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FROM THE EDITOR

Dichotomous Times

We live in dichotomous times. In the midst of one of India's most debilitating slowdowns, widespread destruction of business in industries such as SMEs, auto and telecom and rampant job losses, the stock market is spiralling out of control.

GDP growth is at a 25-quarter low, and getting worse; industrial production has gone into the negative territory; new project announcements have halved; goods exports are flat since 2013; and consumer inflation on the rise is back where RBI hates to see it – above 4 per cent mark. Yet, benchmark indices, Sensex and Nifty, are at an all-time high.

What explains this dichotomy is the subject of Rashmi Pratap's detailed cover story this issue. Hint: Mind your moves and don't get fooled. This isn't a secular boom.

The yawning divide between the economy and stock markets is thus at a nail-biting stage now. Much depends on the turn the economy takes from here on. By most counts, GDP growth numbers for the July-September quarter will be substantially worse than the 5.01 per cent in the previous quarter. That would take the distinction of the worst growth in 26 quarters. Economists then expect at least one more quarter of deceleration during October-December before the economy turns around, if at all. Provided, nothing untoward happens in the meantime.

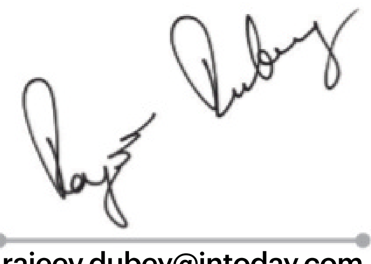
Though, there is a huge disconnect. The economy is gasping for breath due to lack of demand and declining consumption. However, the Centre, instead of aiding consumption, is pushing for a new wave of investments. A dichotomy again, which could only prolong the slowdown. Every possible agency has already revised India's 2019/20 growth forecast downward. IMF, Moody's and S&P have revised downward between 5.8 and 6.3 per cent. RBI's own forecast is now 6.1 instead of 7.2 earlier. SBI's is the lowest at 5 per cent against 6.1 earlier.

Meanwhile, the pain grows. Joblessness has hit a new high in October. India's unemployment rate in October 2019, at 8.45 per cent, is the highest since August 2016, when unemployment hit 9.59 per cent. Unemployment rates in states such as Tripura and Haryana are above 23 per cent, and Himachal Pradesh over 16 per cent. India's largest state, Uttar Pradesh, has an unemployment rate of 10.1 per cent. That's a serious cause for worry, especially for the socio-economic fabric of the nation. Read Team *BT*'s ground report from across the country in "Jobless India". Plus, how insolvency hurts jobs.

There's more pain in telecom, whose unfortunate decline has eerily coincided with the five-quarter downturn in the economy. Manu Kaushik lays bare the mess and what to expect next.

Staying with the economy, the government's decision to withhold findings of NSO expenditure survey 2017/18 forced the Centre to take on alibi that the survey had "discrepancies". True, the survey's uncomfortable outcome didn't suit the government's narrative. But let's face it, India has a pervasive data problem. And it needs fixing. On page 62, Joe C. Mathew examines what's wrong with our data. More importantly, how to fix it?

In an economy full of contradictions, this may be just one more.



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Vol. 28, No. 25, for the fortnight December 2-15, 2019.
Released on December 2, 2019.

● Editorial Office: India Today Mediaplex, FC 8, Sector 16/A, Film City, Noida-201301; Tel: 0120-4807100; Fax: 0120-4807150 ● Advertising Office (Gurgaon): A1-A2, Enkay Centre, Ground Floor, V.N. Commercial Complex, Udyog Vihar, Phase 5, Gurgaon-122001; Tel: 0124-4948400; Fax: 0124-4030919; Mumbai: 1201, 12th Floor, Tower 2 A, One Indiabulls Centre (Jupiter Mills), S.B. Marg, Lower Parel (West), Mumbai-400013; Tel: 022-66063355; Fax: 022-66063226; Chennai: 5th Floor, Main Building No. 443, Guna Complex, Anna Salai, Teynampet, Chennai-600018; Tel: 044-28478525; Fax: 044-24361942; Bangalore: 202-204 Richmond Towers, 2nd Floor, 12, Richmond Road, Bangalore-560025; Tel: 080-22212448, 080-30374106; Fax: 080-22218335; Kolkata: 52, J.L. Road, 4th floor, Kolkata-700071; Tel: 033-22825398, 033-22827726, 033-22821922; Fax: 033-22827254; Hyderabad: 6-3-885/7/B, Raj Bhawan Road, Somajiguda, Hyderabad-500082; Tel: 040-23401657, 040-23400479; Ahmedabad: 2nd Floor, 2C, Surya Rath Building, Behind White House, Panchwati, Off: C.G. Road, Ahmedabad-380006; Tel: 079-6560393, 079-6560929; Fax: 079-6565293; Kochi: Karakkatt Road, Kochi-682016; Tel: 0484-2377057, 0484-2377058; Fax: 0484-370962 ● Subscriptions: For assistance contact Customer Care, India Today Group, C-9, Sector 10, Noida (U.P.) - 201301; Tel: 0120-2479900 from Delhi & Faridabad; 0120-2479900 (Monday-Friday, 10 am-6 pm) from Rest of India; Toll free no: 1800 1800 100 (from BSNL/ MTNL lines); Fax: 0120-4078080; E-mail: wecarebg@intoday.com
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● Printed & published by Manoj Sharma on behalf of Living Media India Limited. Printed at Thomson Press India Limited, 18-35, Milestone, Delhi-Mathura Road, Faridabad-121007, (Haryana). Published at K-9, Connaught Circus, New Delhi-110 001. Editor: Rajeev Dubey
● *Business Today* does not take responsibility for returning unsolicited publication material.
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DECEMBER
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VOLUME
28
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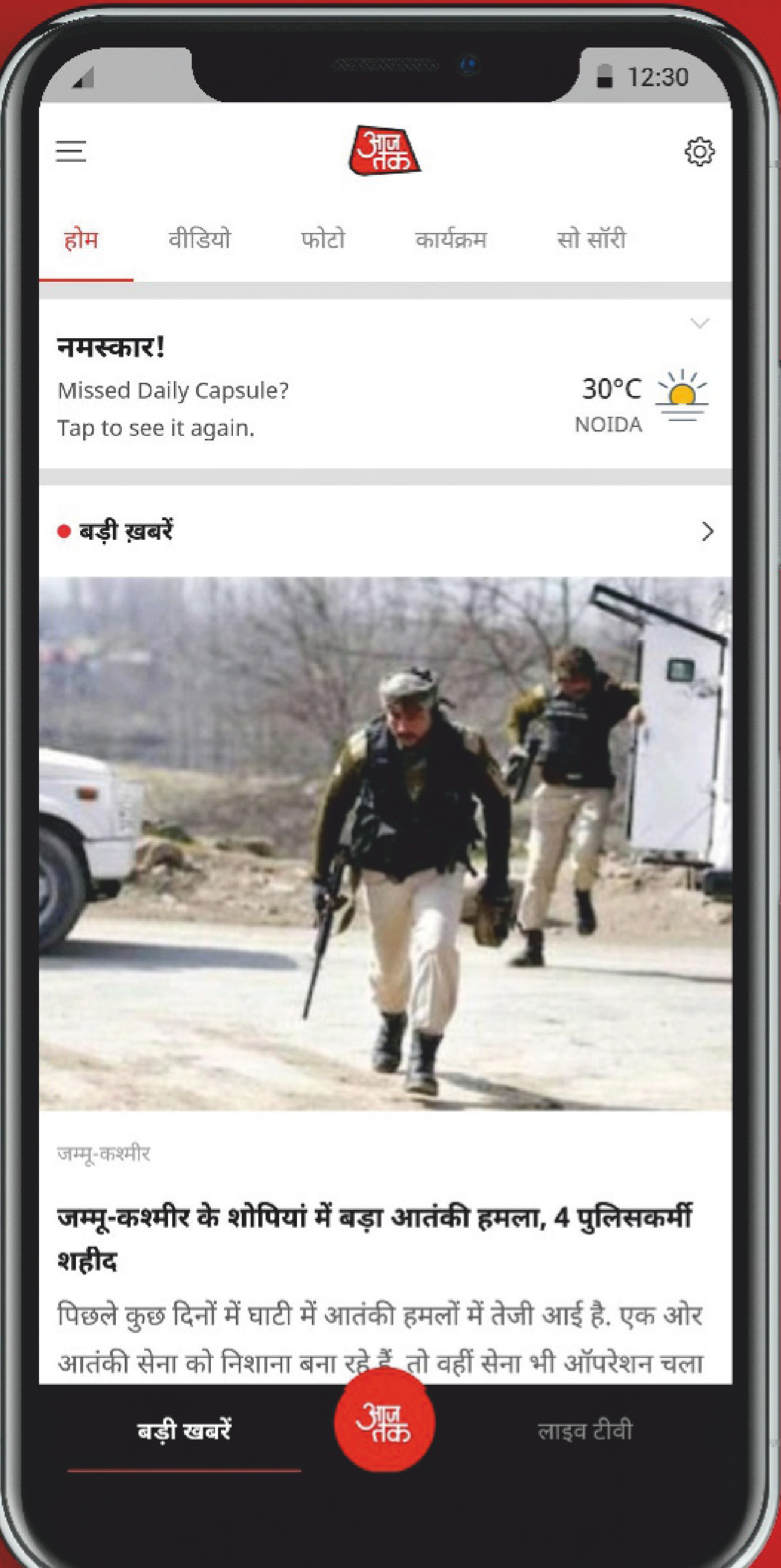

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PERSPECTIVES

What Went Wrong with Patanjali's Fairy-tale Growth Story?

Apart from distribution challenges, the quality of Patanjali products has come under the scanner several times and that has impacted its pure and pristine brand promise

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BSNL VRS Scheme to Make Employees *Lakhpati*; Highest Payout to Touch ₹90 Lakh

The VRS offer is quite generous since it will pay every retiring employee a lump sum salary of the remaining months of their service at the telco

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NEWS

***Gandhigiri* at Videocon: Unpaid workers Beg on Streets to Collect Gift for Promoter Dhoot**

The bankrupt company's plant has a workforce of around 6,000, and the workers are uncertain about what the future holds for them

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Five States Allege Delay in Payment of GST Compensation, Seek Urgent Intervention

GST comprises nearly 60 per cent of the tax revenues of states. The assurance of GST compensation was a necessary enabler in states agreeing to subsume their fiscal sovereignty into GST

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DISINVESTMENT

GOING FOR THE KILL

THE SUCCESS OF PSU SALES WILL DEPEND ON WHETHER THEY ARE ACTUALLY SOLD OR PICKED UP BY ANOTHER PSU.

By JOE C. MATHEW
Illustration by RAJ VERMA

WITH THREE QUARTERS of FY2019/20 almost over, and just ₹17,364.26 crore of disinvestment proceeds of ₹1,05,000 crore budgeted for the year in its kitty, the Narendra Modi government was expected to either go on a last minute public asset selling spree or fail to meet its fiscal deficit target.

The Cabinet approval for selling the government's entire stake in Bharat Petroleum Corporation (BPCL), Shipping Corporation of India Ltd, Tehri Hydro Development Corporation India Ltd and North Eastern Electric Power Corporation Ltd, and 30.8 per cent stake out of the 54.5 per cent it holds in Container Corporation of India Ltd., shows that disinvestment plans are as per schedule. Assuming all the companies find buyers at current market rates, the government may well achieve its disinvestment target too. The decision to sell these public assets, however, will not be judged only by the one-time resources it can generate, but the value it can create in entities that go out of government control.

Profit-making oil refiner BPCL could get several suitors that may include biggies such as Saudi Arabia's Aramco and India's largest company Reliance Industries. What about others? History is replete with instances where PSUs that are not attractive for whatever reasons are bought by other PSUs and the government gets its money without much strategic advantage to the acquirer or the target entity. Will we see a repeat? Any sale that adds value to the shareholder, helps the PSU chart a steady growth path, and does not jeopardise national interests, is welcome. Sale, for the sake of immediate revenue gains, may not be the best approach. BT

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DATA PROTECTION

Tough Times Ahead

FINALLY, India's Data Protection Bill will face the floor test in Parliament in the winter session. Last year, the Justice Srikrishna Committee, after a detailed consultation, had presented the draft Bill to the Ministry of Electronics and Information Technology. The Bill seeks to regulate the processing of personal data of individuals by government and private entities incorporated in India and abroad.

The Bill says that when it comes to personal data, the 'golden copy' (the master version of data) abroad must have a 'silver copy' (the mirrored version) in India. Also, it seeks to ensure that certain critical personal data is entirely stored in India. While companies have already started gearing towards data localisation, the transitioning cost has always been the talking point. Many others are seeing this as a opportunity. For instance, the Adanis are getting into the data centre business. But the challenge is getting global social media giants such as Facebook to subject themselves to the jurisdiction of the national-level Data Protection Authority which will be set up under the Act. **– Rukmini Rao**

IBC

SC REINSTATES SUPREMACY OF SECURED CREDITORS

THE SUPREME Court has restored the primacy of secured creditors over unsecured creditors when it finally gave a go-ahead to the resolution plan of ArcelorMittal in the Essar Steel insolvency case approved by the National Company Law Tribunal (NCLT). It not just established the primacy of secured creditors, it also upheld the commercial wisdom of the committee of creditors (CoC). The court reiterated that in IBC (Insolvency and Bankruptcy Code), it is the CoC which has the ultimate authority over the matter concerning distribution of resolution proceeds. The verdict would also send a strong signal to the NCLT and the NCLAT against interfering too much into commercial considerations.

The apex court verdict in the Essar Steel case has given a new lease of life to the IBC, which was marred by contradictory interpretation of the law by the adjudicating authorities. These interpretations not only went against the spirit of the IBC but also posed a danger to the resolution of many high-ticket NPA cases. **– Dipak Mondal**

NON-PERSONAL DATA

Battle to Be on Board

THE GOVERNMENT recently constituted a committee headed by Kris Gopalakrishnan, co-founder of software firm Infosys, to look into issues related to non-personal digital data and recommend ways to regulate and protect such information. It is a laudable move as the Data Protection Bill that is being considered by Parliament at the moment focuses only on personal data of the individual. The government's push towards digital inclusion and digital transfer of social benefits and performance monitoring are all generating huge volumes of digitised information pertaining to the Indian population. The growth of e-commerce firms and e-transactions is adding to this ever expanding data base. The committee — comprising representatives from the government, industry, academia and civil society — has a broad mandate and should utilise the opportunity to recommend a model law that takes care of the current as well as future challenges that such data aggregation might pose. **– Joe C Mathew**

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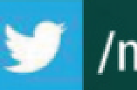

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Q2 REVIEW

Have Earnings Revived?

THE DOUBLE-digit surge in India Inc's profits in the September quarter (ex-telecom) should be taken with a pinch of salt. Thanks to one-time gains in profit — on the back of corporate tax cuts that resulted in a reversal of a part of the tax paid at the higher rate in Q1 FY20 — 484 companies on the BSE-500 (ex-telecom) reported a 16 per cent jump in net profit. Sales growth at 1.1 per cent, however, remained weak despite it being a festive quarter. Excluding the tax element, profit before tax rose just 1 per cent for the 484 firms, which account for about 95 per cent of the BSE market value. Brokerages do not rule out de-rating, as management commentaries have not been rosy amid bleak demand outlook. Kotak Institutional Equities expects net profit of the Nifty50 firms to grow 11 per cent in FY20, while Motilal Oswal sees Nifty EPS grow 12 per cent. A bulk of upswing in profit is expected to come from banks that could benefit from National Company Law Tribunal resolutions, credit growth and tax cuts. – **Aprajita Sharma**

ARCELORMITTAL

Triangular Times Ahead

PHOTOGRAPH BY SHEKHAR GHOSH

THE SUPREME Court, on November 15, approved ArcelorMittal's takeover plan of Essar Steel. ArcelorMittal—the world's largest steel manufacturing company, controlled by the London-based Mittal family—is expected to change the steelmaking landscape in the country. It will pose a tough challenge to two big private players, Tata Steel and JSW Steel, which are better positioned in terms of margins.

The three majors are expected to fight for supremacy in product pricing, market expansion and capacity creation. ArcelorMittal may see India as its base for markets in South Asia to export products. JSW is already aggressive in export markets.

The players will compete in production of valued-added products and target tie-ups with high-value customers. There is also likely to be a fight for acquiring raw material and captive mines. – **Nevin John**

BAD LOAN RESOLUTION

NO RESPITE

PUBLIC SECTOR banks (PSBs) got a major relief when the Supreme Court struck down Reserve Bank of India's (RBI) controversial single day default rule for pushing stressed companies to the Insolvency & Bankruptcy Code (IBC). In June, the RBI came out with a revised, banker-friendly framework for stressed assets. It provided a month's time as review period followed by a six-month period to implement a resolution plan. During this period, there was no pressure to make provisions in the books. The biggest change was the inter creditor agreement (ICA) among banks where 75 per cent of lenders by value and 60 per cent by number were given complete power to decide a binding resolution for all.

But even this new resolution scheme is struggling. The lending banks have differences over resolution plans, quantum of haircut, quality of security, etc. With no resolution in sight, banks will now be forced to make 20 per cent provisioning by January. In addition, a 15 per cent provisioning would be required after a year. This will not only eat away profits but also absorb capital. There is also no relaxation coming from the RBI.

Partly, the challenging economic environment is to blame. The frequent changes in IBC are discouraging global distressed funds as well as strategic investors. Looks like a long road ahead for resolution of stressed assets. – Anand Adhikari

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NEW CLASS OF INVESTORS SOON

THE SECURITIES and Exchange Board of India (SEBI) has increased the minimum ticket size for investors who want to avail portfolio management services (PMS) to ₹50 lakh from the current ₹25 lakh. It has also changed the net-worth criteria for portfolio managers to be registered with it to ₹5 crore instead of ₹2 crore.

The move will slow down the robust 18 per cent CAGR growth seen by the PMS industry between January 2014 and January 2019 as the pie of potential investors will reduce. But it will also ensure that only high networth individuals who are well-informed, participate in the high-risk product offerings as they can also better evaluate the outcomes of their investment decisions.

More importantly, the move will push customers under the ₹50 lakh investment bracket towards mutual funds, giving a fillip to that industry segment. The increase in net worth requirement to ₹5 crore will limit the number of businesses that offer portfolio management, thus ensuring that serious players remain in the business and investor interest is protected.

For businesses, which do not meet the ₹5 crore networth condition, the other option is to register as Research Analysts (RAs) or as Registered Investment Advisors (RIAs). These licences have a lower net-worth requirement.

The SEBI directive will lead to many investment professionals moving away from PMS and applying for other licences. They can then create ready-made portfolios for clients, which will also benefit those looking to invest under ₹50 lakh. In all, the SEBI directives will give a boost to a newer class of advisors as well as investors.

– Rashmi Pratap

AI STAKE SALE

ON A FAMILIAR TRACK

RECENTLY, when finance minister Nirmala Sitharaman announced the sale of national carrier Air India by the end of March next year, it rang a familiar bell. This would be the third attempt by the government to sell its stake in the national carrier after it failed to do so twice, in 2001 and 2018. While the EoI (expression of interest) for the stake sale is still months away – given that it has to be approved by the GoM (group of ministers) who are said to be busy with the winter session of the Parliament – the government has planned five road shows to present the proposal to potential investors. By the fourth week of November, three had already been conducted in Mumbai, London and Singapore. Before the EoI is drafted, the GoM and the Department of Investment and Public Asset Management (DIPAM), the nodal agency advising the central government on matters pertaining to public sector units, have to fill some gaps, including the lock-in period for the existing employees after the sell-off.

– Manu Kaushik

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GRAPHITI

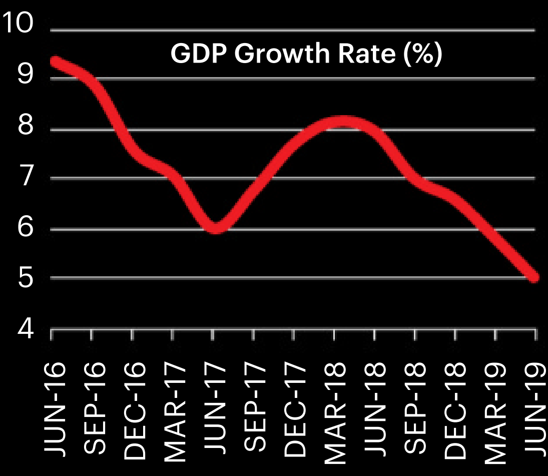
SLOWDOWN BLUES

Warning signs are becoming more apparent — employment is down, consumption is falling, capital formation is at a low... culminating in the economy growing at its slowest in over six years.

