of these funds to capitalise banks

A more efficient plan to divest public sector companies

Speedier expenditure reforms, lowering of revenue forgone

Budget speech on July 5 where she announced an intention of going for foreign currency borrowings in order to finance the government deficit that has ballooned over the years, mainly because of huge spending on infrastructure and welfare schemes. The purported aim of the step was to ensure that a bigger chunk of domestic liquidity is available for the private sector, facing a serious funds crunch. Media reports even suggested that the first tranche of these bonds would be issued as early as October.

But the script changed. On July 24, the Appointments Committee of Cabinet transferred Finance Secretary Subhash Chandra Garg – who was given the job of drafting the maiden Budget of the Modi 2.0 government with a brief to lay down the path that can make India a $5 trillion economy in the next five years – to the power ministry. One reported reason for this was the Budget proposal go for foreign currency borrowings to ease liquidity and interest rates in the domestic market in order to get economic growth going. The other was the fact that the Union Budget's revenue figures did not match with those in the Economic Survey presented to Parliament a day before. There was a ₹1.7 lakh crore hole in the Budget papers. The next day, Garg exited North Block and sought voluntary retirement.

If we connect the dots, one thing comes out clearly – government revenues are not rising at the pace it wants us to believe, a fact that was behind the foreign borrowing proposal. As Rathin Roy, a member of the PM Economic Advisory Council, put it: "India is going through a silent fiscal crisis." The proposal to borrow abroad brought into focus the fact that the government has limited options to raise money. It can either spend less or borrow more. Considering that the country's growth over the last few years has been fueled majorly by public spending, the only option is to borrow more, and this is exactly what the government has been doing (see *No Let-up*). A recent presentation by the Comptroller and Auditor General to the 15th Finance Commission said the government had been understating the fiscal deficit by skipping off-Budget borrowings and expenditures. The sovereign, it said, would need roughly ₹11,40,367 crore, not the ₹6,45,347 crore estimated in the Budget in 2019/20, to meet its commitments. This is good enough to choke the domestic debt market. Garg proposed external borrowings to ease this pressure, though he did not account for opposition to the move from people from as diverse backgrounds as Roy, former RBI Governor Raghuram Rajan and even RSS think tanks

"Foreign funds are an option when the economy is growing at a healthy rate and investors are more than keen to pump in money. I doubt this is the scenario right now"

MONTEK SINGH AHLUWALIA
Former Dy Chairman, Planning Commission

RBI OPENS ECB WINDOW FURTHER

To ease liquidity in the domestic market, the Reserve Bank of India has allowed companies to raise external commercial borrowings (ECBs) to pay bank dues categorised as NPAs. The RBI has said that NPAs, or loans that are expected to become NPAs, can also be sold by banks to recover domestic rupee loans. However, there is a restriction on the rate at which these firms can provide loans. This has been kept at LIBOR 400-450 basis points. It roughly comes to 6-6.5 per cent.

The RBI has also relaxed norms on use of funds via ECBs. It has allowed the use of these funds for working capital requirements and general corporate purposes too. "Borrowing for on-lending by NBFCs for the above maturity and end-uses is also permitted," it added.

THE RATIONALE FOR DOLLAR BONDS

The move will decongest the local debt market for indigenous players

It will reduce the government's debt servicing cost and diversify sources of debt

May increase demand for government securities in the domestic market

AND THE DANGERS OF DOING SO

Repayment of dollar debt when your currency usually depreciates against other major currencies can trigger a crisis

The will expose the government to exchange rate volatility

The rupee will have to be made fully convertible and so may start depreciating at a faster pace

such as the Swadeshi Jagran Manch (SJM). "There are reasons that the successive government didn't opt for these options earlier, despite the temptations. The debt in foreign currency is like a drug. You like it at first, but when it becomes a habit, it destroys you," says Roy. He teamed up with SJM National Co-convener Ashwani Mahajan and met the RSS number two, Suresh 'Bhayiya ji' Joshi, at the SJM's RK Puram headquarters. Subsequently, the PMO convened a meeting with a group of economists. The government has now asked the Reserve Bank of India (RBI) – India's sovereign's debt manager – to review the proposal. The RBI's 21-member board will meet on August 16 to find alternatives to the risky proposition. There is talk that the government may go for such borrowings in small tranches.

But whichever way the wind blows, there is every chance that the government's fiscal woes will worsen in the coming quarters considering the slowing economy (GDP growth fell from 7.2 per cent in 2017/18 to 6.8 per cent in 2018/19), which is already leading to a revenue shortfall (2018/19 GST collections were short by ₹1 lakh crore-plus), tanking stock markets (which will hit disinvestment plans), its commitment to massive welfare programmes and, most of all, its lack of initiative to sell or shut loss-making PSUs in which it keeps pumping in huge amounts year after year. The government has few options left to fund itself.

"The government can use this money (RBI surplus) to capitalise banks and improve liquidity"

ASHWANI MAHAJAN
National Co-Convener
Swadeshi Jagran Manch

The Alternative Medicine

The government needs more funds to supplement the shrinking domestic savings. Gross domestic savings fell from 33.8 per cent of GDP in March 2012 to 30.5 per cent in March 2018. In the long term, a country can raise money to stabilise its fiscal situation in many ways – expenditure reforms, lowering inflation/interest rates, deepening bond markets and boosting consumption. But in the short run, India has three options – issue more rupee bonds instead of foreign currency bonds; use RBI surplus to capitalise public sector banks; and lower the capital adequacy ratio (CAR) of banks.

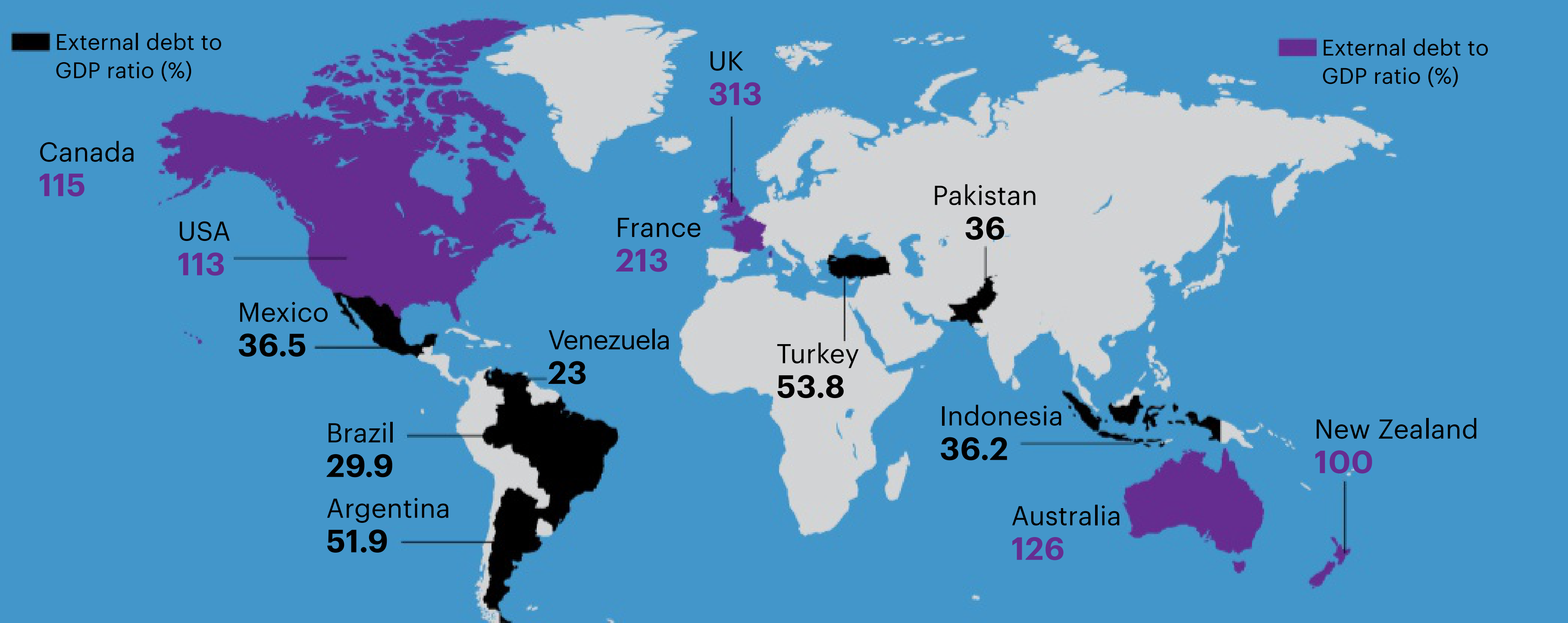
Former Deputy Chairman of the erstwhile Planning Commission, Montek Singh Ahluwalia, says if the government wants to bring in more money, the best option is sell Indian rupee bonds. RBI rules cap foreign portfolio investor investment in government securities. The effect of issuing more rupee bonds will be the same as what will happen if foreign currency bonds are issued – more foreign money inflows, pressure on

NATIONS THAT GOT INTO TROUBLE DUE TO FOREIGN BORROWINGS

Most of these countries, just like India, have a twin deficit problem. Demand for more dollars to service debt led to printing of more local currency and snowballed into currency depreciation and high inflation rates.

AND THOSE THAT DO THIS SUCCESSFULLY

Nations whose currency is convertible and have stable twin deficits – fiscal and current account — have used this strategy successfully



inflation and deprecation of currency – but the transaction will be in rupees and so there will be no currency risk. "Foreign funds are an option when the economy is growing at a healthy rate and investors are more than keen to pump in money. I doubt this is the scenario right now," says Ahluwalia. At present, foreign ownership of government securities is around 4.5 per cent, whereas the limit is 6 per cent.

Ila Patnaik, former principal economic advisor to government, says if foreign capital flows are liberalised for rupee debt, increasing or lowering the policy rate will have a bigger impact on the exchange rate. "It is all about weighing the pros and cons and determining the lesser evil," an RBI board member says on condition of anonymity.

The other options to increase liquidity are domestic but involve policy challenges. One is tapping into the RBI surplus. The issue of how much RBI surplus can the government take is being looked at by former RBI Governor Bimal Jalan, who is expected to table the report before the next RBI board meeting. Incidentally, it was Garg who had opined that the buffer of 28 per cent gross assets maintained by the RBI was way higher than the global norm of around 14 per cent. Till the end of June 2018, the RBI had reserves of ₹2.3 lakh crore along with unrealised (or valuation) gain – described as currency and gold revaluation account – of around ₹5.3 lakh crore. The SJM says the sovereign owns the RBI reserves and they must be transferred to the exchequer.

Reports suggest the committee is set to recommend the transfer of reserves but is still discussing if the transfer should happen in one go or in tranches. "The government can use this money to capitalise banks and improve liquidity," says Mahajan.

The third option before the government is to not adopt the BASEL-III norms for banks and instead lower the CAR. At present, the banks are required to keep 9-12 per cent of capital to risk weighted assets. The global standard is 6-8 per cent. But lowering the CAR will not be easy as India has already committed to the stricter BASEL-III norms. "When the US and western countries themselves are not binding themselves to these adamant norms, why should India do so?" says Charan Singh, Chairman of Punjab and Sind Bank. "If Indian capital can resolve India's solutions, why not?" BT

@anileshmahajan

HOW WE SURVIVED PAST FINANCIAL CRISES

1991

Balance of payments crisis: Opted for mortgage of sovereign gold

1998

Sanctions after nuclear tests: Quasi sovereign State Bank of India issued dollar bonds

2008

Recession: Expanded the capital outlay with domestic banks financing most of the deficit

2013

Taper Tantrum: Attracted dollar deposits of NRIs by offering higher returns

BHARAT DYNAMICS LIMITED

Pursuing Self - Reliance through 'Make in India'

Incorporated in the year 1970 and headquartered in Hyderabad, Bharat Dynamics Limited (BDL) is the only Defence PSU in India engaged in the manufacture of Anti-Tank Guided Missiles (ATGMs), Surface-to-Air-Missiles (SAMs), Launchers, Underwater Weapons, Counter Measures and allied defence equipment.

The formative years of BDL witnessed a high degree of Transfer of Technology (ToT) from foreign Original Equipment Manufacturers (OEMs) to produce the much needed weapons required by the Indian Armed Forces. India's thrust towards achieving self-reliance in critical technologies in Defence gave birth to the nation's ambitious Integrated Guided Missile Development Programme during the late 80s in which BDL was nominated as the 'Prime Production Agency'.

This paved the way for BDL to initiate its indigenization efforts and later advance to embark upon the journey of "Make in India" as well as to establish itself as a manufacturer of both tactical and strategic missiles. The programme gave BDL abundant opportunities to develop its manpower into a highly skilled and specialized workforce and adopt the state-of-the-art technology available worldwide.

BDL, while performing its primary role of a guided weapon system manufacturer, began investing in in-house Research & Development with an objective of achieving self-reliance through indigenization. This laid the foundation for the Company to relentlessly pursue the 'Make in India' programme launched by the Government of India.

> "As BDL enters into 50 years of its service to the Nation, the Company rededicates itself to foster the 'Make in India' mission with greater speed, agility and constant innovation."
>
> **– Cmde. Siddharth Mishra (Retd), CMD, BDL**

Prithvi

Konkurs – M

> **It is a matter of pride for the Company that the Anti-Tank Guided Missiles, Underwater Weapons and Surface-to-Air Missile like Akash are being produced with maximum indigenous content and supplied to the Armed Forces with large scale participation from Indian private partners.**

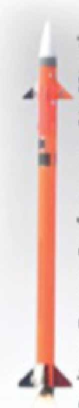
BDL, over the years, has been progressively developing several vendors for each of its programmes and these vendors have become an integral part of Company's supply chain. As a part of this process, potential vendors are being identified, nurtured and supported with the technical know-how which include extending of BDL's unique test facilities in order to ensure that they remain as viable partners of the Company in the long run.

Indigenization has been at the core of each of its programme and the Company has been striving to maximize the indigenous content in its products.

BDL, in its plan to become a designer and a developer of new missile systems has created a strong Missile Development Group within its in-house R&D Division to develop the next generation missile system. This concept has been envisaged under the 'Make in India' programme with maximized indigenous content.

As a part of its expansion plan, BDL has forayed into international market by beginning to export its products to friendly foreign counties. BDL is currently executing export order of its Underwater Weapons viz., the Torpedoes, to friendly country, which again is an indigenous product. Thrust is also being given to explore tie-ups with other friendly foreign OEMs for new missiles and underwater weapons for potential Transfer of Technology.

This will boost the Company's endeavors under 'Make in India' initiative and help in exporting these products by becoming the part of OEM's supply chain.


Medium Range Surface- to- Air Missile

Recent trends indicate rapid strides are being made by countries over the globe in utilizing Artificial Intelligence (AI) based technologies for development of Next Generation of weapon systems. Taking cognizance of this fact, BDL has started undertaking development of products for the Armed Forces with AI Technologies with active participation of startups.

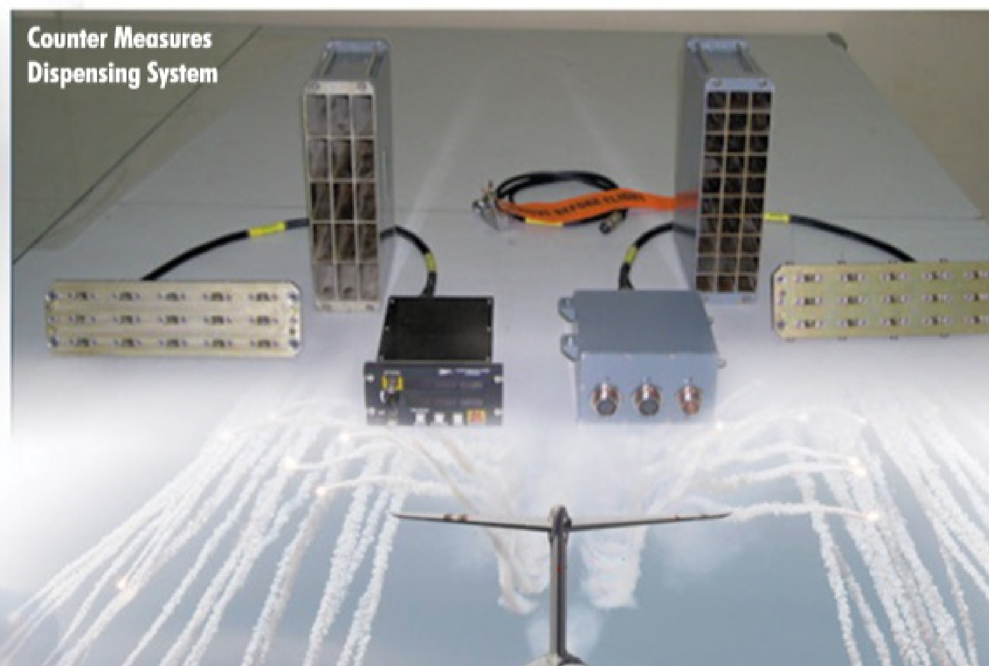
The Company has entered into an MoU with International Institute of Information Technology (IIIT), Hyderabad on 22nd April, 2019 for joint development of AI technologies for products developed at BDL. The MoU envisages setting up of an exclusive 'Centre of Excellence for Artificial Intelligence in Missile Technology'. The Centre of Excellence will function as an AI Laboratory for BDL, building an understanding of BDL's products and business within the IIIT, Hyderabad's research groups.

As per the MoU, BDL and IIIT, Hyderabad will take about five AI projects a year in both software and hardware segments, covering missiles, manufacturing, inspection and allied areas.

Innovation always has been a key to success and growth of any company and BDL has always considered innovation as a part of its R&D efforts. Synergy is being maintained between the industry and academia to sustain balance between experience and knowledge industry. BDL is encouraging startup companies to participate in the innovation programmes of the Company. This is being done in association with the Government of India's MoD's wing, IDEX (Innovation for Defence Excellence) and Telangana State Government. In line with this, the purchase procedures have been amended to encourage more participation by startups and supplies from indigenous vendors with more indigenous content.

As BDL celebrates its 50 glorious years of its service to the Nation, the Company's thrust will be to persistently pursue the 'Make in India' programme by continuing to invest in infrastructure, automate its production lines, adopt continual process improvement, enhance in-house R & D efforts, bring in new generation technology to manufacture missiles and underwater weapons, leverage experience to develop new indigenous products and increase its export revenue.

The pursuit of technological excellence has been the guiding force that has always helped BDL live up to its sobriquet, 'The Force Behind Peace.'

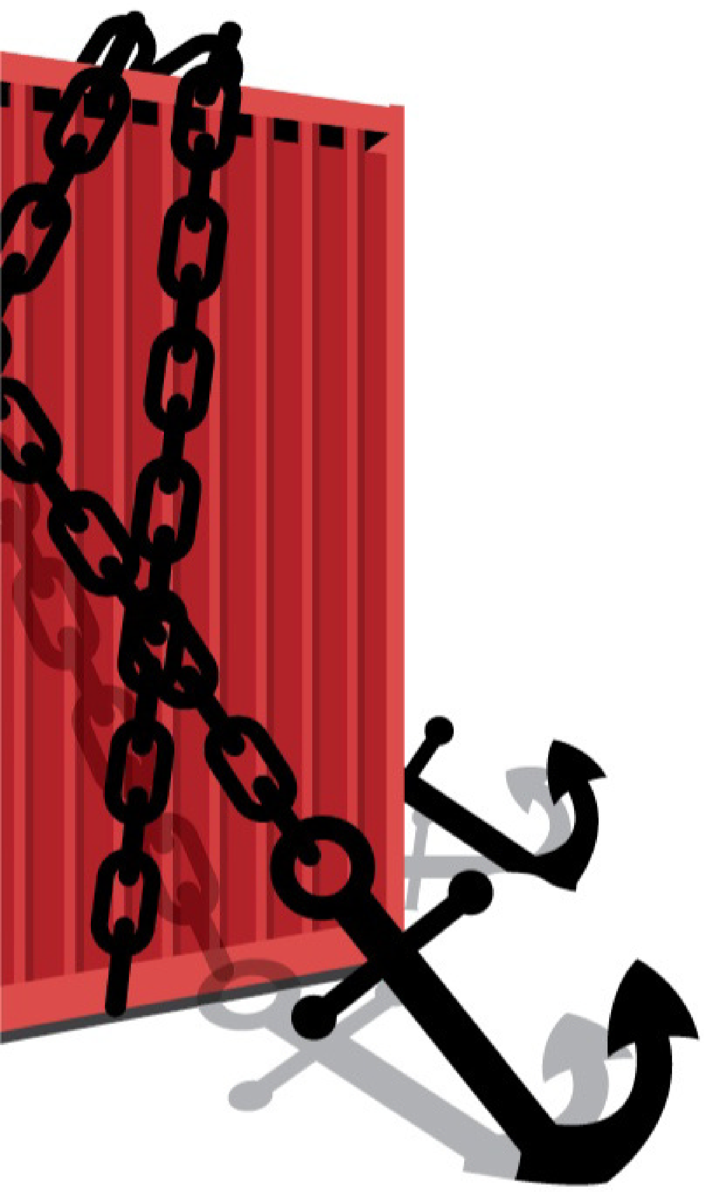

Counter Measures Dispensing System


Akash

$5 TRILLION

Projected size of the Indian economy that the Modi government aims to achieve by 2024

TRADE IN SHACKLES



Lack of competitiveness, paucity of risk capital, infrastructure issues and a strong rupee are preventing exports from taking off.

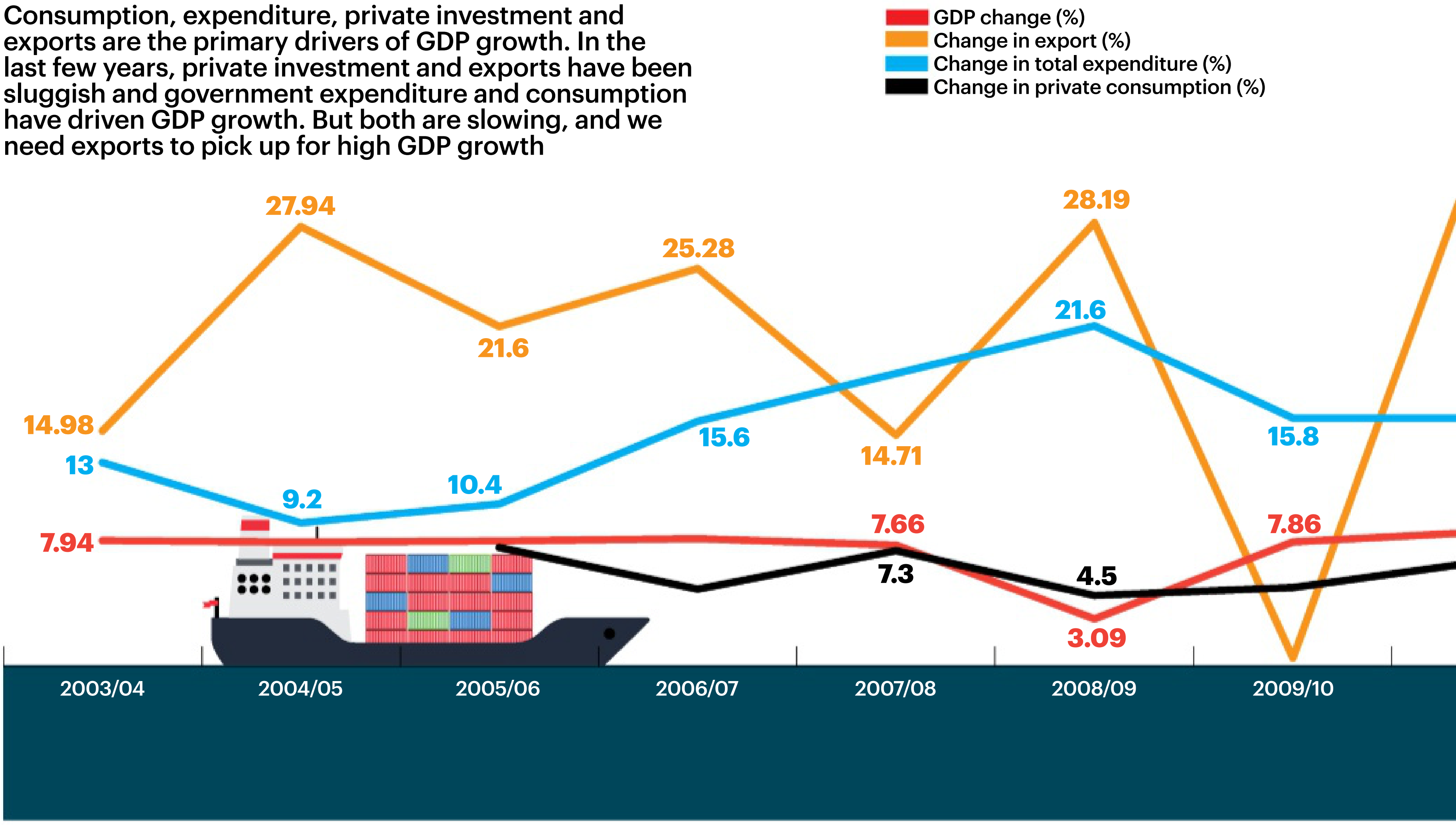
By JOE C.MATHEW

ILLUSTRATION By RAJ VERMA

PIYUSH GOYAL, the Union Minister of Commerce and Industry, recently cancelled a trip to China as the Budget Session of the Lok Sabha got extended until August 7 instead of ending on July 26 as scheduled. Such cancellations happen all the time, but this one was different. Goyal was expected to represent India in a key ministerial meeting – the 8th round of Regional Comprehensive Economic Partnership (RCEP) Ministerial in Beijing – to stitch together a 16-nation free trade agreement (FTA) that covers 45 per cent of the world's population and 40 per cent of global trade. Although high-level officials represented India, the absence of the political leadership only deepened the suspicion that India is reluctant to open up its economy to global free trade, but the country is not willing to admit it. RCEP has its pitfalls, though. India already has an FTA with ASEAN, the 10-country bloc that remains the core of RCEP discussions. Besides, it has bilateral agreements with two others – Japan and South Korea. Although these

TIME TO ACT

Consumption, expenditure, private investment and exports are the primary drivers of GDP growth. In the last few years, private investment and exports have been sluggish and government expenditure and consumption have driven GDP growth. But both are slowing, and we need exports to pick up for high GDP growth



FTAs have helped India expand its export base, the trade balance has not been in our favour so far. Hence, the critics of RCEP (there are many within the government and outside) argue that it is, in effect, an FTA with the other three negotiating partners – Australia, New Zealand and China. Given the ballooning trade deficit with China, the sceptics are wary of another surrogate FTA with the Asian giant in the form of RCEP. "We have not benefited from FTAs in the past, and now that we are negotiating RCEP, automobiles should be kept out of it to prevent China from getting a backdoor entry," says Vinnie Mehta, Director General of the Automotive Component Manufacturers Association (ACMA).

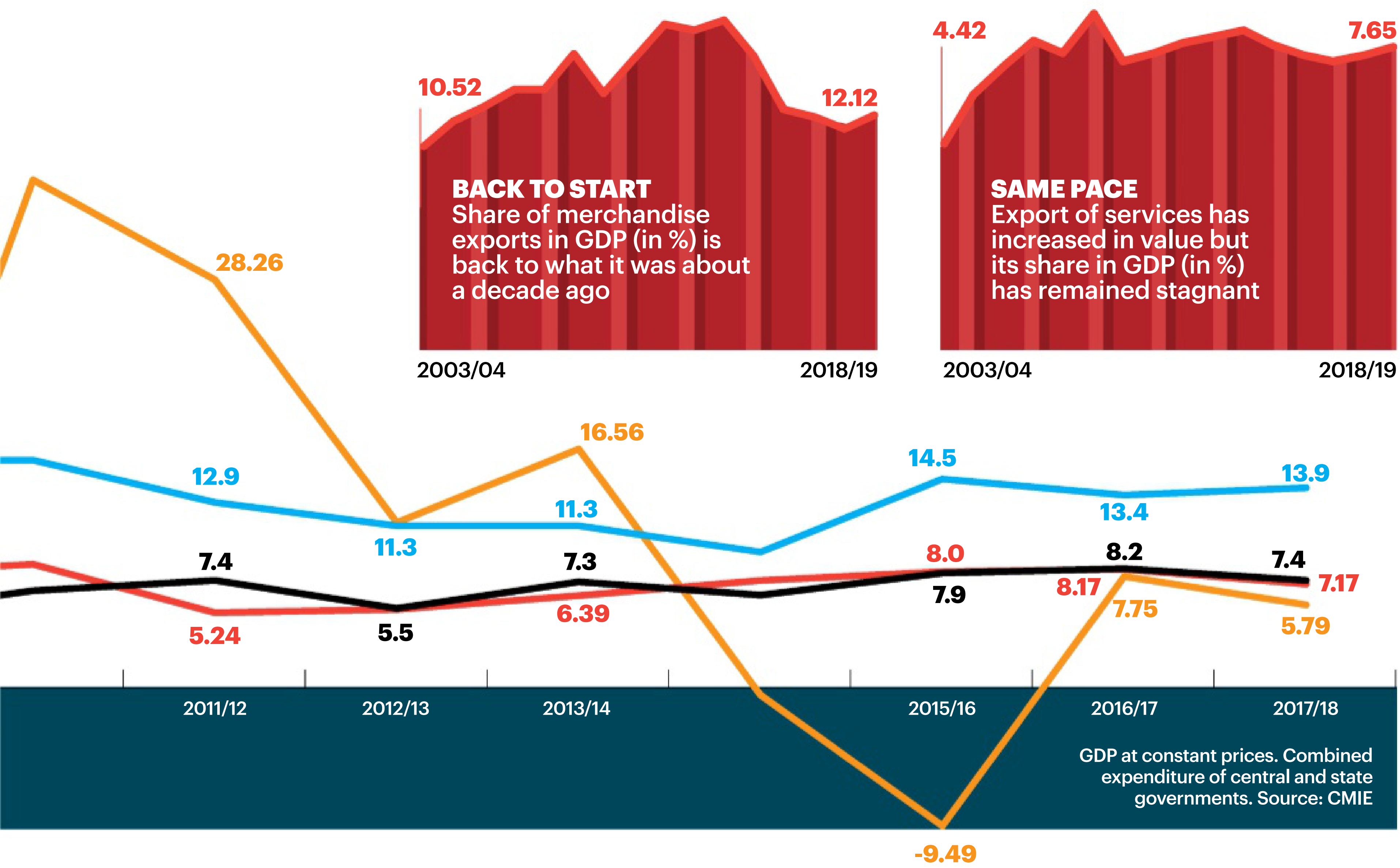
9.71%

Fall of India's merchandise exports in June 2019 on a YoY basis

That the country should avoid non-lucrative FTAs is a valid point. And no one could have questioned the minister's decision had India limited its export ambition to opportunities which are solely trade-positive. Unfortunately, that is not the case. India is increasingly pushing its exports to drive overall growth. And a missed negotiation of this scale does not augur well as none of the tall targets of the Narendra Modi government can be met without ramping up its exports. This is especially true as other growth engines have not delivered as expected. Private investment is not picking up and domestic consumption has slowed down. Government expenditure has been pushing growth for the past couple of years, but that alone is not enough to take the country's real GDP growth to 8 per cent in the current financial year (it was below 7 per cent in FY2018/19). In fact, India has to almost double its GDP growth to become a $5 trillion economy by 2025 as envisioned by Prime Minister Modi. Even Chief Economic Advisor Krishnamurthy Subramanian pointed out that the prime minister's $5 trillion dream will be possible only if "the country's investments grow, and for investments to happen, domestic consumption alone is not enough, an equal or bigger support through exports is also essential".

Subramanian dwells on this in great detail in the Economic Survey 2018/19. He has examined the economic growth drivers pursued by other countries and found that investments and exports play a critical role in all growing economies. "The overwhelming evidence across the globe, especially from China and East Asia in recent times, is that high growth rates have only been sustained by a growth model driven by a virtuous cycle of savings, investment and exports, catalysed and supported by a favourable demographic phase," he states.

The survey also points out that all three macro variables – shares of GCF (gross capital formation), savings and exports in GDP – increased as the countries became richer. For instance, when China's economy saw an uptick measured by the rising GDP per capita, the country's savings, investments and exports increased further. The same



inference was made in the cases of four Asian countries – Thailand, Indonesia, Malaysia and South Korea. "The global market is extremely competitive with firms which are able to produce at the lowest costs having the ability to gain market share in exports. So, the average productivity of firms in the economy becomes crucial to export competitiveness. Capital investment enhances total factor productivity, which in turn enhances export performance. Therefore, investment becomes crucial to enhancing export performance," the survey says.

A quick look at India's economic growth also affirms that high GDP growth has always been paired with even higher growth in exports ever since the economic liberalisation two decades ago. "Exports grew 20 per cent year over year when the Indian economy grew the fastest. Globally, too, no middle-income or low-income country has ever taken off without robust growth in exports. Exports make you (the domestic industry) more competitive and allow you to implement structural changes, leading to better technology adoption and more investments in innovations. That is why we should focus on exports and not just rely on the domestic market even though that market has high growth potential," says Rajat Kathuria, Director and Chief Executive of Indian Council for Research on International Economic Relations (ICRIER). Exports accounted for 17 per cent of GDP in 2010/11 compared to 12 per cent in 2017/18 – a big decline, he adds.

Simply put, without a significant rise in exports, capacity expansion in manufacturing and its subsequent contribution to GDP from the current 17 per cent to 25 per cent will be near impossible. Even the promise of doubling farmers' income by 2022 looks unrealistic without an export push as the domestic price of agricultural produce tends to dip sharply when the production volume is up. The Ministry of Commerce and Industry has recently came out with an agri export policy to address this pain point. However, India must focus on all three critical components – exports of manufacturing goods, agri produce and services – if it wishes to improve its trade prospects.

It is easier said than done. In June this year, merchandise exports fell 9.71 per cent to $25.01 billion, hitting a 41-month low as almost all major sectors earning foreign exchange (oil, petroleum products, gems and jewellery and engineering goods) registered subdued or negative growth. Former commerce minister Suresh Prabhu admits that Indian exporters were struggling for most of the time during 2014-2019, the first term of the Modi government. It was only in 2018/19 when the country was able to earn more foreign exchange via exports than what it made in 2013/14 and thus set a new record. Prabhu, during whose tenure exports peaked, attributes it to the changes he spearheaded, but the current numbers suggest that the growth was transient and the road ahead could be tough. Seen in that context, Goyal's absence in the RCEP meeting raises eyebrows.

What's Containing Exports

Within a week of taking charge as commerce minister, Goyal organised a joint meeting of the Board of Trade (a top advisory body on external commerce comprising trade experts and export promotion councils) and the Council for Trade Development and Promotion (a group of state trade ministers and officials) in Delhi to figure out the reason behind the slowdown in Indian exports. The discussions held largely focussed on the need to increase logistics efficiency, improve ease of doing business and monitor the progress of infrastructure projects, which revealed the long-drawn-out nature of the problems and not-so-forthcoming solutions. Earlier, Surjit Bhalla, a former member of the Prime Minister's Economic Advisory Council, headed a high-level advisory group (HLAG) on trade policy at the behest of then commerce minister Prabhu. Even then, the experts concerned zeroed in on the same issues.

The world economy is in a flux and India must respond strategically to current and chronic challenges, the HLAG noted in its presentation to Prabhu. While trade disruptions with the US, a huge trade deficit with China, India's weak links with global value chains and the increasing role of FTAs in directing trade flows were marked as current challenges, the chronic ones were all about the country's reluctance to negotiate trade deals (a likely reason for Goyal to opt out of RCEP meet), high cost of capital and corporate tax, and archaic labour laws.

12%

Share of exports in GDP in FY2017/18 compared to 17% in 2010/11

Biswajit Dhar, a professor at the Centre for Economic Studies and Planning under Jawaharlal Nehru University, concurs. "We cannot stand up to the international competition. What is most worrying is that we are integrating with the global economy without knowing how to cope with the challenges posed by our inefficiencies. All our past sins are coming home to roost." Dhar cites agriculture as an example. "We are in a serious bind; we cannot decrease the tariffs because inefficiencies are spilling over, and now we are also facing a deflationary situation. For India to be part of the global economy, and not to sort of withdraw, is going to be the major challenge."

Infrastructure bottlenecks also affect export competitiveness and trade volume. Too few ports and their poor turnaround time, coupled with bad roads, slow freight trains and yet-to-be-functional freight corridors have put the country way behind rival nations. Inadequate power supply, stiff electricity tariffs and delayed GST refunds are also piling more misery on embattled export entities.

According to Kathuria of ICRIER, India's export prospects can be hurt by its import policies. "This is especially interesting at this point. Earlier, China was the global manufacturing hub. But now that it is locked in a trade tussle with the US and its manufacturing costs are rising, dozens of companies are looking to exit China and set up their manufacturing units elsewhere. Besides, many of the foreign investors are trying to diversify their supply chains. However, India is in no position to take this advantage as its rising import tariffs keep it out of the global value chain (GVC). "Every year, we are increasing customs duty on primary goods. The hypothesis is that if we increase customs duty, we are promoting local manufacturing and generating more domestic jobs. But an import

PROBLEMS AND SOLUTIONS

RAJAT KATHURIA
Director and CEO, ICRIER

PROBLEM
We are increasing customs duties on primary goods. An import tariff is an export tax as, since 1995, the import component in our exports has been rising. When you have customs duty on imports (of raw material), it increases the cost of exports.

SOLUTION
Maintain a balance in import duty structures, especially for electronic products. Focus on ease of doing business.

KRISHNAMURTHY SUBRAMANIAN
Chief Economic Advisor

PROBLEM
The global market is extremely competitive, with firms that are able to produce at the lowest costs having the ability to gain market share in exports. So, average productivity of firms becomes crucial to export competitiveness **(which India needs to improve). Capital investment enhances total factor productivity, which enhances export performance. Therefore, investment becomes crucial to enhancing export performance.**

SOLUTION
India's share in global exports is so low that it should focus on market share. The current disruptions provide an opportunity for India to insert itself into global supply chains. The High Level Advisory Group, chaired by Surjit Bhalla, submitted its report in June 2019 on how India can enhance its exports. Its recommendations (nine general and seven industry specific) need to be studied and implemented where possible.
(Source: Economic Survey 2018-19)

BISWAJIT DHAR
Professor, Centre for Economic Studies and Planning, Jawaharlal Nehru University

PROBLEM
Our manufacturing is not competitive and each sector is crying out and seeking more tariffs (on imports to protect domestic turf). Even in services, we do not have any capability, except in IT and ITeS. Our industry has not been able to think beyond the domestic market ever. India Inc. has not been able to produce a single globally selling brand name.

SOLUTION
The government should behave exactly the way South-east Asian countries did with their industry. Industry should tell the government its needs and commit the target it is going to meet. Trade policy has to be bottom up rather than coming from top.

DHRUV M. SAWHNEY
CMD, Triveni Engineering & Industries

PROBLEM
Being global is a necessity, even more so for medium-sized companies. What we do not need is a regime of subsidy for export, **although there is need to neutralise some of the irregularities of export taxation and transportation and infrastructure.**

SOLUTION
Impart skills training for the global market so that you do not have to do it twice to satisfy the domestic market. Combine the Ministry of External Affairs and Department for International Trade. Australia has done that, Mexico has done that, China has always had that, and Brazil has that.

tariff is an export tax. Since 1995, the import component in our export has been rising. If the percentage of foreign components in merchandise exports was 11 per cent in 1995, it was 25.7 per cent in 2011, and mostly included electronics and machinery. So, backward linkages are crucial for exports. Customs duties on imports will increase the cost of exports," he explains.

Kathuria also stresses the need to maintain a balance when it comes to import duty structures, especially what applies to electronic products. He also wants the authorities to focus on the ease of doing business, as "the time taken for border compliance of imports is five times more than that of Vietnam, and the cost is nearly 25 per cent higher, as per the World Bank. China, Japan, South Korea, Thailand and Malaysia have become part of the GVCs through the quality trade infrastructure route. GVCs demand high-quality products and on-time delivery, necessitating behind-the-border logistics support, with high-speed and reliable linking of industrial parks and ports," he adds.

Even the pharma sector, one of the bright spots in Indian exports, is not without its share of problems. "This sector has always been export-oriented, but IT services get the tax sops most of the times. Pharma exports cannot be scaled sharply without such sops and an enabling policy environment that consistently encourages new capacity creation," says Kiran Mazumdar-Shaw, Chairperson and MD of Biocon.

But the IT and ITeS industry will find it difficult to sustain its earlier growth, says Siddharth (Sid) Pai, Founder and Managing Partner at Bengaluru-based Siana Capital Management. "It has become too large and mature to grow at 30 per cent. Also, we think that outsourcing is not impacted by the overseas recession (the perception is that more work is pushed out due to cheaper cost). But outsourcing is equally impacted as tax and non-tax trade barriers are coming up every day due to the rise of hypernationalism. The IT sector is not immune to curbs on the free flow of labour or additional taxes for work outside of local jurisdiction."

Auto exports have also been down for two straight fiscals, the first such decline in a decade. The bulk of the exports include motorcycles (70 per cent) and passenger vehicles (PVs). While two-wheelers are mostly shipped to developing regions such as Africa and South-east Asian countries, PVs used to be exported to mature markets such as the US, Europe and Japan. The PV business is dwindling, though, due to sluggish demand worldwide, increasing trade conflicts and a relative weakening of India's export potential.

In a recent interaction with *Business Today*, Samiran Chakraborty, Chief Economist at Citibank India said the government should be extremely focussed in its approach if it wants to solve the export puzzle. He argues that it does not matter what industry is picked up, but the government should back two or three chosen sectors all the way to create global brands.

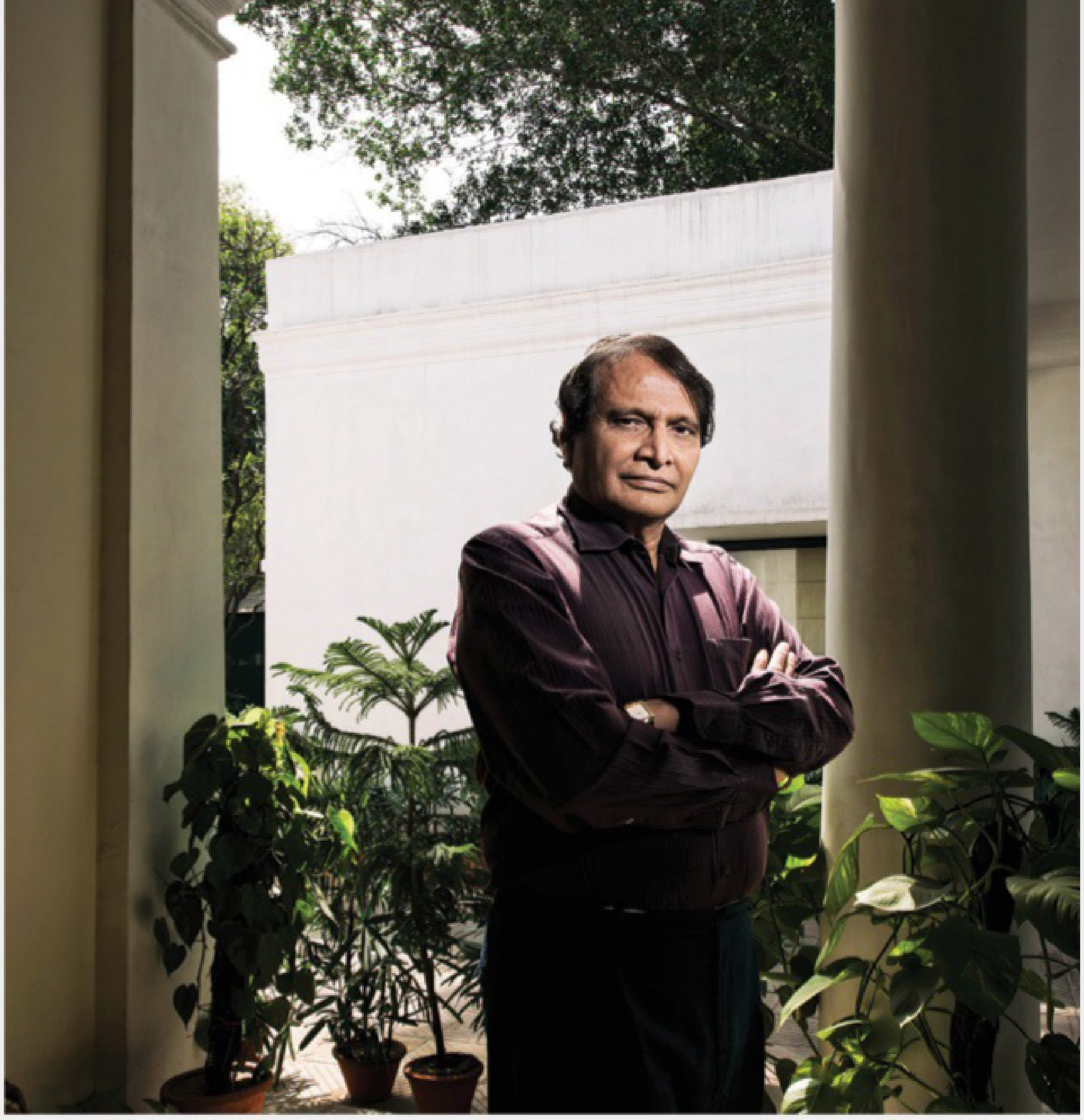
No Easy Way Out

CEA Subramanian agrees that world trade is currently facing

INTERVIEW

"A VERY CALIBRATED APPROACH HAS TO BE ADOPTED"

Former Commerce Minister Suresh Prabhu tells *BT* Editor Prosenjit Datta and Senior Editor Joe C. Mathew about the long-term strategic plans to boost exports.



PHOTOGRAPH BY REUBEN SINGH

Q. What is happening to our exports?

A. Our exports have been decelerating for almost three years since 2014. We started analysing each and every sub-sect of the export basket. We mapped entire geographies and created new metrics to see which product can go to which geography. The result was that we could reverse this declining trend and we achieved highest exports in 2018/19. I was also working on reducing our trade deficit with China. For the first time, we reduced it from $63 billion to $53 billion. Our exports to China have increased by almost 30 per cent during this period.

Q. What can be done to re-accelerate exports?

A. We have been trying several things, but not everything has succeeded. For instance, I had suggested that banks create a protocol to fund exporters. Trade cannot be done in a manner that banks want it to be done. I am also following up with a proposal to make exports a priority credit lending as there is a disconnect there. Everybody says exports will be the priority for India. But priority sector lending does not capture that priority. Merchant exporters also need to be promoted because they are the ones who connect the small scale players.

Q. Can India take advantage of China-US trade tensions?

A. I had prepared a strategy on how to balance trade with China. There is a misconception (about the India advantage). Why is US fighting China? It is because of trade deficit. Why does US have issues with India? It's again trade deficit. Suppose you feel that because of the US-China trade war, we will be able to increase our exports to the US. Then our trade deficit will increase. Why will US do this? The geography to product metrics is very important. What we will sell to which country and why it will go to that country should be understood through market research. I started from the basics. I feel we have to work on it.

We are also working on participating in the global multilateral trading order, which was appreciated by everyone, including the WTO head.

If you feel that you can only export and not import, it is a brilliant idea. But the only problem with that brilliant idea is that it is so brilliant, so good, that other countries would also like to adopt it. Therefore, imports and exports many times go hand in hand.

If we say that we are going to put restrictions on their imports, they would like to put restrictions on our imports as well. So, we have to balance it very carefully. A very calibrated approach has to be adopted. We did that.

Q. What is the current status?

A. To be able to export, you have to manufacture first. For the first time, I prepared a vision for a $5 trillion-economy where the industry's contribution has been projected to be 20 per cent. Another $3 trillion will come from the 12 champion sectors of services that we will promote. Third, agriculture. Agricultural export itself has the ability to boost farmers' income. The problem with agriculture is that the moment you have more production, the prices fall because consumption will not increase commensurate with the production. I have also proposed that if all districts in India can increase their GDP by two or three per cent more than normal, India's GDP will increase by two or three per cent more than normal. So, we took six districts in five states as pilots, identified the uniqueness and potential of these districts. The second phase is already on.

Export is just one part, and you cannot deal with one part unless you understand the economy as a whole. That is what we are aiming at.

some disruptions, but the country's share in global exports is so low that it should focus on increasing market share. Arguing that the current scenario provides India with an opportunity to enter global supply chains, he advocates a closer look at the Surjit Bhalla panel's recommendations to improve growth prospects. The panel gives nine non-industry-specific recommendations and seven industry-specific ones to revive Indian exports. Increasing the capital base of the Exim Bank by another ₹20,000 crore and that of Export Credit Guarantee Corporation by ₹350 crore, and increasing the bank's borrowing limit have been suggested to solve the credit crunch faced by exporters. Setting up an empowered investment promotion agency, active engagement at the World Trade Organization (WTO), reducing corporate tax rates and cost of capital, skilling of human resources and optimising FTA negotiations are some of the non-specific measures suggested by the HLAG as well. Specific suggestions to improve export performances of electronics, textile, pharmaceuticals and financial services have also been listed.

HLAG is not the only expert group looking for remedies. Much like Prabhu, Goyal is also getting stakeholders' feedback to give the right push. In June this year, the Confederation of Indian Industry (CII) released a discussion paper that mapped the products and destinations to take Indian exports to a new level. It undertakes a dual identification process – one that outlines the top imported products by top importers and another that studies India's current export profile in those products. Using various filtration factors, it has determined 37 products where India has production capabilities so that those can be promoted extensively across the top 10 importing nations.

A similar exercise, carried out by the commerce ministry a few months ago, led to the identification of a select set of products and the details were passed on to respective export promotion councils for follow-ups. Additionally, the ministry has undertaken an exercise to shortlist products, which may reap the benefits from the China-US sparring. With China's exports to the US contracting and vice-versa, the field has been thrown wide open for trade expansion. As a result, textiles, pharmaceuticals, meat and meat products and soya bean products have seen better order books.

On July 31, Goyal addressed a special stakeholders' meeting in Delhi to capitalise on the opportunity emanating from the US-China trade war. According to him, the government is working on a new WTO-compliant scheme to replace the current product subsidy scheme. Another new scheme called the Rebate of State and Central Taxes and Levies (RoSCTL), is already operational for garments and clothing accessories. Goyal wanted the industry to collect all relevant data to get indirect tax and cess rebates via RoSCTL. These will cover areas such as power tariffs, coal cess and royalty paid on mining to help reduce the cost of exports. The minister also said that a review of all existing FTAs is being carried out to assess their impact on exports and manufacturing, and new negotiations will keep industry and consumer interests at the top of the agenda.

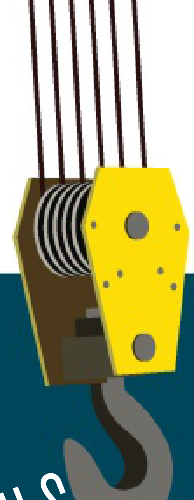
While Goyal's endeavours may provide relief to the merchandising and services sectors, the IT sector is also looking for succour. "The biggest challenge today could be the restrictions slapped on the free movement of people across geographies. The US regulations regarding H1B visa, and similar restrictions soon to be imposed by the UK and other European nations will hurt the industry. The Indian government should work bilaterally with other countries to waive such compulsions," says V. Balakrishnan, former CFO of Infosys. India cannot afford to overlook how other countries are turning protectionists.

Sharad Kumar Saraf, President of the Federation of Indian Export Organisations, says that China has been able to manage its currency, which depreciated by about 9 per cent since the onset of the tariff war, and blunted 25 per cent tariff disadvantage by 11-12 per cent. Meanwhile, the appreciation of rupee by 4-5 per cent further eroded the advantage for Indian exporters. The solution to currency problem may come from allowing exchange rates to become more realistic. If that happens, rupee is likely to be devalued, making Indian exports more competitive in the global market.

India can advocate multilateralism, but its success depends on other countries. As of now, helping industry segments turn competitive and assisting them in creating global brands might be the most viable option, although it is not a short-term goal. Meanwhile, implementing predictable policies are the least that the government can do. BT

Additional inputs by Rukmini Rao, E. Kumar Sharma and Sumant Banerji

@joecmathew



WHAT AILS INDIAN EXPORTS

Poor turnaround time at ports causes delays and leads to order cancellations

Logistics is key to export competitiveness and lack of good road infrastructure is a major hurdle

Inadequate power supply plus high cost of power make production expensive

Skewed tax policies can be counterproductive, especially when import tariffs on raw materials are higher than import duties on finished goods

Liquidity is important for exporters and delays in GST refunds make cost of funds unsustainable

Weakening rupee is good for exports, but RBI is conservative in managing the rupee

India's Free Trade Agreements with many countries have been more focussed on imports

RESCUING TALENTS FROM THE CLUTCHES OF POVERTY

WHERE THERE IS A WILL; THERE IS A WAY

Saying goes, when you have a burning desire to have something; 'all the universe conspires in helping you to achieve it.' Desire is a must. The live example to this adage is evident in a few talented but economically challenged kids hailing from the remote hamlet of Rajam in Srikakulam district in Andhra Pradesh and the sleepy village of Samshabad adjacent to Hyderabad International Airport in Hyderabad.

Thanks to the Community College Initiative Program (CCIP) of the United States, which supports students from developing countries to undergo a 10-month long Non-Degree course in a specified field of study in the US, GMR Varalakshmi Foundation (GMRVF), a CSR arm of GMR Group the airport and infrastructure developer – the exposure to the high-end, niche education in the US is no more a far cry.

GMRVF is one of the four partners of US Consulate Hyderabad for selection of candidates for the programme. GMRVF is playing a vital role in facilitating the students from SGCSR College (in case of Rajam)/ vocational trainees (in case of Hyderabad) to undergo one-year study at different Community Colleges in USA.

Starting in 2015, GMRVF has facilitated admission of 8 students till 2019 into the CCIP program at USA (7 from Rajam and 1 from Hyderabad). The students, who returned from the US are either pursuing further studies or settled in jobs. GMRVF is also helping the interested candidates in identifying and applying for suitable jobs.

In 2019, Ms. **Santoshi Vani** from SGCSR College, Rajam (completed 1st year BSc) got selected for this course. She is the 8th GMRVF-facilitated student to make it to CCIP. Santoshi Vani hails from a downtrodden family in Srikakulam District of Andhra Pradesh. She lost her father at an early age and has been raised by her mother who is a homemaker. She is currently pursuing her graduation with scholarship support from GMRVF. A girl with sparkle to her eyes has been quick learner with aim to do something for herself and her family. The opportunity to pursue the course of her choice under the Community College Initiative Programme (CCIP) has been no less than a dream come true. Before departing to the US for her studies, she quipped, **"It has been my desire to achieve something in life and do something for my family. I am going to the US to learn a skill and my ambition is to come fully equipped to follow my dream and take care of my family members. I am thankful to the foundation for all the support they have provided in this endeavour."**

Mandadi Praveen Kumar from Rajam was the first student who made it to the US with the help of GMRVF support in 2015. He completed his Business Management & Administration course from Northern Virginia (NOVA) Community College, Northern Virginia and decided to further pursue his education. He has completed BBA course from a reputed college in Bangalore. Speaking about this achievement,

Praveen said, "It was like dream coming true. I had only learnt about the US while studying at SGCSR College and it was a dream to go there and explore the land of opportunity. Thankfully, the foundation found me suitable for this opportunity and they helped in prepare for the tests. I managed to get the course of my choice. I feel so happy that coming from the remotest village of India, I have seen the US and elevated my competencies to be better in life. I am very

SO WHAT IS COMMUNITY COLLEGE INITIATIVE PROGRAM

Community College Initiative Program (CCIP) of the United States supports students from developing countries to undergo a 10-month long Non-Degree course in a specified field of study in the US. The courses being offered at the Community Colleges of USA under CCIP include Agriculture, Applied Engineering, Business Management & Administration, Information Technology, Media, Public Safety and Tourism & Hospitality Management. All course-related expenses including airfare, lodging boarding expenses, books, medical aid etc. of the selected candidates are borne by the US Govt. Further, the candidates are paid a monthly stipend to meet other incidental expenses during their stay in the US.

thankful to the US Govt. for providing such opportunities for people like us."