Graphic By **Tanmoy Chakraborty**
Research by **Shivani Sharma**

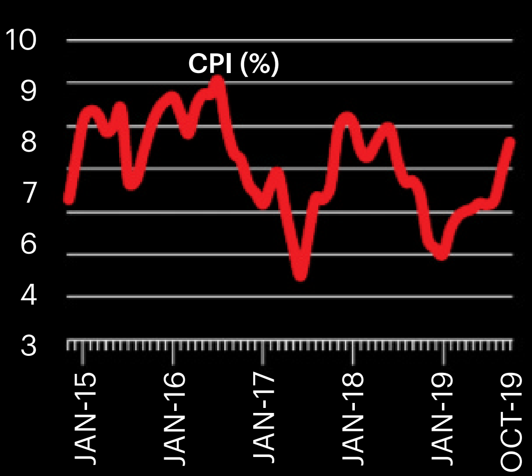
GROWTH GONE

The most worrying sign is the fall in growth of gross domestic product (GDP), the lowest in over six years



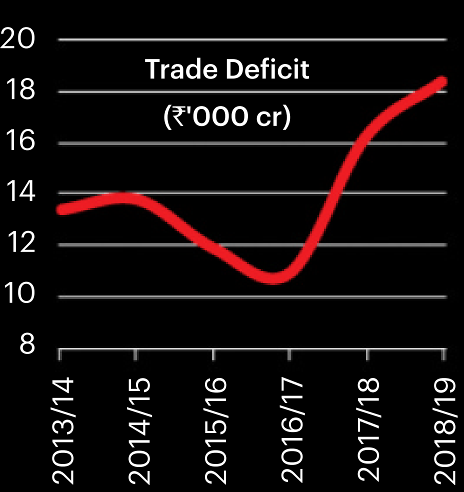
THE PRICE HIT

The rising inflation is another hurdle on the path of consumption revival



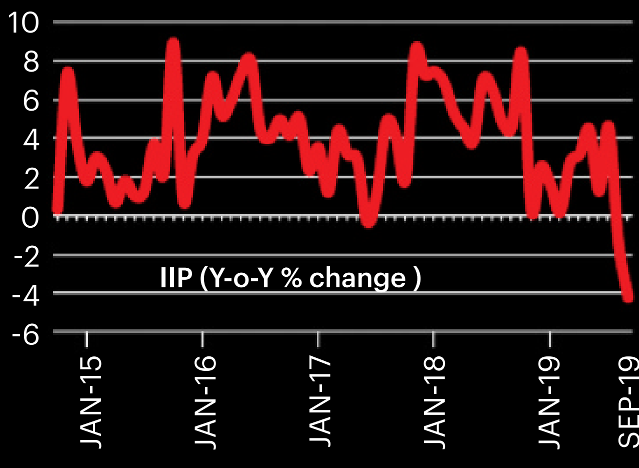
WIDENING TRADE GAP

Rising trade deficit will further weaken the rupee



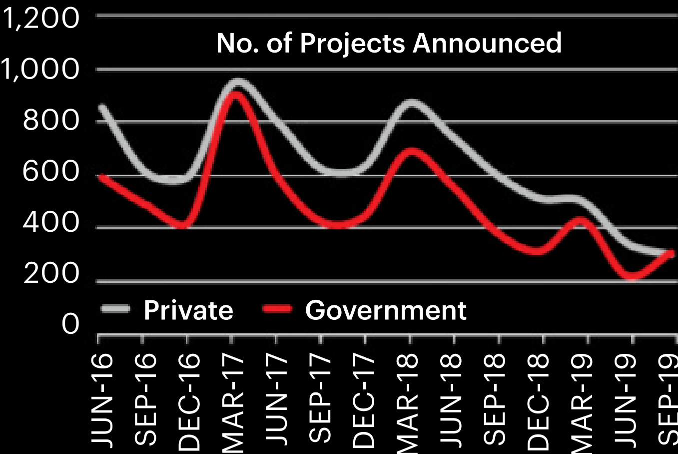
DANGEROUS TREND

For the second consecutive month, industrial production growth has turned negative, lowest in almost eight years

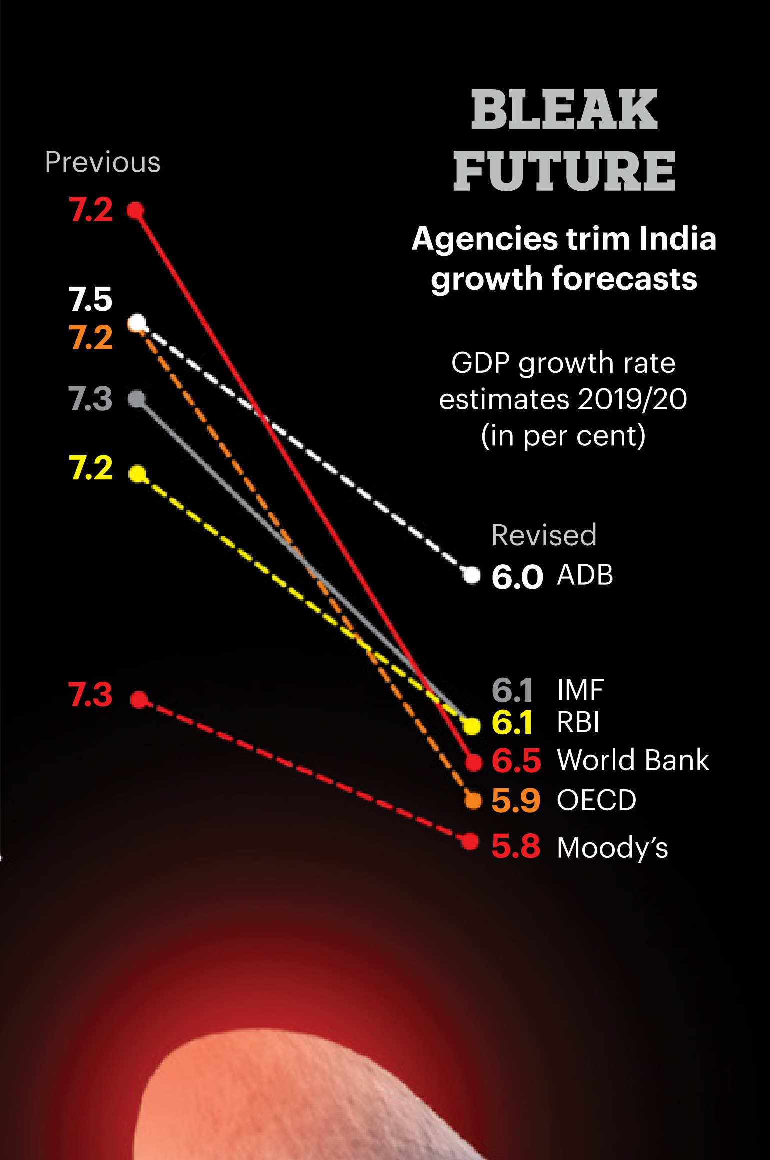


IN A DEEP PIT

The number of investment projects announced has crashed



Sources: Reserve Bank of India, Ministry of Economic Affairs, CMIE, Ministry of Statistics and Programme Implementation



3.14%

Rise in private final consumption expenditure in the June 2019 quarter. This is a sharp fall from 7.2 per cent in the March quarter

3.3%

Increase in aggregate corporate employment (CAGR) between 2014/15 and 2018/19

-3.77%

Fall in India's merchandise exports in September 2019 quarter (imports fell 12.6%). This is the steepest slide since March 2016

13,906

Number of new industrial and infrastructure orders in quarter ended June 2019, registering year-on-year dip of 80 per cent

6

Percentage points fall in gross fixed capital formation's contribution to growth in 2014-19 compared to 2011-14

₹323.18

Average wage in 2018/19 of a male rural labourer. This is just 3.83 per cent more than last year, the lowest yearly growth since 2006

AI DRIVE

WHAT: Global Artificial Intelligence Summit

WHEN: January 16, Delhi

WHAT TO LOOK OUT FOR: Industry leaders and subject matter experts will share actionable insights into the world of Artificial Intelligence and its impact on businesses

INSOLVENCY FRATERNITY

WHAT: INSOL New Delhi One Day Seminar

WHEN: January 17, Delhi

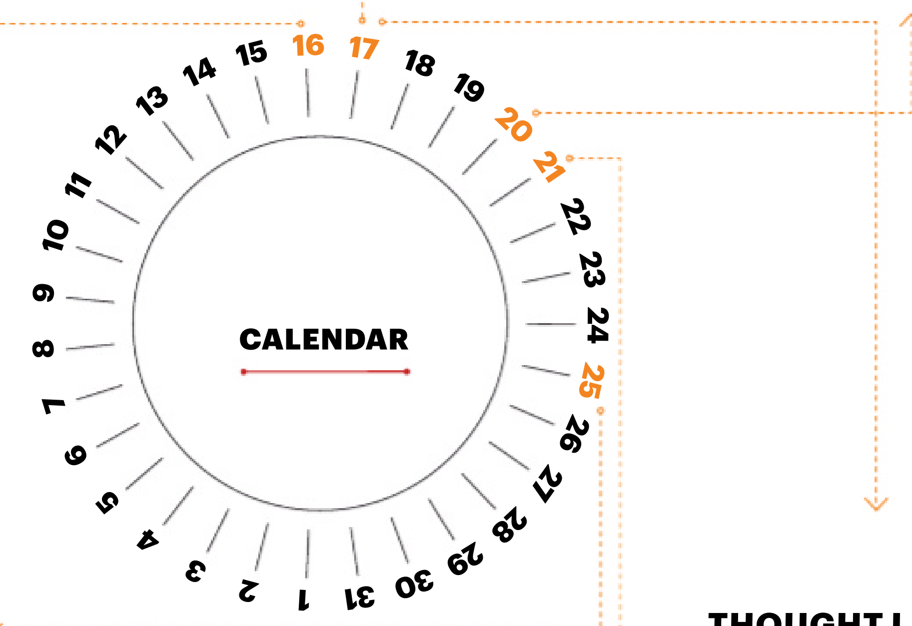
WHAT TO LOOK FOR: The seminar, organised by INSOL India, a member of INSOL International, will focus on technical programmes which will look at insolvency issues in India as well as international cross-border restructuring developments

TECHIES' MEET

WHAT: Fintech & Blockchain Conference

WHEN: January 20, Bengaluru

WHAT TO LOOK OUT FOR: Industry leaders, developers, blockchain gurus and technology players will come under one roof to learn about use of blockchain in management, engineering, administration and education and its economic, social, and cultural impact



BUSINESS RETREAT

WHAT: International Conference on Economics & Finance

WHEN: January 25, Goa

WHAT TO LOOK FOR: Leading academicians, research scholars, policymakers and industry experts in economics, finance and business will meet to share their knowledge and new ideas and discuss future developments in these fields

LOAN RECOVERY

WHAT: Corporate Credit and Debt Recovery Summit

WHEN: January 21, Mumbai

WHAT TO LOOK OUT FOR: The heads of finance, treasury, credit, collections, control and recovery will come together to discuss the challenge of debt recovery. They will also discuss legal frameworks to deal with cross-border recovery aspects

THOUGHT LEADERSHIP

WHAT: Future of Technology Summit

WHEN: January 17-19, Delhi

WHAT TO LOOK OUT FOR: The summit will see global thought leaders discuss their experience and ideas to meet the opportunities and challenges of a technology-driven future

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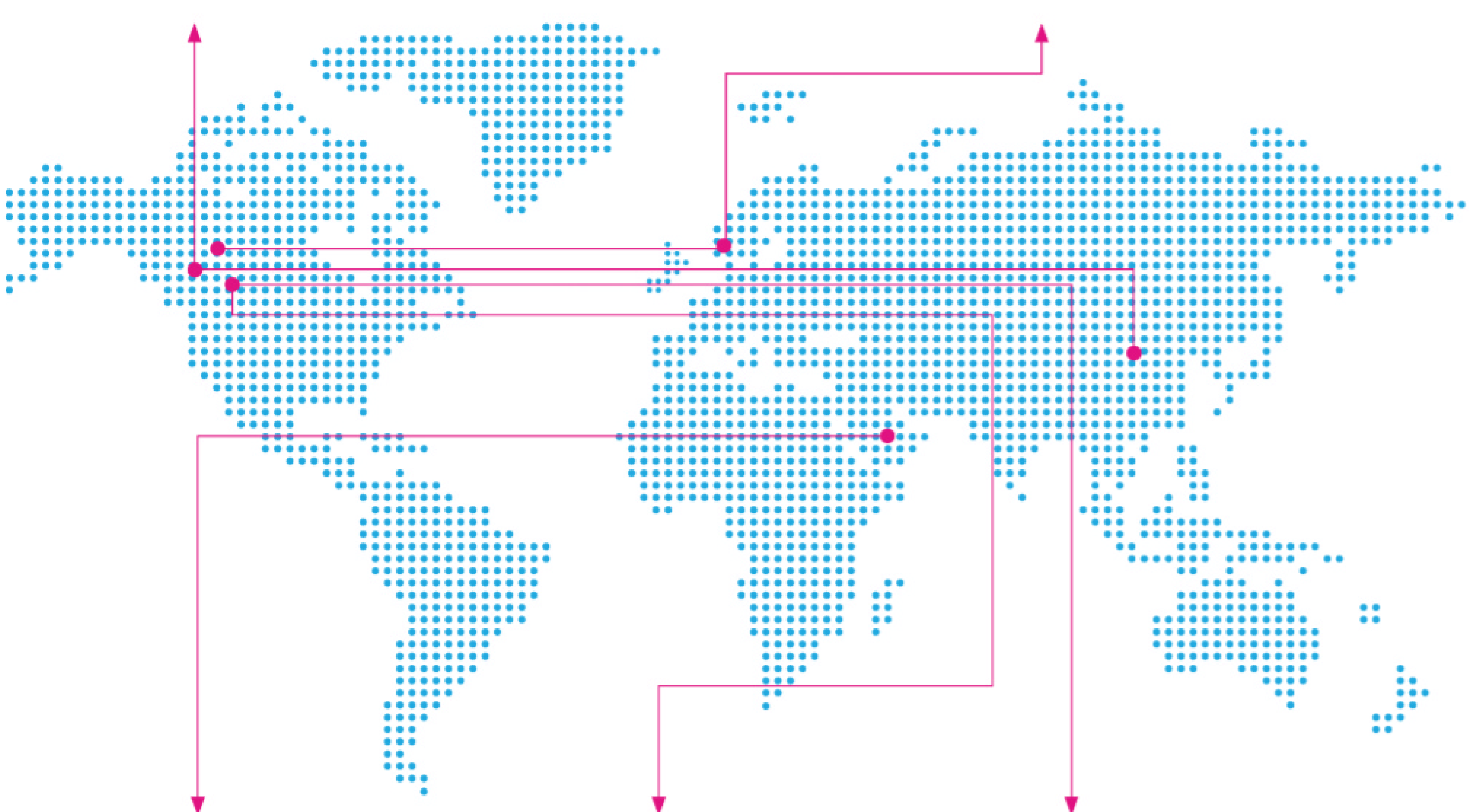
GLOBAL BUSINESS

US-CHINA TRADE DEAL YET TO TAKE OFF

The US-China interim trade deal has not been signed yet, but both countries are reportedly fine-tuning the details – how many tariffs to roll back and when. However, U.S. Vice President Mike Pence indicated that his country could walk away if China uses violence against Hong Kong protesters. Earlier, the U.S. Congress voted 417-1 to send a Bill supporting Hong Kong protesters to President Donald Trump, thus setting up a confrontation with China that could imperil the long-awaited trade deal. Meanwhile, rumours that the two countries may not reach a trade agreement by the end of 2019 saw a knee-jerk reaction from investors who reversed an earlier optimistic jump. China also took a dim view of the UK's attitude towards Hong Kong. Chinese ambassador Liu Xiaoming told British Foreign Secretary Dominic Raab to reconsider his censuring of the Chinese response to protesters in Hong Kong. Those protesters, said Liu, have committed "extreme, violent offences".

TESLA PLANS TO ENTER GERMANY

EV behemoth Tesla recently announced its plans to set up a new gigafactory near Berlin by 2021, sending its shares up. Besides its main base in the US, the company has built a mega manufacturing hub in China and aims to produce at least 1,000 Model 3s a week there by the end of this year. Tesla is now eyeing a European hub, but considers the UK too risky due to the ongoing Brexit turmoil. Berlin will be an ideal location, considering Germany's newly introduced subsidies for electrical vehicles. But there could be roadblocks as well as Tesla will be in direct competition with homegrown giants Daimler – owner of Mercedes – and the world's biggest car manufacturer, Volkswagen. Tesla has recently unveiled its first electric pickup truck, called Cybertruck. It will come in three versions and the pricing starts at $39,900. It can be pre-ordered but the vehicle will not hit the market until late 2021.



SAUDI ARAMCO EYES UP TO $1.7 TN VALUATION IN IPO

Saudi Aramco has come up with a revised prospectus, saying that it intends to go public at a valuation between $1.6 and $1.7 trillion. This would make it the most valuable publicly traded company in the world, beating Apple and Microsoft by around $500 billion. The Saudi government-owned company is looking to raise $25 billion by selling 1.5 per cent of its outstanding shares. Saudi officials originally hoped to raise $100 billion at a $2 trillion valuation. If the IPO comes through, the company would beat the record-breaking $25 billion raised by Chinese e-commerce giant Alibaba in 2014.

LOUIS BACON TO CLOSE HEDGE FUND BUSINESS

Wall Street's legendary macro-trader and hedge fund manager Louis Bacon will shut down his hedge fund business, yet another signal of the increasing tumult within the hedge fund world. Bacon founded Moore Capital in 1989 with a $25,000 inheritance from his mother. In a letter to investors, the billionaire blamed the decision on "disappointing results" and "intense competition for trading talent coupled with client pressure on fees". Bacon, 63, will return outside investors' money in its three main Moore Capital Management funds and step back from trading.

CHARLES SCHWAB MAY BUY TD AMERITRADE FOR $26 BN

Charles Schwab, a bank and stock brokerage firm headquartered in San Francisco, has agreed to buy rival TD Ameritrade for $26 billion, according to a *CNBC* report. This could lead to a combined discount-brokerage behemoth with more than $5 trillion in assets under management. Shares of both firms rose after the news was reported, but neither company confirmed media reports. If the merger happens, it will be a surprise move as both online brokers were earlier targeting E-Trade Financial amid a raging zero-fee war.

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SOCIAL UNIVERSE

SHOPPING COMES TO SOCIAL CHANNELS

Social and live-commerce may soon surpass the marketplace model.

By Sonal Khetarpal
Illustration by Raj Verma

BENGALURU-BASED WOMEN-focussed brand start-up &Me wanted to build awareness around its herbal drinks which aim to address women's health issues such as polycystic ovary disease, premenstrual syndrome and urinary tract infection. In March this year, the company started building its content on Instagram and Facebook to share all relevant details of the nutrients essential for women. "We are a women-centric product company and the social media platform helped us reach the right audience to create awareness and build our brand," says Founder Ankur Goyal. The firm's posts made people curious and purchase queries rolled in. &Me integrated a 'Buy now' tab in its ads which takes users to its website. As a result, its sales have increased 70 per cent since April and there has been a 30 per cent rise in average order value.

Thanks to the wide reach offered by social media platforms, businesses both big and small, are now moving beyond Amazon-like marketplaces and exploring social platforms for their intriguing visual appeal and high engagement levels. "It is a natural progression as social media enables conversations among like-minded people and facilitates commerce by getting buyers and sellers together," says Prasad Shejale, Co-founder and CEO of digital marketing firm Logicserve Digital.

Social media platforms are also upping their game and launching shopper-friendly features to help brands and followers. "For instance, businesses can feature their products on Instagram Profile pages. The platform also allows them to tag products directly in their posts and Stories," says Archana Vohra, Director, Small and Medium Businesses, Facebook India. This means users can explore products and find the things they are interested in on Instagram more easily than they do on marketplaces "Then again, every month, more than 50 per cent of Instagram accounts use Explore, a section to find the next business or product. People visit it when they want to see photos and videos related to their interests, posted by accounts they may not already follow. Hence, brands use Explore to reach the right audience," adds Vohra.

In October this year, short video-sharing platform TikTok also started experimenting with ads. Skincare brand Clean & Clear started the video ad #UnbottleApnaSwag on TikTok to create a buzz around new packaging. On clicking, users were directed to the product's website within TikTok itself to make a purchase. "First-time Internet users are looking at videos and they do not want to read the information or product descriptions. TikTok offers access to this new audience through its highly engaging short videos," says Sameer Singh, Vice President (Monetisation) at ByteDance, the parent company of TikTok.

Goyal of &Me concurs. The company is now developing a TikTok campaign to reach the hinterland, as well as those with less disposable incomes.

The trend seems to be catching on, so much so that the live-streaming platform Bigo Live is already planning to launch live e-commerce by the end of this year, according to its Deputy Country Manager Nagesh Banga. "Currently, we are trying to build engagement, but as we reach our goal, we will open it to brands," he adds. Banga says live-streaming offers the best of e-commerce and traditional shopping where consumers can see the product as it is without special-effects photography. Plus, they get the opportunity to ask sellers relevant questions in real time. BT

@Sonalkhetarpal7

Fight Against Fake News Gets a Boost

During the general elections of 2019, and the elections to four state legislative assemblies before it, the Election Commission directed several social media platforms to take down fake content. But the scale of the fake news problem cannot be gauged by the number of cases reported; it is much larger. As per the government, Facebook saw 46 cases of fake news, 97 were on Twitter and 11 on YouTube. These numbers, however, do not indicate how big the problem is. Verifying what circulates on WhatsApp remains a challenge as well.

Now, the India Today Group has partnered with WhatsApp to launch a fact-checking initiative in the country, one that would enable users to verify 'suspect' content. WhatsApp users can send any suspect content – text, image, video or URL – to a dedicated number (+91 73 7000 7000) for fact-checking. These requests for verification would go to India Today Group's fact-checking team for scrutiny. The findings will be published on *India Today* and *Aaj Tak* websites.

India Today Group was the first major media house in the country to get IFCN (International Fact-Checking Network) accreditation for non-partisan fact-checking adhering to global best practices. It is also one of Facebook's partners for fact-checking in India.

SOCIAL NETWORKING, BACK IN YOUR HANDS

Is Twitter India in trouble again? Going by the latest trend, unhappy users are blaming it for widespread discrimination and leaving the platform to join an open-source microblogging service called Mastodon. Developed by German coder Eugen Rochko, the platform's tagline says: Social Networking, Back in Your Hands, thus highlighting its decentralised format. This means you are free to create your own community (known as instance), using your own server. Ultimately, these 'instances' interact with each other and form the larger network. The network allows people to post text, images, videos and links and also offers four privacy options. Finally, you need to donate a little to keep the platform alive as it does not allow ads or investments.

70% of the Gen Z (between 13 and 22 years) Snapchat users are likely to do part of their winter holiday shopping in physical stores, as per a U.S. survey by Snapchat. It is 17 per cent more than older users, the survey says. Interestingly, around 40 per cent of the youngsters are likely to plan their purchases less than a week ahead, may splurge $250 or more and around 20 per cent of them may also buy gifts for friends. **BT**

START-UP

Aadvik Foods

ALT DAIRY MAKES ITS MARK

THE DELHI-BASED FMCG FIRM CLAIMS TO BE INDIA'S FIRST COMPANY TO PROCESS, BRAND AND MARKET CAMEL MILK AND RELATED PRODUCTS.

By Sanghamitra Mandal
Photograph by Rajwant Rawat

Shrey Kumar, Co-founder of Aadvik Foods

1) Founders
Hitesh Rathi and Shrey Kumar. Rathi, a civil engineer, worked in the construction space and did a short stint in Myanmar before setting up the company. Kumar, a mechanical engineer from Delhi College of Engineering and an MBA from IBS, joined six months later as a co-founder.

2) The Trigger
"As Rathi hails from Rajasthan, India's traditional camel state, the concept appealed to him," says Kumar. "Besides, it is not just a local staple. Rathi did extensive research and found that camel milk has several medicinal and health benefits which help the autistic, the diabetic and those suffering from lactose intolerance. He realised that there could be a market out there, although it was largely untapped at the time."

3) The Secret Sauce
Procuring, preserving and transporting are the key drivers in any dairy business. Aadvik collects raw milk from camel farmers across Rajasthan and Gujarat, transports it in fully equipped storage vans and pasteurises the milk at its two plants. As liquid milk perishes quickly, the company sells it either in frozen form or as milk powder to ensure longer shelf life – up to two months for frozen products and nine months for milk powder. "We use the HTST (high temperature/short time) method for pasteurisation so that most of the harmful bacteria are killed but most minerals and nutrients remain intact. In addition, we opt for freeze-drying to make milk powder instead of the spray-drying technique where concentrated milk is subjected to hot air to remove moisture and often loses its food value. We have outsourced this to a Baroda-based company as setting up a milk powder unit needs large capex," explains Kumar.