In the year 2016-17, as many as three GMRVF-assisted underprivileged students – all from Rajam - got through the screening process of CCIP and got admissions in various US Community colleges. **Balla Sandhya Rani** chose 'Agriculture, Geospatial Technology' at Kirkwood Community College, Cedar Rapids, Iowa. She is currently pursuing her Post Graduation in Zoology at Andhra University. **Gulivindala Sindhuja** from the same year got admission in Santa Rosa Junior College, California to pursue 'Sustainable Agriculture'. She has now completed graduation and planning to pursue PG. **Duba Ramalakshmi** chose 'Hospitality Management' at Kirkwood Community College, Cedar Rapids, Iowa. She is currently employed as Sales Associate at GMR Hyderabad Duty Free Retail & Hospitality Ltd. Chirpy Ramalakshmi smilingly said, **"coming from a family which was struggling for basic necessities, it was a God-send opportunity for me. I express my gratitude to GMRVF and the US govt for providing such platform to gain specialized skills which is a world-class. I was elated when I came back to India and got this job offer from Hyderabad Duty Free. It has made my life so comfortable and I am happy that I am contributing to my family at this young age."**

In 2017-18, **Shaikh Haseena** from Rajam completed a course in "Geo-spatial Technology in Agriculture" from Kirkwood Community College, Cedar Rapids, Iowa, USA. After completion of this course, she got job at Geokno India Pvt. Ltd., Hyderabad which works on a related technology. Haseena is currently working as Junior Executive in R&D Department of Geokno. Haseena has always been a bright kid in the family. Getting exposure in the US, she is ever more confident and quips, **"This opportunity has helped me not only in building up inner confidence in me, but also a desire to excel in the field I have chosen to make my career. After my education in the US, I have a job and I am learning each day and making the best of myself. My parents are proud of me and I am happy that I am able to contribute my bit to my family. I am immensely thankful to the US govt and the GMRVF for all these support."**

In the same year, **Aavula Kaveri** from Hyderabad cleared the CCIP entrance. He chose to pursue 'Hospitality & Event Management' from Northern Virginia (NOVA) Community College, Northern Virginia. He is now employed as a Front Office Executive in Shared Services Center, Hyderabad.

In 2018-19, **Vankayala Sai Krishna Sruthi** from Rajam, opted for 'Computer Information Systems (CIS)' from Bunker Hill Community College, Massachusetts. She returned in May 2019 and has decided to continue her graduation.

GMRVF – Collaborating with the US Consulate for Helping Deserving Candidates

A few years back, the US Consulate visited and closely interacted with CSW at Hyderabad and found the activities to be very empowering and genuine.

After several rounds of interaction with the senior management of GMRVF, the US Consulate identified GMRVF as a trust-worthy organization with good ground presence, who could help them select youth for the CCIP scheme.

FY 2015-16 onwards, at least one candidate has been able to avail CCIP through GMRVF. Apart from this, through the same association with the US Consulate, two staff from GMRVF have also been sent for the International Visitor Leadership Programme (IVLP) to the US, completely sponsored by the Consulate.

Process for Selecting the Candidates for CCIP by US Consulate

GMRVF is one of the four partners of US Consulate Hyderabad for selection of candidates for the programme. The selection process includes the following steps.

The eligibility criteria for the programme:

a) Candidates must have completed their Intermediate but not completed their Graduation.

b) Candidates should be from under-privileged background.

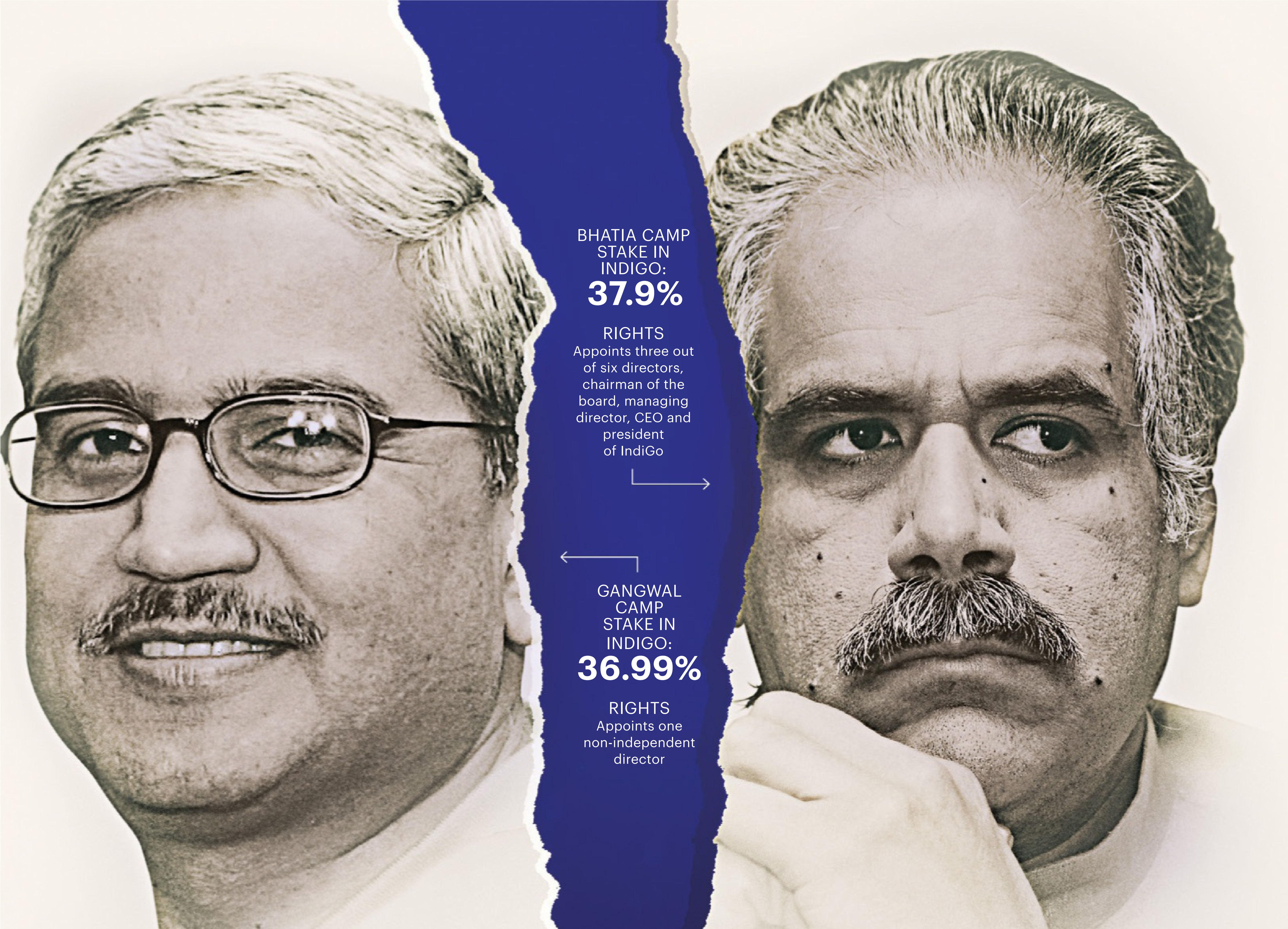
c) They must be good at Communicative English

The stages in the selection process include screening of applications and shortlisting of candidates by the US Consulate, a Telephonic/face-to-face interview with the shortlisted candidates, TOEFL (Test of English as a Foreign Language) test for the candidates, medical examinations for the TOEFL qualified students by a qualified medical practitioner.

After completing all these stages, the US State Department will provide admissions to the finalized candidates in different Community Colleges in the US and facilitate their Visa process.

Role of GMRVF in Selection Process of CCIP:

- GMRVF is playing a vital role in facilitating the students from SGCSR College (in case of Rajam)/ vocational trainees (in case of Hyderabad) to undergo one-year study at different Community Colleges in USA. The support being extended by the CSW team to the students of at different stages of selection process of CCIP is detailed below.
- Dissemination of information regarding CCIP among the students pursuing 1st & 2nd year Degree at SGCSR College, Rajam and among the vocational trainees at GMRVCEL-Hyderabad.
- Orientation of potential students on CCIP.
- Conducting Written test followed by oral interviews to shortlist the potential candidates.
- Support to the deserving students in submission of application forms to US Consulate office.
- Preparing the students shortlisted by the US Consulate for One to One interviews, with the support of Career Development Center, GMRIT in case of Rajam and with the support of GMR employees in case of Hyderabad. 'One to One Interview' is an important milestone in selection process.
- Preparing the shortlisted students for Test of English as a Foreign Language (TOEFL). TOEFL is the critical stage of selection process.
- Providing logistics support to the candidates for appearing for One to One interviews and TOEFL.
- Supporting the selected candidates in completing all the Medical tests as per CCIP guidelines.
- Arranging interactive sessions with the candidates of previous batches to sensitize the selected students on VISA process, Field of Study & stay at USA as part of CCIP.


BHATIA CAMP STAKE IN INDIGO:
37.9%
RIGHTS
Appoints three out of six directors, chairman of the board, managing director, CEO and president of IndiGo
GANGWAL CAMP STAKE IN INDIGO:
36.99%
RIGHTS
Appoints one non-independent director

THE HUB CORPORATE

MID-FLIGHT TURBULENCE

Is the truce between the warring co-founders of IndiGo for real?

By MANU KAUSHIK

IMAGING BY AJAY THAKURI & RAJESH SINGH ADHIKARI

WHY THE TRUCE MIGHT NOT LAST

The most crucial issue – unusual rights of Bhatia's IGE Group – still remains unresolved

The right of first refusal clause in the shareholders' agreement restricts the option of both promoters to sell their stake to a third party and move out peacefully

Even after the expansion of the board, Bhatia is expected to have 50 per cent representation, which will continue to limit Gangwal's heft on the board

In the third week of July, IndiGo reported its highest-ever quarterly profit of ₹1,203 crore, a staggering 4,230 per cent jump over the first quarter of last year. The strong performance came in the backdrop of the slowdown in the aviation sector as passenger growth plummeted to a multi-year low in the first six months of 2019. The airline also reported its highest ever market share of 49 per cent in quarter-ended June. All this called for a grand celebration at the Gurgaon-headquartered carrier that has grown from a single aircraft to over 238 in just over a dozen years. But the euphoria was clouded by the bitter fight between the friends-turned-foes co-founders – Rakesh Gangwal and Rahul Bhatia – mainly over the latter's unequal rights and powers and the controversial related party transactions between Bhatia's private firm InterGlobe Enterprises (IGE Group) and IndiGo.

The first salvo was fired by Gangwal who, in a letter to market regulator SEBI's top brass in early July, objected to the "unusual" rights given to the Bhatia-controlled IGE Group and his alleged abuse of these rights to serve his vested interests. The IGE Group responded by saying "the parties went into the venture with their eyes open... the deal was struck between seasoned business people who made their own assessment of risks, their rights, and their obligations." Experts say the rights are, indeed, one-sided, considering that both the founders hold an almost equal stake. "It's difficult to say why they signed such a one-sided agreement. I think nobody had imagined that IndiGo would become so big in a short time," says Amit Sinha, Partner at Bain & Co. The terms survived even during the IndiGo's initial public offering in 2015, when the shareholders' agreement (SHA) was heavily renegotiated twice.

However, after weeks of uncertainty that hit the IndiGo stock and threatened the future of India's longest-running profitable airline, reports suggest that the co-founders have agreed to a settlement, brokered by the airline's Chairman, M. Damodaran. As per the reports, the co-founders have agreed to increase the board strength to 10 – adding four independent directors, including a woman (as mandated by SEBI rules). Also, external advice will be sought for related party transactions over ₹2 crore, and bidding will be mandatory for such contracts. In addition, changes in related party transactions will have to be unanimously approved by the airline's independent directors.

Though the settlement will assure investors for the time being, the truce is, in all likelihood, temporary. Just a few days after the reported agreement, Gangwal, referring to Bhatia's claims on related party transactions, was quoted in the media as saying: "I wish people had the conviction to be quoted and not hide behind the veil of so-called unnamed 'sources' to spread a false narrative in the media." This was expected. After all, even under the reported truce agreement, the Bhatia group will have the authority to nominate five of the 10 directors. Also, although some provisions of the SHA are expiring in October, many rights given to the Bhatia camp will survive as they are part of the articles of association (AoA), which cannot be changed without Bhatia's approval. Apart from this, there's no word on dilution of rights by the Bhatia group, the main bone of contention. "Listed companies generally don't have such specific clauses. Earlier, stock exchanges would advise companies to remove clauses giving preferential rights to one partner before listing. As such, these clauses are, per se, against good governance practices. If one shareholder has the right to appoint the CEO, what's the independence of the board? Now, they are talking about increasing the board strength. If preferential treatment is given to certain promoters, the independence is always compromised," says Ankit Singhi, Executive Director, Corporate Professionals – a New Delhi-based corporate law advisory firm.

Game of Thrones – And More

The clauses in the SHA and related party transactions have been there for years. Yet, Gangwal never cried foul. Until recently, the partners agreed on almost every big decision – management appointments, international strategy (though there are reports emerging that the partners differ on

the choice of aircraft for long-haul international operations), and even relieving IndiGo's longest-serving president Aditya Ghosh, last year. So, what pushed Gangwal to wage a war against his long-time friend, putting IndiGo's reputation at stake?

The explanation lies in roles both promoters had demarcated for themselves while starting the airline. Before a plunge in the Indian aviation space in 2004, Gangwal had worked in the US aviation industry for over two decades. The story goes that he was not convinced initially (to start IndiGo) because of the high failure rate in the sector, but Bhatia, who had already built a bunch of businesses around aviation, was keen. His strong ticketing business gave him insights into the workings of the market. InterGlobe had suffered a shock after the dip in air travel post 9/11 and saw diversification as the best way to survive. Bhatia managed to get the licence for IndiGo at a time when policies favoured the politically connected. The airline took off.

Over the next few years, Bhatia's private entities signed dozens of deals with IndiGo that Gangwal now says are questionable. "Related party transactions are mostly favourable to promoters. Promoters typically make money by way of remuneration and dividends. Since both of them don't have executive roles, Bhatia is making money from IndiGo indirectly through his other companies," says a company law expert, adding that India's biggest pharmaceutical company, Sun Pharma, was caught in a related party transaction controversy last year after it was discovered that its main distributor, Aditya Medisales, was owned by Sun promoter Dilip Shanghvi.

Industry sources say Bhatia compensated Gangwal by giving him the power to take calls on large engine and aircraft deals. Gangwal had done a lot of aircraft leasing and purchase for United Airlines and US Airways. In

EVER SINCE THE FIGHT BECAME PUBLIC IN MAY, CEO RONOJOY DUTTA HAS BEEN BRUSHING IT OFF SAYING THE DIFFERENCE IS OVER JUST "ONE ISSUE". HE HAS BEEN ON THE FOREFRONT OF FIRE-FIGHTING AND MANAGING PERCEPTIONS

THE SPAT TIMELINE

EARLY 2018
Rakesh Gangwal asks Rahul Bhatia to add more members to the board. Bhatia agrees as long as his representation is maintained in the proportion mentioned in the shareholders' agreement. Gangwal withdraws from aircraft and related acquisition activities

JULY 24
IndiGo Chairman M. Damodaran brokers truce between the co-founders. The IndiGo board approves a new policy for related party transactions and agrees to expand the board strength to 10

OCTOBER 15
Gangwal writes to the board for amendments to policy on related party transactions with Bhatia's IGE Group

OCTOBER 30
Bhatia addresses the board, suggests independent review of all related party transactions with IGE Group

JANUARY 30
Bhatia writes to the board rejecting Gangwal's demand for an EGM, and accuses him of hijacking the airline and grabbing rights

JUNE 5
The IndiGo chairman calls for a board meeting to discuss the EGM requisition by Gangwal. IGE Group nominees on the board – Rahul Bhatia, Rohini Bhatia and Anil Parashar – decide to be no-shows

JULY 8
Gangwal writes to the Sebi top brass on related party transactions between IndiGo and IGE Group and decries corporate governance norms at the airline

US Airways, for instance, he had ordered for 400 A320-family planes and 30 A330 widebodies from Airbus, creating a huge leverage for himself that he would encash at IndiGo.

Following an Indian Airlines accident in 1990, involving an Airbus plane, the French aircraft maker's India order book had dried up. With Boeing capturing nearly 90 per cent of the market as a result, Airbus was eagerly looking to make a comeback. A protégé of US aviation veteran and his boss at US Airways, Stephen Wolf, Gangwal knew this well. Despite being from a start-up airline, he managed to crack a highly-profitable 100-aircraft deal with Airbus, which brought the airline \$4-5 million profit per aircraft in years to come. Gangwal also spearheaded the subsequent orders for 430 Airbus planes and Pratt & Whitney (P&W) engines.

So far so good. The cracks appeared when Bhatia presided over negotiations for a \$20-billion deal to replace P&W (which were creating problems for the airline) with CFM International engines to power the 280 Airbus A320neo and A321neo aircraft in IndiGo's fleet. Bhatia reportedly got a highly-lucrative deal with CFM, and even engaged former Airbus India chief Kiran Rao to assist him in the deal – all in the absence of Gangwal. In a give-and-take type of arrangement between the two, it was perhaps seen as a transgression by Rakesh Gangwal's RG Group.

"With all these events taking place one after the other, there has to be some correlation. A contract that would have been negotiated by Gangwal out of his past expertise was given to some other party. Related party transactions and unusual rights are not new. Why has Gangwal suddenly realised these things are not right? There would be some linkages," says an aviation expert who didn't wish to be quoted.

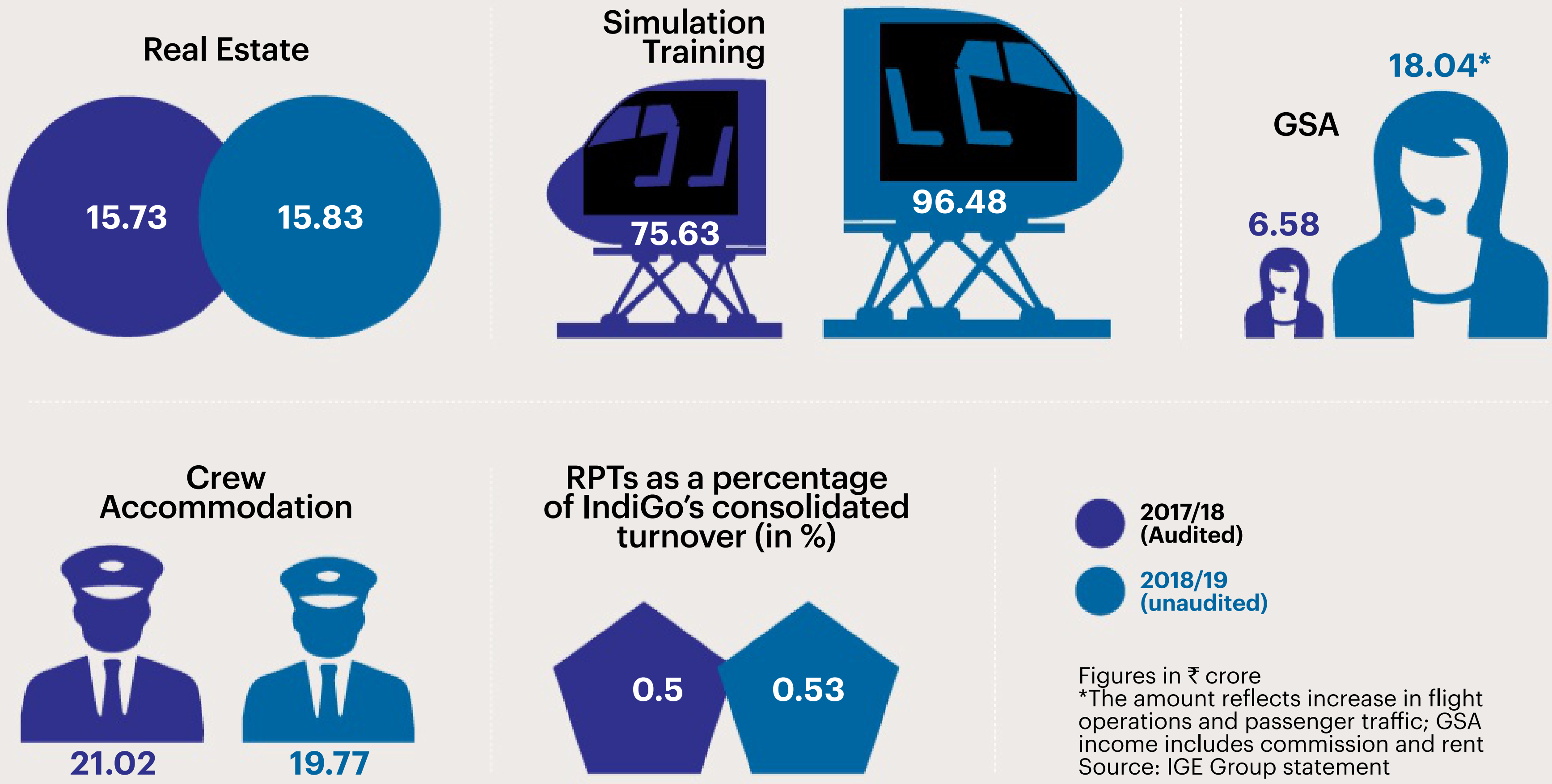
War of Words

The fight started early last year when, according to Bhatia, Gangwal asked him to expand the board. Bhatia said he was fine with this as long as his board representation remained intact, which meant 50 per cent IGE Group nominees. This seemed to have irked Gangwal, who stopped participating in aircraft and related acquisition activities, which Bhatia said was the principal reason for him to take Gangwal on board. The rift kept growing until last October, when Gangwal wrote two back-to-back letters to the chairman seeking board approval to amend the policies for related party transactions between the airline and Bhatia's IGE Group. This was followed by two letters from the Bhatia camp challenging the objections raised by the Gangwal camp. The Bhatia camp also asked for an independent review of related party transactions between IndiGo and IGE Group. Damodaran asked the airline to engage audit firm EY for this. Later on the basis of the EY report, he found procedural irregularities in related party transactions and asked for an examination by an internal committee.

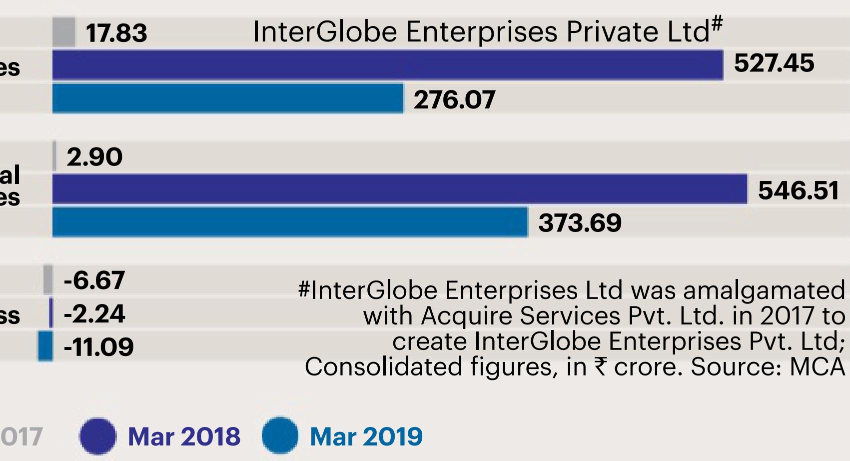
The spat took an ugly turn early this year when Bhatia wrote to the board, saying the objective of the RG Group was not to investigate related party transactions but to malign the image of the IGE Group, destabilise the management and grab management rights. "The script of the play stands exposed even more starkly as

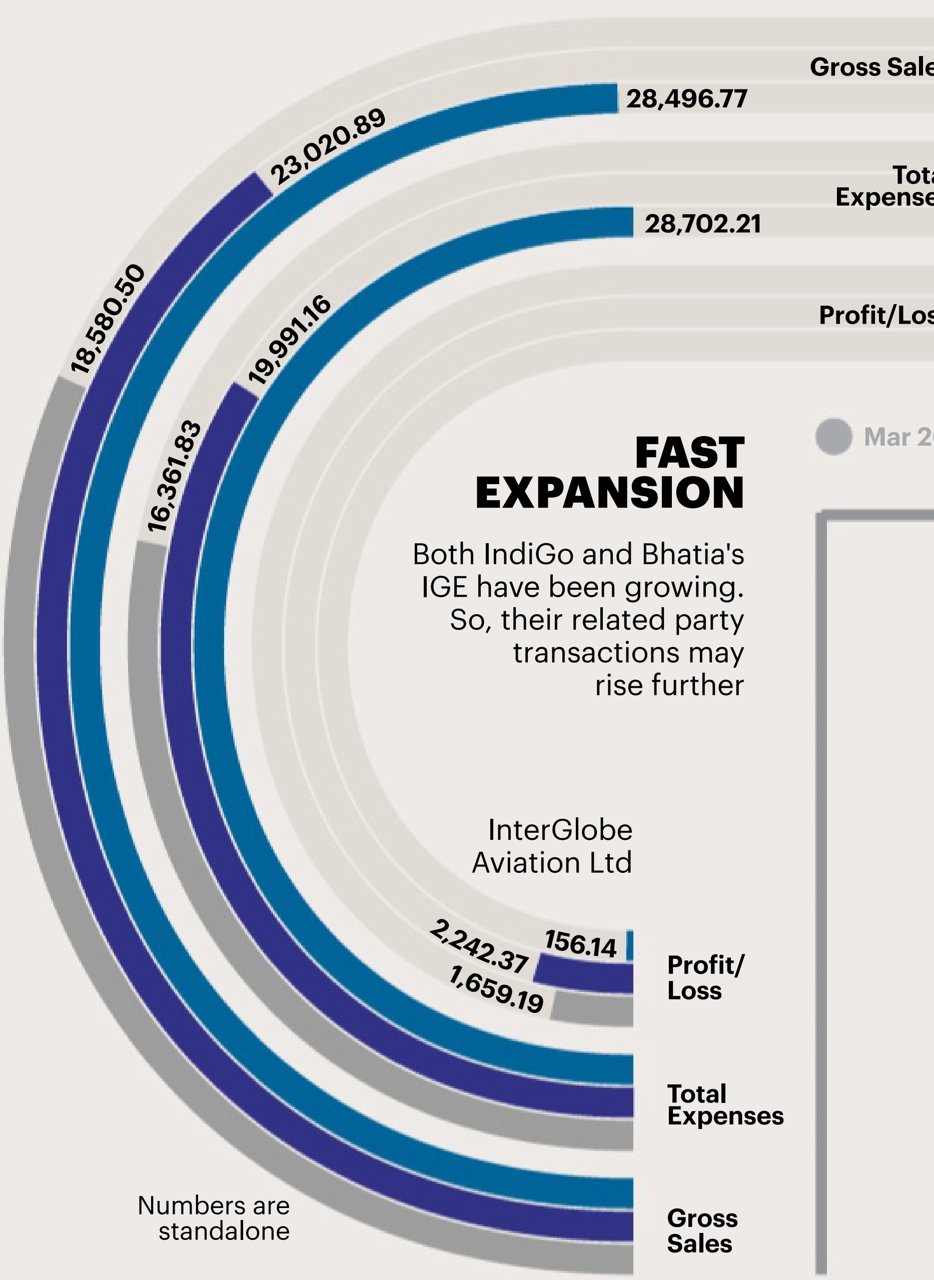
BUSINESS TIES

Related party transactions between IndiGo and Rahul Bhatia's IGE Group rose in 2018/19



Figures in ₹ crore
*The amount reflects increase in flight operations and passenger traffic; GSA income includes commission and rent
Source: IGE Group statement



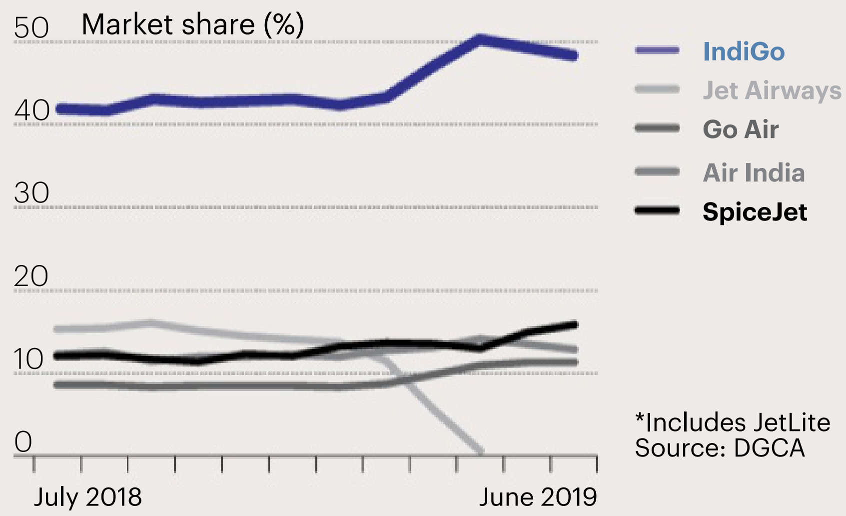


#InterGlobe Enterprises Ltd was amalgamated with Acquire Services Pvt. Ltd. in 2017 to create InterGlobe Enterprises Pvt. Ltd; Consolidated figures, in ₹ crore. Source: MCA

FAST EXPANSION

Both IndiGo and Bhatia's IGE have been growing. So, their related party transactions may rise further

INDIGO CONTINUES TO RULE THE SKIES



*Includes JetLite
Source: DGCA

January 2018
IndiGo appoints Wolfgang Prock-Schauer as chief operating officer

THE INDIGO CHURN

The list of high-level exits and inductions since last year

April 2018
IndiGo's President for 10 years, Aditya Ghosh, steps down; the airline appoints Gregory Taylor as senior adviser who will take over as CEO after regulatory clearances

Gangwal makes innocent fig leaf statements of standing by and honouring the SHA and being a crusader of corporate governance," Bhatia said to the board in June this year. Bhatia added that "the hurt ego of Gangwal on realising that upon his refusal to lend his hand in the company's ongoing negotiations with original equipment manufacturers (OEMs), the company had proceeded to make alternative arrangements for the purpose... the company will remain eternally grateful to Gangwal for having attempted to hold the business to ransom by purposely delaying the ongoing negotiations with OEMs," reportedly referring to IndiGo's discussion with CFM International for new engines.

Despite strong speculations, Gangwal has so far denied reports of exiting the airline or intending to take control. Since the current SHA and AoA don't allow Bhatia or Gangwal to sell stakes to a third party – either privately or through stock exchanges – it effectively means that they can sell their stake only to each other.

With his enormous rights, Bhatia seems to be on a good wicket compared to Gangwal even as both hold roughly similar stakes – the Bhatia camp 37.9 per cent and the Gangwal camp 36.99 per cent. Just two years before the IPO, the difference was bigger – the Bhatia camp owned 51.15 per cent and the Gangwal camp 48.84 per cent. Bhatia claims they have equal ownership despite the IGE Group taking on financial exposure of over ₹1,100 crore in the initial years as against Gangwal's ₹15 crore financial risk. "Gangwal was aware of what it would take to run an airline and based on global empirical evidence the real risk of failure... Gangwal says that he made a mistake in agreeing to the rights of the IGE Group and that 'times, circumstances and behaviour of promoters' has changed since 2015... Is there sanctity in agreements entered into by business people freely and at their own will?" says an IGE Group statement.

"Whether Bhatia made money through related party transactions is a different question. He took financial risk and they both agreed on some terms. Gangwal didn't share financial risk, his was sweat equity. If you look at it, Gangwal's 37 per cent stake is almost powerless. The matter largely revolves around his ownership and whether this is a precursor to his exit from the airline," says Devesh Agarwal, an aviation analyst.

The Bhatia camp has been fending off the RG Group demand for an extraordinary general meeting (EGM) to sort out these issues for over six months. On June 7, it consulted a former Supreme Court judge for legal opinion whether there's a need for an EGM. The judge advised against it.

Much to Gangwal's annoyance, the details of the opinion were disclosed six minutes prior to the proposed EGM on June 12. This worked like a match in the powder barrel, and within four weeks, Gangwal decided to take his fight public. "All these incidents could be a pressure-building mechanism from the Bhatia camp to force Gangwal to sell his stake. Bhatia camp has literally closed all the avenues for him. Gangwal has tried to bring his brawl to everyone's notice, including prime minister, finance minister and others. He seems to be unnerved by Bhatia's next move," says an aviation expert. In his letter, Gangwal has mentioned that there are powerful people in the airline who would use their position to influence the outcome of his campaign.

Holding the Nozzle

Gangwal has raised concerns over the EY audit of related party transactions and asked why it didn't reach out to him. He says the report has not been shared with the audit committee and the board. IndiGo recently submitted the report to SEBI. It's surprising that parts of the EY report were selectively leaked to the media recently, an issue raised by Avinash Vazirani of Jupiter India Fund, an IndiGo shareholder, in the recent quarterly earnings call. "We very much respect what you just said. We are taking it on the advisement...thank you for this input, it is very valuable and we will take action," IndiGo CEO Ronojoy Dutta replied to Jupiter India in an assuring voice.

More than a CEO, of late, Dutta's job has been that of a firefighter inside a burning house. Ever since the fight

July 2018
IndiGo's Chief Commercial Officer, Sanjay Kumar, quits; replaced by William Boulter (in pic), who was the chief strategy officer

December 2018
Taylor, who was the common choice of Bhatia and Gangwal, quits

January 2019
Ronojoy Dutta, a man believed to be close to Bhatia, appointed CEO

March 2019
IndiGo's Chief Planning Officer, Michael Swiatek, who was involved in designing the international network, leaves

became public in May, he has been brushing it off, saying the difference is over just "one issue". Dutta learnt crisis management during his stint at United Airlines where he was president during the 9/11 terror attack. Two United planes were involved in the attacks, and for the next one year – till the time the airline filed for bankruptcy – Dutta had to manage the worst nightmare in the history of the aviation industry. Now, he is doing everything to make things look normal at IndiGo.

Following Gangwal's letter, the IndiGo stock tanked as much as 13.5 per cent in two days, prompting the IGE Group to assuage investors' worries. It has since then engaged in shaping up the narrative in favour of Bhatia, while simultaneously trying to bring things under control. Gangwal, on the other hand, has been talking sparsely, though the stock has recovered after the reported truce.

Unlikely Friends

The friendship between Bhatia and Gangwal dates back to 1985, when the two first met at the Chicago headquarters of United Airways where Gangwal worked for 10 years – even working alongside IndiGo's current CEO Dutta who, Gangwal says, is Bhatia's man – before moving on to other assignments in Air France and US Airways Group (where he was chief executive and chairman). In 1994, the IGE Group got its first big break when it became the local agent of Galileo International's global distribution systems (GDS), a ticketing platform owned by United (during that period), where Gangwal was working at a senior position.

Both have different personalities. Gangwal pays attention to details and is obsessed with cutting costs, which has helped IndiGo stay profitable. An otherwise quiet Gangwal is aggressive in negotiations. Bhatia also prefers a low profile, but has a strong grip over commercial and regulatory aspects of the airline business.

Unlike promoters such as Jet Airways' Naresh Goyal, who were allegedly influential in framing of the restrictive 5/20 rule and capping of foreign direct investment in the sector, Bhatia is understood to have risen without influencing government policies. Even if Bhatia has overwhelming rights and doesn't have to dilute those in favour of Gangwal, experts say the entire matter is under government scrutiny, which may have forced the partners to reach a settlement, even if it's temporary and meant for optics. "It will be a big reputation loss for IndiGo if the government decides to probe it further. The mindset of government agencies is to catch the tiniest of faults. No promoter would want to go down that road," says Singhi.

It's unlikely that the two of them – who once holidayed together – will ever sit under the same roof again or break bread to sort out their differences, given the nature of the unpleasant things both have said about each other.

Private Affairs

IGE Group claims that related party transactions account for just 0.53 per cent revenues of IndiGo and the airline has received more favourable treatment from IGE Group entities as compared to their other customers. Related party transactions with Bhatia's private entities can be a small part of IndiGo's overall revenues, but experts argue it may not be the case with the IGE Group. Among the four areas of related party transactions, simulator training to IndiGo's pilots contributed the highest – ₹96.48 crore – to the IGE Group's revenues in 2018/19, followed by crew accommodation at hotels (part of a joint venture between Accor Hotels and IGE Group), general sales agent services and real estate properties leased out to IndiGo.

"There's a fine line as far as ethics is concerned. In case of related party transactions, the beneficiaries believe it's a small thing. Should the quantum matter or the practice?," asks Jitender Bhargava, former executive director at Air India.

Not much is known about Gangwal's other sources of income, but Bhatia's IGE Group has been fairly active in different lines of business. In fact, it sold its IT and back-office arm (InterGlobe Technologies) to AION Capital for about ₹1,600 crore early this year.

Oddly enough, IGE registered net losses in 2016/17 and 2017/18, even as the investee airline IndiGo did brisk business during the period. For instance, the company posted a net loss of ₹11.1 crore on a revenue of ₹276.1 crore in 2017/18. IndiGo made a net profit of ₹2,242.37 crore in the same year.

"Bhatia doesn't have a good track record of maintaining long-term partnerships – starting from the days of Delhi Express [a travel agency started by Rahul's father Kapil Bhatia] in the 1980s to his partnership with Accor, which went through a difficult phase a few years ago," says the promoter of a rival business group.

At present, IGE Group has a portfolio of 16 ibis Budget hotels across the country, while five more hotels are under construction. IGE Group's GSA business – InterGlobe Technology Quotient (ITQ) – has been under fire of late. Last October, ITQ, the official distributor of central reservation system Travelport in six markets, won the contract to manage Air India's (AI's) reservation content. This was strongly opposed by travel agents and some of Air India's senior management given the exclusive nature of the deal. A PIL was filed in the Bombay High Court challenging the AI's decision, and aviation sector veteran G.R. Gopinath termed AI's move to shift its data to the rival IndiGo's group company as "the sheep choosing the wolf's den for residence".

According to travel sector consultants, ITQ's share in the domestic GDS market has jumped from about 35 per cent to 52 per cent on back of the AI deal. This has affected players like Amadeus, Sabre and Abacus in a major way.

BT's questions to Gangwal's lawyers at Khaitan & Co and IGE Group spokesperson went unanswered.

"IT'S DIFFICULT TO SAY WHY THEY SIGNED SUCH A ONE-SIDED AGREEMENT. I THINK NOBODY HAD IMAGINED THAT INDIGO WOULD BECOME SO BIG IN A SHORT TIME"

Amit Sinha
Partner, Bain & Co

The Spillover Effect?

So far, the fight at the promoter level seems to have had no effect on the airline's operational performance, though there's been a bit of a blow to the employees' morale. IndiGo's OTP (on-time performance) has lagged that of its private sector rivals for almost a year. IndiGo is no longer an airline known for affordable fares, quick turnaround and low operational complexities.

"People are talking a lot of things. IndiGo's OTP has come down at times. It's not perhaps because of the feud at the shareholder level, but the airline has itself become big and complex," says Bain & Co's Sinha. Old timers recall that for a long time, IndiGo followed the Southwest Airlines' single-type aircraft fleet model. The promoters took pride in being equated with strong legacy carriers like Southwest and Ryanair. Now, it operates three types of aircraft (A320s, A321s and ATRs), and considering its international long-haul aspirations, may add wide-bodied aircraft as well by the end of the current financial year.

In a meeting with *BT* last year, IndiGo CFO Rohit Philip had said that the aim of adding ATRs was to tap demand in small towns. "There are 30-35 airports in small cities where narrow-bodied aircraft cannot land. We will connect these cities to our domestic network through ATRs. Similarly, we feel there's unmet need for a traveller out of India flying in an Indian airline. The problem is that bilateral routes and slots in the international segment are not easy to get," he said.

When AI decided to divest stake in 2017, IndiGo was quick on the draw to express interest in acquiring its international operations. But the deal never happened because AI wasn't willing to sell its international business separately. For now, it's hoping that Jet's fall will get it more international slots. So far, IndiGo has been awarded 12 departures in a day on international routes, far less than what Jet had been flying. At Delhi and Mumbai, it has snapped up 30 per cent of about 200 slots that once belonged to Jet.

A part of IndiGo's success can be attributed to the failure of others – first Kingfisher Airlines in 2012 and now Jet. IndiGo's unit revenues grew 2-3 per cent and profits were positively impacted due to cessation of Jet services, CEO Dutta said in a recent earnings call.

Aviation experts say airlines like IndiGo, SpiceJet, Vistara and GoAir would benefit over the next one year since the large capacity vacuum left by Jet would take time to be filled. "If the CEO is able to provide leadership, some of the noise at the shareholder level can be easily managed, and IndiGo can continue to benefit from Jet's situation," says a consultant.

IndiGo earned much of its glory for being safe and consistent. The bickering at the top could take away these hard-earned medals and potentially send the airline into a tailspin for reasons generally not associated with the downfall of a carrier. BT

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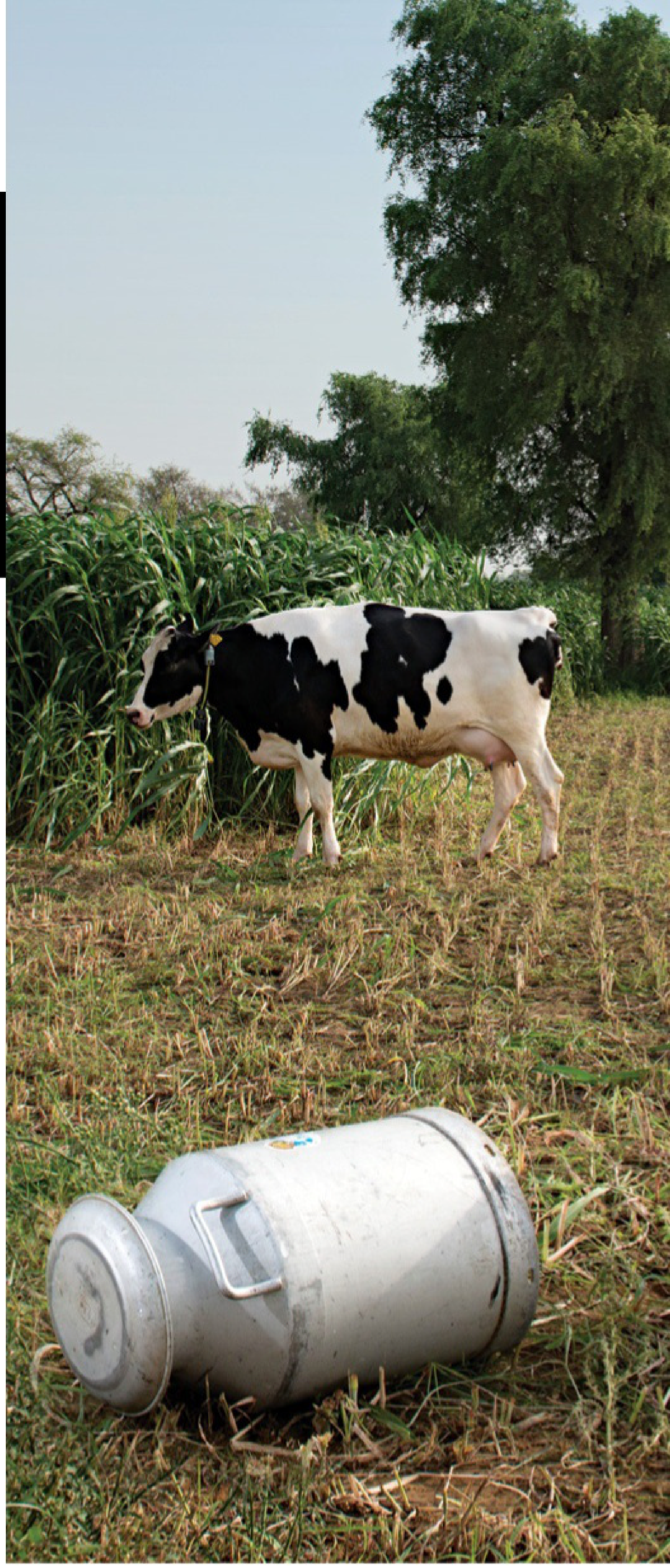
LOSING FLAVOUR

Dairy cooperatives need to shed their political tone and focus on business to stay afloat.

By AJITA SHASHIDHAR

PHOTOGRAPH BY REUBEN SINGH



SIZE OF INDIAN DAIRY INDUSTRY:

₹5,67,000 crore

In April this year, Mehsana Dairy, the fourth biggest union of India's largest milk cooperative, Gujarat Cooperative Milk Marketing Federation (GCMMF, which owns brand Amul), announced that it would break away from the parent cooperative to register as a multi-state cooperative and sell its products under the brand Dudh Sagar. The reason given by the Mehsana Chairman was lack of adequate patronage from GCMMF. Mehsana Dairy has been at loggerheads with GCMMF ever since its former Chairman Vipul Chaudhary was removed as GCMMF Chairman after the BJP came to power at the Centre in 2014. Three months later, the revolt has died out, and the milk federation's Chairman, Ramsinh Parmar, and Managing Director, R.S. Sodhi, dismiss the threat as a political gimmick.

"Just before elections, Mehsana always announces that it wants to split and become a multi-state cooperative, but the hype dies out after elections. The truth is that it can't survive without the Amul brand," says Parmar.

The root cause of the rift has been politics between the state's Congress and BJP arms that have been using the milk unions as their vote banks. "The Mehsana chairman had am-

SIZE OF ORGANISED DAIRY SEGMENT:

₹1,00,000 crore

MILK PROCURED PER YEAR:

188 mn tonnes

REVENUE OF LARGEST COOPERATIVE (Gujarat Co-op. Milk Marketing Fed; Amul):

₹32,000 crore

NUMBER OF COOPERATIVE MILK UNIONS:

145-171

WHAT AILS DAIRY COOPERATIVES?

Around 35% of the milk produced in India comes from the organised sector. The cooperatives used to dominate the organised milk market, but in the past **six-seven years,** there has been a shift. The private dairy companies are collecting **16-19%** of the milk, while cooperatives' collection has dropped to **15-16%.**

Lack of stable leadership: Most dairy cooperatives are headed by bureaucrats who hold the position for just one-two years, and often don't have an understanding of the nuances of the business

Political interference: Dairy cooperatives of most states are used by political parties as vote banks

Unprofessional: Most dairy cooperatives are unable to attract professional talent

Overdependence on subsidies: Dairy cooperatives run on the back of government subsidies, but most of them are able to make profits

Lack of marketing focus: The state cooperatives have no vision of converting the milk into value-added products and branding them

WEAK LINKS

Barring Amul (GCMMF), **Nandhini** (Karnataka Milk Federation), **Saras** (Rajasthan Milk Federation), **Sudha** (Bihar Milk Federation) and **Mother Dairy,** the rest are struggling.

MILK COLLECTED PER DAY

300,000-600,000 litres Odisha Milk Federation, Mahanand Maharashtra

1.7-3 million litres Saras, Sudha and Mother Dairy

8.7 million litres Nandhini

24 million litres GCMMF

bitions of becoming the GCMMF chairman. Since he was backed by the Congress, he wasn't favoured by the ruling BJP. This reflected in the union's balance sheets, milk procurement decreased, the federation didn't pick up its products and it landed in severe debt," says a senior dairy expert, not wanting to be named.

Politics has torn apart the dairy cooperative fabric across the country. Dr Verghese Kurien, the father of the White Revolution, had envisioned dairy cooperatives as farmer organisations led by a team of professional managers whose role would be to connect the farmers to the market. His vision has sadly eroded. Of the 187 million litres of milk procured per day in India, 30 per cent is procured by the organised sector – half by cooperatives and half by the private sector. A decade ago, less than 10 per cent of the organised sector comprised private players. There were around 175 cooperative milk unions a decade ago; this has dropped to 145. Barring Amul (GCMMF), Nandhini (Karnataka Milk Federation), Saras (Rajasthan Milk Federation) and Sudha (Bihar Milk Federation), which have consistently increased milk procurement and processing, the others have failed to grow.

Mahanand, the dairy federation of Maharashtra, for instance, used to procure close to 3-3.5 million litres of milk per day in its heydays, but its procurement over the last decade has dipped to just 3,00,000-4,00,000 litres per day. Similarly, about 20 years ago, Parag (Uttar Pradesh) used to be the third biggest dairy cooperative in the country, collecting close to 1.5-2 million litres of milk per day. But today it barely collects 3,00,000-4,00,000 litres a day. It has 10 dairy plants across the state, but most are lying unused. States such as West Bengal, Odisha and Jharkhand have been unable to increase their procurement beyond 2,00,000-6,00,000 litres per day for the last few decades. West Bengal's dairy federation had partnered with the private dairy company Metro Dairy between 1992 and 2017.

The partnership eventually had to be called off as a public-private partnership didn't make sense.

"The dairy sector needs continuous investments but the government never allowed us to make those investments. If elections were round the corner, they wouldn't allow us to increase milk prices. It was tough," says a former employee of Metro Dairy.


PHOTOGRAPHS BY RACHIT GOSWAMI

GOT IT RIGHT

R.S. SODHI, MD, Amul

The Gujarat Cooperative Milk Marketing Federation (Amul) is the biggest dairy cooperative in India

REVENUE:
₹32,000 crore

Has a network of **3.6 million farmers**

Is run by **professional** management

A **three-tier structure** establishes a direct linkage with farmers without middlemen

Milk producers (farmers) control procurement, processing and marketing

Has a **long-term strategy**

Is a **distribution powerhouse;** also buys and supplies milk in other states

Has many **value-added products**

Political Bickerings

Maharashtra's Mahanand dairy was one of the pioneers of the dairy cooperative movement in the 1940s, but is unfortunately now one of the worst run. In the last two decades, it has split into several smaller s, manned by various political parties. Unlike Amul, which has a milk union in every district, Maharashtra has six-seven unions per district, and each has its own chairman, staff and brand. According to an industry expert, the state has over 200 cooperative milk brands — among the big ones are the Kolhapur Union, which sells under the brand name Gokul, and the Pune Union, with the brand Katraj. In fact, Gokul sells more milk (5,00,000-6,00,000 litres) per day in Mumbai than Mahanand. "Maharashtra is a classic example of a disjointed political system. Milk union leaders break off due to political ideologies and form smaller unions with their loyalists. Mahanand hasn't been able to do anything about it," explains a senior dairy industry executive.

There is also the matter of money. While other state cooperatives pay upwards of ₹26 per litre of milk, Maharashtra is known to pay about ₹21 per litre.

Apart from this, despite having multiple brands, most of these milk unions do not convert their milk into value-added products. They convert milk into skimmed milk products and sell to private dairy companies. So, when milk powder prices crash, the state gets affected the most. Maharashtra also has the highest number of private dairy companies like Schreiber Dynamix (which co-packs for brands such as Laughing Cow, Britannia and now Fonterra), Parag Milk Foods and others. But Amul sells the highest quantity of milk here; the likes of Nandhini and Mother Dairy (Delhi) are also present.

In Uttar Pradesh, political fighting led to the government completely overlooking the interests of the state-run cooperative, Parag. In fact, during 2002-07, the state cooperative sold most of its procurement to Mother Dairy (Delhi). Thereafter, instead of revamping its own cooperative, the government promoted Amul, which has set up plants in Varanasi, Kanpur and Lucknow. "This demoralised Parag and the cooperative has been virtually destroyed," shares an expert.

"Politics is a speed breaker for our growth," admits Rakesh Singh, Managing Director, Karnataka Milk Federation. He believes that Nandhini (which procures 8.4 million litres of milk per day) would have easily overtaken Amul had it not been for politics. "The office of the chairman of most dairy cooperatives has become an extension of their political office," he says. Dairy cooperative elections are often marred by incidents of kidnapping of candidates, or voters being taken on expensive junkets.

Leadership Challenge

When GCMMF was established, the vision was to set up a farmers' organisation managed by professionals. "He (Kurien) ensured that political parties or state government had no role to play in the day-to-day operations," says Rahul Kumar, CEO, Lactalis India. However, only Amul has professional leadership. The heads of most cooperatives are bureaucrats who are in the role for not more than one-two years at a stretch and have limited understanding of the sector. The Orissa Milk Federation (OMFED), for instance, at one point had two to three managing directors in a single year. "We don't have a full time MD, hence, the dairy sector doesn't get the attention it needs. Our MD is the animal husbandry secretary and water resources secretary and he has no time for dairy," says Sarojini Mishra, Chairperson, OMFED.

WORK IN PROGRESS

RAKESH SINGH
MD, Karnataka Milk Foundation

Nandhini is one of the better run dairy cooperatives but has limited reach

REVENUE:
₹ 15,000 crore

The MD is usually a bureaucrat

Lack of professional thinking and planning

Short of resources

Plants are outdated

No expertise available to market and distribute

Has 250 value-added products but these are available only at Nandhini booths, and only in Karnataka

Has excess milk production, which has lowered retail prices (₹35/litre; among the lowest)

Is not allowed to increase milk prices

STRUGGLING

SAROJINI MISHRA
Chairperson, Orissa Milk Federation (OMFED)

REVENUE:
₹ 500 crore

The dairy cooperative is among the laggards

Lack of stable leadership; at one point, had two-three MDs in one year

Is not allowed to increase prices; the last increase was in 2014

Has not been able to increase procurement from 5,00,000-6,00,000 litres per day for past few decades

Government subsidy of ₹2 per litre is inadequate

Presence of other dairies, including Amul, is curbing its opportunities

The Karnataka Milk Federation's Singh admits that most bureaucrats consider dairy a punishment posting. "I was in Delhi. When they told me I am getting posted as MD of Nandhini, I thought I had had enough and I should resign from the service. However, within two hours of taking over, I realised there couldn't have been anything better." Singh, who has spent over three years in this role, considers himself a shield between the elected representatives and his colleagues at Nandhini.

Lack of Professionalism

The role model for Indian dairy cooperatives is Amul. It's Founder Chairman, Kurien, not only helped 3.6 million farmers find a market to sell their produce, he also invested in building a long-term brand equity. Amul has also been consistently investing in technology and distribution. But other cooperatives, even successful ones like Nandhini, lack this kind of professional thinking.

"We don't have the resources," says Singh of Nandhini. Most of our plants are outdated and should ideally be phased out or run in partnership with a private company, he says. Despite having 250 value-added SKUs, Nandhini products are available only at its own booths as it does not have the expertise to market and distribute.

Since cooperatives are farmer-run organisations, the focus is more on the farmer's betterment than brand building. "To build a professional business, one needs to take risks, and over here I am not even expected to take risks," explains Singh.

Most dairy cooperatives are also weighed down by extra manpower, which has not been trimmed due to fear of political repercussions. "Our cost of production is ₹7 per litre. For private players, it is around ₹1.50 per litre. Our biggest cost is employees," says Mishra of OMFED.

The decision-making process is slow too. "During flush (periods), private players give five packets free for every 50 packets; we can't do that. If we do, we will need to pass a resolution, and get the Board's permission. By the time we do all this, the flush season is over and the loss has been incurred."

The Subsidy Issue

Subsidies form an important part of the cost equation. The government of Karnataka gives a ₹6 subsidy to a farmer for every litre of milk procured. In all, around ₹1,500 crore of subsidy is doled out every year in the state, as a result of which milk production has gone up to 8.4 million litres per day. But the state needs only five million litres per day. So, the milk federation either converts its milk into powder or sells pouch milk in states such as Maharashtra.

The retail price of milk in Karnataka is among the lowest in India – ₹35 per litre – while Amul sells at ₹46 per litre. But the cooperative is not allowed to increase milk prices. "Subsidy is good but the money should be used for the development of the dairy sector," says Sodhi of GCMMF.

Mishra of OMFED says, "The last time we increased prices was in 2014. The government gives us ₹2 subsidy per litre of milk for seven months, but not during the flush season. That's not enough." She adds that if the (Odisha)

PRIVATE PLAY

Private players are looking to grow at the cost of cooperatives

Lactalis India is the largest private dairy company – revenue of **₹4,000 crore.** It has acquired Tirumala Dairy (Chennai), Anik (Indore) and Prabhat Dairy (Maharashtra)

Companies such as **Parag Milk Foods, Godrej Agrovet, Nestle, Britannia** and a host of regional private players such as Milk Mantra and Milky Mist are also in the fray

Parag Milk Foods is a **₹2,000 crore** business while Godrej Agrovet's dairy arm, Creamline, is around **₹1,300 crore**

Latest entrant is the world's biggest dairy company, **Fonterra,** in partnership with Future Group

All private players are in an investment mode, as **setting up milk procurement infrastructure** and then converting the milk into value-added products takes a long time

Most are **struggling to make money,** but with better investment on innovations and technology, are poised to overtake the cooperatives

government supplies milk to mid-day meals, the cooperative can procured more milk and that will reduce its overhead costs. "(Plus), it would have been a permanent marketing source for us. We have to pay more to our farmers and also find new options to market," says Mishra of OMFED. The cooperative pays ₹26 to its farmers. They could pay more, she adds, if they procure 1-1.2 million litres per day. For that they need higher subsidy from the government.

Being Bossy

Brand Amul is fondly called the Taste of India and is an immensely respected brand. But this does not extend to its parent, GCMMF, whose expansion into other states has drawn flak.

Amul, with procurement of 24 million litres per day, has excess milk, which it is selling in other states. It is also sourcing milk in those states. In West Bengal, for instance, it procures 3,00,000-4,00,000 litres per day and carts the remaining from Gujarat, which has made it the leading brand in the state. "By paying the farmer immediately, we have won the farmer's trust in West Bengal. This is important for a successful dairy cooperative business," says Sodhi.