Aadvik offers a wide range of products, including frozen camel and goat milk and milk powder (both flavoured and unflavoured), cow ghee, a variety of camel milk-based chocolate, food supplement and body care items such as camel milk soap. Products are sold on the company's website, via e-commerce sites such as Amazon, Flipkart and eBay and through physical stores. "We also home-deliver in Delhi/NCR, Mumbai, Chennai, Hyderabad and Bengaluru," adds Kumar. The start-up claims to be operationally profitable from the first year.

4) The Road Ahead
Awareness, market size and competition from the likes of Amul, the dairy giant, worry the founders. "Creating awareness is the biggest challenge in India, even though the UK is using a lot of camel milk for their cuppa. Add to that low shelf life, high pricing and a dwindling camel population," says Kumar. However, Aadvik is training camel herders and farmers about the big business potential and focussing on exports. It is also working on new superfoods and will soon launch sugar-free chocolate for the diabetic. BT

KEY NUMBERS

FOUNDED IN
May 2016

FUNDING
Bootstrapped

TEAM MEMBERS
30

PROCURES
10,000
litres of camel milk per month

EXPORTS TO
THE US AND MALAYSIA

GROSS REVENUE
₹4.5 crore
in FY2018/19 as per company data

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THE GREAT STOCK MARKET MYSTERY

WHY THE SENSEX IS ON FIRE EVEN AS THE ECONOMY HURTLES DOWNHILL.

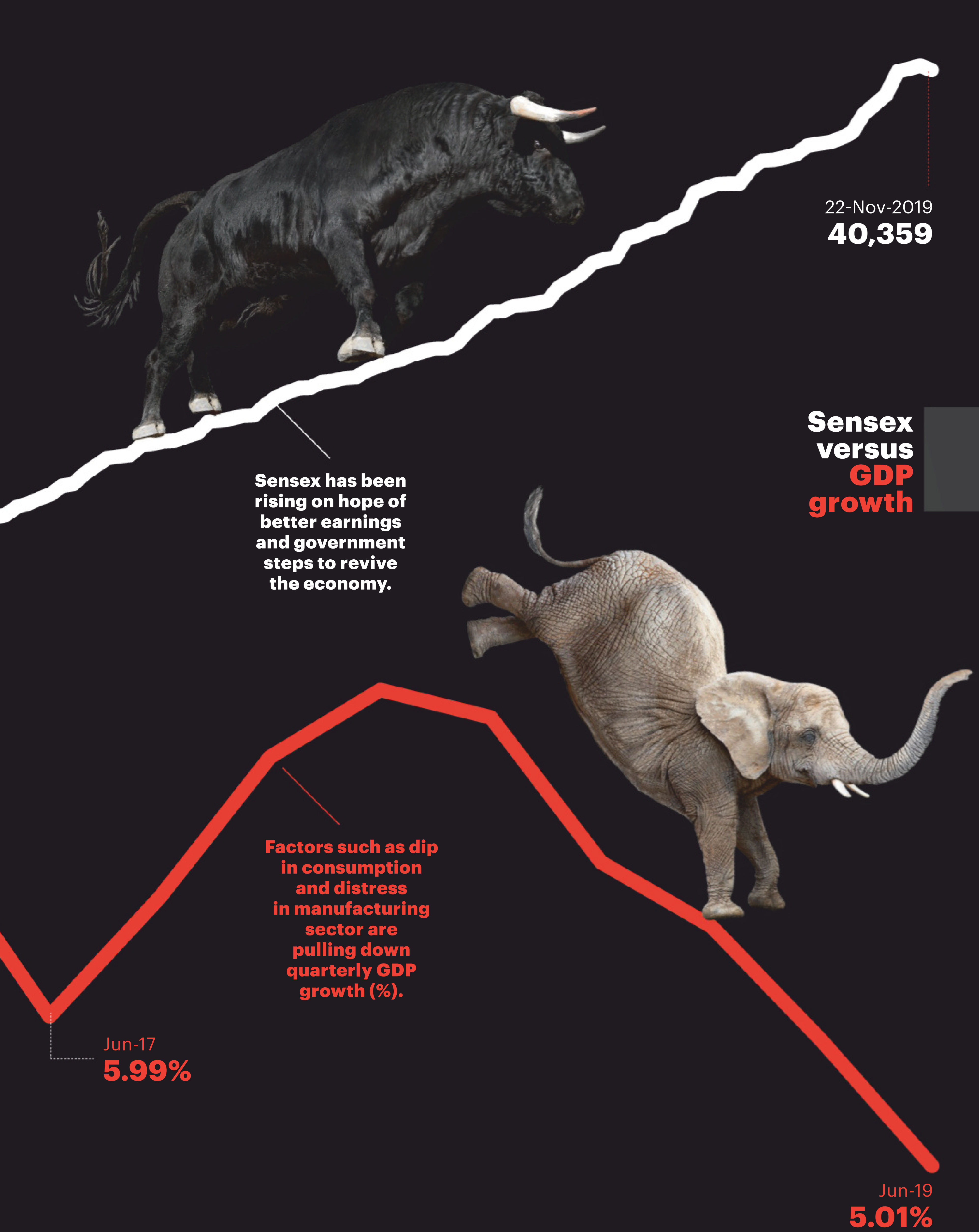
BY RASHMI PRATAP

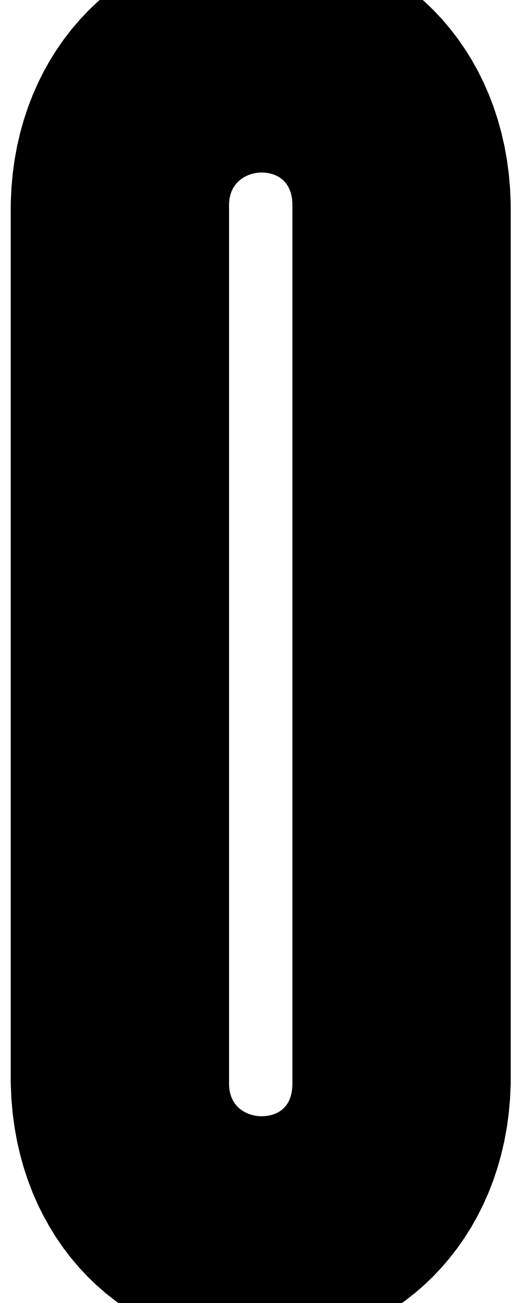
Jun-16
9.37%

Mar-15
7.11%

23-Nov-2016
26,051.81

-27.7%
Decline in net profit of 2,398 BSE-listed companies in the first half FY20


22-Nov-2019
40,359
Sensex
versus
GDP
growth
Sensex has been rising on hope of better earnings and government steps to revive the economy.
Factors such as dip in consumption and distress in manufacturing sector are pulling down quarterly GDP growth (%).
Jun-17
5.99%
Jun-19
5.01%



n March 30, 1992, the BSE Sensex crossed the 4,000 mark for the first time. It took seven-and-a-half years to move up another 1,000 points past the 5,000 milestone on October 11, 1999. But the journey from 5,000 to 6,000 was a short one, less than four months. When Sensex hit the then all-time high of 6,006 points on February 11, 2000, India was well into the worst-ever economic slowdown. In financial year 2000/01, India's GDP growth hit a nine-year low of 4 per cent with the January-March quarter witnessing GDP growth of only 1.76 per cent. The farm sector was facing a crisis as production shrunk. In the next fiscal, growth in the manufacturing sector plummeted to 2.3 per cent, from 7.8 cent a year ago.

Cut to 2019. The Sensex touched a fresh all-time high of 40,816 on November 20. GDP growth hit a six-year low, rising only 5 per cent, in the April-June quarter. Private investment as well as government expenditure is shrinking. Industrial output or IIP contracted 4.3 per cent month-on-month (MoM) in September, the worst since the present series was launched in April 2012, while manufacturing output declined 3.9 per cent.

History is repeating itself, two decades apart. Surprising as it may seem, stock markets continued to scale new highs in both the cases, defying the gloomy economic indicators. "Fundamentals have been fairly weak since December last year. It has been nearly a year and this weakness has intensified in first and second quarters of this year," says Dhananjay Sinha, Head of Strategy and Chief Economist at IDFC Securities.

According to a National Statistical Office (NSO) draft report, household consumption in 2017/18 dipped for the first time in 40 years. The average amount spent by a person per month dropped to ₹1,446 from ₹1,501 in FY12. When consumption expenditure goes down, companies are impacted as their earnings fall and, hence, their capacity remains under-utilised, due to which jobs are cut and investments curtailed.

This sets in motion a vicious cycle where there is even lesser money in hands of people to spend, delaying consumption revival, which is necessary to boost corporate earnings and investments. Both are falling right now.

But then, why are the stock markets on fire?

'Hope Trade' Defying Gravity

Stock markets seem oblivious to the debilitating macroeconomic indicators. The Sensex and the Nifty have been on a roll since September 20, 2019, when Finance Minister Nirmala Sitharaman announced a cut in the basic corporate tax rate from 30 per cent to 22 per cent and for new manufacturing companies from 25 per cent to 15 per cent. The effective rate for companies came down to 25.2 per cent, including all additional levies, a benefit of nearly 5 per cent.

The very same day, markets witnessed the biggest intraday gain ever and the Sensex closed 1,921 points up, topping the 38,000 level. The Nifty jumped 570 points to end just short of 11,300.

In effect, the current market rally began with Sitharaman's corporate tax cut announcement and there has been no stopping since then. Markets continue to touch new highs every few days. The rally that was expected to end post-Diwali is continuing despite the deteriorating economic signals.

22%

New corporate tax rate. Earlier, it was 30%. For new manufacturing firms, it has been cut from 25% to 15%

Umesh Mehta, Head of Research, Samco Securities, explains this by saying that the stock market is a forward-looking machine. "And stock prices reflect not what has already happened but what is expected in the next three to four quarters."

G. Chokkalingam, Founder and Managing Director, Equinomics Research and Advisory, agrees that stock markets discount the future. "The dichotomy (of dwindling economy and rising stock markets) is there because the market believes that things will improve in the short to medium term. It assumes that in 6-12 months, economic parameters will improve, corporate earnings will grow and that is why money continues to come in," he says.

In market parlance, this is called 'Hope Trade'. "There is also a lot of hope that the government will announce more sector-specific measures to ease corporate stress," he adds.

Why Economy is Going South...

At 5%, GDP growth hit a six-year low in the June quarter

Household consumption fell for the first time in 40 years in 2017/18

Index of Industrial Production declined 4.3% in September

Revenue receipts declined to 8.2% of GDP in FY19, limiting the government's ability to invest

...While Markets Are Rising

Markets are rising in hope of more government sops on lines of corporate tax cut and sector-specific boosters

Capacity destruction in key sectors like aviation and telecom is driving stock prices of remaining players; a handful of stocks are driving the market

Good monsoon has raised expectations of better yield, which will revive rural demand in the next two quarters

Easing of trade tensions between the US and China augurs well for Indian markets

Declining interest rates will revive consumption in sectors like real estate and consumer durables and drive corporate earnings

PHOTOGRAPH BY SHEKHAR GHOSH

Finance Minister Nirmala Sitharaman said in the Lok Sabha on November 18 that growth has decelerated but there is no slump. India is still projected to be the fastest growing economy in FY20 among the G-20 nations, she said.

Narrow Rally

The rally in the benchmark indices, however, is neither secular nor broad-based. The benchmark indices, the Sensex and the Nifty, represent the strongest 30 and the strongest 50 firms' fortunes, respectively. These are companies that have delivered strong numbers despite the weak economic environment. Investors look for safe havens during bad economic cycles.

Dig deeper and the mid-caps and the small-caps tell a different tale.

The current quantum of fall in the mid- and small-cap space has been the worst in the last two decades. The combined market cap of Group B shares (mid-caps and small-caps) on the BSE fell 63 per cent from March 2018 levels; it had gone down 62 per cent post the Lehman crisis.

The current combined market cap at ₹7.64 lakh crore is the lowest in the last one decade, indicating that this space has not benefitted from the current rally. "Mid-cap and small-cap stocks do not typically witness institutional participation and are very volatile. They may bounce back in 18 months if we go by historical evidence, though there is no rule," says Chokkalingam. This is because beyond a point, when large-caps continue to rally, they become so expensive that investors find them less attractive. "At that point, when any investor makes a significant move towards mid- or small-caps, the whole market jumps in their favour," he adds.

The performance of some large-caps has been aided by the reduction in

the number of players in sectors such as aviation, media, non-banking finance and telecom. As a result, the surviving players have been rewarded by the stock markets for their robust business model and steady growth rates.

Ajit Mishra, Vice-President Research, Religare Broking, says the returns in the benchmark indices are largely skewed towards the outperformance of just eight to 10 heavyweight companies. "These companies remained the least affected by the slowdown and their continuous market share gains while maintaining profitability has led to their outperformance," he adds.

These top performers include NBFC giant Bajaj Finance, which has given 79.8 per cent returns (in the November 15, 2018, to November 14, 2019, period), followed by Bajaj Finserv at 62 per cent, Kotak Mahindra Bank at 37.5 per cent, Nestle India at 36 per cent and ICICI Bank at 34.8 per cent.

At a time when NBFCs are reeling under a liquidity crisis, Bajaj Finance reported a 63 per cent rise in net profit in the second quarter of the fiscal, led by growth in consumer, rural and mortgage segments. Given its top credit ratings and strong parentage, Bajaj Finance is among the handful of companies that have not only navigated the NBFC crisis successfully but are also among the stocks driving markets up every day.

Samco's Mehta agrees that the current rally has been driven by large corporations, which have remained unscathed or have felt minimum impact of the ongoing economic slowdown. "Indices reflect earnings growth and profitability during the quarterly results. This has led to concentrated buying patterns in indices, which has caused the bourses to touch all-time highs. This reality, though in contrast to the glum economic scenario, has led to the Nifty50 stocks moving higher," he says.

GDP numbers are largely representative of agriculture, manufacturing and services growth, which have their individual trajectories, says Mehta. While manufacturing and agriculture have not been encouraging, some pockets of services like banking and finance are showing quick recovery.

"GDP numbers are a larger reflection of economic activity as a whole, comprising the above verticals. But the stock market, in particular the Nifty, is moving on the strong delivery of quality companies as the Street is looking for safer havens for investment in these uncertain times. This has led to divergence between the bourses and the economy as a whole," says Mehta.

Mid- and Small-caps Trail

The divergence is not only between the bourses and the economy. Within the bourses too, mid- and small-caps have not been able to benefit from the current rally.

Since September 20, when the current rally began, the BSE Midcap Index has gained only 680 points while the small-cap index is up just 200 points, as per the closing on November 20. The Sensex has, however, gained over 2,000 points during the last two months. That explains why investors continue to flock to the large-caps.

Bull Race

The period from February 2016 to August 2018 returned 56%, much less than the rise during past bull markets

PERIOD	CHANGE (%)	DURATION (IN MONTHS)
Apr 84-Feb 86	166.2	23
Feb 91-Apr 92	280.4	15
Jul 93-Sep 94	106.7	14
Nov 98-Feb 00	108.5	14
May 03- Jan 08	620.3	56
Feb 09-Nov 10	136.1	20
Dec 11- Jan 15	80.1	38
Feb 16-Aug 18	56.0	31

Data for some major bull runs in the past; the change (%) denotes absolute Sensex returns

Narrow Rally

Nine of the 30 Sensex companies have contributed 93% of the incremental market cap gains in the current rally

Company	Market cap absolute change (₹ cr)	Share in incremental market cap gain of Sensex (%)
RIL	1,32,493	30.3
ICICI Bank	52,838	12.1
TCS	48,781	11.1
HDFC Bank	40,641	9.3
Bajaj Finance	38,543	8.8
HDFC	30,084	6.9
Axis Bank	23,466	5.4
HUL	21,637	4.9
Maruti Suzuki	19,993	4.6

Change/incremental gain for period between September 20 and November 14, 2019; Source: BSE

BROOKLYN

A CULTURE OF
CONSCIOUS CHANGE

HIDESIGN

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PHOTOGRAPH BY HARDIK CHHABRA

Eight to 10 heavyweight companies remained the least affected. Their continuous market share gains, while maintaining profitability, led to the outperformance

AJIT MISHRA, VP-RESEARCH, RELIGARE BROKING

The BSE Midcap index is currently valued at 27 times its underlying earnings in the trailing 12 months, a sharp decline from the price-to-earnings multiple of 35 times a year ago. In comparison, the benchmark Sensex is trading at 27.3 times its trailing earnings. This is the first time in over two years that the midcap index is trading at a discount to the benchmark indices that represent large-cap stocks.

Put simply, mid-caps are much cheaper than large-cap stocks in the current market. "The overall economic slowdown is visible in the mid-cap and small-cap spaces. Corporate earnings here are not showing encouraging growth. Only select large-cap stocks are performing and those are the ones where earnings growth is visible," says Siddharth Sedani, Vice President-Equity Advisory, Anand Rathi Shares and Stock Brokers.

U.R. Bhat, Fund Manager, Dalton Capital Advisors, says prices of small- and mid-caps are not as well equipped as large-caps to face any adversity in the economy. "So, they are quoting at a discount now after falling from peaks."

Rational Exuberance

Another factor lending buoyancy to the stock markets is the ebbing trade tensions between the US and China. Globally, there is optimism that the first phase of the trade pact will be signed between the US and China, which may lead to rollback of tariffs announced earlier.

"This, coupled with signs of some green shoots emerging in the global economy drove capital flows into emerging market equities, including India. Despite India's weakening macro economy, buying interest in Indian stocks was largely fuelled by hopes of further reforms by the government," says Jitendra Gohil, Head India Equity Research, Credit Suisse Wealth Management, India.

IDFC Securities' Sinha says with both China and the US agreeing to scale down their stringent positions, the market sentiment has got a boost. "Also, indicators like auto sales and global trade numbers have shown that on a sequentially adjusted basis, there is an improvement along with bottoming out of stress."

It's not surprising that retail investors continue to be pulled towards equities as an asset class. According to data from the Association of Mutual Funds in India (Amfi), the assets under management, for the first time ever, touched the ₹3 lakh crore-mark in October.

Even foreign portfolio investors or FPIs have been net buyers of Indian equities since September 2019, when the government announced tax cuts for companies. In October, their net inflows were ₹3,800 crore, while in the first week of November, they infused a net of ₹6,434 crore in equities in a boost to market sentiment.

"In the last four weeks (between mid-October and mid-November), the Nifty has risen 4.7 per cent, driven by net buying from FPIs, who have been net buyers. Hopes of more market-friendly announcements by the government and global risk-on sentiments have been fuelling the Indian equity markets," says Gohil.

63%
Fall in combined market cap of Group B shares (mid-caps and small-caps) on the BSE from March 2018 levels

No other asset class in India is at present delivering returns on the lines of the stock market, says Chokkalingam. "Real estate has been reeling under a slowdown, with some investors exiting the market even at a loss. Gold has lost its sheen. And that leaves investors with little option other than equity markets," he says.

But investors need to exercise caution while investing as all stocks are unlikely to provide good returns even though the broader indices are rising

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The government has tried to address various issues, including the NBFC crisis. These measures have brought back some confidence to the market, especially in housing finance

DHANANJAY SINHA, HEAD OF STRATEGY AND CHIEF ECONOMIST, IDFC SECURITIES

rapidly. "Investors should now go for only quality stocks and not try to catch sliding stocks where there are controversies or corporate governance challenges," says Sedani of Anand Rathi. Some mid-caps remain attractive in pockets that are showing value such as those in chemical and oil and gas sectors, he adds. "Yet, one has to be very selective in small- and mid-caps for another six to 12 months."

PHOTOGRAPH BY RACHIT GOSWAMI

Corporates on Sticky Wicket

Caution for investors becomes all the more important because while markets have been regaining confidence, improvement in overall corporate earnings is a distant reality. In the first half of FY20, net sales of 2,398 BSE-listed companies were flat, showing growth of only 0.4 per cent. But more worrisome was the decline in net profit – it contracted 27.7 per cent over the first half of FY19. On a quarterly basis, net sales contracted 2.7 per cent in the September quarter, while net profits nose-dived 65 per cent.

One of the reasons behind this decline is the growth in the interest expenses of companies. Despite back-to-back rate cuts of 135 basis points by the Reserve Bank of India (RBI) since February, the lending rates have been hovering between 10 and 12 per cent for most companies. This reduced the interest coverage ratio for companies from 5.4 times to 4.8 times in the first half of this fiscal. This means the companies' ability to service debt weakened.

For companies, excluding those in the banking and finance space, the cost of power and fuel moved up, while depreciation jumped almost 24 per cent, in the first half of FY20. And for the September quarter, the mega losses posted by telecom companies have pulled down the overall profits of India Inc. The bankrupt Reliance Communications announced losses of ₹30,000 crore while Vodafone Idea posted India's biggest-ever quarterly loss of ₹50,921 crore.

Corporate earnings are expected to deteriorate as the benefit of corporate tax cuts could be largely offset by a sharp deceleration in GDP growth, says Gohil of Credit Suisse Wealth Management. "Nonetheless, hopes of further reforms and global risk-on sentiments are likely to keep equity valuations elevated."

680 points
Rise in BSE Midcap Index since Sept 20, when the current rally began

2,000 points
Rise in BSE Sensex in two months since Sept 20

Government Push

The government has already announced a ₹25,000 crore alternative investment fund for the real estate sector to bail out stalled housing projects in the affordable and mid-income segments. In August, it brought out a package to aid the auto sector by actively pushing government departments to purchase new vehicles and increasing the rate of depreciation to allow businesses to write off vehicles faster.

For the banking sector, Sitharaman announced an upfront infusion of

“Engineering the future, sustainability”

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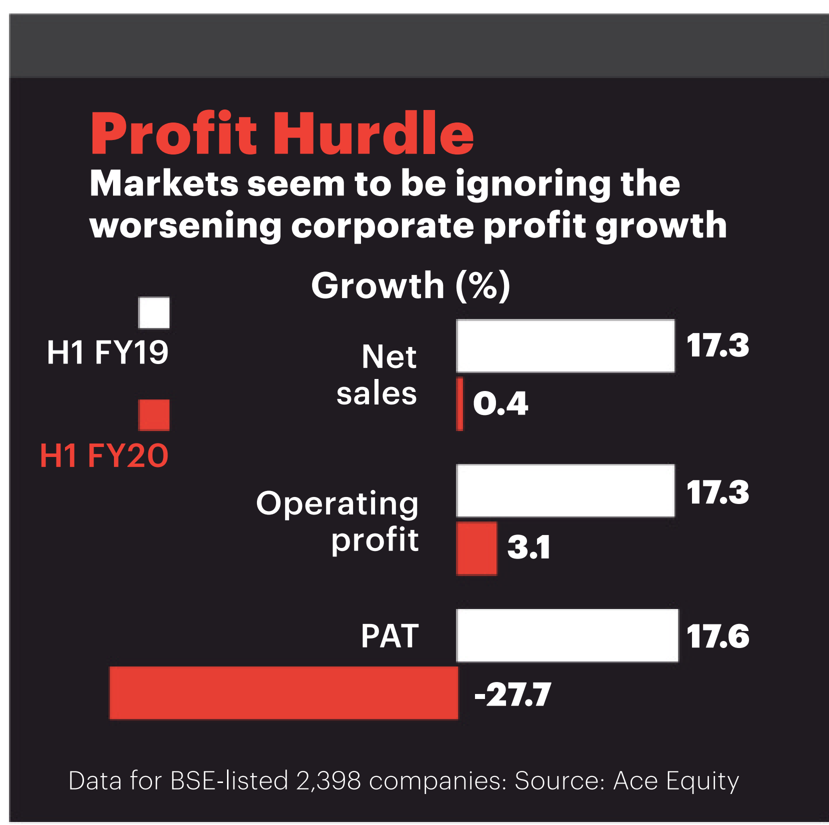

₹70,000 crore in order to boost lending and improve liquidity. Housing finance companies were given an additional ₹20,000 crore from the National Housing Bank (NHB). And the funding to NHB was increased to ₹30,000 crore from ₹20,000 crore.

"The government has tried to address various issues, including the NBFC crisis. I believe these measures have brought back some confidence to the market, especially on the housing finance side," says Sinha of IDFC.

But economists believe that only supply side measures aren't enough. "The government, besides measures like reducing costs, also needs to step up spend on rural infrastructure such as roads and housing and the Mahatma Gandhi National Rural Employment Guarantee Scheme to generate large-scale employment, which could stimulate consumption demand," says Sunil Kumar Sinha, Principal Economist and Director, Public Finance, India Ratings.

12.2%

Central government's total expenditure as percentage of GDP in FY19 (15.4% in FY11)

The central government's total expenditure (both revenue and capital) as a percentage of GDP has been declining since 2010/11. From 15.4 per cent of GDP in FY11, it has hit a low of 12.2 per cent of GDP in FY19. This slide is driven by the government's aim to check fiscal deficit, which has gone down from 4.8 per cent of GDP in FY11 to 3.4 per cent in 2018/19.

"An important factor is the slowdown in demand led by poor government spending," says IDFC's Sinha. The Centre for Monitoring Indian Economy (CMIE) said in January this year that fresh investment in the public sector had reached a 14-year low at ₹50,604 crore in the December quarter of FY19.

Government spending helps the economy both directly and indirectly. The direct help is through employment schemes and subsidies, which gives more spending power to people. And indirect spending through projects to boost housing, agriculture and infrastructure development also improves demand and consumption.

While the government has announced various sector-specific measures and a cut in corporate taxes, economists believe it has not directly addressed the widespread weakness in consumption.

"The recent measures are likely to support growth only in the medium to long term. Also, as most of the measures aim to reduce the cost of goods and services, they are essentially a supply-side response to revive growth. The bigger challenge facing the economy is from the demand side as consumption has collapsed and private corporate investment is not forthcoming," Sinha of India Ratings adds.

Market experts are hopeful that the current levels can be sustained till the Budget is presented in February next year or the end of this fiscal. "Expectations are building up around the Budget and stimulus packages that may be offered. Markets will more or less remain around these levels till then. They can witness 400 or 500 points' volatility but no major correction is anticipated unless a big global news comes up," says Sedani of Anand Rathi.

While on one hand, further deterioration in the growth environment is expected to hurt corporate earnings, on the other hand, equity valuations could remain elevated given 'risk-on' sentiments globally (having an optimistic outlook or thinking that the market has not considered that outlook) and the expectations of further reforms by the government ahead of the Budget in early February, says Gohil of Credit Suisse.

Additionally, a better rabi season, and a 10 per cent above-normal monsoon, which is the best in 25 years, is expected to lift rural demand. "Water reservoirs are full and a good crop season is expected. There is hope for improvement in income and growth. So people will give at least six months' time for a turnaround. Beyond that, if there is no sign of revival on the domestic front or resolution of trade war (between the US and China), then things can get difficult (for markets)," says Chokkalingam.

Above all, GDP growth needs to perk up from the six-year lows and analysts believe that revival in consumption is key. "The need is to take measures that will enhance disposable income and put additional money in the hands of rural and urban households," says Sinha of India Ratings.

Clearly, the stock market has been pinning its hopes on a revival by the end of this fiscal. If the March quarter earnings point towards a revival and a turnaround, markets could continue to touch new heights. But if things don't improve, a downward slide will become a reality. Till then, markets will continue to hang on to hope. **BT**

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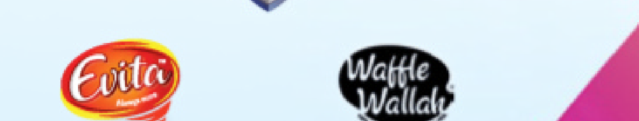
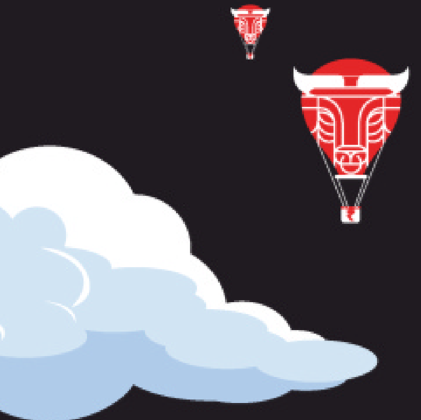




HIGH, BUT NOT ENOUGH

THE SENSEX HAS BEEN SAILING ABOVE THE 40,000 LEVEL. BUT THE RALLY IS NOT BROAD-BASED.

Graphic by **RAJ VERMA**
Research by **NITI KIRAN**

58.6% & 37.9%

Share of stocks in BSE Smallcap and Midcap indices, respectively, that gave negative returns between Sep 20 & Nov 14 this year

80

Number of BSE 500 stocks that traded at their all-time highs between Sep 20 & Nov 14

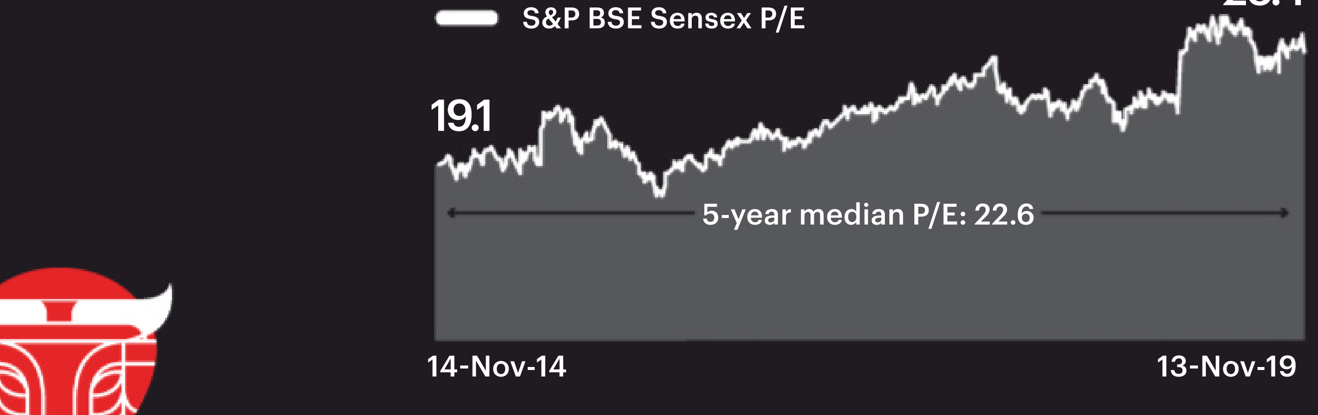
35.8%

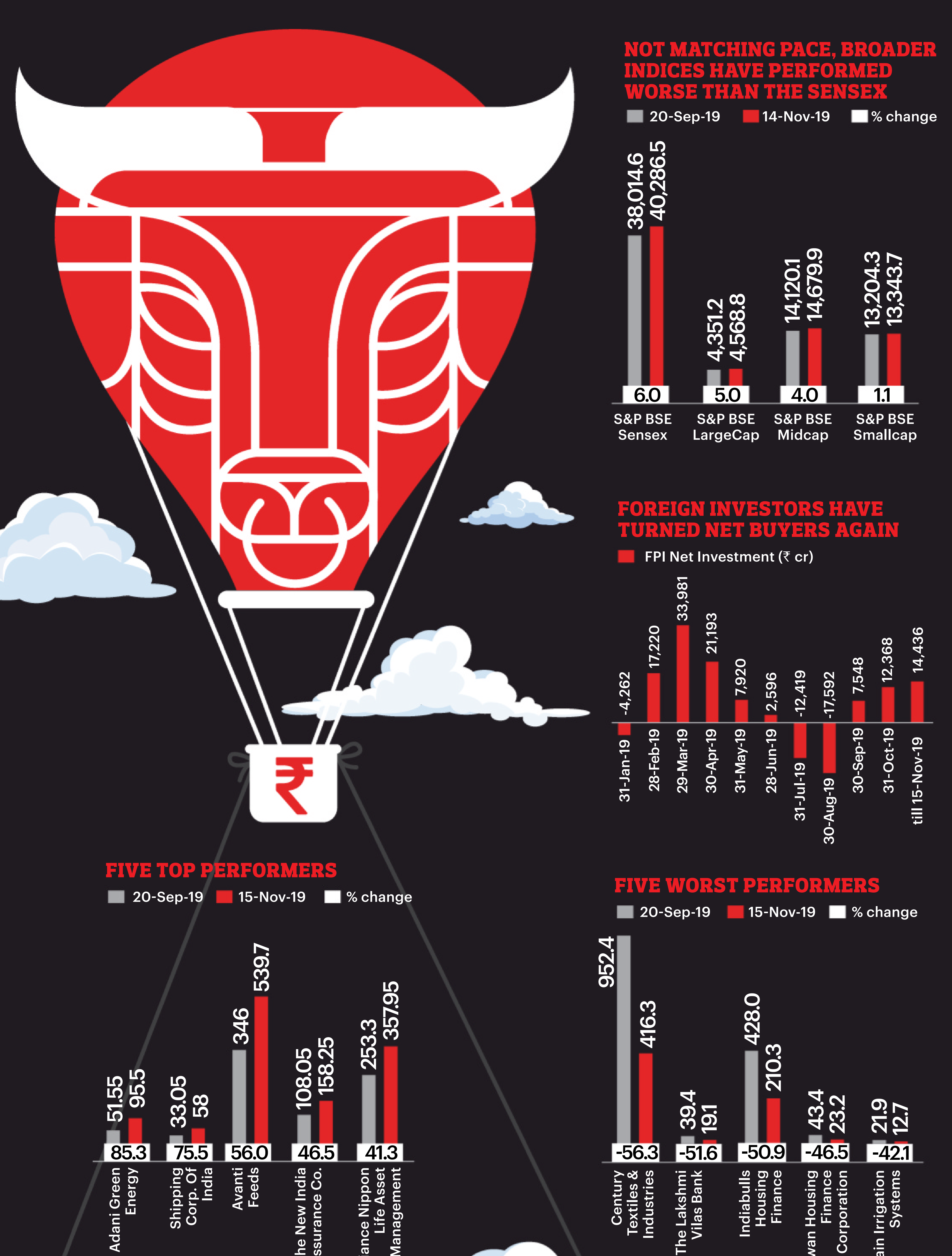
Share of BSE 500 stocks trading above their five-year median P/E ratio

Source: BSE

ON A RISE: SENSEX HAS RISEN 10% SINCE SEPTEMBER...

..AS A RESULT, THE INDEX IS TRADING ABOVE ITS FIVE-YEAR MEDIAN PE RATIO




NOT MATCHING PACE, BROADER INDICES HAVE PERFORMED WORSE THAN THE SENSEX
20-Sep-19
14-Nov-19
% change
38,014.6
40,286.5
6.0
S&P BSE Sensex
4,351.2
4,568.8
5.0
S&P BSE LargeCap
14,120.1
14,679.9
4.0
S&P BSE Midcap
13,204.3
13,343.7
1.1
S&P BSE Smallcap
FOREIGN INVESTORS HAVE TURNED NET BUYERS AGAIN
FPI Net Investment (₹ cr)
-4,262
31-Jan-19
17,220
28-Feb-19
33,981
29-Mar-19
21,193
30-Apr-19
7,920
31-May-19
2,596
28-Jun-19
-12,419
31-Jul-19
-17,592
30-Aug-19
7,548
30-Sep-19
12,368
31-Oct-19
14,436
till 15-Nov-19
₹
FIVE TOP PERFORMERS
20-Sep-19
15-Nov-19
% change
51.55
95.5
85.3
Adani Green Energy
33.05
58
75.5
Shipping Corp. Of India
346
539.7
56.0
Avanti Feeds
108.05
158.25
46.5
The New India Assurance Co.
253.3
357.95
41.3
Reliance Nippon Life Asset Management
FIVE WORST PERFORMERS
20-Sep-19
15-Nov-19
% change
952.4
416.3
-56.3
Century Textiles & Industries
39.4
19.1
-51.6
The Lakshmi Vilas Bank
428.0
210.3
-50.9
Indiabulls Housing Finance
43.4
23.2
-46.5
Dewan Housing Finance Corporation
21.9
12.7
-42.1
Jain Irrigation Systems

ROOM FOR DISAPPOINTMENT

IT IS JUST THE HOPE OF MORE GOVERNMENT MEASURES AND IMPROVEMENT IN CORPORATE PERFORMANCE THAT IS KEEPING MARKETS BUOYANT.

By **SHANKAR SHARMA**

Markets do not have to be logical and rational every day. Throughout history, markets have generally been more irrational than rational. This has happened several times before. For example, in late-1999 to 2000, when the whole industrial economy was hurting, the Sensex made a high of 6,200 in the first quarter of 2000. This happened because technology stocks were driving the market while other companies, including those in auto and cement, were in trouble.

More recently, there has been a lot of activity from the government's side in terms of tax cuts and relief measures, which creates news flow. Markets had been anticipating the tax breaks, which is an example of hope trade. We have to see what more the government has to offer.

The third factor in the market rise is the change in capacities. There has been a large scale destruction of businesses across a number of industries. What we are seeing is not a normal recession wherein companies go through cycles — there is good cycle, a bad cycle and then it turns around, and you come back. This time, because of the debt problem, there are companies that may never come back or return to their original strength.

So, structurally, a lot of capacity in various sectors such as media, airlines, roads, manufacturing, or MSMEs, will never be viable again because of the body blow to their growth in the last couple of years. When something like this happens, then the existing players benefit. So the market is rewarding a handful of companies that have survived this and are, therefore, in a position to benefit from reduction in the overall capacity in India by virtue of being the survivors. For example, in 2008, a lot of Wall Street firms went bust or had to merge with others. A lot of capacity went out and the remaining companies rallied because when capacity went out, business had to be done through somebody and those were the handful of firms left.

This phenomenon can be quite powerful and it means that only a handful of companies can drive the market. Look at telecom. So much capacity has gone out. Obviously, subscribers have not gone out and just one or two players will take the spoils. These factors, in my view, are driving the markets, and Nifty in particular.

Overall, the market is right now in the hope trade mode. If hope materialises, then you might see the mood sustain, but if the slowdown continues the way it has been, then there is plenty of room for disappointment by the markets. The next round of GDP numbers and earnings of corporate India will be critical in deciding this. At present, the market believes that the government is going to take a number of measures as it has done in the past and this hope is keeping Nifty's mood buoyant. BT

(As told to Rashmi Pratap)

The writer is Co-Founder and Chief Global Strategist, First Global

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IS THE CART PULLING THE HORSE?

NIFTY 50 IS ON A HIGH, BUT NOT THE SMALL-CAP AND MID-CAP INDICES, WHICH ARE REFLECTING THE STATE OF THE ECONOMY.

By **SUSHIL KEDIA**

The stock market is the barometer of the economy.” This was a statement that examinees had to defend or challenge in an examination during my graduation in Business Economics in 1992. I defended the statement, at a cost.

My generation was right in the middle of the biggest ever market mania in India. Robert Shiller recorded it as the eleventh largest ‘Irrational Exuberance’ of any financial mania in human history. Yet, my choice to defend the role of markets as a barometer of the economy arose from a strong belief that markets incentivise those who anticipate better. My professor, a well known and accomplished economist in those days, snarled that John Maynard Keynes had asserted that the “stock market can remain irrational for longer than one can remain liquid”. He further fumed that even investment guru Benjamin Graham had asserted the involvement of sentiments in security prices.

Today, a somewhat similar situation has arisen. There is frenzied supervaluation in high quality stocks with high earnings visibility, but economic numbers trend lower. Is this a display of split personality, beginning of another bubble, or a flight to safety?

Evidence suggests a flight to safety. Since the euphoric first high in this current zone of Sensex and Nifty (January 2018), the key indices have fluctuated about 10 per cent. Several new highs have come and still Nifty relapsed to near 10,000 every time.

What it took me many years to figure out is that irrespective of the methodology deployed to construct stock indices, there are many layers to the stock market. For instance, the Nifty Midcap Index is 23 per cent lower and the Nifty Smallcap Index is 40 per cent lower from the January 2018 peaks. Yet all attention is on Nifty 50.

The flight to safety indicator plots the ratio of prices in Nifty 50 versus the summed prices of the Nifty Midcap and the Nifty Smallcap indices. This ratio reflects the unwillingness of capital to percolate into less liquid, less stable and yet much higher returns stocks.

With Nifty on a high again, the flight to safety indicator is at its peak. So, the mood of the markets is in line with economic performance.

Revival is likely to take place first in the markets and a few quarters later in the economy

A trend analysis of the smaller-cap indices is not reflecting bottom formation yet. A further 30 per cent cut seems feasible. Nifty, however, is expected to mimic the new highs that Sensex is likely to reach in the weeks ahead, a 12,250 level at the most. Thereafter, a slide back to the 10,000 area would complete an almost two-year-long sideways correction.

Among small- and mid-cap companies, erosion in earnings and valuation has driven them lower. In the large-cap space, there is a fear of being left out of the India growth story, especially vis-a-vis the tepid global growth outlook. The fear of being left out has been exacerbated by the high-octane and high-determination structural reforms and shifts of Modi 2.0.

What is the basis of these price forecasts? In my trials in the markets through three decades, whenever I leaned on fundamental analysis, I only got part of an answer. Each individual can have their favourite perspective on the possible factors. But the vector sum of all hypotheses, conjectures and insights is market price.

Only when a market move has occurred does everyone agree to its best explanation. And since uncertainty is the origin of returns, market-men agree upon the fitting answer after the moves have occurred.

The finale to the current sideways correction in Nifty and Sensex could culminate in the early part of 2020, whereon true animal spirits will revive, first in the markets and a few quarters later, in the economy. Common sense dictates this deep catharsis to take place in mid and small caps, which will produce extra-ordinary returns for several years. This will happen since large-caps’ valuations are saturated.

Big turns in the economy are accompanied by confusion and anxiety. So, investors should undertake a deep study of the businesses and companies they would like to own for years to come, and conserve capital by trading lesser in markets at this point.**BT**

The writer is founder, Kedianomics, a market research firm

THE HUB

INDUSTRY

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JOBLESS INDIA

As the economy goes into a tailspin, jobs across industries are becoming a casualty.

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BAD SCORE KEEPING

Are survey results being withheld or discredited because they don't match the government line or is there an inherent problem in the way India conducts its statistics?

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Indian telecom operators continue to be in a fix despite the Centre's relief.

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MINING

Underground and on the Edge

The domestic mining landscape is staring at a major disruption when an estimated 329 mining leases expire and need to be auctioned at the end of this fiscal. The tardy progress of auctions so far indicates the changeover could be very messy.

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INTERVIEW

"END PRACTICES THAT DISCOURAGE GENERICS"

Rajiv Malik

PHOTOGRAPH BY RAJWANT RAWAT

JOBLESS INDIA

Workers at Weavers' Colony in Jangaon, Telangana: The handloom weaving industry here has seen a decline over the years

PHOTOGRAPH BY HARSHA VADLAMANI

Rockman Industries in Ludhiana, Punjab: The Ludhiana cluster, which has around 8,000 companies, employs 15 lakh people. Most factories are currently operating with 30 per cent less manpower

Kular Sons Industries in Ludhiana: More than 100 cycle factories in the city have shut shop in recent years. Each unit employed, on an average, 30-40 people

PHOTOGRAPH BY RAJWANT RAWAT

AS THE ECONOMY GOES INTO A TAILSPIN, JOBS ACROSS INDUSTRIES ARE BECOMING A CASUALTY.

By TEAM BT

PHOTOGRAPH BY DANESH JASSAWALA

Yarn spindles stocked for production at Arihant Weaving Mills, Bhiwandi: The region employed 10 lakh people. It may have shed 20 per cent manpower

the textile town of Bhiwandi, 35 kilometres from Mumbai, dingy, winding, swampy lanes lead to localities humming with noise from power looms.

Here, Riten Gada runs Arihant Weaving Mills, a dilapidated two-storied structure with wooden floors and staircases. Gada's father started the mill 50 years ago. The power loom business did well for the next several decades – the factory's 16 looms weaved 2.5 lakh metres of fabric a month, directly and indirectly employing 25 people per loom.