Srikumar Misra, Founder of Odisha-based start-up, Milk Mantra, feels that new age dairy entrepreneurs who are focusing on bringing efficiency to the entire dairy value chain are not being adequately supported and that Amul has got a disproportionate amount of government support, which is turning out to be a dis-service to the dairy sector in underdeveloped regions. "Amul has created such an over-supply in Gujarat that this milk is taken to several regions across the country. This impedes the growth of fresh milk consumption and growth in localised sourcing, impacting the income of local farmers." he says.

A senior dairy industry expert alleges that Amul doesn't give the same incentives, such as bonus during festivals, to its farmers in other parts of the country as it does in Gujarat.

Mishra of OMFED says by allowing the likes of Patanjali and Amul to sell milk in Odisha, the state government is curbing the growth of the state cooperative. "Our state is capable of 4.2 million litre procurement per day. Then why are we allowing Amul and Patanjali to sell milk here?" she questions.

What Next?

The Indian dairy cooperatives need urgent reinvention in order to say afloat. "It's high time the cooperatives work like a business organisation," says Kumar of Lactalis India.

The central government also needs to look more seriously at dairy as a source of employment for rural India, in addition to agriculture. Though the new central government has formed a Ministry for Animal Husbandry, Kumar of Lactalis India believes that dairy should be a separate ministry. "In the next 10 years, the dairy sector can provide 1.2 crore jobs. Every 1,00,000 litre of milk creates 6,000 jobs and one can earn ₹5,000-6,000 per month from this," says Sodhi.

The dairy sector in India is vast and has political and social implications. Any solution will have to tackle these factors as well. **BT**

@ajitashashidhar

"PEOPLE ARE EXAGGERATING EVs, BUT WE CANNOT BURN FOSSIL FUELS LIKE IN THE PAST"

When **Volkmar Denner,** the Global CEO of Bosch, the world's largest automobile component manufacturer, visited India in June 2018, it was his first visit in four years. When he came again last month, it was his third visit in just over a year. This time, he was accompanied by all the board members of the company. This reflects the growing importance of India's market, but more importantly, he wanted to understand India's nascent but fast-emerging electric vehicle market. Denner talks to *BT*'s **Sumant Banerji** about the impending disruption due to electric vehicles, the future of the combustion engine and impact of the global trade war on the industry. Edited excerpts:

There is a lot of talk on EVs in India. The government has set ambitious targets. What do you make of it?

It is very important for a country and its politicians to set the right targets. It has become clearer than ever that we (the automobile industry) have to contribute to fighting climate change. Cleanliness of air is a major contributor to improvement of health of people in cities. Last September, during the MOVE summit, we made a few recommendations of our own. We said that, in terms of emissions, two- and three-wheelers can be converted into electric with today's technology. It is feasible. There is still the question of affordability as they are clearly more expensive than an internal combustion engine, but in terms of technical feasibility it can be done. We did not give any timing, though. With respect to passenger cars, the recommendation was to do this in a cautious manner. The electrical grid infrastructure is not stable enough to allow a larger population of electric vehicles. For fleet vehicles like buses, we said they could be converted into electric. The Indian government basically picked up these recommendations, but I do not want to comment on the timing of the implementation as it is not the task of a technology company to comment on this.

The Indian government wants an accelerated timeline and this has caused a lot of heartburn with the industry here. Do you believe it is doable?

If the industry is resisting what the government wants to do, why not try out the ideas in pilot projects? Maybe pilot cities. People can study the problems, see where we have to adjust, and what is feasible. Build the infrastructure locally, which is much less costly. Provide the vehicles and then see if there is acceptance in the market.

India aspires to take a lead in taking low-cost electric mobility solutions to the world. Given that the country is lagging behind China and Europe, what are the chances of that?

It is possible. We know that cost competitiveness is key in India. Look at two-wheelers in China, which are completely electric. Why should it not be possible in India? Ten years ago, when we decided to step into the electric bicycle market, we also decided to venture into the electrical scooter market in China. We set up a team for electric powertrain for e-scooters in China. Since we know this technology, we can help India develop this segment.

What happens to existing powertrains that have been developed and improved over decades? Are we looking at a fast decline of the internal combustion engine, and have you started to pare down your investments to that end?

Our prediction is that by 2030, 75 per cent of all vehicles sold worldwide will still have an internal combustion engine. Many of them as a hybrid. Only 25 per cent will run on battery electricity or fuel cells. The numbers in India may be a bit different but the plan to have a quarter of cars running on battery technology worldwide is already very ambitious. Many people are overexaggerating this battery part. Our proposition is that it is our obligation to make the internal combustion engine as clean and environment-friendly as possible. That is why we are still driving investments in internal combustion engine. If we take the Paris climate agreement seriously, we have to stop burning fossil fuels latest by 2050. Therefore, we have to get rid of them on this long time scale. 2040 or 2050 is enough time. It is important to set the target. If the target for a city is zero emissions, electrical mobility is the technology of choice. But with the improvements we have made in the internal combustion engine, though there will still be something coming out of the exhaust pipe, it will be at a low level so that it does not contribute in a sizeable manner to air pollution.

Is there evidence to suggest the consumer also prefers EVs, or is it still largely being led by policymakers worldwide?

It is driven by policymakers and not end-consumers. The main points for electric mobility are still high cost, limited driving range, limited infrastructure, and they have not been solved completely anywhere.

How disruptive will this be for the entire automobile sector value chain that includes thousands of component manufacturers at various levels?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"CONSUMER SENTIMENT IS GOING DOWN. WE ARE VERY CONCERNED ABOUT TRADE CONFLICTS"

It is a process of fundamental change and needs to be managed properly. It is a danger for the industry. There is a lot of uncertainty on the engine roadmap. So, there has been a reduction in the number of variants. The number of engine variants will definitely go down. This does not necessarily mean that the volumes will also go down. But we cannot keep burning fossil fuels as we did in the past. It is also a very important question for India. The model (on future climate) I have seen predicts a substantial increase in temperature in India, which is already a very hot country.

Does that mean large-scale loss of jobs, and does that need to be taken into account by policymakers when they make a push for e-mobility?

This is a very difficult process. There are so many conditions. So far, we have been discussing technology and environment, but these are only a part of the story. I cannot optimise Bosch based on environmental issues only. I have to take into account the economic viability of the company as also the social responsibility....employment and jobs. Unfortunately, in many parts of the world, we have a one-sided discussion. In Europe, the discussion is primarily on ecological aspects. What is needed is a balanced discussion publicly. It is clearly not easy but necessary. In the end, mobility has to be accessible. Sometimes I get the impression that authorities do not want to tell people the truth. That, for example, mobility will become expensive for people because they do not want them to drive into cities in own cars. Instead, we have a discussion on banning certain technologies. I would vote for a more open discussion.

There is a belief that the era of EVs, whenever it begins in the right earnest, will not be very long and some other technology will replace it much sooner than the time EVs have taken to replace the internal combustion engine. How do you future-proof your company in such a dynamic situation?

Internally, I always say, being a scientist by education, that for me the current world is a dream as we have endless opportunities. But running the company as a CEO is very different. It is challenging. We are still investing in internal combustion engine. But we also have to invest in electric mobility as we know that is the future. In addition, we are investing in fuel cell technology, especially for commercial vehicles. Do we exactly know which technology will come? No. It is better to be prepared.

The Indian automobile industry has been facing a severe slowdown over last 12 months. Has that shaken your belief in this market?

Not entirely. We believe in India and will keep investing. Our facility in Adugodi (Bangalore) will grow very fast. We have transformed it from a manufacturing site to a high technology engineering site. If our plans come true, it might become the biggest Bosch location in a few years, in terms of workforce outside Germany. Of course, we are disappointed about the current year. I had big hopes in India for this year which did not come true. Not only in automotive but generally. I really hope this changes soon but again the Indian market, with such a large population and a growing middle-class going for more fuel-efficiency, electric drive systems, more safety, offers a huge opportunity for a company like Bosch, but the current state is disappointing.

In your annual report, you have painted a very bleak scenario for mechanical engineers. Would you elaborate?

Industrial business is showing very high growth this year. But in this business we look at order intake. That has been substantially reduced compared to a few months ago. It is an early indicator that business in the machinery industry will decline.

What is contributing towards this? Is the ongoing global trade war to be blamed?

Sometimes there are local problems. On top of this, there is too much trade conflict on a worldwide level, negatively influencing consumer sentiment. Industry is also psychological to a large extent. If you are uncertain as a consumer about what is happening in the world economy, you will be careful about investing, especially in luxury goods like cars. That is what I see worldwide. Consumer sentiment is really going down. We are very concerned about trade conflicts. The worldwide optimised supply chain is endangered. In many parts that Bosch produces, electronic chips, for example, there is a globally optimised supply chain. The fusion of the wafer takes place in the US, packaging and testing in Asia, and then the part is shipped to a Bosch plant anywhere in the world. The parts are travelling across the globe several times. Disruption of this supply chain by trade conflicts will cause a huge impact. BT

@sumantbanerji

COLUMN

Piecing Together a Winning Strategy

WINNING STRATEGIES SHOULD HAVE ENOUGH FLEXIBILITY TO STAY RELEVANT AND EVOLVE IN A FAST-CHANGING ENVIRONMENT.

BY
GEN. BIKRAM SINGH

IN SIMPLE TERMS, a strategy is an overarching plan to achieve a vision through a skilful interplay of ends, ways and means. Ends are the goals or objectives which must be realised to achieve the vision; means are the resources available to pursue these ends and ways are the most efficient and effective methods for application of resources. From its initial military-centric usage to define the 'Art of the General' in ancient Greece, strategy has acquired, over the years, a universal acquiescence with a much wider scope. Since the 18th century, strategy has enabled countries to protect, pursue and promote their national interests and helped public and private sector organisations realise their long-term goals and visions.

Winning strategies provide clear pathways for achieving goals by assigning strategic and operational roles, apportioning resources, eliciting accountability and putting in place an architecture for monitoring and risk management. Based on a detailed, prognostic appraisal of the environment, these are crafted through an interactive and distributed process. Such a methodology ensures that the aspirations of all segments and sub-systems of the organisation are factored into the strategy-planning process through collective wisdom. It also helps develop ab initio ownership of various prongs of the strategy besides enhancing accountability. Winning strategies are supplemented by directives, doctrines and procedures which help in decision-making and regulate the behaviour of all members of an organisation.

ANYTHING WHICH HAS THE POTENTIAL TO IMPINGE ON THE SMOOTH ATTAINMENT OF STRATEGIC OBJECTIVES AND GOALS MUST BE FACTORED INTO RISK MANAGEMENT PLANS

Although winning strategies are tailor-made to attain specific goals and visions, they possess inbuilt flexibility that facilitates necessary tweaking, thus keeping them relevant in an ever-changing environment and helping them evolve, based on experience and emerging trends. They also help strategic leaders readjust or augment the resources and realign the techniques and methods required for their application. Therefore, winning strategies are a product of strategy by intent and strategy by default. Based on informed choices, strategic intent spells out the mission and allows subordinate leaders the freedom to exercise initiative within an articulated strategic framework. On the other hand, default strategy brings in changes dictated by circumstances and, at times, even by preferences, biases, concerns and unconscious assumptions of the senior leadership. A review of various prongs of the strategy, preferably on a half-yearly basis by the senior leadership, helps ensure the right blend.

Besides monitoring its prongs, the framework for strategy implementation must also facilitate mission-related monitoring of internal and external environments. It enables strategic leaders to sustain the desired organisational culture and helps them shape the external environment and manage risks proactively. Although this monitoring is specific to each enterprise, some common aspects that merit attention are detailed information about competitors, including their strategies, strengths and weaknesses, emerging global trends and best practices, advances in technology, government policies, public opinion and market sentiments, internal health of the enterprise, impact of climate change and so on. Also, organisations must start taking climate change more seriously as it will increasingly impact the availability of resources, disrupt supply chains and eventually, unhinge even the best of strategies.

Internal monitoring ensures accountability and, consequently, timely attainment of objectives. It also helps gauge the levels of contentment, confidence and camaraderie. No strategy can ever succeed without the enthused and committed involvement of human capital. A healthy internal environment fostered through ethical management helps ensure high levels of morale and motivation. Leaders must diligently invest in the professional growth of their subordinates and guide them in fulfilling their assigned roles and realising their self-actualisation needs. Equal opportunities should be provided to all members of the team to exhibit their worth. The tendency to rely only on a few favourites creates negative vibes and vitiates the internal environment. In the long run, it impedes the tempo of operations and precludes timely attainment of objectives. Senior leaders should institute ingenious measures to discern signs of mismanagement. Institutionalised mechanisms of reporting invariably fail to highlight ground realities as leaders at various levels of the organisation are part of the problem.

Strategic risk management is an integral part of winning strategies. In the fast-paced, disruptive and turbulent environment of the current century, risks can manifest speedily in a multitude of areas. A more comprehensive approach that goes beyond the traditional operational, financial and regulatory risks is necessary to keep the strategy on track. Anything which has the potential to impinge on the smooth attainment of strategic objectives and goals must be factored into risk management plans. Risks regarding the security of personnel, material, operations, finances, information, cyberspace and processes should be analysed in detail to determine the probability of their occurrence along with the cascading effects they could create. The risk management architecture should include risk mitigation measures and processes, risk prevention tools and tactics, and finally, contingency plans to deal with risks when they cannot be prevented. Contingency and disaster recovery plans should be updated and practised regularly.

DECISIONS AT THE HIGHEST LEVEL MUST BE CREATIVE, INNOVATIVE AND VETTED THROUGH EMOTIONAL INTELLECT AND A SENSE OF BELONGING

[redacted]

Implementing strategy while dealing with risks requires decisive leaders, who can keep their cool and make wise decisions in a chaotic and nerve-racking environment. The power of data and technology, including artificial intelligence, should be optimally harnessed for decision-making, capacity maximisation and influencing internal and external environments. However, given the challenges of a dynamic strategic arena, it may not be prudent to base critical decisions entirely on the inputs from programmed machines. Decisions at the highest level, given their far-reaching ramifications, must be creative, innovative and vetted through emotional intellect and a sense of belonging. While both art and science are leveraged in strategy formulation and execution, strategic leaders must never forget that in the final analysis, it is the art that subsumes science and not the other way round. The supremacy of the human mind must persist in the domain of strategic decision-making. BT

The writer is former Chief of the Indian Army and now sits on a company's board

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HOW TO MANAGE YOUR PERFECTIONISM

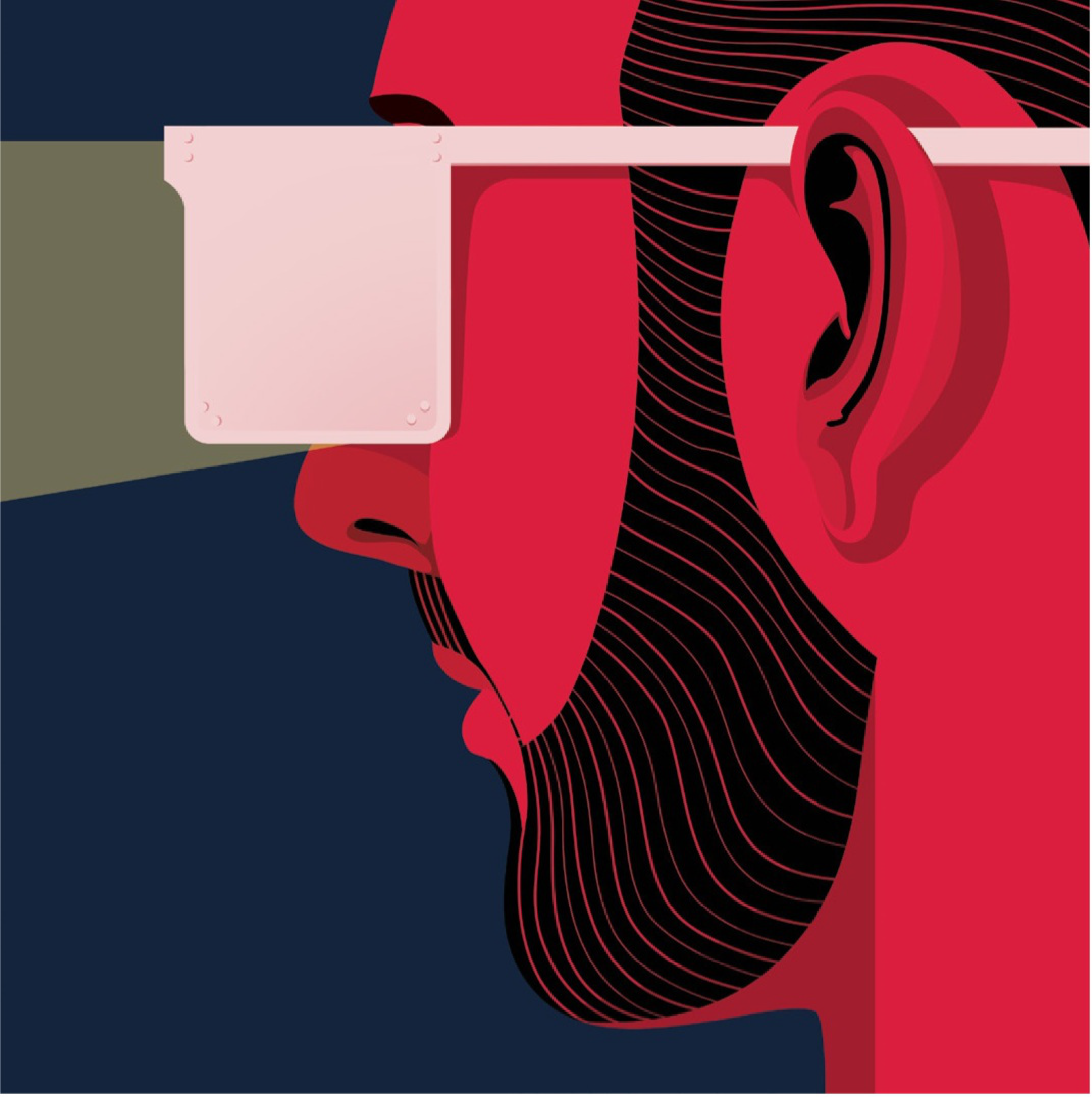
If you genuinely want to be a high achiever, you're bound to do some things imperfectly. Here are some ideas of how to let go of your penchant for perfectionism.

By Rebecca Knight
Illustration by Ajay Thakuri

P**ERFECTIONISM** is a double-edged sword. On one hand, it can motivate you to perform at a high level and deliver top-quality work. On the other hand, it can cause you unnecessary anxiety and slow you down. How can you harness the positives of your perfectionism while mitigating the negatives? What measures or practices can you use to keep your perfectionism in check? Should you enlist the help of others?

What the Experts Say

"A lot of perfectionistic tendencies are rooted in fear and insecurity," says Matt Plummer, Founder of Zarvana, an online coaching service that helps workers become more productive. "Many perfectionists worry that if they let go of their [meticulousness and conscientiousness], it will hurt their performance and standing." And so they cling to their perfectionism even when it's counterproductive. If this describes you, take heart. Reining in your perfectionistic propensities is not as hard as it sounds. "It's about rechannelling a strength of yours rather than aiming for a lower



goal." Your aim is to take "some of the pressure off yourself," says Alice Boyes, a former clinical psychologist and author of *The Healthy Mind Toolkit* and *The Anxiety Toolkit*. Of course, that's easier said than done. But the fact remains, "if you genuinely want to be a high achiever, you're bound to do some things imperfectly." Here are some ideas of how to let go of your penchant for perfectionism.

See the Big Picture

As any perfectionist will tell you, being perfect is not easy. Your diligence "takes a lot of effort," and your attention to detail is "incredibly time-consuming," says Plummer. Of course, as a perfectionist you're never going to aim for merely adequate – nor should you. But you must also "recognise the opportunity cost and time" of your behaviour. "Ask yourself: Am I using my time wisely? Am I being productive?" He recommends focussing on "maximising the impact" of your work. "You can spend an extra three hours making a presentation perfect, but does that improve the impact for the client or your organisation?" Boyes concurs. "Shift your mindset," she says. You're going to be "less perfect about some things, so you can concentrate on what's important". If you're continuing to tinker on an assignment that most others would consider complete, try to "recognise that just getting it done" is a decent goal. "There's a point of diminishing returns" when it comes to sweating the small stuff and nitpicking niggling details.

Adjust Your Standards

Managing your perfectionism also requires you to "calibrate your standards", says Plummer. Say, for example, you're grinding out an important memo for your organisation. He suggests showing your efforts to a colleague or supervisor early in the process. You may discover it's "already good enough" and "that task you thought could take 10 hours could really take only five". Don't be shy or embarrassed. "It's your first draft," says Boyes. And even if you need to continue to work on it, the "feedback you receive will help you improve." Keep in mind, too, that this memo needn't be worthy of a Pulitzer. "What you're saying doesn't have to be the final word, it just has to contribute something useful."

Create a Checklist

The pursuit of perfection is a bit like wandering on an aimless journey, says Plummer. "You keep walking and walking, but you're not sure that you're getting any closer to your destination," he says. Similarly, "a perfectionist is always going to want to keep working [on a given assignment]. But the end result is rarely satisfying." So, rather than toil "in search of this amorphous goal of perfection," he recommends, "creating a checklist" for each task. Say, for instance, you're working on an important client pitch. The perfectionist in you might fret over the font choice and sweat every semicolon. But with a checklist that reminds you to confirm you've spelled things correctly and to eliminate basic editing errors, you needn't endlessly slog. "You're following a process with discrete and measurable goals," he says. Once you've ticked off the items on your list, "you're done."

Break the Cycle of Rumination

Many perfectionists have a proclivity to ruminate – repetitively mulling over a thought or problem without ever coming to a resolution. "It's related to anxiety," says Boyes. People who ruminate tend to be "less forgiving of themselves." It's unhealthy, and it's unproductive. "Don't confuse ruminating with problem-solving." Instead look for ways to disrupt the cycle.

Identify your triggers. The first step in conquering this habit is to "learn to recognise when you're ruminating", says Boyes.

Figure out what sets you off. Make note of the situation: where you are, the time of day, and who's around. "Find your consistent patterns," then think about ways you might steer clear of or control those factors.

Don't trust your first reaction. If you're dwelling on a past event, such as an interaction with a colleague, be cautious. You might not have an accurate read of the situation. When you ruminate, "you tend to focus on all the bad things," she says. "So you can't trust what your ruminating mind is telling you." Try hard to get perspective and give yourself time and distance before taking action. You might be "blowing it out of proportion."

Seek a diversion. "Distractions are useful. Do something that is cognitively absorbing but that's also tedious and doesn't induce anxiety, such as filling out an expense report," says Boyes. Often spending just 10 minutes on a mundane but practical task like that "breaks the chain" and keeps you from "spinning your wheels".

CASE STUDY

Seek Support and Perspective and Focus on the Big Picture

FLAME SCHOEDER, a professional certified coach based in Omaha, Nebraska, admits she is a "recovering perfectionist". While perfectionism has helped her excel professionally, it has also contributed to feelings of insecurity.

Earlier in her career, for instance, she noticed that she sometimes had the tendency to "freeze up" when talking to clients. "I'd get so in my head," she says. "I'd have something to say and then I'd think, 'That's not a smart enough or insightful enough comment,' and so I wouldn't say it."

A similar thing happened when she had a big client proposal to write. Beginning the project was hard because she "had a ton of self-doubt."

The solution: "I realised that all I needed to do was ask for help," she says.

Flame discovered that reaching out to a friend or colleague and "talking through ideas" helps her see that she does, indeed, have something to offer. Now she does this every time she's having difficulty getting a project under way. "It needs to be someone who knows that I am a perfectionist and knows that I get stuck," she says. "They give me the solid ground and the creative energy to start moving."

Colleagues also give her perspective on her work. Recently, she was working with a team on a marketing pitch for a restaurant brand. The pitch was for a new client, so "there was some uncertainty" about what this client would like or dislike.

Flame and another colleague – a fellow perfectionist – hemmed and hawed over the proposal. "Perfectionists tend to focus on what needs to be fixed and we negate everything that's good," she says. "The two of us went over and over the details and reworked things."

Finally, Flame asked her colleague a critical question: Is this pitch good enough for the client? "And we both had an 'ah-ha moment' that it was," she says.

They submitted the pitch, and the client loved it. "The client never saw that anything was missing," she says. "They saw the creativity, the polish, and the finesse."

This approval was a powerful signal to Flame. "I try to remind myself that I am not dealing with life-or-death situations. It's just marketing."

Think positive. Ruminating often leads to "avoidance" of certain tasks. "There's a feeling of, 'If I can't do it perfectly I won't bother,'" she says. To combat this idea, she recommends reflecting on times in your past when you tried something new. By reminding yourself of the pathways that led to your accomplishments, you'll be able to see that you achieved a meaningful outcome despite not being "100 per cent certain of success" in advance. This helps you "learn from your experiences", she says.

Get Perspective

You may find it "helpful to talk to someone about your tendencies," says Boyes. That person could be "a boss who's willing to engage with you emotionally, a friend, sibling, mentor, or spouse." Be honest and open. Tell this person that you're working on getting better. "Say, 'I give you permission to let me know if I'm being too fussy/high maintenance/finicky' " about a given topic. Make it clear that you want to hear how you come across.

Monitor Your Progress

As you're working on moderating your perfectionist tendencies, Boyes recommends undertaking "a weekly review" in which you reflect on your progress. Try to get some "psychological distance" and ask yourself, "Was there anything I avoided this week due to fear of making mistakes? Were there any instances where my perfectionism was not worth it? Were there any times this week when I took action, even when I felt uncertain, and ended up moving things forward?" Your objective, says Plummer, is to "learn where perfectionism has a positive impact and where it does not."

Principles to Remember

Dos

• Learn to recognise the point of diminishing returns when you're aiming to complete a task perfectly. Sometimes just getting it done is a worthy goal
• Reflect on your progress. Identify examples of when you successfully moderated your perfectionist tendencies
• Calibrate your standards. Oftentimes, what you're writing or saying doesn't have to be the final word, it just has to contribute something useful

Don'ts

• Mistake ruminating for problem solving. When your mind is twisting and turning, seek out distractions to break the cycle
• Toil in pursuit of an amorphous goal of perfection. Create a checklist that ensures you follow a process with measurable targets
• Go it alone. Ask others – a trusted colleague, friend, or mentor – for perspective and support

Rebecca Knight is a freelance journalist in Boston and a lecturer at Wesleyan University. Her work has been published in *The New York Times*, *USA Today*, and *The Financial Times*. This article was first published on **www.hbrascend.org.** HBR Ascend is a digital learning platform for graduating students and young professionals.

CASE STUDY

Shift Your Mindset and Get Comfortable with Imperfection

IN THE PAST, **Stacy Caprio**'s perfectionism led her to avoid certain tasks. "I never wanted to start something unless I knew exactly how to do it," she says. "It was a roadblock. It literally stopped me from doing new things."

Earlier in her career, she worked for an online marketing agency. One of her tasks was to add tracking tags to client websites, which would allow her organisation to gather more information about their customers' revenue and sales.

Stacy had never added a tag before and was petrified of doing it wrong. "I wanted my work to be good, and I wanted to be seen as doing a good job," she says. "I didn't want to mess up."

Instead of trying and risking imperfection, Stacy busied herself with e-mail, building ad sets, and working on other marketing campaigns.

Her avoidance of the task didn't keep her from ruminating on it, though. "I thought about it constantly," she says. "Every time I have something new to do, it doesn't go away for me. It was at the top of my to-do list."

Still, she couldn't force herself to try. She realised a shift in mindset was in order. "To get this in check, I needed to make it clear to myself that getting it done was more important than making it perfect."

The turning point came when she happened upon a series of blogs by published authors. "Writers talked about that first step of getting a draft on paper," she says. "The first draft is usually terrible. But then they go back and edit and rework it."

Learning more about the writing process helped her gain perspective on her situation. "I had to give myself permission to know that the first one was not going to be great; it might not even work," she says. "But I will get better."

Eventually, she plucked up her courage and took a shot. Her first one was fine; her second one was an improvement. Her third attempt was great.

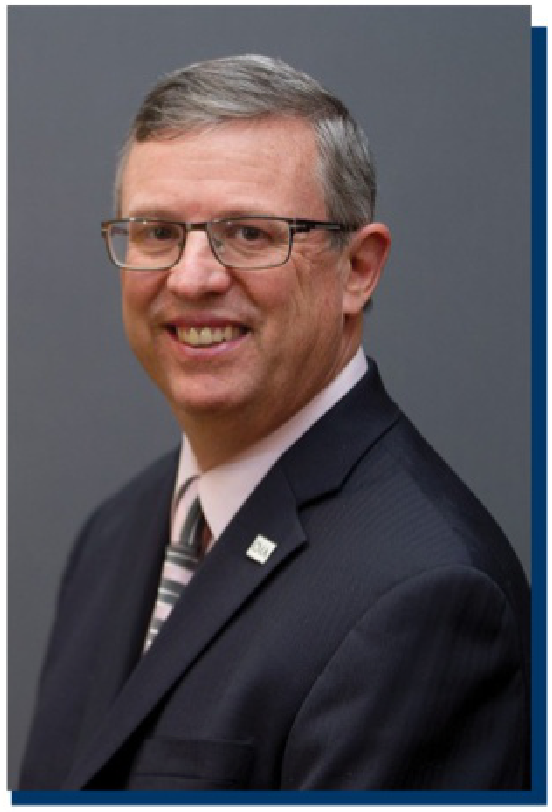
Today Stacy is her own boss. She runs a website devoted to inspiring side hustles, *her.ceo*. She has learned many lessons about battling her perfectionist demons. "Just because I think something is perfect doesn't mean it is," she says. "I likely need feedback from others, especially customers, so that I can change the product over time to keep making it better."

The Finance Professional of the Future

By Jeff Thomson

While the first industrial revolution gave us the spinning wheel, the fourth industrial revolution or Industry 4.0 is here to dismantle established systems of operations and transform the way we live, work and connect. Automation is a global phenomenon that is impacting the job market by restructuring businesses and creating new work-ecosystems across all sectors, including retail, automotive, IT-BPM, textiles, and BFSI.

Though automation comes as a boon for businesses, most of the Indian workforce, which still relies on routine jobs including clerical, sales, service, and trade-related work, is threatened by rapid advancements. International Labour Organization (ILO), in its 2018 report, pointed out that approximately 51% of jobs in India will be impacted by current technologies. The Banking and Finance (BFSI) sector is one of the main sectors that will witness the consequences of adopting advanced technologies.



Jeff Thomson

Arun Rangaswamy, Senior Manager, Accounting Operations, Infoblox, predicts that "With most of the finance processes across the globe working with robotic technologies, the finance function has the potential of going touchless with industry-wide integration of automated systems which can go up to 70% or more." According to a report by FICCI, NASSCOM and Ernst & Young India titled, "Future of jobs in India: A 2022 perspective," approximately 20% of jobs in the Banking and Finance sector will be impacted by automation in 2022. Further talking about the impact of automation in the finance sector, Abraham Mathews, Chairman of Sarthena Advisors LLP explains, "Any function that requires the huge deployment of manpower or has standardized processes without too many decision points can be easily automated. Even processes that require some level of decision making based on a standard set of rules can get automated. This is not limited to the finance function alone, though this sector has its own set of vulnerabilities that makes it susceptible to a greater degree." Automation is changing the very definition and structure of work. As applicable to all sectors, the finance sector will be required to re-organize itself to build a network of collaboration rather than the hierarchy of supervision.

Finance teams in most companies in India have traditionally operated in silos due to two main reasons – one, the preference of professionals to have data available in Excel to scrub and derive outcomes, and secondly, due to the statutory regulations, which makes maintaining confidentiality among top stakeholders a priority. These systems are more time consuming and often create impediments for finance professionals to deliver desired results. The integration of the finance function and decision making is becoming an essential factor for the uninterrupted growth of businesses across the globe. The role of finance teams is no longer limited to collating and analysing data while leaving the decision making to the business partners, but to also place the information in the context of market and operations and to offer appropriate recommendations to business heads. As Balaji Rangaswamy, CMA member and Chartered Accountant says, "Often accountants do not understand the macro-level operations of a business. If a commercial leader requires recommendations during critical situations, they may not be able to assist. The work of accountants should be seen in sync with business partners and that will help in the future growth of their organisation.

"He further adds that Instead of being called finance professionals, they should be referred to as business partners as that adds more responsibility and accountability which is in equivalence with how the roles are changing.

To succeed in this technology-driven ecosystem, the individual deliverables matter more than ever for a successful business. Finance professionals need to move out from their comfort zones, adapt new skills and become "future-proof." For finance professionals to carve a niche for themselves in a digital age, competencies in accounting and finance need to be complemented with skills like leadership, business strategy, operations and adaptability to work with automation. It is increasingly important for them to understand information technologies and how it impacts the finance sector as well as its varied processes including digitization, data visualization and data mapping.

This brings up the next significant question, i.e., how do finance professionals re-skill themselves? A possible solution for this concern, is for working professionals to pursue training on their own and gradually take on varied tasks that were earlier beyond their purview. Organizations can also help their employees by allowing them to pursue higher education and upgrade their knowledge while keeping them on board.Different certifications like the CMA® (Certified Management Accountant) can also help students and professionals learn skills that help them prepare for a significant role in the future. The integration of businesses and education has a major role to play in re-skilling and international institutions like IMA (Institute of Management Accountants) are already engaging with businesses to allow appropriate exposure to the students and allow them to move forward as global accountants.

The current education infrastructure in India lacks the requisite curriculum to allow students to learn new-age skills that make them relevant in the job market. Students often lack the skills to work with cross-functional teams in order to understand business requirements as their focus remains largely on financialprocesses. Though with the emergence of International Financial Reporting Standards (IFRS) and Indian Accounting Standards (Ind AS), students are getting basic exposure to international accounting practices, and few are able to work in international firms at an early stage and gain the required experience to prepare them for larger business roles.

With rapidly changing work ecosystems, the finance professional of the future would be the one who successfully integrates his knowledge with automation and business insights. He should be an enthusiastic learner, have the right emotional quotient and the ability to work in cross-functional teams, understand what businesses need and deliver bottom-line results.

Jeff Thomson is President and CEO of IMA (Institute of Management Accountants)

$101.1 BILLION
The market size of education sector in 2018/19 compared to $91.7 billion (about ₹6.3 lakh crore) in 2017/18

$1.96 BILLION
Estimated market size for e-learning by 2021 in India (about ₹13,742 crore). India has become the second-largest market for e-learning after the US

$2.21 BILLION
Total FDI inflow into the education sector in India between April 2000 and December 2018, according to the Department of Industrial Policy & Promotion

REFORMING EDUCATION

Any improvement in the education sector in India has been in fits and starts. So, while the draft National Education Policy suggests changes in all segments of the sector, online coaching courses and MOOCs help fill in the gaps.

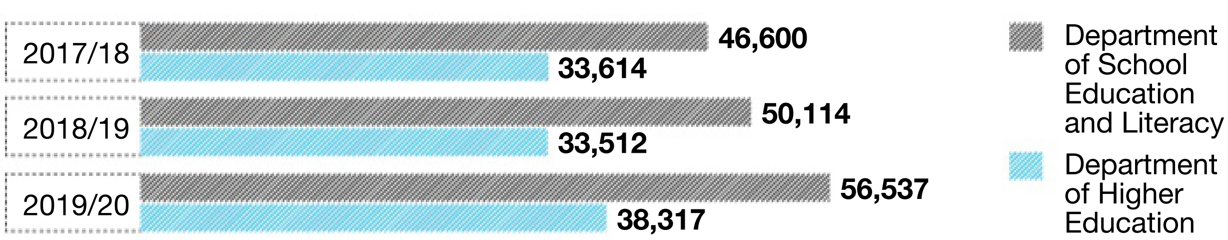
PHOTOGRAPH BY DANESH JASSAWALA

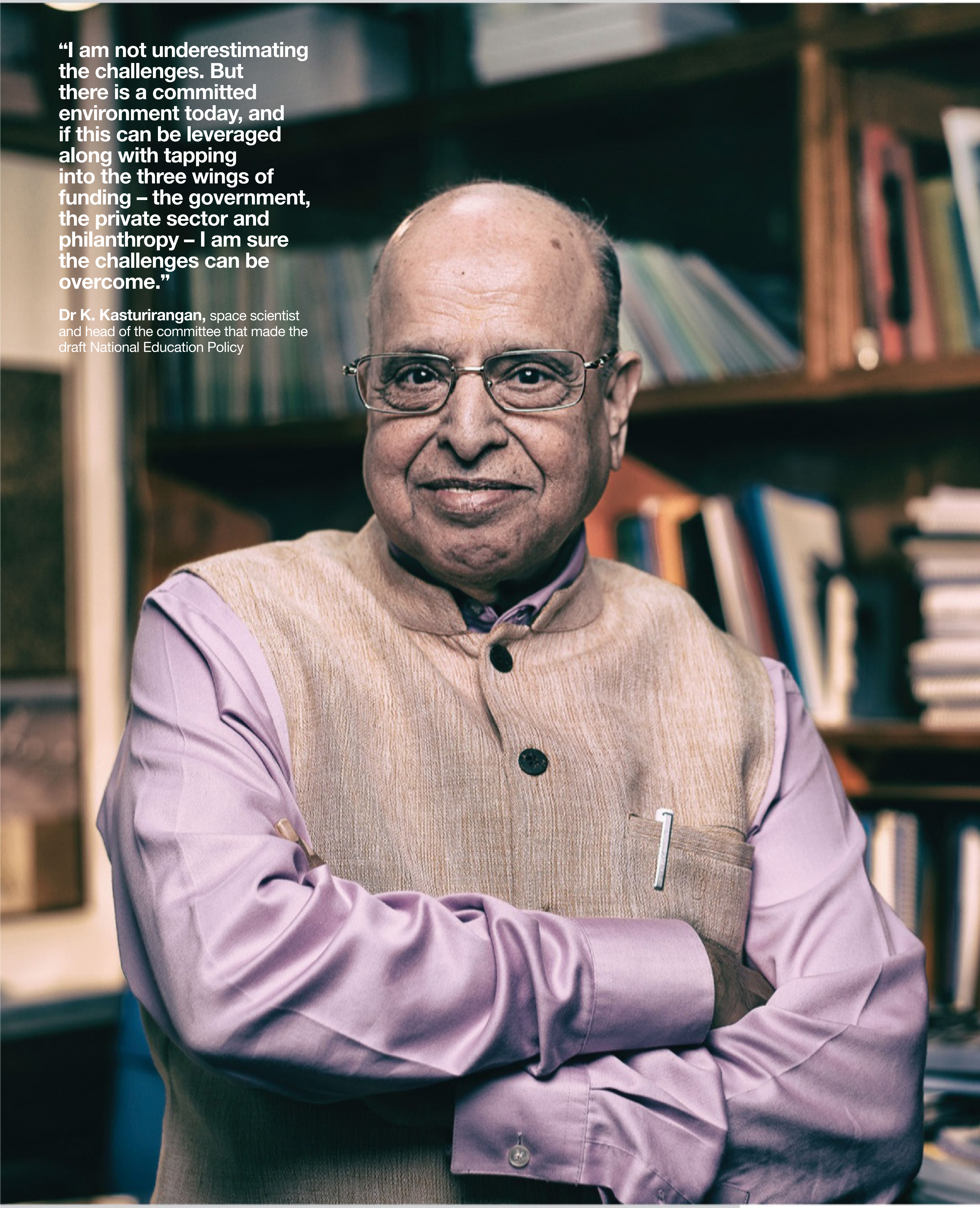
With all eyes on India's burgeoning demographic dividend, it is pertinent that the country makes the right investments to continue on the path of economic growth and prosperity. For that investment in human capital through quality education, skill training and provision of productive jobs are the key. The 400-page National Education Policy (NEP) draft, brought out by the Kasturirangan Committee, which has come up with clearly stated objectives to be achieved by 2030, received over 77,000 comments from across the country. While that is still being debated, Byju Raveendran, a former classroom teacher, became India's newest billionaire, driven by the $6 billion valuation to the education app Bjyu's developed by his venture Think & Learn.

Education is increasingly becoming an attractive space. In this Special Report on education, we take a hard look at the NEP. While it is path breaking, there could be serious challenges in funding and implementing it. While Byju's is leveraging its learning app, many Indians are opting for a range of online offerings like the massive open online courses (MOOCs) to upgrade skills while working. That's necessary in a world where artificial intelligence and machine learning are taking up routine jobs. Even in management courses, there is a demand for specialised courses. Read about all this and more.

SLOW RISE

Education budget for 2019/20 is just 4.6% of GDP (Central government expenditure in ₹ crore)





"I am not underestimating the challenges. But there is a committed environment today, and if this can be leveraged along with tapping into the three wings of funding – the government, the private sector and philanthropy – I am sure the challenges can be overcome."

Dr K. Kasturirangan, space scientist and head of the committee that made the draft National Education Policy

STARTING A NEW CHAPTER

The National Education Policy draft is path-breaking in the changes it suggests to reform Indian education. But implementation and funding could be huge challenges.

By E. KUMAR SHARMA
PHOTOGRAPHS BY JAISON G

SPACE SCIENTIST K. Kasturirangan points out that sky is the limit and there is enough room to drive growth in the Indian education sector. Anyone who has read the 400-page draft of the National Education Policy 2019 (NEP), authored by the nine-member team headed by him, will not only agree with him but also find that the draft is an excellent text on what needs to be done for education in India, with clearly stated objectives to be achieved by 2030.

"This is a document with vision and futuristic thought and there are many aspects within higher education that are progressive, such as the emphasis on taking a longer term view of skills to be developed (as opposed to job readiness)," says Ranjan Banerjee, Dean of SP Jain Institute of Management Research (SPJIMR).

The NEP looks at the complete chain of education in India, from primary schools to higher educational institutions. It suggests the creation of a Rashtriya Shiksha Aayog or National Education Commission. It also says that all higher educational institutes (HEIs) should evolve into one of three types of institutions: research universities (Type 1), teaching universities (Type 2) and colleges (Type 3). It wants the current "complex nomenclature" of 'deemed to be university', 'affiliating university', 'unitary university' and others to be phased out and replaced with public, private or private-aided; and as multidisciplinary research universities or comprehensive teaching universities.

"The overall attempt is to make a transformative change and not an incremental change, which is welcome," says Sekar Viswanathan, Vice President, Vellore Institute of Technology (VIT). One example is the focus on "streamlining the authority architecture". The draft sees merit in "creating an overarching body that will synergise and integrate the multiple efforts that are in progress in widely diverse institutions and departments of the government both at the central and state levels".

A major step suggested is the intent to equate private sector with public sector for funding purposes, says Viswanathan. As per the draft, private HEIs will be encouraged to develop

[redacted]

NATIONAL EDUCATION POLICY

Key Measures Proposed

- Emphasis on taking a longer term view of skills to be developed (versus being job-ready)
- Stress on faculty development and autonomy in curriculum development
- Creation of a National Research Foundation to focus on funding research within the education system
- Simplified categories of institutions and streamlined university nomenclature
- Removal of multiplicity in authority

The Challenges

- Estimating the funding required to cover the policy's provisions – fee waivers and scholarships; high-quality, free education for all in the three-six years age group; access to connected personal computing devices, and more
- Attracting the best talent to teaching, and freedom to fix remuneration, especially in government institutions
- Addressing the complex admission architecture to make India a global hub of education

[redacted]

into Type 1 and 2 institutions, and must develop to become Type 3 institutions "and while the financial support for such development must be arranged by the private HEIs, the government will treat them on a par with public institutions and empower them equally". The draft further states that private HEIs will have as much access to funding from the National Research Foundation (NRF) for research support as public institutions have.

The National Education Policy draft wants the complex nomenclature of higher education institutes to be replaced by categories of public, private or private-aided

[redacted]

Devil In the Details

The NEP's intentions are good but implementing even a small part of it will require a close attention to details. Most experts feel that the policy's biggest weakness stems from the fact that it does not seem to have grasped the full implications of funding a policy such as this.

This re-opens some long-standing debates, for instance, on for-profit institutions. "We simply cannot ignore the private institutions, especially given the amount of investments required. Today, the basic idea is that schools should be not-for-profit, which means that the capital has to be either from the government or philanthropy. The latter is simply not possible because the amount required is huge. All of CSR is just ₹15,000-20,000 crore. So, we will have to accept for-profit capital and, therefore, allow institutions to make profit," says Ajit Rangnekar, former Dean of the Indian School of Business and currently the Director General of Research and Innovation Circle of Hyderabad. "If the aim is that every child should receive good quality education, then each year an additional ₹5-10 lakh crore (if not more) will be required," he says.

The policy suggests development in all types of education, from early to advanced, but it "needs to get the priorities right. For instance, is access more important or quality because ideally, it should be access with quality?" says Rangnekar.

Apart from funds, any large-scale implementation will require a change in the way things are managed and leadership. "How are you going to deal with vested interests? In Delhi, for instance, they have managed to get school management committees, parents and local populace to put pressure on the schools to perform," says Rangnekar. Even in universities, he says, the theory that there should be more emphasis on liberal education is good, but what can be dropped from the current curriculum to accommodate liberal arts?

Management education, Banerjee of SPJIMR says, should also include: systematic industry integration to create continuing curriculum relevance; a scope to have multiple points of entry for faculty (PhDs as well as industry executives), and inculcating social consciousness through innovative experiential learning. "How can we do more India specific and relevant research, and develop models of teaching and research that build on India's unique strengths? We have to become world class in our own way," he says.

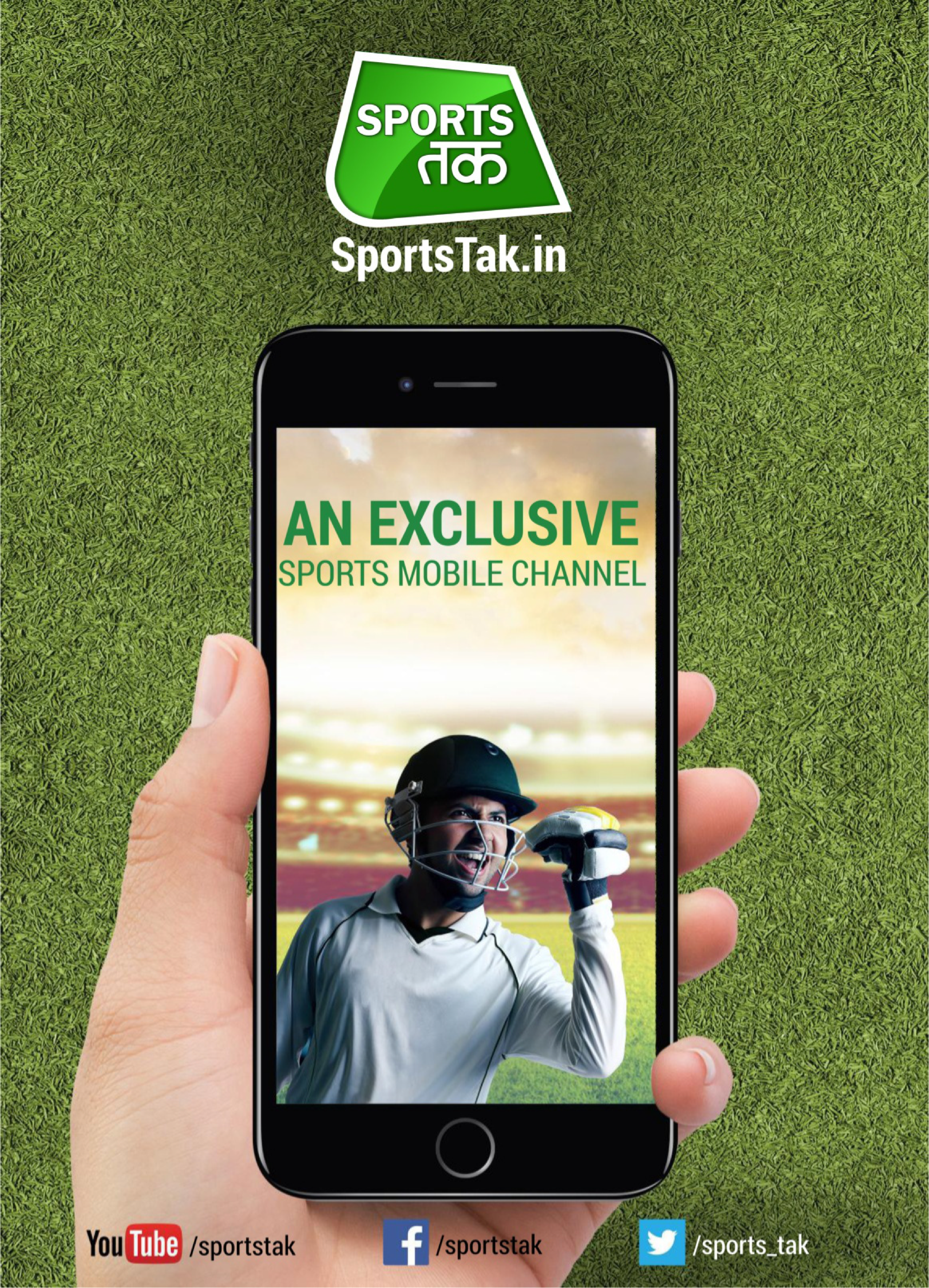
The draft mentions that a higher percentage of students should get scholarships and financial aid. While the suggestion is positive, one has to look into the challenges to doing this. For example, says Viswanathan, this will mean a burden for self-financing institutions. "Without the freedom to fix the percentage of students getting scholarship, private institutions will become unviable."

Section 18.6.3 of the draft mentions that HEIs are to ensure that 50 per cent of students in each of their programmes get fee waivers ranging from 25 per cent to 100 per cent. The fee waivers shall be given to socio-economically disadvantaged students based on the current definition of disadvantage, and the criterion being used by the HEI to determine the applicability of fee waiver must be publicly announced.

"This (document) is a statement of lofty intent which is laudable. A component of specific direction to move from the current state to the desirable end state can be fleshed out more. It will build greater confidence in the intent being translated to executable direction on the ground," says Banerjee.

The NEP projects a beautiful image of education and the possibilities in India; what we now need is the direction and the means to implement it. BT

@EKumarSharma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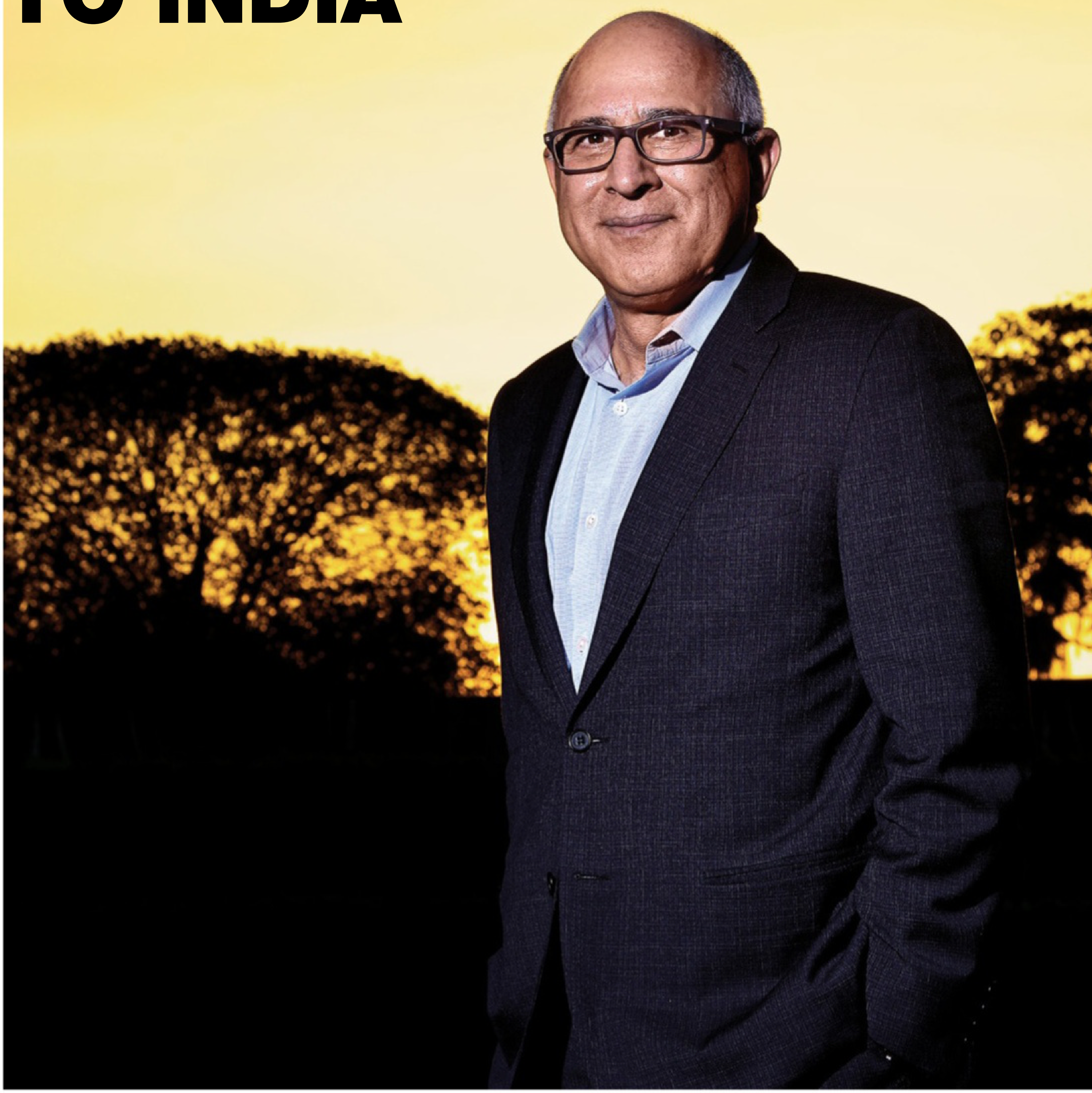
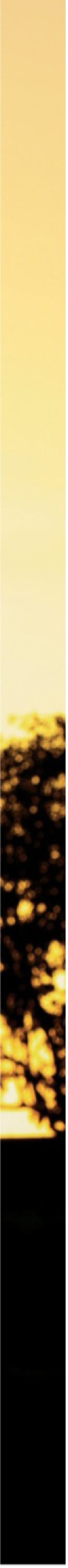
“B-SCHOOLS SHOULD LEVERAGE WHAT’S UNIQUE TO INDIA”





Sangeet Chowfla, President and CEO, Graduate Management Admission Council, which conducts the Graduate Management Admission Test, speaks to **Sonal Khetarpal** of *Business Today* about the demand for specialised courses and rise of non-US B-schools. Edited excerpts:

PHOTOGRAPH BY SHEKHAR GHOSH

How has management education changed over the years in the context of Asia, especially India?

A. The demand for management education is amazingly stable. Even though there is a lot of churn happening with different kinds of formats, the same number of people are applying to business schools as before. But under that calm surface, there is a fair amount of churn in a couple of dimensions.

One, we are seeing globalisation of the candidate base. Three or four decades ago, management education was largely a western phenomenon; today, it is across the world. China and India together take as many tests as the US. So, the demographic base is shifting to Asia, and there is growth of candidates from Africa and Central Asia as well.

Globally recognised brands in business education used to be largely western schools, mainly in the US, but today there are very high-quality education institutes around the world, particularly in Europe and Asia, especially in Singapore and Hong Kong. Indian schools, too, are fast coming up in global recognition.

We are seeing a maturing of the industry as well. When industries mature – and we have seen this in many other industries – they tend to segment. When Henry Ford came up with the Model T, it was one car and it came in one colour. Today, you don't think of a 'car'; you think of an SUV, a compact SUV, a family sedan, a convertible... The same is happening to management education. The classic two-year MBA continues to be the flagship programme, but different forms of MBA programmes are emerging – one-year, online and blended. There are also early career options for students directly out of school or with a year or two of experience, because mostly MBA is for people with five-seven years of experience.

Then there are programmes targeted towards working professionals and mid-career professionals, and those are being enhanced using the online format.

There is a rise in specialised management programmes. Are we moving away from general management education?

General management will always be required because somebody in an organisation needs to be able to stitch the different disciplines together and understand the interaction between a marketing decision and a human resource decision, a production decision and a supply chain decision.

Specialised programmes by definition are about expertise in a particular discipline. Continuing with my analogy of cars, there are multipurpose vehicles and specialised vehicles. They meet different needs and they happily co-exist. That there are various options is a sign of maturity of the industry.

We find maybe one in five people who has done a Masters, and actually considers coming back and taking an MBA because she realises that the two are not interchangeable. These are two very different products and serve different needs.