But with the economic slump, most of Gada's looms have fallen silent. Less than 10 workers attend to those that are still running. From weaving 2.5 lakh metres of fabric a month, the factory now barely manages 70,000 metres. More than a lakh metres, already woven, are stocked up in a godown, on the factory's second floor. Even in the midst of the festive season, there were hardly any orders from garment makers who earlier procured woven fabric from Kalbadevi in Mumbai, Surat and Ahmedabad. The payments cycle, for those who still procure Gada's fabrics, has stretched to 240 days from 30-90 days earlier. His troubles may have begun in December 2016 after the Government of India announced demonetisation of all ₹500 and ₹1,000 banknotes, but the slowdown has truly taken Arihant into its grip. Soon, Gada plans to exit the weaving business and try something new.

Gada's isn't an isolated case. Many power looms in Bhiwandi have seen a sharp erosion of business, leading to loss of employment.

Bhiwandi used to be one of India's largest power loom hubs with 10 lakh looms that employed an estimated 2.5 crore people till about three years ago. Each loom employs two people directly but indirect employment adds up to about 23 per loom – besides direct employment, the power loom business engaged dyeing units, printing units, spinners, traders, and garment sellers in Gujarat and Mumbai.

Half of these looms have shut down over the past three years, according to different industry associations. "May be five lakh looms are running, employing two-three lakh weavers directly now," says Puneet Khimasia, a leader of the Bhiwandi Weaving Association. "Most weavers are migrant workers, who go to their villages after Diwali. Many of them will not return as there is no work," he adds.

Hard times are here for workers not just in textiles but across most manufacturing industries. India's industrial production went into the negative territory (-4.3 per cent) for the first time in three years in September, the lowest in nearly eight years, as output slumped in manufacturing, mining and electricity sectors. Production cuts in the auto industry due to slump in demand have vaporised many contractual jobs. A prolonged downturn in the residential real estate sector has been bad news for industries such as steel and cement. On the services side, export-led industries such as information technology services are still hiring but the threat of automation and disruptions due to other exponential technologies such as Artificial Intelligence is beginning to threaten many white-collar roles.

The Centre for Monitoring Indian Economy (CMIE), which maintains business and economic databases, conducts an unemployment survey with a sample size of 1,74,405 households. The survey indicates that in calendar year 2018, the number of people employed shrunk by nearly 10 million. In December 2017, about 406 million were employed; that number was 396 million by December 2018. India's unemployment rate in October 2019, at 8.45 per cent, was the highest since August 2016, when it had hit 9.59 per cent. Unemployment rates

OUT OF JOB

Unemployment rate (%) is sharply up since June 2017

June 2016 **9.12**

Mar 2016 **8.59**

Source: CMIE

PHOTOGRAPH BY SUBIR HALDER

4,00,000
people in India's automobile sector are estimated to have lost their jobs since April 2009

June 2017
4.01

June 2018
5.48

Oct 2019
8.45

in states such as Tripura (27.2 per cent), Haryana (23.4 per cent) and Himachal Pradesh (16.7 per cent) are very high. India's largest state, Uttar Pradesh, has an unemployment rate of 10.1 per cent.

Rating agency CARE Ratings studied annual reports of 1,938 companies across sectors to estimate employment generation in India's corporate sector. Annual reports mostly disclose on-roll employees and not those on contract.

The study found that aggregate headcount inched up at a CAGR of 3.3 per cent in the four years between 2014/15 and 2017/18. The GDP, however, grew at 7.5 per cent per annum. "Ideally, the rate of growth in employment should be linked with growth in GDP...employment growth has not been commensurate with GDP growth with a difference of 4.2 per cent in CAGR during this period," the agency stated.

The core industries (mining, iron & steel, crude oil, construction materials) have witnessed negative growth in headcount, impacted by the slowdown in GDP as well as challenges on the NPA side for banks. Heavy investment industries such as capital goods and power also show shrinking employment. Other industries with a sharp downtrend in headcount include telecom (down 7.1 per cent CAGR), agri (down 4.9 per cent), and hospitality (down 3.6 per cent).

"Never seen this kind of *mandi* (slowdown)", Manesar, Haryana

Sales in the automobile industry have declined every month since December 2018. Manufacturers cumulatively produced 15 per cent less vehicles during April-October compared to last year. When cars, two-wheelers and truck makers make fewer vehicles, the pain is spread around the thousands of component makers that supply parts to these companies. Therefore, the estimated number of people who have lost jobs in this industry is staggering. Nearly 4,00,000 people across the country have lost their jobs since April, auto experts estimate. This includes about 2,32,000 people at vehicle dealerships that have either scaled down or downed shutters. In the past two years, about 300 dealerships have closed. Maruti has so far shed around 3,000 temporary workers while utility vehicle maker M&M has let go 1,500 temporary staff.

The mood in villages around the Gurgaon-Manesar industrial belt, one of the biggest automobile hubs in the country, is expectedly sombre. "I used to have a regular job with a salary of ₹12,000 at a forging unit in Sihi (a village) till June. I was retrenched in July and have not been able to find regular employment ever since," says Vipul Sutariya, 25, hunched next to a tea shop in one of the bylanes of Kasan village in Manesar. A native of Tejan village in Ambala district, he says he does not have an option to go back to his village as he will not find any work there either. "Many workers have gone back to their villages," says Ram Asrey, the 42-year-old tea shop owner. "I have never seen this kind of *mandi* (slowdown)." Asrey had himself migrated from Rohtak and set up the shop in 2010.

Manesar became an industrial hub in 1999, when Honda Motorcycle and Scooter India set up its first factory here. Maruti opened its second car factory in the region in 2007. Over the years, dozens of ancillary units sprung up.

"Manesar came out of nowhere in the last 15 years. It used to

be a dusty stopover for trucks on way to Jaipur from Delhi. Today, it is a bustling township," says Ravi Patel, owner of a grocery in Aliyar village. "This is the first downturn the area is witnessing, and it is intense," he adds. Buildings in the region that rent out accommodation to workers lie vacant as many contract workers have returned to their villages after being laid off. "It has also affected my business. Workers are my customers, and with so many of them gone, demand for my goods has gone down," says Patel.

Similar stories echo more than 2,000 kms away, down south in Chennai, another automobile hub. Factories of auto makers such as Ford, BMW, Hyundai, Renault-Nissan, Ashok Leyland, Daimler, TAFE and Royal Enfield are spread around the city. For the past 26 years, K. Munisamy, 50, has been following a routine. Every morning, in a blue shirt and trousers, he starts work at one of the milling units of an auto parts maker in Chennai. He clocks in eight hours before going home. "During good times, I used to work overtime and earn more," says the father of two. He supports a six-member family, including his parents. "I used to earn enough (₹22,000 a month) to meet the expenses, but that will now change," he says. His colleague, Kumar, 35, is in a similar situation. "My children are in school and my wife doesn't have a job. I am the only earning member in my family (he earns about ₹17,000 a month) and I have to search for a job now," he says. "This is a bolt from the blue." Their employer, a valve maker in Chennai's Ambattur Industrial Estate, shut operations last month.

PHOTOGRAPH BY RAJWANT RAWAT

"THERE IS NO RESPITE FROM THE SLOWDOWN. IT HAS NEVER BEEN SO BAD IN MY LIFE"

Gurmeet Singh Kular, President, FICO, Ludhiana

The component industry contributes 2.3 per cent to India's GDP and 25 per cent to its manufacturing GDP, and its prospects mirror the domestic vehicle industry, its main client. "The auto industry employs about five million people and 70 per cent of it is contractual in nature," says Vinnie Mehta, Director General, Automotive Component Manufacturers Association (ACMA). "That is where retrenchments have begun but it is likely to get worse if the slowdown persists. We are looking at a possible 15-20 per cent reduction in workforce if things do not improve soon," he says.

10 MN

The fall in number of people employed in 2018, according to CMIE data

Things are unlikely to get better anytime soon. The automobile industry is bracing itself for the transition from BS IV to BS VI emission norms, which means its inventory of BS IV vehicles needs to be depleted to zero by March 2020-end. This could result in another round of steep production cuts between now and February. At the same time, BS VI vehicles will cost significantly higher than the BS IV ones, which could hit consumption further.

India's current economic slump, meanwhile, comes at a difficult demographic transition. Employment generation is far tougher now because of the number of working age population joining the workforce every month. The World Bank's *South Asia Economic Focus Spring 2018* report stated that between 2015 and 2025, India's working age population, or those above the age of 15, would expand by 1.3 million a month. India, therefore, needs to create millions of jobs a year. How many millions depends on the estimates of the employment rate. Not everyone in the working age population works. The World Bank calculates the share of the working-age population that is at work at 50 per cent. India, the report stated, would need to create more than eight million jobs a year to maintain the same level of employment rate.

Maintaining this sort of employment rate would be difficult without support from India's automotive industry, which contributes about 49 per cent to the manufacturing GDP. The $119 billion domes-

PHOTOGRAPH BY RAJWANT RAWAT

The Avon cycle factory in Ludhiana, Punjab. The state has worse unemployment (13 per cent) than UP (10.1 per cent) and Bihar (12.7 per cent), says CMIE data

tic automobile industry is in the midst of its worst slowdown, ever.

"There is no respite"
Ludhiana, Punjab

Punjab's largest city, Ludhiana, also makes things that move. The humble bicycle is its most famous product. More than 100 factories manufacturing bicycle and bicycle parts have shut shop in recent years. On an average, each unit employed an estimated 30-40 people.

CMIE data of October 2019 shows that Punjab has worse unemployment at 13 per cent than UP (10.1 per cent) and Bihar (12.7 per cent).

The city's industrial cluster, which has around 8,000 companies, also makes auto components, hand tools, plywood, sewing machines and textiles. The economic slump has impacted many of these industries. The cluster employs an estimated 15 lakh people every year. However, most factories are currently operating with 30 per cent less manpower. There is less demand and an excess of labour.

Gurmeet Singh Kular is President of the Federation of Industrial and Commercial Organisation (FICO), Ludhiana. He is also a manufacturer of bicycle parts. "There is no respite from the slowdown. It has never been so bad ever in my life," he quips. "The auto sector and sewing machine makers are facing a slowdown. However, machine tools are doing okay because the industry works on advance payment," Kular says and adds that Ludhiana is beginning to see job losses, both among regular and contract workers. "We are dependent on migrant labourers from Bihar and UP. Diwali is our peak season. Therefore, there is usually a shortage of labour during this season. However, this year, there was no shortage," he says.

Kudu Knit Process in Ludhiana is a knitted goods company that produces fabrics for summers and winters. "We normally get three repeat orders from our customers during the summers, and once during the winters. Last year, we missed one summer season's business or one quarter of the business due to demonetisation and GST," says Varun Mittal, director of the company. Mittal's company deals with semi-organised and unorganised customers who work mostly in cash.

"We feel that after demonetisation and GST, people downstream (semi-organised and unorganised companies), which is a large part of our customer base, had huge issues. One, they did not have a good amount of white capital. Second, they faced documentation and clerical challenges for adjusting to the new GST system," he says.

Mittal used to offer customers credit for three months during the pre-GST, pre-demonetisation era. After these steps by the government, his customers' cash flows were impacted and the credit cycle expanded to almost five months. "We are trying

PHOTOGRAPH BY HARSHA VADLAMANI

Most weavers in Telangana's Jangaon town don't see weaving as a sustainable vocation. However, they are stuck since they are not skilled at anything else

to convince ourselves that it is over, but it is not. There are aftershocks and they are going to be around for some more time," he says.

"This money isn't enough"
Jangaon, Telangana

The Jangaon region, one of the more important handloom clusters of Telangana, is known for its Ikat weaving. Around 1,000 looms were at work here in the early 2000s. Now, it is down to a little less than half that number, according to one estimate.

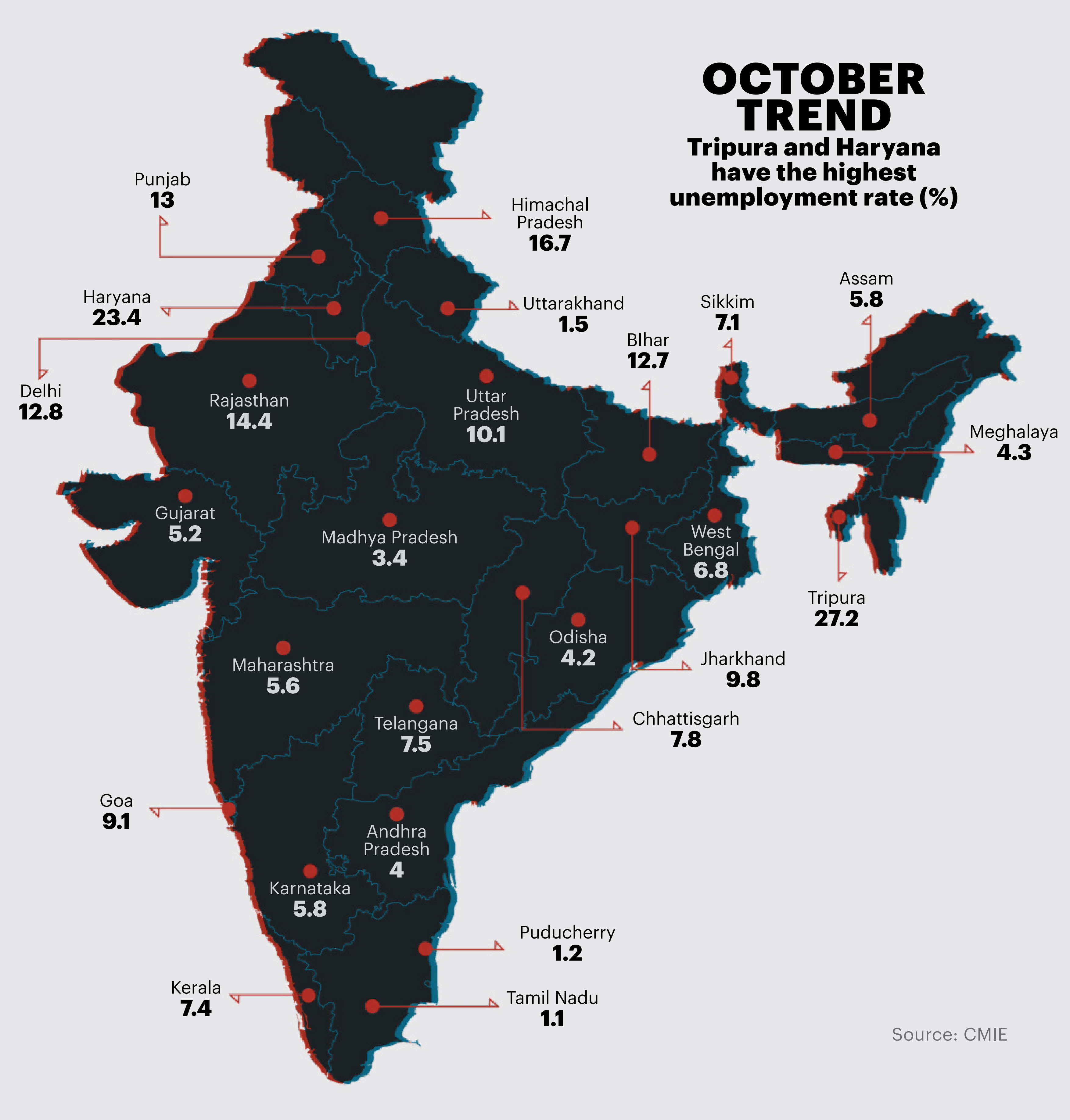
Narasimha Reddy Donthi, an independent textile policy expert, who has seen the number of looms in Jangaon decline to around 400 five years ago from about 1,000-odd in early 2000s points to the 4th and 3rd Handloom Census (2019/20 and 2009/10). "The number of handloom workers has shrunk from 43,31,876 in 2009/10 to 35,22,512, an 18 per cent decline. Employment in the handloom sector is witnessing a clear fall," he says.

Weavers are leaving the vocation because it is no longer lucrative or sustainable. Fabric making is moving towards mechanisation. This also points to a connected nuance of India's employment nightmare — underemployment. Residents of a weavers' colony in Jangaon town, about 100 kms from Hyderabad, would much rather opt for another job since earnings from weaving alone are not good enough for their households. Nevertheless, finding another high paying job isn't easy.

Gonne Narender, 34, wants a better future for his household of six. He weaves Pochampally sarees but now finds himself stuck. Over the last few years, he tried many jobs, including selling soaps and working at a local *kirana* store. When his life did not change materially, he went back to weaving. "Weaving is the only art I know and it lets me be with my family," he says. Today, his family earns around ₹12,000 a month with each adult member contributing. His wife helps with the yarn preparation while his mother makes beedis. "This money isn't enough. I have not yet factored in expenses that I will have to incur when I begin sending my daughters to school," he says.

3.3%
CAGR of jobs reported by 1,938 companies between 2014/15 and 2018/19

Like Narender, Bikshapati Enagandula, about 40 years old, tried his luck in Hyderabad as a carpenter before returning to being a weaver. This underlines the need for



re-skilling. Many workers are stuck with a single skill and must be trained for industries that are on the rise.

One attraction for those who return to being weavers are government subsidies. Jangaon's weavers get both state and central subsidies. "Today, there are several government schemes for weavers and many are able to get a Mudra loan to buy a loom. There is subsidy on yarn. The latest incentive is pension of ₹2,000 a month for those over 50 years. However, the only problem is that there is a lot of paperwork and it is a time-consuming process," says Gurram Nagaraju, president of a weavers' association in Jangaon.

"My customer owes me ₹3 crore"
Bhiwandi, Maharashtra

At 5.6 per cent, Maharashtra has a lower unemployment rate than the national average, according to data from CMIE. Nevertheless, there are pockets within the state's industrial clusters that are in turmoil due to the downturn.

Bhiwandi's industrial belt is among them, dominated not just by power looms but a whole range of small businesses in engineering, printing and packaging businesses. The region has between four and five lakh factories that employed 10 lakh people. Conversations with industries here suggest that the cluster may have shed 20 per cent of its manpower in recent years.

At Wada, near Bhiwandi, at least 100 steel rolling mills have downed shutters over the past two years. At the denim garment manufacturing hub of Ulhas Nagar in Mumbai, numerous units are on the verge of closure. This is bad news for the millions of youth who enter the workforce every year.

BT also visited Ambernath, part of the Mumbai Metropolitan Region. Here, at a plastic bottle manufacturing machines unit, over 200 machines were lying idle. The factory has stopped production because of the inventory overhang. In this region, there are numerous foundries that closed shop as well.

Ninad Jaywant assembles trouser belts, selling it to popular fashion brands. The leather is imported from Italy while the buckles come from China. He ran his company, Kangaroo Leather, from Dharavi in Mumbai, but relocated to Pimplas village on the outskirts of Bhiwandi a decade ago, employing about 40.

PHOTOGRAPH BY DANESH JASSAWALA

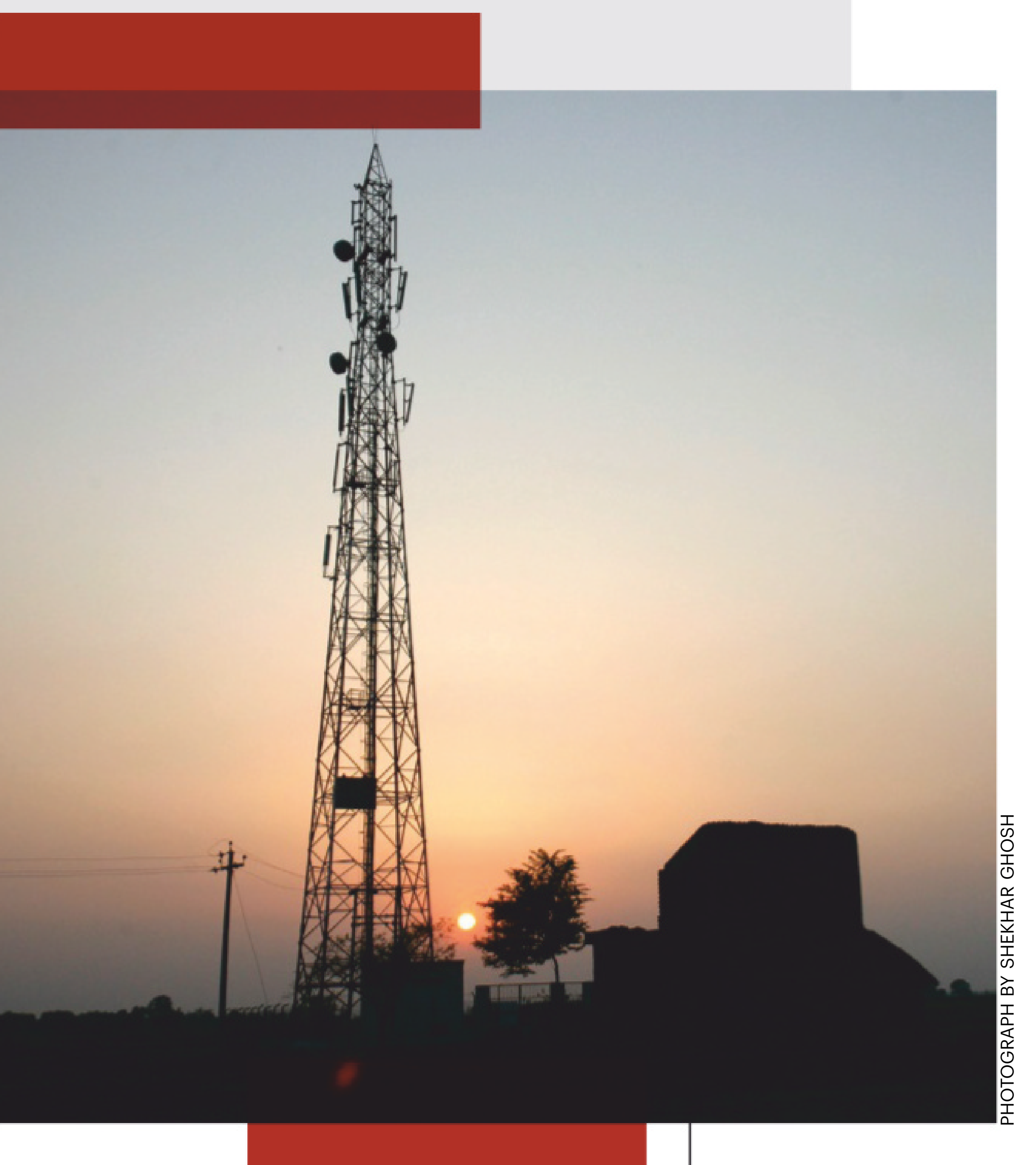
In Bhiwandi's manufacturing units, many workers are migrants. They have not returned to work after Diwali because there is no work

Jaywant is worried. He needs nearly ₹1 crore to pay for bonus, salary and other establishment costs. But things aren't going well. A well-known brand, a customer for 22 years, is ready to place a ₹2 crore order. But this customer already owes him over ₹3 crore, an amount that has remained unpaid for months. "I am stopping supplies because I fear I will not get my money in the near future," says Jaywant. "My business has gone down by over 30-40 per cent," he adds. When *Business Today* visited his factory, it had less than 10 employees. "The rest will come back when we get more orders," says the owner.

Sandeep Parikh, Vice President of Mumbai-based Chamber of Small Industry Association (COSIA), an umbrella organisation of nearly 70 MSME associations in the country, says few have data on employment in the state's MSME sector. "Most of these units employ daily labourers. They get their wages only if there are orders," he says. Large layoffs, he adds, have been witnessed in engineering, construction, textile and electrical sectors, among others. "Now, I can employ a mechanical engineer with two years experience for ₹15,000. I had to pay double the amount two years ago," Parikh says.

"BSNL/MTNL shed 90,000"
NCR/Bengaluru

There is better news on jobs from the IT/ITeS and start-up hubs of Bengaluru and Gurgaon. Large e-commerce and food-tech companies are beefing up their logistics operations, which is good news for delivery and warehousing jobs. Flexible hiring, or employment with a short, fixed-term contract



PHOTOGRAPH BY SHEKHAR GHOSH

1,00,000

Job loss in the telecom sector due to VRS at BSNL/MTNL and losses at major operators

of six months to a year, spiked as companies strengthened their logistics and sales teams in preparation for the festival season, which starts with Onam and ends after Christmas in India.

Rituparna Chakraborty, President of the Indian Staffing Federation and Co-founder at staffing firm TeamLease, told *Business Today* that compared to the same period (the holiday season) last year, the flexi-hiring industry has witnessed a jump of 10-15 per cent in demand. "The demand for temporary hiring is coming from e-commerce, fintech, banking and financial services as well as some consumer sectors. It may not be a huge, but there is clearly a surge," she says.

While some large companies in the India's IT services industry are going through turbulent times, the industry as a whole is still hiring in large numbers. Keshav Murugesh, Group CEO of WNS and Chairman of IT industry body Nasscom, says that the industry expected net hires to total about 1.2 lakh last year. The industry ended up hiring about 1.7 lakh. "The good news is that in the first quarter of this year, 85,000 net new hirings have taken place. This is a positive trend. From Nasscom's point of view, we are cautiously optimistic in terms of the overall year — it appears to be trending better than the previous year," he says.

Nevertheless, companies such as Cognizant and Infosys are on a belt-tightening mode. Cognizant, which is fighting to get back to a growth curve, recently announced a programme to simplify the way the company works and lower its cost structure. The company would eliminate 10,000 to 12,000 mid-to-senior level employees from their current roles. Brian Humphries, the Chief Executive Officer, said that 12,000 was a gross reduction number and that the net reduction would be 5,000 to 7,000 roles since the company aims to re-skill 5,000 associates, thereby lessening the impact.

More than IT, it is the telecom sector that is caught in a quagmire. The recent turn of events – the Supreme Court's ruling on AGR (adjusted gross revenues) and VRS (voluntary retirement scheme) of BSNL and MTNL – might result in significant shrinkage in the headcount of the industry, both direct and indirect.

The telecom sector today employs over 2,40,000 people directly between the three private operators, Bharti Airtel, Vodafone Idea and Reliance Jio, and BSNL/MTNL. With nearly 90,000 BSNL and MTNL employees already opting for VRS, the sector's headcount is expected to fall over 1,50,000. In fact, the situation might worsen if the number of private operators slips. "If one of the operators ceases to exist, that will reduce headcount by another 15,000. If two cease to exist, it will go down by 30,000-32,000 employees," says Rajan S. Mathews, Director General at the Cellular Operators Association of India.

The impact of such an event is expected to cut across other sectors such as banking, consulting, original equipment manufacturing, as well as ancillary software companies. As per one estimate, indirect employment in the telecom sector is two-three times the number of people employed directly. Given India's demographic pressures, this is troubling news and only adds to the distress in automobiles, textiles and a whole host of small businesses that keep India's young workforce employed. **BT**

(With inputs from Joe C. Mathew, Goutam Das, Manu Kaushik, Sumant Banerji, P.B. Jayakumar and E. Kumar Sharma)

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THE HUB **INDUSTRY**

COLLATERAL DAMAGE

ahesh Sharma (42) had worked for Moser Baer India for 17 years and drew a monthly salary of around ₹27,000 when the company was dragged into insolvency proceedings in November 2017. Even before that, all was not hunky-dory as the management declared a lockout at the Greater Noida plant. The workers opposed it vehemently and got the lockout revoked, hoping that operations would start soon. Sharma, who was the President of Moser Baer Karamchari Union, says that workers were ready to give up a part of their salaries for a few months

IRRESPECTIVE OF RESOLUTIONS, COMPANIES GOING THROUGH THE INSOLVENCY PROCESS ARE SEEING LARGE NUMBER OF DIRECT AND INDIRECT JOB LOSSES.

By DIPAK MONDAL

to help revive the company. Of course, people were not working during the insolvency resolution period, but they were hoping that a buyer would ultimately turn up and get the business going. But operations never started, and on September 20, 2018, the company was liquidated under the Insolvency and Bankruptcy Code (IBC), 2016, leaving 2,500 employees jobless (they were finally paid full compensation after moving the Supreme Court). As part of the liquidation process, the factory land, one of the major assets, has been acquired by True Value Nirman, an Ahmedabad-based real estate company.

Sharma now runs a small electrical appliance shop in a dusty bylane of Dadri. He had tried to secure another job and was about to be hired by a firm on a monthly salary of ₹34,000. However, he failed to clear the HR round due to his trade union activities in Moser Baer. He says he will never get another position in Noida or nearby areas because of his past affiliation to labour unions.

This is not a unique incident. The same story is being played out at many levels, in different parts of the country, as creditors push debt-ridden companies to the National Company Law Tribunal (NCLT) and resolutions are sought under the IBC. Some businesses managed to find new promoters and they continue to operate, but others failed and were liquidated.

Earlier, liquidation meant instant job loss as there were no

provisions to liquidate a company as a going concern. But that law has been amended since and employees in a company under liquidation still have (slim) chances to save their jobs.

Take, for example, the case of IVRCL. The company was ordered to liquidate in July this year after the insolvency procedure failed to yield any resolution. As of now, it has 1,100 employees on board (800 permanent and 300 temporary), and their fate hangs in the balance. Sutanu Sinha, the official liquidator and also the resolution professional in this case, says that he is trying to sell the company as a going concern so that these jobs could be saved. According to Sinha, when he came in, the company had over 2,400 employees (1,500 permanent and 900 temporaries), but more than half have already left. Incidentally, the liquidation process is supposed to be over within a year from the time of the order. Nevertheless, the NCLAT has given a three-month extension to the liquidator to try and find a buyer.

The saga of Adhunik Metaliks and Zion Steel is not heartening either. The UK-based Liberty House Group acquired both during the resolution process but failed to pay within the stipulated time frame. As a result, both were ordered to be liquidated by the Cuttack Bench of the NCLT on July 7. Before liquidation, the companies had a combined workforce of 2,000 (on their payrolls and under contracts), says Sumeet Binani, who is now the liquidator. "Both companies are not operating for 12-16 months since Liberty House's failed attempt to buy them. Very few people are left today," he adds. Binani, too, is trying to find a buyer for the companies.

THE BIG PICTURE

(Data as of Sept. 30, 2019)

Cases admitted
2,542

Resolutions
156

Liquidations
587

Number of operational companies liquidated
160

Does the System Protect Workers?

Even though the NCLT and other courts had, on occasions, gone out of their way to protect workers' interest, Sharma of Moser Baer workers' union does not agree. According to him, the IBC has been structured to help industrialists and workers' interest is rarely a priority for a resolution professional who is appointed by creditors. "They (resolution professionals) only have bankers' interest in mind," he says.

Sharma may not be entirely wrong. In a departure from the past, the IBC has tilted in favour of financial creditors who are mostly bankers. Understandably, these creditors often have the final say in all things vital, be it choosing the insolvency professional, accepting or rejecting the resolution plan or deciding the fate of operational creditors who are typically vendors and employees. While this creditor-driven approach has resulted in faster resolution of bad debt/debt default cases, jobs of current employees have turned out to be the collateral damage in this process.

It is not difficult to understand why. While liquidation of defunct companies does not result in significant job losses, liquidation of operational companies often results in substantial job losses as in the case of Moser Baer. Even successful resolution under the IBC – where companies are purchased as going concerns – does not guarantee job security. Ideally, it should not be the case. But new promoters often lay off employees to ensure better efficiency and commercial viability. The incentive lies in the difference between enterprise value and liquidation value. If the liquidation value is quite high, human resource reallocation becomes essential, and hence, the involuntary attrition.

Sethurathnam Ravi, former BSE Chairman and Founder and Managing Partner at Saket-based Ravi Rajan & Co, says, "While it is unfortunate, job losses are a normal occurrence at companies under the NCLT (it adjudicates insolvency matters). Moreover, one can put a number to direct job losses, but we should also take into account the supporting tertiary sectors and other operational creditors who are impacted negatively." Ravi and his partners at the firm are currently handling 11 insolvency cases.

What the Numbers Reveal

A close look at the numbers will further explain the scenario. Data from the Insolvency and Bankruptcy Board of India (IBBI) – the insolvency regulator – shows that the closure of cases under the IBC has been faster and the recovery rate has been much better than what it had been under the previous (resolution) laws. So far, over 2,500 cases have been admitted under the IBC of which 156 have seen resolution and 587 cases have gone into liquidation. Out of these 587, only 160 were operational and others were defunct. More than 300 cases have been withdrawn and close to 1,500 are still in different phases of the insolvency process. According to the IBBI, the average recovery rate for financial creditors has been 43 per cent and the average time for resolution has been 360 days, compared to 26 per cent recovery and an average 4.2 years for resolution under previous laws.

Of the 12 large cases of non-performing assets (NPAs) referred to by the Re-

SIX REASONS WHY JOBS ARE LOST

Financial distress: Most of these companies are in financial distress and cannot pay their employees and vendors.

Difficulty in getting interim finance: A company under insolvency process finds it difficult to raise interim finance to run its operations, thus leading to more job losses.

Restructuring/downsizing by acquiring companies: Even if a company under IBC is acquired through resolution, the acquirer downsizes it to streamline operations.

Companies getting liquidated: If a company under IBC is not acquired through resolution, it gets liquidated, and it means loss of jobs.

Delay in resolution: The longer it takes, the more the chances that a company's financial situation would get worse. This further leads to job losses.

Inability of a company to be liquidated as a going concern: There is a provision that a company under liquidation can be sold as a going concern. But the lack of interest in a company under liquidation means very few takers to keep the operations running.

PHOTOGRAPH BY RAJWANT RAWAT

New promoters often lay off employees to ensure better efficiency and commercial viability

serve Bank of India for resolution under the IBC, two of them – Lanco Infratech and ABG Shipyard – have been liquidated. We do not have ready access to ABG Shipyard's job data, but Lanco had close to 1,200 employees in March 2017. Insolvency proceedings were initiated against the company in August 2017, and it was liquidated a year later. Understandably, both cases witnessed huge job losses.

According to a resolution professional who does not want to be named, even in high-profile insolvency cases such as Essar Steel and Bhushan Steel, several top-level employees, as well as contract workers, have lost their jobs although both cases have been resolved. *Business Today* could not independently verify this claim. An e-mail query sent to Tata Steel, the new promoters of Bhushan Steel, did not elicit any response at the time of going to press.

A look at other companies does not augur well for employees. Alok Industries, which was acquired by a combine of Mukesh Ambani-led Reliance Industries (RIL) and JM Financial Asset Reconstruction Company (ARC) in March 2019, has over 10,000 employees who face an uncertain future. Ajay Joshi, the insolvency professional in this case, told *Business Today* the question (of job loss) is not applicable at present as the takeover is not yet complete. Or take the case of Videocon. Gajanan Bandu Khandare, President of Videocon Group Employees Union, says that 6,000 workers at the company still have their jobs, but they have not been paid for the past seven months. Delays in resolution also lead to workers' distress. Videocon Industries went under the IBC in June 2018 but has not seen a resolution.

It is clear from our research that no consolidated data on job losses due to the IBC mechanism is available yet, but the government is aware of the distress an insolvency process can cause. That is why it has requested restraint in taking debt defaulters to the NCLT. In a recent media briefing, Injeti Srinivas, Secretary, Ministry of Corporate Affairs, said that there is a need for an alternative mechanism and not all default cases should not be referred to NCLT. As insolvency is a rigorous process, only cases which involve large outstanding should be resolved through the IBC. He also expressed his concern over dragging solvent companies to insolvency proceedings for small dues. **BT**

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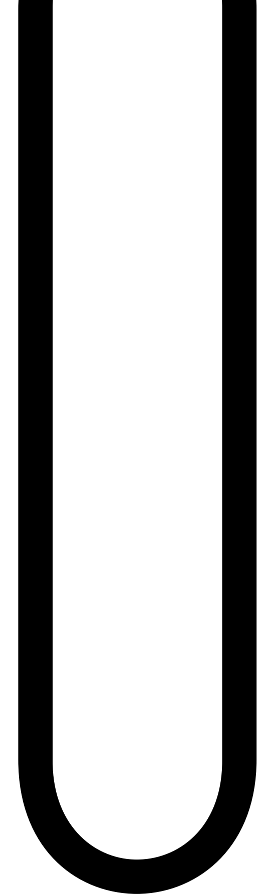
THE HUB **POLICY**

Bad Score Keeping

ARE SURVEY RESULTS BEING WITHHELD OR DISCREDITED BECAUSE THEY DON'T MATCH THE GOVERNMENT LINE OR IS THERE AN INHERENT PROBLEM IN THE WAY INDIA CONDUCTS ITS STATISTICS?

By JOE C. MATHEW
Illustration by RAJ VERMA



On November 15, the Ministry of Statistics and Programme Implementation (MoSPI) announced that it will not publish the results of a national household consumer expenditure survey carried out by its wing, the National Statistics Office (NSO), during the period July 2017 to June 2018 on account of "data quality issues".

The MoSPI decision will impact the government's GDP base year revision plans as the scrapped data set is crucial in revising the base year for calculating India's economic (GDP) growth. The absence of this data will also deny India an opportunity to understand the changes that have happened in areas of poverty, food consumption, nutrition, malnutrition and a host of other issues during the last six years, as that was when a similar exercise was carried out last to generate comparable data points.

This is also the second instance, in recent times, of the results of a survey-based data analysis, prepared by an official government agency, being junked by the government itself. Results of the periodic labour force survey (PLFS) of NSO, again for the 2017/18 period, had met a similar fate. While the PLFS survey did get released after a long delay, it was discredited by the government, which said its findings related to job losses were not correct.

These may seem like isolated events but a possible dent

Access to data, even with limitations, is of immense importance to policy makers; unavailability makes them handicapped

to the credibility of India's official data can have wider implications for the way other countries and potential investment, technology and trade partners see India. *BT* reached out to Pravin Srivastava, Chief Statistician of India and Secretary, MoSPI, for an official response, but could not elicit any. At the time of going to print, a response from Bimal Kumar Roy, Chairman, National Statistical Commission, was awaited.

NSO routinely processes two types of data sets – generated through its own surveys and compiled from other sources. Agriculture data, for instance, comes from the agriculture ministry, while the MCA 21 database of the Ministry of Corporate Affairs is the source of company data. Then there are high-frequency data sets like the Index of Industrial Production (IIP), which is based on fixed items from a fixed panel of factories. IIP reflects short-term changes in the manufacturing sector and is released monthly with a time lag of six weeks. The Consumer Price Index (CPI), which NSO compiles separately for rural, urban and combined sectors on a monthly basis, is another high-frequency data set. All of these have problems in terms of weightage given to certain items (thereby skewing the outcome) or the relevance of the product basket. Efforts are on to revise the base and methodology of IIP, for example. So, while there are questions regarding the data, they are shared in a timely manner. This is not the case with survey-based reports.

The government's decision to withhold the consumer ex-

penditure survey has raised two key questions. One, is there a problem with India's official statistical system and is it time for an overhaul to make it more credible and reliable? And two, if India's statistical system and its practices are by and large credible, then is the government playing politics by not releasing the data which perhaps runs contrary to its development claims? If so, is there a threat of unfavourable data getting suppressed in future thereby putting the credibility of India's official statistical system at risk? Both the questions are valid, to some extent.

Need For Improvement

The theme of the 26th annual Conference of the Central and State Statistical Organisations (COCSSO) held in November 2018 was "Quality Assurance in Official Statistics" as the issue of quality assurance in statistics produced and disseminated by various official agencies at the Centre and in the states has had MoSPI' attention for quite some time The conference made an attempt to understand the extent to which India followed the United Nation's Statistical Commission's template. The result was that of a total of 250 global quality benchmarks, India's statistical system was fully compliant (where respondents said 'yes') in 108 parameters. It was work in progress ('partially true') in 123 parameters, while a non-starter in 18. Assuring quality commitment, adequacy of resources and relevance, and managing metadata were the areas where the Indian statistical system needed to improve a lot.

The COCSSO said the average implementation percentage comes out to be 68.1 per cent and that government agencies need to work towards bringing this to 100 per cent.

Even in the case of the now discredited consumption expenditure survey, there were issues with data quality, and the ministry's worries are not completely out of sync. MoSPI defended its decision to scrap the survey: "the results of the survey were examined and it was noted that there was a significant increase in the divergence in not only the levels in the consumption pattern but also the direction of the change when compared to the other administrative data sources like the actual production of goods and services". It also said that concerns were raised about the ability or sensitivity of the survey instrument to capture consumption of social services by households, especially in health and education, thereby prompting the ministry to jettison the survey.

"Consumer expenditure is a very difficult survey to be done because you are supposed to collect the entire expenditure of the household on consuming goods or services during the month or year. There is always a problem of recall lapse. You may recall yesterday's expenditure, but you may not recall the monthly expenditure," says P.C. Mohanan, former Chairman of National Statistical Commission (NSC). "The second issue is that a lot of consumption is difficult for households to record. You get a lot of free services and products like subsidised ration, so the consumption expenditure might be lower because they are not spending money on those products. So even if you are consuming the same thing, your expenditure will be reduced." These issues, however, are not new, and are present not only in India, but everywhere, he adds.

Inconvenient Data

Over 200 academicians and prominent civil society members, including Nobel prize winner Angus Deaton and French economist Thomas Piketty, have prepared an open letter to the Narendra Modi government, demanding that the govern-

Data Black Hole

The government has been accused of delaying the release of several official surveys or withholding them altogether

Examples:

LABOUR FORCE DATA:
Was released for 2017/18, but not officially endorsed for long
Data for 2018/19 should be ready by now, but has not been released

HOUSEHOLD CONSUMER EXPENDITURE SURVEY results were withheld

Status of **HYGIENE AND SANITATION SURVEY** findings not known

Up To The Mark

The Indian Statistical System does not meet the UN prescribed quality format (National Quality Assurance Framework) on only 18 points out of a total of 250.

How the Indian Statistical System Fares in the UN Model Statistics Checklist

	Yes	No	Partially True	NA	Total
Managing the statistical system	33	3	18	0	54
Managing the institutional environment	27	7	29	0	63
Managing statistical processes	25	2	26	1	54
Managing statistical outputs	23	6	50	0	79
Overall assessment	108	18	123	1	250
Overall assessment in percentage	43.2	7.2	49.1		68.1*

*Sum of percentage of 'Yes' and 0.5 times the percentage of 'Partially True'

Source: Ministry of Statistics and Programme Implementation

ment release the report and data of all NSO surveys that have been completed and approved by the NSO's internal systems, including the results of the 75th round of Survey of Consumer Expenditure, 2017/18. The open letter states that consumption surveys are crucial for monitoring trends in poverty and inequality, for national income accounting, and for updating macro-economic data such as price indices. "They can provide a check on administrative and macroeconomic data, which is important both for policy makers and the general public. The fact that data on supply of goods and household consumption are diverging, points to the need to question supply side data (which are being widely questioned within and outside India) as much as it points to the continuing need for improving survey methods. It is of fundamental importance for the nation that statistical institutions are kept independent of political interference, and are allowed to release all data independently. The record of the present government on this score has been very poor," the letter states.

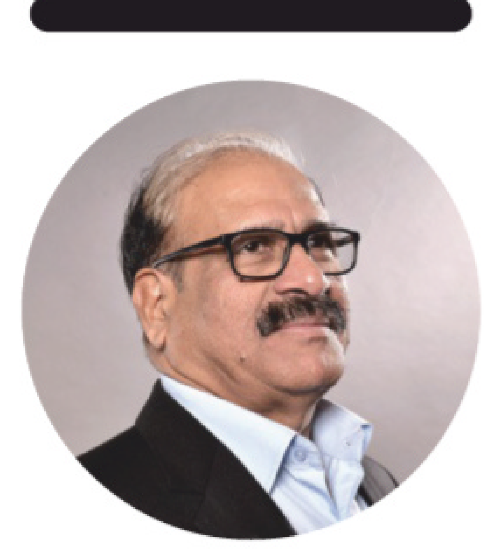
Academicians allege in the letter that the government has chosen to attack the credibility of the statistical institution simply because their results do not match with its own narrative on the economy, "without providing adequate reasons, and by misrepresenting essential features of the surveys".

"It (government) has repeatedly shown its disinclination to make public any information that may show its own performance in poor light. Last year, before the parliamentary elections, the results of the Periodic Labour Force Survey were not allowed to be released until the Parliamentary Elections were over, despite the resignation of two members of the National Statistical Commission, and a leak in the media. Subsequently, results of other surveys including the 75th round (Consumer Expenditure), 76th round (Drinking Water, Sanitation, Hygiene, and Housing Conditions) and more recent data of the PLFS surveys, have not been released", the letter states.

Pronab Sen, former Chief Statistician of India, agrees that the concerns regarding data suppression are not unfounded. "The consumer expenditure data has just shown that it was an unusual year (year of demonetisation, a major economic disruption). That does not mean the data is wrong," he says. "The PLFS survey (2017/18) data was not released until it got leaked. The consumer expenditure data also got leaked, but instead of releasing it, they have suppressed it. The PLFS data takes very little time to process. It is collected on a hand held machine and is uploaded real time. It (PLFS data for 2018/19) should have been ready by July 2019, but we haven't heard about it. There is data suppression going on," he says.

"(Periodic labour force survey data for 2018/19) should have been ready by July 2019, but **we haven't heard about it. There is data suppression going on"**

Pronab Sen
Former Chief Statistician of India



"Consumer expenditure is a very difficult survey to be done... . There is always a problem of recall lapse. **A lot of consumption is difficult for households to record"**

P.C. Mohanan
Former Chairman, National Statistical Commission

Open For Discussion

Controversies associated with NSO data and methodology are not new. When the MCA 21 database was used as an input to measure corporate performance for the first time, the move was questioned. But the results were in the public domain for discussion.