I also encourage students to think ahead. Those who are getting into the workforce now will be working for the next 40-50 years. It's important to have some generalised skills and not to be over-specialised. There is a risk in over-specialisation. It's important that we prepare not for the hot job market of today but for the ability to co-exist with organisations over a period.

Where does India stand as a management education hub for international students?

It is evolving. It's fair to say that outside students did not see India as a destination. Indian business schools did not do enough international outreach, nor did they have international recognition. That's changed over time. One of the things that we have been doing for two years is to build the Study in India programme. Last year, we worked with 13 different Indian business schools and marketed Indian business education to students in about 60 countries. Over the two years, we have seen candidate interest increase by about 65 per cent.

Also, of course, it helps that Indian business schools themselves have become more recognised and have got international ranking.

We could do with some help in the regulatory framework, which is a little bit restricting for reasons we don't entirely understand. For example, the regulators restrict certain schools from accepting the NMAT by GMAC exam (the NMIMS Management Aptitude Test is only for Indian business schools). Why? There are legacy reasons.

Apart from these, the visa regime is difficult for students. For example, if you are doing a two-year MBA programme and want to do summer internship, you need a separate work visa, which is difficult to get. We need to oil the wheel a little bit to lessen the friction but I am certain that we will work on that.

1954
Year the GMAT tests were set up

32,425
No. of GMAT tests taken in India (Jul 2017-Jun 2018, or test year 2018)

242,714
No. of GMAT tests taken globally (TY2018)

7,000+
programmes at 2,300 universities and organisations use the exam

76,973
No. of NMAT tests taken in 2018

[redacted]

In India, we see business schools focussing on exchange programmes and having more diversity. How will that help?

The Indian growth story has been heavily built around the country opening up to the world ever since reforms were implemented. Indian business schools also want to open up to the world and we need to remove bottlenecks in their way. A part of that is exchange programmes. Our students will be future business leaders and so they need to appreciate different cultural contexts.

Indian business schools should try to develop their unique identity. Sometimes we worry that in our hunger for international recognition, we become too much like everybody else. For example, too many business schools are now looking for international accreditation, which is a good sign of quality but it comes with a downside – to be credited, you have to conform to norms that have been developed for western business schools. We should leverage what's unique about India, because that's what is going to bring the international candidate here. If you are just like everybody else, then you are competing with them when there are certain things that don't work, like environment or perception of safety of our cities.

What unique features can Indian business schools leverage?

It's not what is unique about Indian business schools, it is about what is unique about India. India is multi-cultural, highly diverse, and has the ability to work together. But more importantly, we also know the concept of frugal innovation. Other economies can learn from that. We have to build upon what makes the Indian economy unique.

We are as aspirational as many economies in Africa and Central Asia. So, we should build programmes that are relevant to those economies. We should not try to build managers who can work for, say, General Electric, but managers who can work for successful Indian corporations or start-ups that are doing unique things in a way different from Silicon Valley organisations.

As of now, which are the top countries for MBA?

The biggest traditional market has been the US and that continues. But over the last couple of years, we have seen some decline in international volume in the US. Last year, it was about 10 per cent. It's cyclical and there has been a political environment that we have to deal with.

Some non-traditional markets have come up, for instance in Europe. Germany is an attractive market not only because of the quality of business schools but also the liberal visa regime. Moreover, Germany has been going through a negative population growth so it needs qualified individuals. Spain and Denmark, for example, have leading business schools. So, apart from the US and Canada, there are a lot of good options in Europe.

We are also beginning to see a rise of Asian business schools. In 2000, among the top 50 business schools as ranked by *The Financial Times*, 42 were in the US, eight in Europe, and zero in Asia. Last year, 12 were in Asia.

There are obviously quality business schools in India and China but also in cities like Singapore and Hong Kong. Students are saying: My career is going to be back in Asia, and now I have an equivalent quality of business education in Asia. So why don't I study here rather than go overseas? BT

@sonalkhetarpal7

The biggest threat facing our educational system today is relevance.

How do we keep the curriculum relevant for our rapidly changing world?

We speak with Sriram Subramanian, CEO of Callido Learning, an organisation at the forefront of curriculum in this domain.

Callido works with schools in 14 countries. What differences do you see in the curricula in schools overseas and in India?

Indian students have always flocked to the US and UK for education. It surprises me that we just accept that those systems are better, but not ask what about those systems is better.

We have studied the educational systems of many countries extensively and the one thing that strikes us is the focus on developing students' thinking skills in progressive systems.

In India, we focus on learning lots of information and getting good exam grades. In developed countries, they focus on helping students develop skills to apply these facts for real-life success.

Do you think the Indian parent is ready for that kind of curriculum?

The Indian parent today is acutely aware that the current system is not preparing their child for life beyond the exams. This is reflected in two growing trends – the rise of the IB and IGCSE schools, which offer a different way of learning; and the increased spending on supplemental programs for life skills or 21st century skills.

In fact, there is an unprecedent opportunity here for ICSE and CBSE schools to systematically build in 21st century skills into their curriculum and differentiate themselves from other CBSE/ICSE schools. After all, not all parents can stretch their budgets to an IB school.

What do you see as the biggest barrier to bringing these changes to schools in India?

The challenge in education globally is that it is impossible for schools to bring about systemic change overnight. Teaching practices which have been in use for decades cannot be shifted drastically within a short period of time.

In this environment, what schools need is a plug-and-play solution which does not disrupt their existing setup, but assures parents that their child is receiving instruction in top-quality curriculum. Fortunately, the advent of technology in learning makes it possible to overcome the traditional resource constraints.

How does the new education policy address these changes?

It is heartening to see the new policy address the need for a shift in our curriculum to focus more on 21st century skills. It remains to be seen how this will be brought into practice.

A genuine shift will entail changing what we teach, how we teach and most importantly – what we assess. Interestingly, we don't have a benchmark or national database that tells us the real caliber of our students on these crucial skills.

Finally, what's it been like at the helm of Callido?

Callido was born out of my personal journey – I had moved several industries during my time in the US and the UK. As I reflected on my journey, I realised that what matters most for students in school today is how well they will be able to take new opportunities that the economy presents; and adapt, learn and find success in the new industries that we do not even know of today.

Over the last four years, I have had the privilege of seeing our team grow to over 30 people, engage with the world's leading educationists and see our solutions bring transformation to schools in 14+ countries. We are riding the next big wave in this industry – the need for every learner to be developed into a critical thinker. With the increased penetration of technology, our plug-and-play digital assessments and content present a truly scalable solution which is enriching the learning process worldwide. I am definitely excited about what's to come.

ABAMA

of Students and on for Recruiters

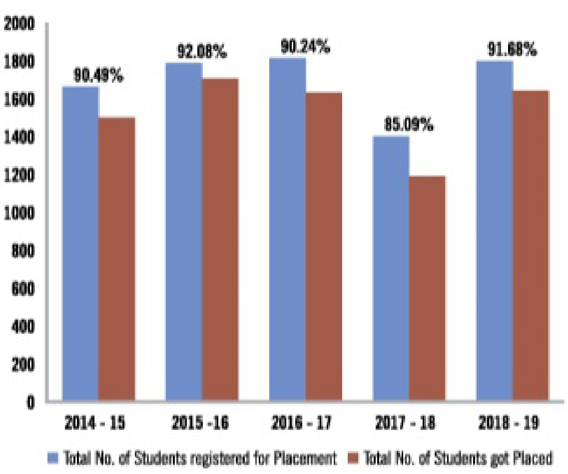
INDUSTRY SPONSORED CENTER OF EXCELLENCE LABS

- Mobility lab, Ria Lab-sponsored by Virtusa
- Embedded Systems COE - HCL
- WSN Iot lab , Cloud -sponsored by DST
- IBM center of excellence lab sponsored by IBM
- Center of Excellence for Collaborative Product design and development- CADD tech

AWARDS AND ACCOLADES

- 37th Rank among the Engineering Institutions in India by The National Institutional Ranking Framework, MHRD Govt of India, 2018.
- We are one among India's Top 50 Institutions for the past three consecutive years.
- Our Institution has been awarded Four Stars Ratings for Overall Performance by QS (Quacquarelli Symonds)
- One among the 42 Institutions from India to be featured in the Times Higher Education World Ranking
- Positioned 351+ in the Times Higher Education Asia Ranking 2018.
- Awarded University of the year- Excellence in Faculty (Special Mention) by Federation of Indian Chambers of Commerce and Industry, 2017
- Ranked No. 2 among the Private and Deemed Technical Universities in South Zone and Ranked No. 6 in India by THE WEEK Survey, 2018 Categorized as AAAA Grade Institute according to Careers 360 –Top Engineering Colleges Survey, 2018
- Ranked No. 8 among the Private Universities in India by India Today, 2018
- Ranked No. 24 among the Engineering Institutions in India by Education World, 2018
- Top Private T Schools in India by Dataquest-CMR, Best Tech School Survey 2018

PLACEMENT SUMMARY (for the last 5 years)



Few of our Eminent Recruiters:

IBM	YAMAHA	wipro
verizon	SPIC	TITAN INDUSTRIES
TATA COMMUNICATIONS	NOKIA	SIEMENS
RENAULT NISSAN	Mu Sigma	ORACLE
NTT DATA	Mphasis	Mindtree
LTI	IndusInd Bank	Human
HITACHI	HEXAWARE	HCL
ERNST & YOUNG	Godrej	DXC.technology
ADP	Deloitte.	Cognizant
Bonfiglioli	BAJAJ	amazon.com

CIRCA 2017. Chennai-based Ranganath Kumar Sami was working as the principal research engineer for Modine Thermal Systems. He was a reputed technocrat and reporting to the CXOs. "But when I started climbing the leadership ladder, I felt I should have a better grip on other crucial business aspects such as marketing or finance." A full-time, on-campus MBA course was ruled out as he was not willing to leave his family (or stay away from his job, for that matter). Then he came across an online programme conducted by the University of Illinois in partnership with Coursera, a provider of massive open online courses, or MOOCs. These short-format video lectures and self-assessment tests can be accessed remotely by all whether they are commuting to work or have managed to snatch some free time when their babies are napping. Now Kumar Sami puts in 10-14 hours a week from the comfort of his home and has finished six semesters over the past two years.

Unlike traditional online courses with limited enrolment opportunities and high tuition fees, MOOCs are the knowledge highways for self-motivated and evolving learners. They have been around since 2008 but became a global phenomenon three years later when Stanford professor Sebastian Thrun and Google's Director of Research Peter Norvig uploaded on the Internet a free course on artificial intelligence. The aim was to bring the best education to the remotest corners of the planet and help learners expand their professional and intellectual horizons. It was

TAILOR-MADE

Massive open online courses, or MOOCs, could be the most convenient way to upskill or reskill people and drive professional growth.

By SONAL KHETARPAL
ILLUSTRATION BY AJAY THAKURI

[redacted]

an instant hit and saw thousands of enrolments within the first few weeks.

Kumar Sami is a part of the cohort, taking advantage of the $3.9 billion global market, according to data from Pune-based market research company MarketsandMarkets. The MOOCs market is estimated to grow at a 40 per cent CAGR and reach $20.8 billion by 2023 as professionals keen to master 21st-century skills eagerly seek online degrees. Global players such as edX, Udacity and Coursera have partnered with top universities to bring their courses online, but one will also find marketplaces like Udemy (now in India), Edureka and Simplilearn where subject matter experts create content to improve job-related skills. The platforms have also introduced B2B verticals, where they offer a curated set of courses to companies.

How India Fares

India is the second-largest market for MOOC providers after the US. According to data from MOOCs aggregator Class Central, globally, 101 million students could access 11,400 courses from over 900 universities in 2018.

MOOCs BY NUMBERS

Number of learners:
101 MILLION

Number of universities conducting MOOCs:
900-PLUS

Number of courses:
11,400

Source: Class Central; data shows estimated global numbers in 2018

[redacted]

But unlike the West, where learners often take up programmes based on personal interests, Indians are mainly pursuing online education to ensure career advancement. Coursera says over 94 per cent of its 4.2 million learners in India are in the age bracket of 18-39 and 40 per cent of these courses cover business and technical topics. Understandably, local players such as upGrad, Unacademy and Jigsaw Academy (acquired by the Manipal Group in June 2019) have joined the race to tap the 'massive' opportunity.

The government has also come forth as India aims to attain a gross enrolment ratio of 30 per cent in higher education by 2020 compared to the current 25.2 per cent. In July 2017, the Ministry of Human Resource Development (MHRD) built SWAYAM (Study Webs of Active Learning for Young Aspiring Minds), a platform for MOOCs developed in India. Academicians from IITs, IIMs, NCERT and IISc have created course content for eight categories, and the platform has seen 10 million enrolments to date. Last year, the University Grants Commission (UGC) introduced a credit transfer system for courses on SWAYAM and it currently allows eligible higher educational institutions (HEIs) to offer all regular and open and distance learning courses online. The quality parameters for the HEIs are quite stringent as they must be in existence for at least five years and get a minimum of 3.26 accreditation by UGC's National Assessment and Accreditation Council on a four-point scale. Besides, they should be among the top 100 institutions on the NIRF (National Institutional Ranking Framework) for at least two years out of the previous three years.

The rush for online programmes or subject matter preference is not surprising, given the subpar quality of education and outdated curricula in many institutions. In contrast, MOOCs offer access to top courses from all over the world. "They help in knowledge distillation and can complement (traditional) learning," says Partha Chatterjee, Associate Professor and Head of Economics Department at Shiv Nadar University (SNU). MOOC platforms are not competing with offline universities, though, as they are partners in course content creation. But there is enough competition among providers to strike deals with top universities, says Dhawal Shah, Founder and CEO of Class Central.

Although MOOCs are mostly regarded as quick-fix career-enhancing programmes, they could generate deeper understanding and strong interest among participants. Tech professional Sushil Menon has become a lifelong learner as these courses brought about a meaningful change in his career. Five years ago, he was looking for a career switch and decided to study data analytics and machine learning for six-eight months. "The courseware from the best universities helped me understand the new concepts in those fields and I landed an interesting job," he says. "Even now, those concepts are quite relevant at work." Menon is currently pursuing a course on statistical learning, designed by Stanford Online.

Echoing Menon, Sourabh Dev, Founder of Gurgaon-based start-up Engorithm Tech, narrates what has driven him. The techpreneur wanted to master cloud technology and artificial intelligence, but had few options and started his journey in 2005 with Coursera and edX. "I am a graduate in Computer Science, but what we learn is quite outdated. So, I had to delve deep in order to create a cloud set-up for my company," he recalls. As the company grew, Dev switched to management skills and has already completed 100-plus courses across several platforms.

"MOOCs help in knowledge distillation and can complement traditional learning"

PARTHA CHATTERJEE
ASSOCIATE PROFESSOR AND HEAD OF ECONOMICS DEPARTMENT, SHIV NADAR UNIVERSITY

"When I started climbing the leadership ladder, I felt I should have a better grip on other crucial aspects such as marketing or finance, and MOOCs helped"

RANGANATH KUMAR SAMI,
MOOC user

Twists and Turns

How useful are MOOC certifications when job seekers approach recruiters? While young people are often appreciated for their self-motivation and passion for learning, recruiters are overcautious and take these certifications with a pinch of salt. After all, MOOCs work well for technology courses where self-learning and practising are crucial, but they may not be ideal for marketing or communications programmes where classroom discussions and interactions with peers play a significant role.

MOOC providers are facing yet another challenge. In spite of the content quality and the extremely convenient anytime-anywhere access, student engagement on these platforms is quite low. The key reason: Adult learners are often pressed for time due to work and family commitments. For instance, Menon, an avid learner, completed seven courses but dropped out of 20 because of his overcrowded schedule. Dev, too, encouraged his friends to take up MOOCs, but very few were in it for the long haul. On the other hand, he felt compelled to continue as his company's performance was at stake.

To enhance learner engagement, platforms are shifting most courses from live-lecture format and time-bound modules to shorter, pre-recorded sessions that can be accessed and perused at one's convenience; in-between, there are multiple-choice quizzes or short tests. Peer networks are created, and both alumni and teaching assistants have become part of those groups for better guidance, problem-solving and brainstorming. "We are currently building a community of mentors, primarily our alumni, who can support students more effectively," says Lalit Singh, Chief Operating Officer of Udacity.

Irwin Anand, India Managing Director of Udemy, says that failure to retain students means 'instructors revenues' are at stake (it works on a revenue-sharing model). So, the trainers always respond to students' queries and upgrades the courseware if it is required. "Sixty per cent of our courses have been upgraded in the past six months," he adds.

Shah of Class Central also asserts that fewer people are now joining MOOCs – from 23 million in 2017 to 20 million in 2018 – but the number of paid users has increased. And that brings us to another critical factor that increases course stickiness – cost. Earlier, courses were free, but students seeking academic credentials or other services had to pay fees. Now companies have introduced paywalls with additional benefits. For instance, Udemy offers a 30-day money-back guarantee in case a student feels the course has not benefited her, says Anand. "The money-back option allows people to experiment and keep them engaged. Also, when one pays for a programme, she is likely to complete the

TOP FIVE GLOBAL PROVIDERS OF MOOCs

by registered users (as on June 30, 2019)

Coursera
42 Million learners

edX
21 Million

XuetangX
14 Million

Swayam
10 Million

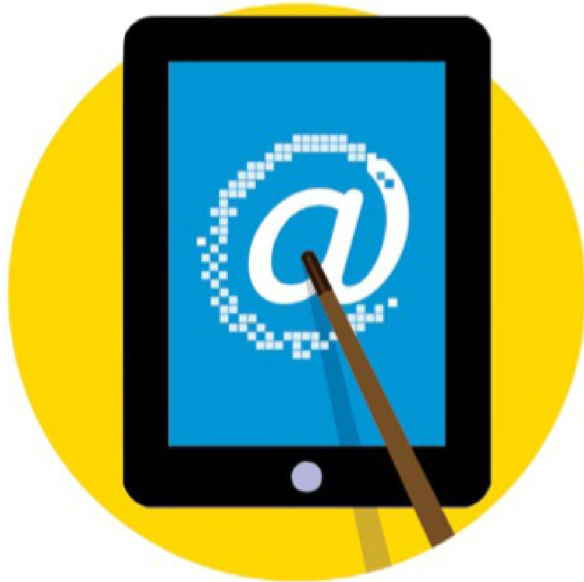
Udacity
10 Million

Futurelearn
9 Million

Source: Class Central

BACK TO SCHOOL

By SONAL KHETARPAL AND E. KUMAR SHARMA
ILLUSTRATION BY AJAY THAKURI



Chittaranjan Sahoo, 34, had joined IT major Tech Mahindra as a software developer. But when he saw the demand for data science skills growing exponentially, he decided to upskill via RIDE, the company's learning and development platform. Sahoo pursued an edX course on data science, developed by the University of California at San Diego. After completion, he was selected to work for a telco client and will soon move to the US to work onsite.

According to S.V. Nathan, Partner and Chief Talent Officer at Deloitte India, "Employees today are as good as their last learning. With the rapid pace of technological advancements, companies are expecting far too much from its workforce in too little time." However, most companies do not have the resources to ensure that up-to-date, quality content reaches its employees on time, at their specific locations. "MOOCs can synthesise all requirements and bring it in the shape and form that people can use anytime and anywhere," adds Nathan.

Organisations, both new and old, big and small, are tying up with MOOC players to help their employees learn and grow. Tech Mahindra has partnerships with a handful of providers, including edX, Pluralsight, Udemy, FutureSkills (promoted by NASSCOM), SAP Learning hub, Mettl and kPoint, among others. Employees at Tata Communications have unlimited access to Coursera, Skillsoft and Pluralsight, among others via an on-demand platform that enables self-paced learning. Understandably, benefits here are twofold. Employees get personalised content and learn at their convenience. And companies can offer some of the best courses at scale and far lower costs.

As each company has tie-ups with multiple providers, does it lead to a content overload? Vaishali Phatak, Group Function Head, Technical Learning Services, at Tech Mahindra does not agree. "The USP of each player varies in terms of content and focus area and even functionality. Hence, we have to meet the requirements of all functions which serve immediate needs or the needs for future skills." More than 75 per cent of Tech Mahindra employees completed their courses on these platforms. Studies show when companies push for MOOCs, the completion rate goes up. For example, over 4,000 employees at Tata Communications completed various skills certifications last year. Besides, several business units of the telco have functional academies which provide customised programmes. Managers and leaders often ask their teams to acquire specific skills and pursue relevant programmes.

Finally, do learners feel motivated and engaged to pursue their second innings at school? According to Nathan, companies must enable and promote a culture of learning. "They must get the point across that their people need to work on new skills. On the other hand, organisations should make sure that courses are curated with the learners in mind and offer an aspirational value," he says.

course." Udemy claims to have 40 million students and 50,000 teachers globally who teach 1,30,000 courses while fees range from ₹360 to ₹12,800.

According to Raghav Gupta, India Director of Coursera, paid learners here have a completion rate of around 60 per cent, the highest from all countries as Indian consumers seek value for money. Furthermore, it has a strong focus on super-specialised programmes. Coursera calls them MasterTracks, which cost ₹1.5-2.6 lakh and takes six-nine months to finish. However, other courses and specialisations offered by the company are competitively priced at ₹3,500-5,500. Its competitor, Udacity, offers a set of free courses apart from several super-specialised technology programmes called nano degrees, each costing a monthly fee of ₹22,299.

Working out the kinks may not be easy, though, says Chatterjee of SNU. MOOCs get the thumbs up for ease of access and scale. But they may have misplaced focus or may not be reaching the right kind of people, say, a first-generation college-goer. A look at the ground realities will also confirm this. For example, 70 per cent of the users who log in to MOOCs are from top Indian cities. Also, there is a strong focus on topics such as analytics and data science that can be easily monetised instead of broadening and deepening the content across disciplines. "Currently, even the introductory courses are designed after the US system. As most of the lectures are in English and the faculty often speaks with a strong foreign accent, it could easily put off the non-native speakers here," says Chatterjee. Besides, a lot of these professional courses may not find many takers among the remote learners, hailing from the small towns and beyond. Unless the ecosystem evolves and offers education at every level, in every major Indian language, MOOCs may fall short of Thrun's vision. BT

$3.9 Billion
The global MOOC market in 2018

[redacted]

@sonalkhetarpal7

COACHING INC

A motley group of coaching institutes has extended its reach by offering supplement online content for students.

By E. KUMAR SHARMA
Illustration by Ajay Thakuri

THINK OF COMPETITIVE examinations in India and the first thought that comes to mind is of students and parents seeking the right coaching courses. From Kota to Hyderabad and Delhi, Coaching Inc has spawned teaching hubs with factory-style scale and the ability to turn asymmetric input into uniformly refined output. Year after year, batches of exam-ready students are churned out of these talent factories brandishing their high scores and ranks – tickets to their dream careers. What's changed is that most students are part of coaching classes as well as online courses, subscribing to online examination series and content.

In 2012, Asian Development Bank had published a report on "Shadow Education" which stated that 60 per cent of primary school children and up to 83 per cent students in high schools received private tutoring. According to a June 2018 report by Care Ratings, the size of Indian coaching classes segment was about ₹21,700 crore in 2016/17 and is expected to grow at over 13 per cent (compounded annual growth rate) over the next three years to reach ₹31,500 crore. The main drivers are demand for specialised education and training, growing importance of pursuing professional education with the number of aspirants much higher in relation to the number of seats available, the report states.

₹21,700 CRORE

Market size of Indian coaching classes segment in 2016/17

₹31,500 CRORE

Size of the market in three years, growing at 13% CAGR

₹1,000-50,000

Cost of downloadable content and other material

Major hubs:

Kota, Hyderabad, Delhi, Chennai, Ranchi

The E-Format

Increasing demand means that many coaching institutes now offer online course-plus-examination series. Some names that many students mention are Resonance, Allen Career Institute, EtoosIndia, Byju's, Bansal Classes, Motion IIT Institute, FIITJEE, Chaitanya and Narayana. Apart from reasons such as proliferation of gadgets (smartphones and tablets) and easy access to internet, students want online content because many entrance examinations are now in an online mode.

Etoos, a coaching giant from South Korea, is known more for its online presence in India, especially for study material, online lectures and test series. Allen Career Institute, which founder Rajesh Maheshwari had started with just about eight students in Kota in 1988, has since then coached more than 1 million students in classroom programmes, its core competency. However, Naveen Maheshwari, Director of the institute, says that in keeping with the trend towards online courses, "We started our Onlinetestseries.in portal for students in 2012/13 with a strength of 1,955 students. For session 2018/19, we have crossed 53,237 students." He explains that students take online courses as a supporting tool to leverage classroom programmes. "(But) the primary choice to prepare for national examinations remains classroom contact programmes."

In a bid to familiarise themselves with the examination process and papers, students opt for a larger variety of tests and enrol at more than one coaching institute. For offline classes, most students bank on coaching institutes and then tap into online content from other institutes to further fine tune their understanding of concepts and to get a sense of how they fare nationally in online tests. The online material costs range between ₹1,000 and ₹50,000 depending on the type of content sought and its duration. BT

@EKumarSharma

THE BREAKOUT ZONE

P.106 MAKEOVER MANTRA

P.114 LEADERSPEAK: HARKIRAT SINGH

MIXED REALITY

WHEN HOLOGRAMS GO TO WORK

Microsoft's HoloLens 2 can be combined with other emerging technologies to help people at work.

Illustration By Raj Verma

PEOPLE ATTENDING MICROSOFT Inspire in July this year must have wondered whether they were watching a 'Beam me up, Scottie' type of scene from *Star Trek*. It started when Julia White, Corporate Vice President of Azure Marketing, showed off what the HoloLens 2 (mixed reality) headset could do in sync with other cutting-edge technologies. The result was jaw-dropping.

After donning the headset, White explained how frequently she had to travel on work assignments and the big problem she faced – she could not always speak the local tongue. White then held out her palm and a green mini-me materialised on it. Next, she commanded the hologram to scale, and within seconds, a life-size clone of White stood on the stage, dressed in the same outfit (it was created at Microsoft's Mixed Reality Capture Studios). Of course, the world had seen ultra-realistic holograms before, even those developed by Canadian scientists which could be seen without special gadgets like headsets. The scientists called the system TeleHuman2, but White's virtual double was way better. It started to deliver a keynote in Japanese, moving as she does in real life and emulating her tones and vocal inflexions. True, the hologram did not lip-sync too well and sounded a little more muted and sober than the real White. But it did a good job considering that White does not speak Japanese, and the entire keynote was machine-translated.

The entire effect was made possible by using 3D-capture technology, Azure Translate, neural text-to-speech and artificial intelligence (AI). The video is freely available online, and viewers can see how such 'holoportation' may turn out to be a common form of interaction across distances in the not-so-distant future. Microsoft had previously demonstrated the use of holograms for telepresence. But photorealistic holograms rendered in 3D, as in the case of White, will enable more realistic participation and interaction.

However, the technology is not yet ready for the mass market. The HoloLens alone costs over $4,000 and requires other contributing technologies to work in sync. Microsoft has been at the forefront of mixed reality (MR) research for some years now and intends to leverage the entire bunch of technologies for specific use cases across industries. Airbus, for example, has started testing MR solutions with Microsoft. The aeronautics company has identified 300 use cases where holographic and other MR solutions can be applied to achieve its aircraft production goals. These solutions can be used to help workers get instructions and information while they are on the job. In fact, be it product design, construction or architecture, communication or entertainment, interactive holograms, which can be touched and manipulated, will take things to an entirely new level of precision, efficiency and creativity. The HoloLens headset also offers eye-tracking that can sense what you are looking at and produce relevant information along with automatic scrolling as you read on. Users can log in via iris recognition, making information-sharing among multiple co-workers easy and secure. **BT**

BE IT PRODUCT DESIGN, COMMUNICATION OR ENTERTAINMENT, INTERACTIVE HOLOGRAMS, WHICH CAN BE TOUCHED AND MANIPULATED, WILL USHER IN A NEW ERA

FUTURE TECH

NOW THOUGHT-CONTROL YOUR COMPUTER

ELON MUSK IS AT IT AGAIN. His start-up called Neuralink is exploring the ultimate in the brain-machine interface (BMI) – humans controlling computers with their thoughts. By way of proof of concept, a chip with 3,000 electrodes, all fitted with an array of ultra-thin polymer threads, has been developed so that it can be implanted into the brain by a robot. Once that is done, the device can analyse neuron activities in a specific area and stimulate a limited set of neurons by using artificial intelligence (AI). But the chip would, by no means, control or affect the entire brain. Details of how the brain-technology connection takes place are sketchy. But Musk hinted at a Bluetooth-like activity and said that "a monkey has been able to control the computer with his brain". Neuralink is currently waiting for regulatory approval to start trials on humans.