It must also be noted that the two surveys that the government is being accused of suppressing (on consumers and labour) are for the period when demonetisation happened, and the data is likely to show the effect. If that was indeed the reason for discrediting the surveys, it sets a bad precedent. The drinking water and hygiene survey could well be a report card for the Swachh Bharat mission as some of the questions asked to respondents were about the use of toilets, etc. With the government claiming near complete success in bringing about a behavioural shift in the minds of people regarding toilet use, any conclusion to the contrary could be embarrassing.

NSO surveys are cyclical, and get repeated in five or six years. Access to data, even with limitations, is of immense importance to policy makers; unavailability makes them handicapped. Apart from that, when academicians say that "undermining the objectivity and credibility of an independent statistical system is fundamentally against the national interest", they have a point.

Any move to improve the accuracy of data collection and analysis should not come at the cost of transparency and accountability. One can only hope that the survey results in the future are released without delay, thereby proving the controversy a non-issue. BT

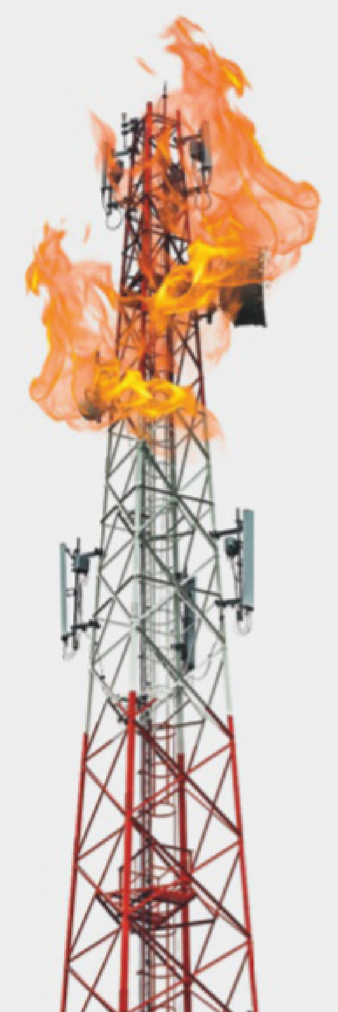
@joecmathew

THE HUB CORPORATE

BREAK POINT

INDIAN TELECOM OPERATORS CONTINUE TO BE IN A FIX DESPITE THE CENTRE'S RELIEF.

By MANU KAUSHIK
ILLUSTRATION BY RAJ VERMA



WO WEEKS AFTER THE Supreme Court's judgement on adjusted gross revenues (AGR), which rattled the telecom sector, a Delhi-based top corporate lawyer, whose clients include the likes of Reliance Jio, Bharti Airtel and Vodafone Idea, was travelling to the UK for meetings with foreign lawyers who advise companies on overseas investments. The key takeaway from his meetings was that India is no longer an attractive investment destination in general. "Everybody was asking about the AGR judgement. They couldn't believe that the liability of a court judgement is so huge that a telco of Vodafone's size is mulling withdrawing from India," the lawyer says.

Being one of the most litigious sectors, telecom was long seen as the El Dorado for corporate lawyers. But the recent chain of events has shattered even their confidence. Why? The amount that the telcos are liable to pay for the lost case runs into billions of dollars, and can potentially result in one or more telcos winding up. There are currently three private telecom companies and two public sector ones vying for the 1.19-billion Indian subscriber market.

It's an existential crisis for legacy operators as they will have to shell out over ₹92,642 crore for licence fees and another ₹55,054 crore for spectrum usage charges (SUC) under the AGR dues. Although the demand has been made from 15 operators, over 70 per cent has to come from just three operators – Vodafone Idea, Airtel and the insolvent Reliance Communications. Many of the other penalised operators have already shut shop.

"We consider the recent SC decision on AGR a big event for the India telco sector which could turn it into a dominant two-player market between Airtel and Jio," Bank of America Merrill Lynch said in a November 13 report.

KUMAR MANGALAM BIRLA
Chairman
Vodafone Idea

HEAVY BURDEN

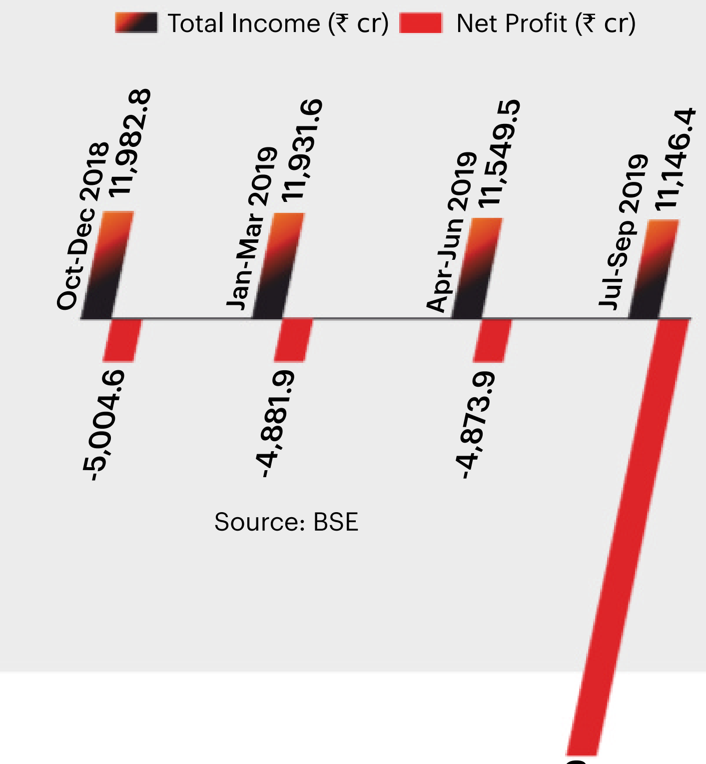
Pending dues threaten the already falling profits of telcos

VODAFONE IDEA

SELF-ASSESSED AGR LIABILITY:

₹44,150 cr

This includes licence fee of ₹27,610 crore and spectrum usage charge of ₹16,540 crore



Source: BSE

On the recommendations of the Committee of Secretaries (CoS), which was set up late October to mitigate the financial stress in the sector, the Cabinet Committee on Economic Affairs recently announced a two-year moratorium on deferred spectrum instalments that these telcos were to pay in 2020/21 and 2021/22. For instance, Vodafone Idea is estimated to pay about ₹23,920 crore in these two financial years to the government whereas Airtel has to pay ₹11,746 crore. These telcos can heave a sigh of relief by postponing these payments until April 2022.

But there's a catch. While providing relief, the government has made it clear that it will still charge interest for these two years on spectrum dues. That means the payout for the future payments, post-2022, would be higher than previous estimates.

Typically, after winning the spectrum in auctions, telcos pay 25-50 per cent of the bid amount upfront and the remaining over 15-20 years at an interest rate of 9.3-10 per cent. The two-year moratorium will somewhat ease the short-term liquidity concerns for telcos but might not result in any material change in their financial health. Also, there's no clarity on whether more relief measures – such as reduction in AGR liabilities or lowering of licence fee and spectrum usage charges (SUC) – will be announced in the days to come. "Though the government has not announced any licence fee reduction, we think a decision on this can be made in the coming months as the regulator (TRAI or Telecom Regulatory Authority of India) has been in favour of this for some time," stated a November 21 Credit Suisse report.

Telcos are reportedly planning to approach the apex court for relief on AGR. In the second quarter 2019/20 earnings call, Vodafone Idea's CEO and MD, Ravinder Takkar, elaborated on the legal remedies the company could pursue. "Obviously, we have a review petition that we are working on, and we will be filing it fairly soon. We also have something called a curative petition which goes to a five-judge bench which is different than the bench that (gave) the original judgement," Takkar said.

In the September quarter, the losses of Vodafone Idea and Airtel shot through the roof due to provisioning for AGR dues. Vodafone Idea reported a net loss of ₹50,922 crore,

BHARTI AIRTEL

SELF-ASSESSED AGR LIABILITY:

₹34,260 cr

This includes the recent provisioning of ₹28,500 crore

Quarter	Total Income (₹ cr)	Net Profit (₹ cr)
Oct-Dec 2018	20,586.7	382.6
Jan-Mar 2019	20,656.8	576.1
Apr-Jun 2019	20,812.5	-2,392.2
Jul-Sep 2019	21,199.0	-22,830.1

SUNIL BHARTI MITTAL
Chairman
Bharti Airtel

PHOTOGRAPH BY CHANDRADEEP KUMAR

the highest-ever quarterly loss in Indian corporate history. Airtel fared slightly better and reported a loss ₹22,830 crore in the same quarter.

Amidst growing chatter that Vodafone Idea might file for insolvency, the company has categorically denied reports of exiting the market, but it's difficult to understand how it can sustain operations in the absence of support from its parents – Vodafone Group Plc and Aditya Birla Group. According to a Citi research, Vodafone Group has already committed to 'ring-fence' India from the rest of the group and not put in additional capital. In a note to stock exchanges, Vodafone Idea said that it cannot confirm or clarify whether the Aditya Birla Group will bring in fresh capital into the company as it is not privy to such discussions and decisions.

According to analysts, the gross cash balance of the incumbents (as on September 30) is far less than the potential payable AGR liability. For instance, Vodafone Idea's cash and cash equivalents stand at ₹15,390 crore and networth at ₹59,568 crore (2018/19) as compared to the self-assessed AGR liability of ₹44,150 crore. Airtel's cash and cash equivalents are ₹8,425.6 crore and networth ₹71,348 crore (2018/19); its AGR provisioning is ₹34,260 crore. It is estimated that the AGR demand for Vodafone Idea cannot be met with current cash even if the telco does not make any spectrum payment and capex over the next three years.

Ticking Time Bomb

The telcos are racing against time as they have less than 60 days (around January 22) to pay the dues to the Department of Telecom (DoT), as mandated by the apex court.

In the earnings call, Vodafone Idea's Takkar said that several secretaries in ministries have indicated to him that they want to see three private players and one public player in the sector. "They have all said that they want this sector to be healthy. It is a strategic sector... The other thing that they continue to recognise is that there is stress in this sector, which has been increased because of this AGR ruling...," he told a bunch of analysts.

Even prior to the AGR ruling, the telcos were struggling.

The ultra-cheap cellular tariffs introduced by Mukesh Ambani-led Reliance Jio over three years ago continue to hurt its rivals. The incumbents played along, and it is only recently that they changed the strategy, in a seemingly coordinated way, in favour of raising tariffs.

Jio, too, has indicated that it will raise tariffs in a few weeks. "We understand that the TRAI is likely to initiate a consultation process for revision of telecom tariffs. Like other operators, we will also work with the government...and take measures, including appropriate increase in tariffs, in the next few weeks in a manner that does not adversely impact data consumption or growth in digital adoption and sustains investments," a Jio statement said a day after the others announced tariff hikes. The regulator is apparently looking at floor pricing, a concept that is mentioned every few quarters. But the proposal for minimum industry-level tariff for voice and data has been discarded on several occasions in the past.

₹42,000 CRORE

The amount of spectrum payment that the government has deferred till 2022

₹73,752 CRORE

Combined losses of Bharti Airtel and Vodafone Idea in the September quarter

Not only is there pressure on the tariff front, telecom companies have to continuously invest in networks and buy spectrum to stay in the game. This has resulted in a significant spike in their debt and interest outgo, denting profitability. Airtel's debt stood at ₹1.18 lakh crore as compared to ₹1.02 crore for Vodafone Idea as on September 30. Vodafone Idea is also in the process of integrating the networks of erstwhile Vodafone India and Idea Cellular and has not yet realised all the potential benefits of the merger.

Analysts are expecting Airtel to raise funds – about $3 billion ($2 billion in debt and $1 billion in equity) to pay the AGR dues. It's unclear what Vodafone Idea plans to do. The last big equity infusion in Vodafone Idea took place in April this year when its promoters put in about ₹18,250 crore in the company as part of the ₹25,000-crore rights issue.

What's Next?

Despite the relief measure, it's still not clear if the telcos can continue to operate. Some experts think that given the stretched balance sheet of telcos, the government could have been more sympathetic to them, while others say that for an image-conscious government, the bailout package would send a wrong message. "I don't see any positive impact of the government's move. It doesn't address the key concerns of the operators. I doubt that more relief would come, given that the government is battling on so many fronts –

A CASE THAT WASN'T

Why telcos were fighting a case that was always in DoT's favour

As telecom companies explore legal remedies, including filing a review petition, there seems to be little hope for them in the apex court. A read through the 153-page judgement gives enough instances of how the court has justified the Department of Telecom's (DoT's) demand. The case pertains to the definition of adjusted gross revenues (AGR). Back in 1999, the telecom operators felt they were paying through their nose to the government under the fixed licence system. So, the DoT devised a new package that gave telcos the option to migrate to a revenue sharing system. The licence fee fell from 15 per cent of AGR to 13 per cent and then to 8 per cent in 2013.

In its October 24, 2019, order, the Supreme Court said that the telcos, in spite of the financial benefits of the package, started to ensure that they don't pay the licence fee based on an agreed AGR, which included things such as installation charges, late fees, proceeds of handset sales, revenue on interest, dividend, and so on. The telecom regulator said that income from dividend, even though part of revenue, does not represent revenue from licenced activity, and ruled in favour of the telcos. But the Supreme Court later held that the TRAI and the telecom tribunal had no jurisdiction in this.

"I DON'T SEE ANY POSITIVE IMPACT OF THE GOVERNMENT'S MOVE. IT DOESN'T ADDRESS THE OPERATORS' KEY CONCERNS"

MAHESH UPPAL
Director, ComFirst

Experts say the telcos have themselves created the mess. "Despite fully knowing the terms of the revenue sharing model, they kept on arguing against the DoT's demand in various legal forums over 13 long years. The telcos could have avoided such a big financial shock by regularly paying what was due. The actual disputed amount is only about 25 per cent of the total AGR dues; the rest is penalties and interest," says a telecom consultant.

economic crisis, jobs crisis... It seems that the government is spread too thin at the moment," says Mahesh Uppal, Director at consultancy ComFirst.

Experts say that the chances of one operator folding up still exist. In the worst case scenario, the number could go up to two. "There are doubts about these telcos having funds to meet obligations. If a telecom operator goes down, there will be repercussions for the economy, foreign investments and consumers. It's a complicated situation because there's involvement of judiciary," says an industry expert.

"We believe the Indian wireless industry will consolidate further in case the government does not offer a material relief on AGR liabilities and other aspects like recurring regulatory levies, deferred spectrum payments and, potentially, a floor on pricing," stated a Kotak Institutional Equities November 14 report (the spectrum payment deferment came through on November 20).

The AGR issue could also delay the 5G spectrum auction (in 700 and 3500 megahertz bands) by at least a year. Telecom Minister Ravi Shankar Prasad has been pushing for auctions by the end of this year or early next year but the sorely-strained telcos are not in a position to participate that soon. "We do not expect telcos to bid for 5G spectrum in the next 12-18 months. We think mass scale deployment of 5G in India will pick up only when 5G achieves scale in China as it will lead to more affordable handset and equipment prices for 5G," analysts at Bank of America Merrill Lynch said in a report.

Email queries sent to Vodafone Idea and Bharti Airtel didn't elicit responses.

The Worst is Yet To Come

It seems that the telcos have taken only a partial hit on their P&Ls on account of AGR dues. As per the September quarter results of Vodafone Idea, it has assessed the total AGR liability at ₹44,150 crore – ₹27,610 crore towards licence fee and ₹16,540 crore towards spectrum usage charge.

PAIN POINTS

The provisioning for AGR (adjusted gross revenues) dues to DoT (department of telecom) has punched a hole into the profits of incumbents

Both Airtel and Vodafone Idea posted record losses in the second quarter of 2019/20

The prolonged tariff war continues to put pressure on top line and bottom line of the incumbents

Between September 2018 and August 2019, Vodafone Idea lost nearly 60 million subscribers while Airtel lost 15.77 million. Jio gained 96 million

The AGR issue is expected to hit incremental capex on network

THE SOLUTIONS

The incumbents are hoping that the government will come out with another relief package

Telcos want a deferred payment option on AGR dues, besides reduction in licence fee and spectrum usage charges

Floor price mechanism, an idea which was discarded in the past, is coming back into the conversation

Support from TRAI on continuation of interconnect charges, which are currently 6 paise, for mobile-to-mobile calls

For Airtel, the comparable number is ₹34,260 crore, including the recent provisioning of ₹28,500 crore.

The DoT had asked these telcos to do a self-assessment and submit the dues. But the provisioning is way short of the estimates submitted by the telecom ministry in Lok Sabha. For instance, Airtel's total dues are ₹35,586.01 crore, which is ₹1,326 crore short of the current provisioned amount. Also, this doesn't include dues pending on Tata Teleservices and Telenor India, which were acquired by Airtel. Similarly, Vodafone Idea's self-assessed amount is about ₹8,888 crore short of the telecom ministry's estimates of ₹53,038.6 crore. One can argue that the telcos were expecting bigger relief from the government and, hence, their provisioning was on the lower side. But their options are becoming limited and, in such a scenario, they are staring at another disastrous quarter.

"It's a significant financial obligation for the telcos and there is need for a constructive dialogue between the government, the telcos and the regulatory authorities to ensure a workable outcome for all stakeholders, including customers. Telecom should be considered as core infrastructure. I am hopeful that a workable solution will be found to make the telcos sustainable," says Raja Lahiri, Partner, Grant Thornton India.

With only three large telecom operators in the market, an exit by even one will put the entire sector in danger. "If Vodafone exits India, there will be huge implications. It's important for the government to understand that they can earn big in one incident [AGR], but what about the regular income that it gets from licence fee and taxes? Telcos also pay a huge amount to the exchequer for spectrum purchases every few years," says Harsh Walia, partner at law firm Khaitan & Co.

For now, all that the telcos can do is wait for the government to throw them another lifeline. If that doesn't happen, it may just be the end of the call. BT

@manukaushik

UNDERGROUND AND ON THE EDGE

THE DOMESTIC MINING LANDSCAPE IS STARING AT A MAJOR DISRUPTION WHEN AN ESTIMATED 329 MINING LEASES EXPIRE AND NEED TO BE AUCTIONED AT THE END OF THIS FISCAL. THE TARDY PROGRESS OF AUCTIONS SO FAR INDICATES THE CHANGEOVER COULD BE VERY MESSY.

By SUMANT BANERJI

48

Number of working mines whose leases will expire on March 31, 2020. Twenty-four of them produce about 60 million tonnes of iron ore

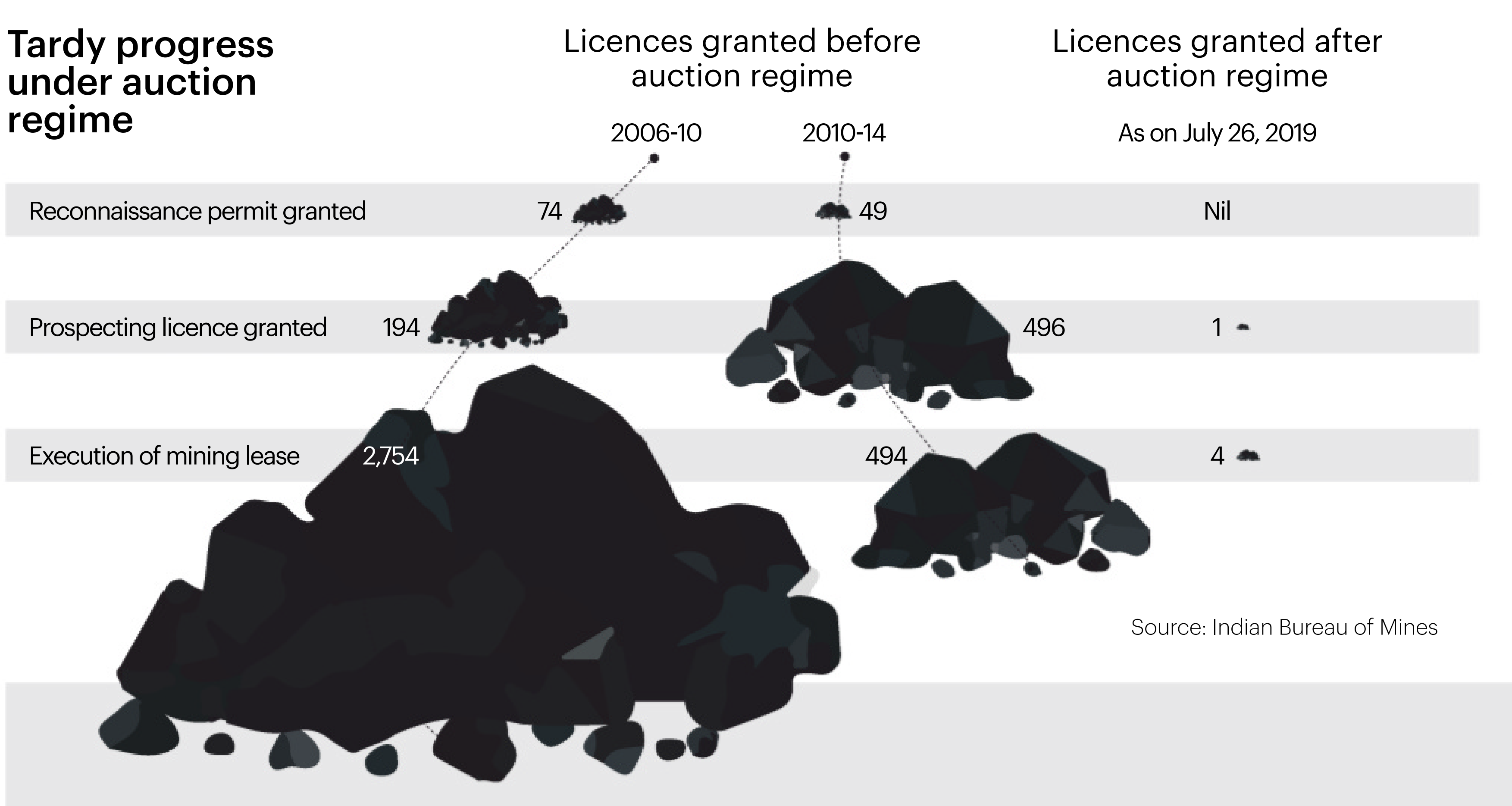
58%

Effective rate of tax on existing mines in India – one of the highest in the world. Globally, taxes on mining vary between 31 per cent and 45 per cent

PHOTOGRAPH BY SUBIR HALDER

In his own way, Maruti Chari, 61, is more popular in Usgao, a little village in North Goa, than the local corporator. While the place derives its name from the local word for sugarcane, its major industry and source of employment is iron ore mining. Chari is renowned in the area as the doctor of trucks – he can diagnose any problem in a truck merely by sitting in it and driving for 100 metres. His 41-year-old truck repairing centre on National Highway (NH) 748, which connects Belgaum in North Karnataka to Panjim, is one of the landmarks in the area.