The idea, for now, is to ensure that people with serious neurological disorders can control gadgets and machines, thus empowering them to 'talk' to and participate in the world around them. But as always, Musk's long-term goal is somewhat fantastic – a symbiosis of human brain, AI and computer to create 'superhuman cognition'. It will take a long time, though, as Neuralink has taken a few baby steps towards the stuff sci-fi is made of. But those steps have already startled the world and made us wonder about a future when both humans and machines could thought-control each other. **BT**

PERSONAL TECH

MAKEOVER MANTRA

IF YOUR CHERISHED PHOTOGRAPHS, LETTERS, MUSIC OR OTHER IMPORTANT DOCUMENTS ARE LOCKED AWAY IN THE ANALOGUE WORLD, GIVE THEM A DIGITAL LEASE OF LIFE WITH THESE SIMPLE DO-IT-YOURSELF STEPS.

By NIDHI SINGAL
Illustration by RAJ VERMA

ALL OF US HAVE boxfuls of old snapshots, videotapes and audio cassettes, remnants of an era gone by but still fondly cherished. Digitising them could be a great idea as it would keep the data secure and also ensure instant access and hassle-free sharing. In case the idea of tech transformation intimidates you, help is at hand. For instance, there is Visakhapatnam-based ScanCorner, a one-stop solutions provider for all your digitising needs, from scanning decades-old photographs and negatives to transferring audio and videotape content to DVDs. However, you will end up paying anywhere between ₹10 and ₹50 or more for digitising a single photograph/negative. Prices differ for transferring video content. Some companies may charge around ₹700 for a three-hour-long videotape while some will do it on the minute basis (starting from ₹19 per minute). Costs could be higher if you have any special requirement. On the other hand, you can take the plunge and do it yourself; all you need is the right set of hardware and software. Here is how the shift from analogue to digital can take place.

DIGITISE PHOTOS, DOCUMENTS: This may take some time, but digitising printed photographs and paper documents at home is not difficult. Regular scanners, including the ones in all-in-one printers, can do the job. But you can always invest in special photo scanners. Consider the Epson Perfection V39 Color Photo and Document Scanner with 4,800x4,800 dpi scanning that costs around ₹4,300. In case you do not want to buy additional hardware, photo-scanning apps could be a great alternative. PhotoScan by Google Photos caters to both iOS and Android and offers several features such as glare-free and reflection-free scans, automatic edge correction and smart rotation. It also stores all scanned images, makes them searchable and enables you to edit them and add special effects. To get the scan done, hold your smartphone right above the photo and press the shutter button. Now move the phone over the four dots appearing on the image to capture different angles. For converting black-and-white and colour negatives, one can use the Helmut Film Scanner, an Android app that uses a unique algorithm and does colour correction automatically. You will also find built-in manual controls for adjusting colour saturation, brightness/contrast and image sharpness. If some of your old photographs need repairing, go for a professional service. Similarly, for scanning documents, you can either rely on scanners or scanning apps such as CamScanner.

SECOND LIFE FOR VHS TAPES: Back the '80s and the '90s, almost every family captured some memorable events via video home systems (VHS) and stored them. However, the VHS may soon become obsolete or you may end up damaging it, and the home videos will be lost. Digitising the content at home will require a VHS player, an analogue converter (you may need an adapter) and a PC with a USB port and DVD drive. Connect the USB side of the analogue converter to the PC to instal the accompanied software while the three-pin cable of the converter should be connected to the output option of the VHS player. After adjusting the capture settings and selecting the destination folder on your PC, put the videotape in the VHS in the player and wind it to the point from where you want to start the conversion. Now, hit the Play button on the VHS player and simultaneously click the recording option on the PC. For converters, there is a host of options starting from ₹499. You can also try the Elgato Video Capture, one of the best products in this space (available online for ₹13,900).

THE AUDIO JOURNEY: We live in a world where downloading or streaming music is quite commonplace. One can even access the oldest of tracks in digital libraries. But it is also likely that you still have a bunch of old cassettes with your most treasured audio content recorded on them. Here is what you need to do to digitise that content. Put the audiotape in a cassette player and connect the latter to your computer's microphone (line-in) port. This can be done by using a 3.5 mm audio cable or an RCA-to-3.5 mm cable, depending on the tape deck. You can use the PC's built-in recording system or a free programme like Audacity to record the audio. Now press the Play button on the cassette player and start recording on your computer. When you are through, hit Stop buttons on both and select Export as MP3. You can also consider cassette-to-MP3 converters for a hassle-free experience, but many of them fail to deliver what they promise. BT

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SAMSUNG GALAXY TAB S5E

PRODUCTIVE, WITH DOLLOPS OF FUN

PRICE
₹35,900
for tab (Wi-Fi) and ₹7,999 for the keyboard

WE HAVE ALWAYS maintained that tablets are useful consumption devices, but not the workhorse that professionals desire. But finally, one member of the tab family has arrived there. The S5e boasts excellent build quality, including thin bezels, a lightweight but big display with 82 per cent screen-to-body ratio, a brilliant AMOLED screen and quick access to thousands of apps for reading, video streaming and games. But what takes it to the next level is the DeX platform on Android P and the POGO keyboard which can be purchased separately.

DeX or the desktop-like user interface looks neat. Everything has been placed on a taskbar at the bottom – right from the apps menu and the icons (for running them) to the multitasking button, quick access to shortcuts, search, sound and more. Most of the default apps loaded on the tab also work well in the DeX mode. Working on Google Docs and Excel is pure pleasure. DeX also supports the Microsoft Office suite (a subscription-based service) and video calls on Skype by using the 8 MP front camera. Having both DeX and tablet modes on the Android P makes working seamless and hassle-free. For instance, when the CamScanner app failed to work on DeX, I could easily switch to the tablet mode, and use the 13 MP rear camera to scan documents, upload them to the drive and switch back to DeX. None of the apps shut down when I was switching modes.

The POGO keyboard supports keyboard shortcuts such as Alt+tab for switching between running apps and has dedicated keys for search, on-screen keyboard and other functions.

The tab is built with the military-grade Samsung Knox software. It also supports face unlock and a fingerprint scanner has been embedded in the power key to beef up security.

The S5e is powered by the Qualcomm Snapdragon 670 processor and comes with 4 GB of RAM and 64 GB of onboard storage. The 7,040 mAh battery lasted me close to a day's work, including browsing, documentation and video editing. The svelte look, super-bright display with the right viewing angles and great audio make it a perfect companion for work and play. But Samsung has ditched the headphone jack and you will have to rely on a Bluetooth device to enjoy your music. BT

@nidhisingal

EXECUTIVE HEALTH

A PAIN IN THE NECK

HYPERPARATHYROIDISM COULD GO UNDETECTED FOR YEARS. IF LEFT UNTREATED, IT MAY CAUSE SEVERE HEALTH DAMAGE.

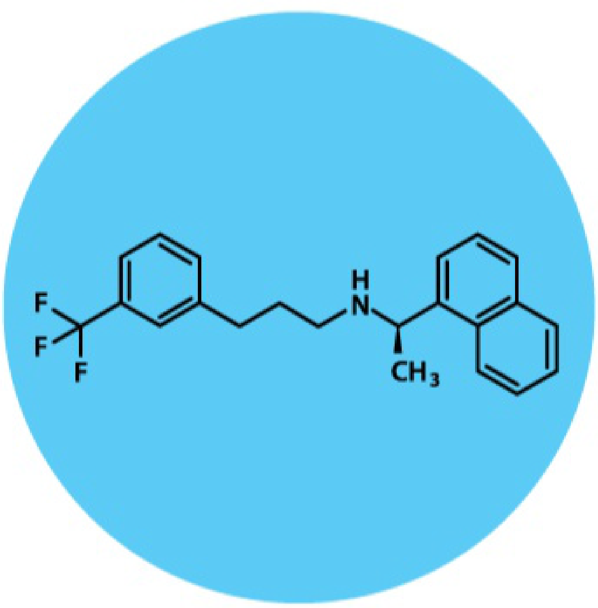
By E. Kumar Sharma

HAVE YOUR PARATHYROID GLANDS gone into overdrive, secreting too much hormone? Or too little, for that matter? Our body has four such glands, located in the neck (right behind the larger thyroid gland), which control the calcium level in our body. Any malfunctioning of those glands could trigger a bunch of symptoms, from high blood pressure, palpitation and bone-and-joint pain to kidney problems or a sense of malaise. If you have been under the weather for some time or constantly suffering from any of these symptoms, a check-up might be essential to find out whether you are suffering from primary hyperparathyroidism or PHPT. This condition occurs when the glands produce an excessive amount of parathyroid hormone, thus increasing the calcium level in our blood. It is the third most common endocrine disorder after diabetes mellitus and thyroid disorders, as per the Indian PHPT registry.

Although PHPT is not considered a lifestyle or a hereditary disease, some people may inherit a gene that causes the disorder. In about 85 per cent cases, a benign tumour or adenoma leads to the disease. Other reasons include gland enlargement or hyperplasia (10-15 per cent cases) and, in rare cases, a malignant growth. One may also suffer from secondary hyperparathyroidism where the blood calcium level dips due to other reasons, but later on, the parathyroid glands get affected. Initially, the symptoms mentioned are often absent and later on, many of them get dismissed as signs of stress. But left untreated for a long time, this could lead to severe health issues such as osteoporosis and memory loss.

According to the Indian PHPT Registry, the prevalence of the disease varies between 1-in-400 and 1-in-1,000 in the West. Epidemiological studies on India are not available yet, but doctors have observed a rise in the number of cases, especially in the 30-60 age group. "If one looks at the number of surgeries taking place (the only option in most of these cases) to remove the affected gland/s, there has been a threefold jump over the past decade," says Dr Manoj Chadha, a Consultant Endocrinologist at Dr P.D. Hinduja National Hospital & Medical Research Centre in Mumbai.

Diagnostic tests are also of critical importance as PHPT is asymptomatic. Dr Chadha attributes the growing number of cases to a substantial rise in awareness and availability of high-tech diagnostic tools, making detection easier. Besides the routine biochemical tests, nuclear medicine and 4D CT scans are being increasingly used to ensure accurate diagnoses.



FUTURE IN DRUG-BASED THERAPY?

REMOVING THE AFFECTED parathyroid gland/s is the only solution today, but better diagnostic tools and non-surgical options may not be far away. According to a recent article published in the *Science Daily*, the discovery of a signalling protein could lead to drug-based therapies for treating hyperparathyroidism. Led by the Duke-NUS Medical School in Singapore, researchers have discovered a signalling protein (semaphoring 3D or Sema3D) secreted by the parathyroid glands that seems to protect them from excessive activity. This could be a breakthrough, opening up a new channel for drug development to treat the ailment. As of now, get a simple blood test done to check blood calcium and vitamin D. It is the best initial screening and costs around ₹1,500. BT

LUXURY

OF SERENITY AND SPLENDOUR

DISCOVER EVERYTHING YOU NEED TO KNOW ABOUT SOUL FOOD, SOOTHING DÉCOR, GRACEFUL FASHION AND A RIVER RETREAT IN THE FOOTHILLS OF THE HIMALAYAS.

BY PRACHI BHUCHAR

RIVERSIDE RETREAT

PLUSH AND PEACEFUL

TAJ HOTELS has added another feather in its cap with the launch of a new property on the banks of the River Ganges. The Taj Rishikesh Resort and Spa is around 30 km from Rishikesh and offers magnificent views of the river and the Himalayan range. The resort syncs well with its pristine surroundings, and many natural elements have been incorporated to give the guests an authentic Garhwali experience. Gourmet dining, the magical Jiva spa and ample open space all around will help you enjoy all that is plush and peaceful. This is an ideal getaway for those looking to spend their vacation in the lap of nature.

Perched above the River Ganges, ***The Taj Rishikesh Resort and Spa*** *offers breathtakingly beautiful views of the majestic mountains*

COLLABORATION

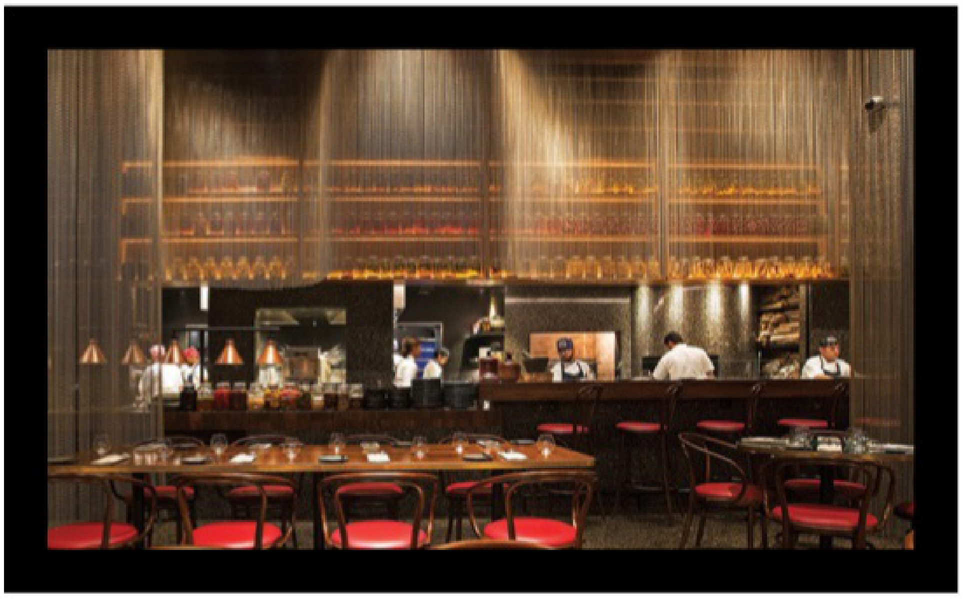
Food, Drink and Décor

FASHION designers are known to collaborate with big brands, but a similar approach in other spheres has witnessed more creative pursuits. For instance, Raseel Gujral's prominent home design brand Casa Paradox has lent its design strokes to hospitality brand Olive Bar & Kitchen. A series of nature-inspired wall arts, brilliant blue paper lanterns and matching table accents have transformed the elegant colonial structure. But there is more to wow the patrons. The Sunderban Mahal, soothing in green, leafy wallpaper, is an essential part of Serai, the bar on the premises, and the Mediterranean-themed courtyard now has more than a smattering of blue as Gujral uses her Urban Jungle series to perfection in the form of wallpaper and other detailing. At a time when Olive is celebrating its 15th year, this novelty is more than welcome as it has given the place a magical facelift.

FINE DINING

SOUL FOOD, ALL SPICED UP

RESTAURATEUR and chef Rahul Akerkar might have burnt his fingers in Delhi, but he is a favourite in Mumbai where he started his iconic restaurants under the Indigo label. After a four-year hiatus, he is back with Qualia, which is a true labour of love and distils the chef's experience over the years. With a high ceiling and an impressive all-glass front, an open kitchen, dark wood and deep, rich reds, the sprawling space looks impressive. The food, best described as soul food, looks good and tastes even better and has a wonderful blend of sweet and sour flavours. Pickle jars line the empty spaces in the restaurant and elements of pickle are there in almost every dish. Mumbai is lapping it up as there is plenty to experiment with at this new hotspot.



AUDIO NOTE

Grand and Mighty

This must be music to your ears if you are in love with music. Japanese brand Audio Note is often considered the ultimate luxury by those who love its exceptional audio, great craftsmanship and attention to detail, all of which make the brand so sticky. The Audio Note Ongaku, which is now available at the brand's exclusive outlet in Mumbai, is priced close to ₹1 lakh, and rightly so. It takes highly skilled craftspeople 100 hours or so to handcraft this Holy Grail of audio, and the carefully chosen parts are the finest in the world. The outcome is an integrated amplifier that offers pure aural pleasure. This one is ideal for connoisseurs and up-to-date audiophiles looking for the next level in sound quality.

SILVERWARE

Luxe Cutlery

CONNOISSEURS across the globe are familiar with the luxury silverware brand Robbe & Berking, hailing from Germany. Not only has it found its way to some of the finest Michelin Star restaurants, but it is also the first choice of countless high-net-worth individuals looking to live life king size. With more than 140 years of experience behind it, the brand has won countless awards and been showcased in museums as well. It has now made its way to India in collaboration with a retail partner SR Artefacts, which is, once again, a respected name in luxury silverware. The cutlery produced by Robbe & Berking is a pure delight as everything is carefully handcrafted, thus setting the brand apart from competitors. BT

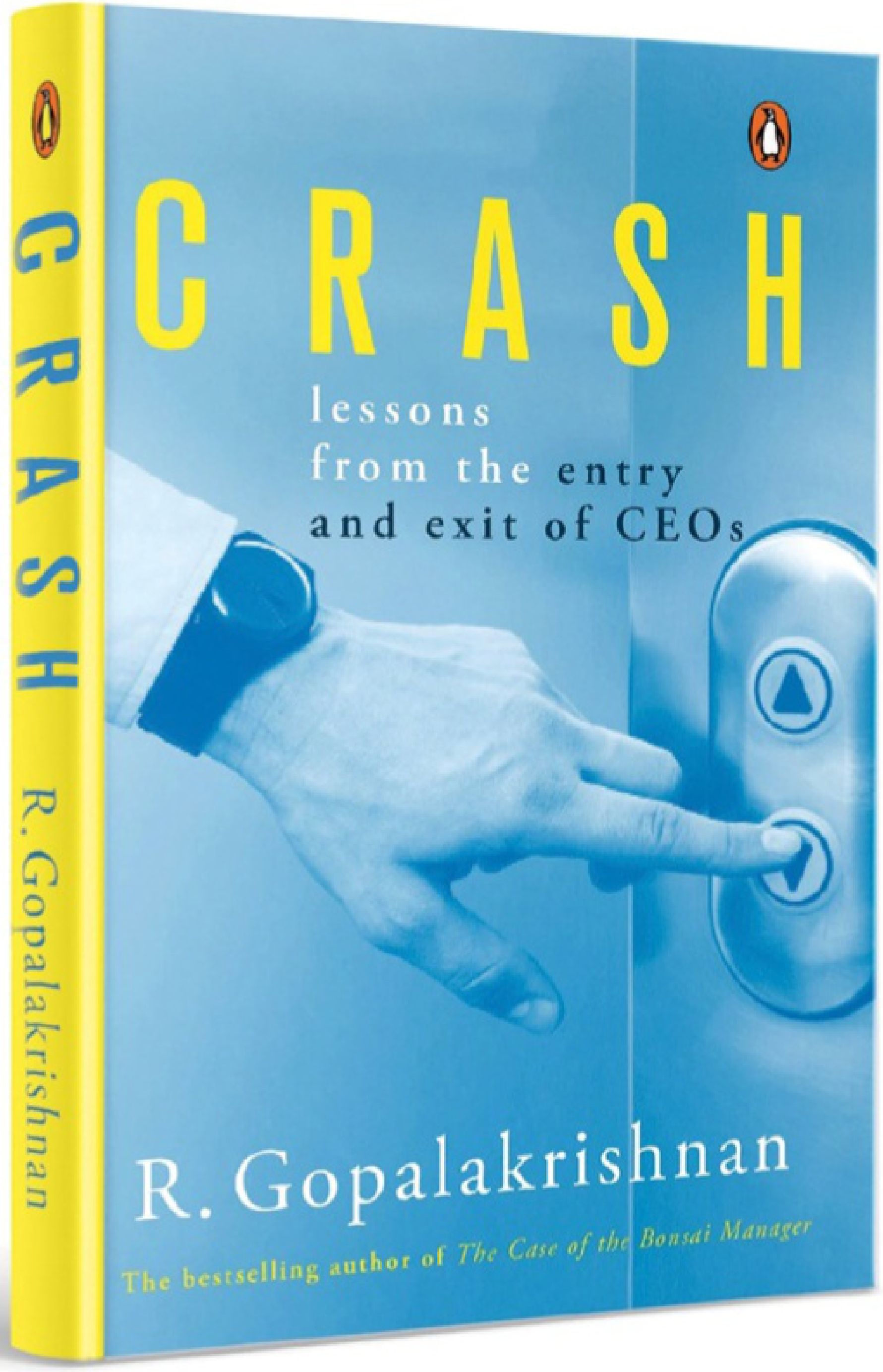
Crash: Lessons from the entry and exit of CEOs

By R. Gopalakrishnan

Publisher: **Penguin Portfolio**

Pages: **288**

Price: ₹**499**



EX-LIBRIS

TREACHEROUS TERRAIN

THE CORNER OFFICE HAS TOO MANY PITFALLS, BUT BUILDING RELATIONSHIPS WITH KEY STAKEHOLDERS MAY HELP WHEN THE GOING GETS TOUGH.

By Sourav Mukherji

I HAD MIXED FEELINGS after going through *Crash*, penned by a prolific writer with vast industry exposure. Books on leadership come a dime a dozen and they usually fall in two categories. The pedantic ones, written by academicians (like me), belabour platitudinous points. Others, often written by practising managers, narrate and sermonise strategy success or shortfall and turf wars. This book is neither. The author's insights are drawn from his rich corporate experience, and he backs them up with further research in diverse fields such as economics, mathematical biophysics and psychology.

That the book focusses on CEO exits also aroused my interest. Job exits, from a typical perspective, are often considered failures, and there is a growing understanding that failures can be a better teacher than success. *Crash* lives up to that expectation. Besides, a success saga mostly plays up grand qualities of people and does not dwell much on randomness, corporate machinations or acts of betrayal. In contrast, exit stories indicate that it is not performance alone, but relationships with key stakeholders such as the board of governors and influential shareholders which determine all hirings and firings. Gopalakrishnan's book explores this sinister side of corporations where decisions are made to look rational post facto, and power struggles determine outcomes.

However, the author's insights could have been aligned better with the 15 eventful case studies which narrate how the CEOs were sacked. The first part of the book talks about the changes in CEO behaviour after they assumed power, but the case studies do not delve deep enough to substantiate those points. The stories also lack uniformity. For instance, the chapter on Infosys and Vishal Sikka runs into 31 pages while that on Ramesh Sarin at Voltas has less than six pages. Neither narrative allows us to apply the six-stage monomyth of business leaders that the writer hypothesises in the first part of the book.

The chapter on Sikka makes for

interesting reading, though. It puts together a lot of information about the controversial acquisition of Panaya and leaves readers wondering how such a failure could occur in an organisation known for its ethical practices. The author ends the chapter by posing some relevant questions. But I would have liked to know his take on corporate governance failure. After all, we are increasingly witnessing the same in many Indian companies which we used to idolise. Does it happen because the power is going to their heads? Is it about hubris that destroyed the legendary mountaineer Rob Hall as overconfidence made him ignore his own cardinal rule of safety? After reading all 15 case studies, I felt like an untrained onlooker of modern painting. I could not appreciate many of the individual elements, but I possibly got the overall sense that the painter wanted to convey.

We have not yet figured out what makes leaders succeed or fail because the link between leadership behaviour and performance is tenuous. Moreover, performance is overwhelmingly used as a proxy for good or bad leadership. But that should not deter us from trying to decode what else affects leadership behaviour, and ***Crash*** is a reasonably good attempt at that. Interestingly, most of the case studies have strong overtones of backroom politics being the decisive factor behind CEO exits.

The book is also replete with useful tips on how to lead in a complex and ruthlessly contested corporate world. And the most important message for smart CEOs? They must reflect on how they have changed, whether their relationships with influential stakeholders have changed, and if such changes would serve their organisations better or help fulfil their targets. If one is in doubt, the author advises the CEO to listen to his wife. Now, which God-fearing man would not agree with that? **BT**

The writer teaches post-graduate and doctoral courses in Organisational Behaviour and Human Resource Management at IIM-Bangalore

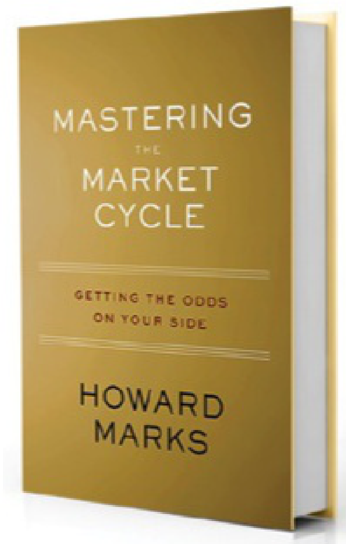
MASTERING THE MARKET CYCLE:
Getting the Odds on Your Side

BY HOWARD MARKS

Publisher: **HACHETTE INDIA**

Pages: **336**

Price: **₹699**



INVEST LIKE A PRO

KNOWING WHERE YOU STAND IN THE EXCESS-CORRECTION CYCLE WILL HELP YOU FIGURE OUT AN IN-SYNC INVESTMENT STRATEGY.

By Aprajita Sharma

ALL THAT goes up must come down, and vice versa. This is how governments, economies, companies and financial markets work. Be it stock, debt, credit or property market, the upswing and the downturn always follow each other – nay, one event 'causes' the other. Understanding that market ebb and flow and developing a suitable plan will make you a better investor than most, says Howard Marks in his latest book ***Mastering the Market Cycle***. The investor-writer (he is also the Co-founder of Oaktree Capital Management) explains how a cycle in the financial market moves from aggressive buying to distress selling and how every time the community chanting 'this time, it is different' has to eat its words. From dotcom bubble to global meltdown, the examples are numerous and cannot be ignored.

In spite of the unbroken chain of cause and effect, ebb and flow, no two cycles are the same; neither can one predict the zenith or the nadir of a particular cycle. But in every market cycle, there are periods of extreme exuberance and despondency which determine the flow of investments. So, one's best chance lies in getting the timing right between the two extremes. For instance, Oaktree Capital started buying heavily in late 2008 when there was gloom all over. And this helped the firm earn huge returns when the market peaked. Although Marks and his partners could not see the financial crisis coming, they did feel something was amiss. So, they kept raising capital and went on a buying spree after the market crashed.

The writer also says that one must strive to know better than others all things 'knowable' – fundamentals of companies and industries. But it will not be enough to guarantee results. A fundamentally strong company may go through a long spell of gloom if the economy is in a bad shape. "I can't say an understanding of cycles is everything in investing or the only thing, but for me, it's certainly right near the top of the list," he writes. History doesn't repeat itself, but it does rhyme – this popular adage attributed to Mark Twain well describes what the book is all about, according to Marks. He then shares a 'guide to market assessment', which is 'non-scientific' and 'somewhat jocular', but can help in 'taking the temperature of the market'. The book also contains the author's popular memos (even Warren Buffett reads them) and references to his previous work. On the flip side, the content is somewhat repetitive. The book does not throw up new ideas but does a decent job of hammering home what is important and often forgotten. **BT**

HARKIRAT SINGH

MD, AERO CLUB (OWNS FOOTWEAR MAJOR WOODLAND)

Singh entered the family business in 1993/94, scaled up the brand to ₹1,250 crore and ventured into new categories. Its sub-brand Woods emerged as a disruptive lifestyle package with a standalone retail chain and global presence, growing at 15 per cent YoY and accounting for 25 per cent of the group's annual turnover.

PHOTOGRAPH BY REUBEN SINGH

Q. The biggest challenge in your career

A. When I took the reins, customers wanted us to create a product line for formal and party wear as they appreciated the quality of Woodland products. The domain was different, and eventually, we launched Woods, a sub-brand with its roots in London fashion, instead of diluting the outdoor integrity of Woodland. Creating a formal-cum-fashion brand away from our core product was the biggest challenge.

Q. Your best teacher in business

A. I would say Steve Jobs. He has always inspired me to focus on the product before anything else. The product makes the brand, and nothing else matters.

Q. Key lessons for young people

A. I believe in three key lessons. Develop an innovative, world-class product that will make you a disruptor. Then you can push marketing to create awareness and generate demand. Second, be patient and prudent when you are taking a risk. Finally, invest in teamwork and believe in your team.

Q. Two essential qualities of a leader

A. Creativity and innovation should come first. Ours is a tech-led outdoor brand that combines innovation with safety to empower explorers. With that in mind, we ask our people to share their wildest imagination. That is how we have developed products such as anti-microbe or warm-grip shoes or hands-free brollies. Leaders should also delegate and empower. So, we have cross-functional brainstorming where any department can come up with ideas for another – marketing can contribute to design or sales may have suggestions for factories. **BT**

"DEVELOP AN INNOVATIVE PRODUCT THAT WILL MAKE YOU A DISRUPTOR. THEN YOU CAN PUSH MARKETING TO CREATE AWARENESS AND GENERATE DEMAND."

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