But his business took a major hit when the transport business in the area dwindled in the aftermath of a complete ban on mining in Goa in March 2018. Having somehow endured for the last 18 months, Chari says he would have no option but to shut shop and lease out the land if mining isn't restored by December. "I used to get 50-60 trucks for repair every day. Now I hardly get any," he



says. "Till 2015, I employed 50 people. Now, it's down to just four. My earning has dropped from ₹5 lakh per month to just ₹10,000-12,000. At this rate, I won't be able to survive much longer. I am just about holding on till December."

Chari is an example of how the slowdown in the domestic iron ore mining industry is impacting those who are not directly involved in the business. Those who are, are even worse off. Santosh M. Thambi, 39, is staring at bankruptcy after he lost his job as a machine operator with Chowgule and Co. After losing his ₹30,000 a month job with a local miner, Yeshwant R. Satgaonkar often gets suicidal thoughts. Similarly, Sandeep M. Nirlekar, the sole bread earner in a family of five, has already defaulted on a personal loan after losing his employment.

More than 1,00,000 people have been rendered jobless after mining came to a standstill in Goa following the Supreme Court decision in March 2018 to quash 88 leases.

The introduction of auction mechanism as the sole way to allocate mines after the Mines and Minerals (Development and Regulation) Act was amended in 2015, is likely to usher in a Goa-like disruption in iron ore mining across the country. Already in place for new mines, the Act will be applicable for a large chunk of existing mines, more than 300, from the start of the next fiscal year in April. Out of these, 48 are operational mines comprising various minerals – iron ore, manganese, bauxite, limestone and chromite.

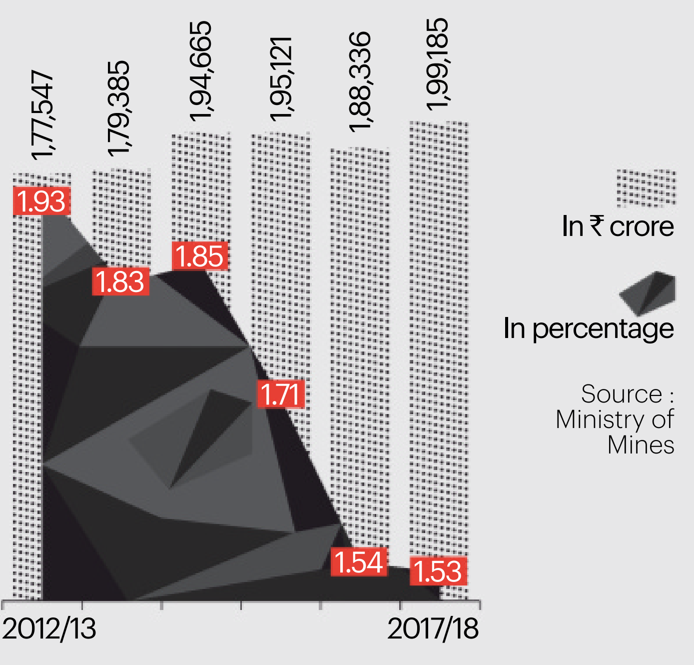
The auction process in India is hardly smooth and there will invariably be a period of shutdown before bidding is done, ownership changes hands and the prickly process of obtaining fresh statutory environment and forest clearances is complete. The fear of disruption is real and the biggest impact would be on iron ore where 24 operational mines accounting for production of over 60 million tonnes per annum will be affected.

"We are staring at a huge employment loss due to expiry of the tenure of 329 non-captive mining leases on March 31, 2020. Out of these, 48 are working mines. The closure of these mines will hit production of 50-60 million tonnes of raw material, mainly iron ore, and is expected to result in loss of about 2,64,000 jobs, direct and indirect," says R.K. Sharma, Secretary General, Federation of Indian Mineral Industries (FIMI).

The effect on the domestic steel industry, which is the primary consumer of iron ore, will be significant.

In the Dumps

As one of the six largest iron ore-rich states in India, Goa may be the worst-hit, but it is not the only one. Mining is in the doldrums across India. The sector's contribution to GDP has fallen from 1.93 per cent



in 2012/13 to 1.53 per cent in 2017/18. This is much lower than the 7-7.5 per cent level in similar mineral-rich countries like Australia and South Africa. Iron ore, which accounts for over 63 per cent of the metallic mining industry, has contributed majorly to that.

Like Goa, Odisha and Karnataka have also faced intermittent bans on mining from courts in the last eight years. In 2011, the Supreme Court had banned all mining in three of the richest iron ore bearing districts of Karnataka – Bellary, Chitradurga and Tumkur – for dumping and encroachment of land beyond the respective lease area in 166 mines. Then, in 2014, mining in 102 mines in Odisha was stopped by the apex court for violation of production limits at the pitheads.

"India's mining industry is in chaos. In the past decade, many mines have been closed or suspended due to judicial intervention in different regions of the country," says Sharma of FIMI. "As a result of the ineffective regulatory mechanism and subsequent adverse decisions by the Hon'ble Supreme Court in various states, the mining sector has been crippled and mines have either shut down, as in Goa, or working at a reduced level, as in Karnataka, Odisha and Jharkhand. Around two lakh people directly employed in these mines have lost their livelihood. It has also affected the indirect livelihood of a population 10 times the directly employed."

The disruption in Goa did not impact the domestic steel industry much as all the ore from the state was being exported largely to China, but the bans in Karnataka and Odisha created a shortage of ore in the country, forcing non-captive steel makers like JSW to import from Australia and Brazil. In 2014/15, import of iron ore hit an all-time high of over 12 million tonnes, as production of ore in the country hit a decade low of 128 million tonnes.

Other factors have played a role, too. High taxation, poor policy implementation and widespread red-tapism have stymied the potential of the industry. The effective rate of taxation in India for existing iron ore mines is a high 58 per cent. For new mines that are being auctioned, it is 54 per cent. It is significantly higher than the global rates that range between 31 and 45 per cent. The slowdown in the economy at large has not helped either as steel and iron ore prices have remained depressed, reducing the margins of the industry and restricting its ability to either invest in new technology or for expansion.

Overall, iron ore production has not kept pace with the growth of crude steel production in the country over the last decade. While steel production has grown from 57 million tonnes in 2008/09 to over 106 million tonnes in 2018/19, making India the second-largest steel producer in the world, production of iron ore has been inconsistent, hitting a high of 218 million tonnes in 2009/10 to a low of 128 million tonnes in 2014/15.

This despite the fact that India is the world's fourth-largest iron ore producing country. It also has the third-largest reserves of iron ore. The lapse of 24 mining leases in April 2020 is expected to usher in a fresh round of disruption, causing a demand-supply mismatch.

"The mining industry is already facing disruption in terms of low supply. Our domestic mining techniques are not as modern as they need to be. Private companies have still managed to adopt some cutting edge mining techniques but the public sector companies,

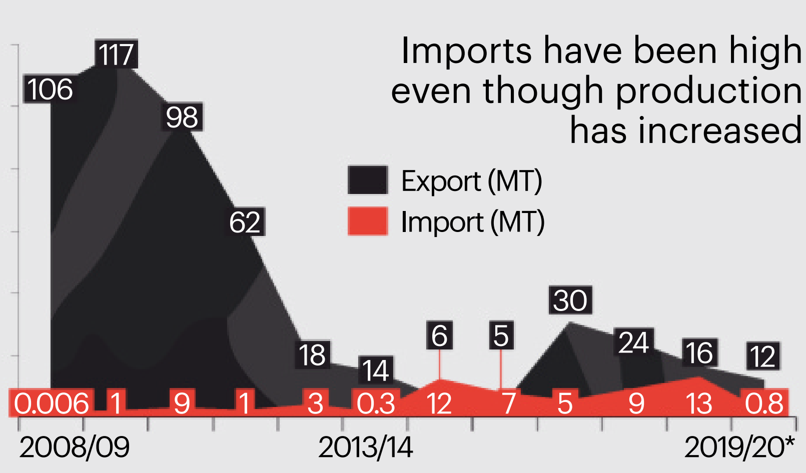
142

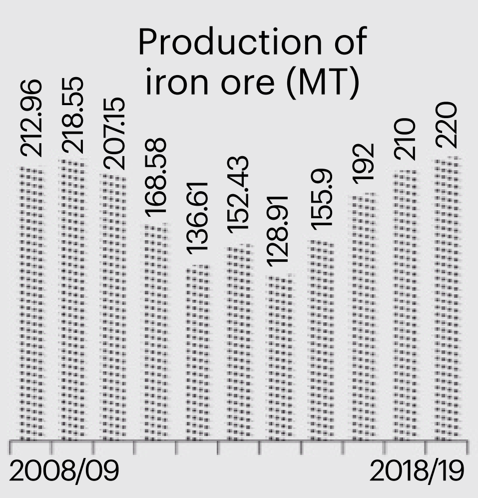
Number of statutory clearances required to get a mine operational. Usually, it takes 3-5 years to get the clearances

2 LAKH

Number of direct job losses in the sector due to sluggish growth in the last few years. An estimated 2.64 lakh jobs could be lost due to the expiry of the leases

IRON ORE TRADE





*April-July 2019 period. Source: Indian Bureau or Mines; FIMI

which account for bulk of the mining in the country, have not been able to invest that much. So productivity levels have been well below the world average and our mine yields are not that high," says Urvisha Jagasheth, Research Analyst, Care Ratings. "Further, there is an economic slowdown, so most companies are refraining from mining a lot because they are not getting the kind of realisations they expected. The leases that are lapsing in March 2020 will only add to this," she adds.

The Auction Regime

For long, the iron ore mining industry has been plagued by rampant corruption and flouting of norms. The auction route was brought in by the NDA government at the centre in its first stint in an attempt to bring in transparency in the system. It has, however, brought in its own set of challenges. The key issue of delays in getting statutory approvals – 142 clearances are needed to get a mine operational, and it takes three-five years to do so – has not been addressed yet. Getting a mine off the ground has only become messier.

Sample this. Between 2010 and 2014, 494 mining leases were granted but post-auction (2015-2019), of the auctioned 42 greenfield mineral blocks, none of the leases has been executed. So far, leases have been executed only in case of four mineral blocks out of the 14 'C' category mines auctioned in Karnataka which had pre-existing environment and forest clearances.

The situation is expected to become more acute in the first half of next year when hundreds of mines in the country come up for bidding.

"The auction is an unnecessary and costly way of developing mineral resources and leads to delays in mining. It creates artificial scarcity in the economy and removes the opportunity to create new job opportunities," says Sharma of FIMI. "It is a fact that the auction mechanism for grant of mineral concessions has not given the desired result in the last four years. Without mining, the government's aim to make India a $5 trillion-economy is in the realm of astrology," he adds.

"There will be a lot of chaos April 2020 onwards. The government has been saying everything is under control and there will be no disruption, but that is far from certain"

R.K. Sharma,
Secretary General, FIMI

The government, however, has made it clear that there would be no rethinking on auctions as such. But in the last few weeks it has taken steps directed at ensuring a smooth transition next year. In late-September, the Mineral (Mining by Government Company) Rules, 2015, were amended to ensure that Donimalai, one of the biggest mines owned by India's largest miner, state-owned National Mineral Development Corporation, is not put up for auction. NMDC is now tipped to get a 20-year extension for the mine which has a capacity of seven million tonnes.

Further, the government has allowed state-run Steel Authority of India (SAIL) to sell 25 per cent of iron ore produced from its captive mines – it was not allowed to do so earlier – as also dispose old stock of about 162 million tonnes of low-grade ore lying at its pitheads across the country. While the low-grade ore may not be of much use to the industry, SAIL has the capacity to enhance iron ore production from its 20 captive mines by around eight million tonnes in 2019/20 and 12 million tonnes by 2021/22. If that happens, SAIL will somewhat alleviate the shortage of ore due to the lapse of mining leases in April.

"It is an important step towards ensuring raw material security for steel PSUs. This will also ensure price stabilisation of raw materials and will have a positive effect on the secondary steel industry," says Dharmendra Pradhan, Union Minister for Steel, Oil and Gas. "We are committed to ensuring raw material security for the Indian steel industry."

At the same time, the government in Odisha, which produces more than 50 per cent of the country's iron ore, has allowed merchant miners to stock ore for up to two years at their storage depots and stockyards instead of the earlier limit of six months. This is expected to lead to a significant jump in ore production in the state in the next few months as both miners and steelmakers stock up in anticipation of the supply slowdown from April 2020. Of the 24 iron ore licences that are lapsing, 16 are in Odisha; these mines produced nearly 50 million tonnes ore in 2018/19.

Still, experts believe, all these steps put together would only delay the disruption or soften the blow.

"The law of the land is very clear. We will not go back to the first-come-first-served basis of allocation of mining leases.... We are keen to increase GDP contribution of mining from 1.53 per cent to 4-5 per cent by 2023"

Prahlad Joshi,
Minister of Mines

Too Little, Too Late

"The amendments may reduce the intensity of the disruption but not prevent it entirely," says Rohit Sadaka, Director, India Ratings and Research. "The amendment in the Act basically only helps NMDC in the case of Donimalai and enables resumption of seven million tonne capacity at the mine in a month or two. That is a positive step to that limited extent. SAIL has been allowed to sell 25 per cent of its production but that is subject to whether it is able to produce in excess of what it needs. Further, SAIL has been allowed to sell unutilised ore fines stock at mines. It will not help much because that is largely low grade and India still does not have enough beneficiation or pelletisation facility to make full use of that to meet iron ore lump demand. So there would be few takers for that."

Odisha has also swung into action on the auction process, inviting tenders for 25 iron ore mines in the state in three tranches in October alone. It could not auction even a single mine in 2018/19 due to legal issues. This urgency underlines that the realisation of widespread disruption has dawned upon both central and state governments. Whether this will be enough is still debatable.

"The auction process has been initiated. The key challenge will be whether the new owner is able to get the clearances quickly enough. If there is any kind of leeway through further amendments, which either expedite the process of getting these clearances (environment and forest) or give them a kind of moratorium that they can start mining while the clearances are being sought, (it will help)," says Sadaka of India Ratings. "Or, in case of operational mines where the older miner has clearances, if the new miner can get a deemed approval for the capacity being produced by the older miner, that can get the mine operational quickly and genuinely mitigate some of the pain."

What is certain is that beyond the upheaval next year, the auction route will fundamentally change the way the steel and mining sector operates, impacting prices and profitability in the long term. A July 2019 report by research and ratings firm Crisil predicts three possible scenarios under the auction regime where the most unlikely but optimistic case is leases being extended for existing miners for two-three years, leading to no supply disruption and a 5 per cent reduction in ore prices for steel makers. The base case scenario of timely auctions predicts a 15-20 per cent increase in iron ore prices for steelmakers. And a pessimistic scenario of delayed auctions, high disruption results in an over 30 per cent increase in iron ore prices in fiscal 2021 over fiscal 2020.

Captive steelmakers like SAIL and Tata Steel, with their own iron ore mines, will remain at an advantage over the others.

Beyond the disruption and price increases, will the auctions achieve their other target of attracting fresh investment? Unlikely, say experts. Mining, being a state subject, is vulnerable to the vagaries of changes in governments, which brings in uncertainty in policy framework. The promise of fair auctions is not enough to negate that.

"Any investor wants certainty and consistency in policy framework and that is what the mining industry in India lacks. The process of getting statutory approvals like environment and forest clearances takes a lot of time, and on top of that, political instability in states, like the one we saw in Karnataka (Donimalai), can also affect the sector," says Jagasheth of Care Ratings. "It does not inspire confidence. At the same time, given the global economic slowdown, the appetite for investment with global companies in mining is also quite low right now." BT

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THE URGE TO GO LARGE

A NUMBER OF BIOLOGICS WITH HUGE MARKETS ARE GOING OFF-PATENT IN THE US. DO INDIAN PHARMACEUTICAL COMPANIES HAVE IT IN THEM TO PLAY THIS HIGH-COST, HIGH-RISK GAME OF LAUNCHING BIOSIMILARS?

By E. KUMAR SHARMA
Illustration by RAJ VERMA

Biotech drugs are the future. One in every three new drugs approved in the global market is a biotech drug. This, by itself, makes it an obvious space to be in, but for Indian companies, there are other compelling reasons, too. Their traditional stronghold of generic synthetic or small molecule drugs is under siege globally due to low bargaining power, pressure on margins and increased competition, especially in the crucial US market. Biotech drugs can be their next growth engine, especially as drugs with markets worth millions of dollars go off-patent in the next few years, opening immense opportunities for the launch of biosimilar versions of these original biotech drugs. The big Indian pharma players, the prominent among them being biopharmaceutical maker Biocon, are doing exactly that – chasing this opportunity in biosimilars that is estimated to be worth $5 billion globally and $1 billion in India.

However, the space is not for the faint-hearted, not just because developing a biosimilar is costlier than making a generic version of a chemical drug, but also because the market is increasingly getting tough globally. Developing a biosimilar costs around $100 million, while with generics, it is possible to file 20 "abbreviated new drug applications" for the same amount. "These are expensive investments but Indian pharma will have to make them," says Kiran Mazumdar-Shaw, Founder, Chairperson and Managing Director of Biocon. "We invest about 15 per cent of our revenue in research. Almost all of it goes into biologics, with about 70 per cent in biosimilars." Companies, both innovators and biosimilar makers, after having taken an early lead, are leaving no stone unturned to leverage their strengths.

Getting approvals is another challenge, though Pankaj R. Patel, Chairman, Zylus Cadila, believes that with more countries defining their regulations, the situation is easing. "Globally, this is a space that needs substantial investments and clinical trials," he says. "Now, with the regulations becoming clearer, people have started taking the risk to invest."

Nimish Chudgar, CEO and Managing Director, Intas Pharmaceuticals, says regulatory approval is only the first step to making a dent in the market. "It is a slow process as one has to promote the drug, too," he says. Promotion is very important because margins are not the same as in chemical drugs. The price differential between branded and generic drugs can be 80-90 per cent, which enables the generic player to capture the bulk of the market once the patent expires, though it is getting tougher. In biosimilars, the price differential from the innovator drug is 40-70 per cent. Every company selling a biosimilar will need to create its own market and enter the mindspace of patients and doctors, accustomed largely to the innovator's product. But then, Chudgar of Intas is hopeful. "Going by the trend among most countries keen to cut down their insurance bill, we seem to be moving into times when an auto-switch to a biosimilar from an innovator product, like in generics, may happen."

But then, there could be increased competition from the innovator companies themselves as nothing stops them from making biosimilars or adopt

THE CHALLENGES

Unlike generic medicines, biosimilars are not an exact copy of the innovator drug. So, companies need to invest in the front-end to promote the product

It is expensive due to manufacturing complexity. Each biosimilar drug development can cost anywhere between $50 million and $250 million for global markets

Since the price difference between the innovator drug and the biosimilar is not as huge as with small molecule synthetic drugs, there is a risk of how the innovator could react to fend off competition

To limit competition, innovators could opt for authorised biosimilars, develop own biosimilars or come up with formulation innovation (such as moving from intravenous medication to subcutaneous injections)

Not everyone is able to find a global partner

Entails marketing, litigation and development costs with no guarantee on return on investment

"THESE ARE VERY EXPENSIVE INVESTMENTS. WE INVEST ABOUT 15 PER CENT REVENUES. ALMOST ALL OF IT GOES INTO BIOLOGICS, WITH ABOUT 70 PER CENT IN BIOSIMILARS"

Kiran Mazumdar-Shaw
Chairperson and MD, Biocon

a product lifecycle approach and either redesign or launch a different version of their own biotech drugs. The trend is already visible – Roche's Herceptin is injected intravenously, but it has also created a version which is applied subcutaneously. The US biopharma giant Amgen, which formulated the biotech drug Filgrastim – available in vials, has also made a pre-filled syringe version.

And, there is one more dimension. While US and European dominance was expected, with companies like Amgen, Pfizer, Momenta, Novartis and Sanofi leading the way, South Korean companies such as Celltrion and Samsung Biologics have also made headway in the area. They have huge manufacturing capacities. "We are all a little behind and need to catch up," says K.V. Subramaniam, President, Reliance Life Sciences.

"South Korea embarked on biosimilars earlier," says Utkarsh Palnitkar, Founder and Managing Partner, at Aarna Corporate Advisors and formerly with KPMG and Ernst & Young India. Palnitkar, who has studied the sector extensively, says: "In the case of India, most pharma companies have only recently grown biotech branches on a generics tree." He feels there is room for much more investment and courage by the Indian companies in biotech, including research-heavy companies like Biocon and others. All in all, adding a biotech branch is seeming a value worth chasing. Look up any leading Indian pharma maker – Biocon, Intas, Lupin, Dr. Reddy's Laboratories, Zydus Cadila, Reliance Life Sciences, Emcure, Glenmark, Aurobindo and Alkem Laboratories – all are looking to make a dent in this space.

Leading the Way

The loudest bang so far has been by the country's biggest biopharmaceutical maker, Biocon, which has Mylan as its partner. In December 2017, Bengaluru-based Biocon informed the bourses that the US drug regulator (USFDA) had approved a biosimilar for Herceptin, Ogivri, manufactured by Biocon jointly with global major Mylan (now called Viatris). It turned out to be the second anti-cancer biosimilar the USFDA had ever okayed. In March 2015, Sandoz, a Novartis company, had become the first company to receive a biosimilar approval in the US. Biocon's stock on the bourses got a big fillip. Since then, Biocon has been in the limelight for much of the time on the bourses and its shares are trading at a much higher price to earnings multiple than other pharma stocks.

A month after that news in 2017, Biocon also announced a partnership with Sandoz, a division of the Swiss pharma giant Novartis, to address biosimilar opportunities beyond the ones it was exploring with Mylan. Biocon has not looked back since then. Last year, Fulphila – a biosimilar pegfilgrastim (a white blood cell booster) co-developed by Biocon-Mylan – was successfully launched in the US. It has already captured 21 per cent volume share in the pegfilgrastim (pre-filled) syringe market in the US. Biocon and Mylan also got their biosimilars insulin Glargine and Trastuzumab approved and launched in Europe and Australia. With three biosimilars approved in the US, Europe and Australia and others in the pipeline, Biocon is looking forward to $1 billion biologics (largely biosimilars) revenue by FY2022.

Hyderabad-based Aurobindo Pharma is the latest entrant into this field. It made a foray in 2017 and set up a 1,40,000-sq. ft. manufacturing facility covering mammalian cell culture, microbial fermentation, capabilities to produce both vials and pre-filled syringes in their fill and finish facility apart from quality control laboratories at Pashamylaram on the outskirts of Hyderabad. "We expect to have the first filing of our oncology biosimilar in Europe 12 to 15 months from now, followed by a sustainable product portfolio across therapeutic segments in oncology and auto-immune disorders for markets like Europe and the US with at least one filing every year from 2021," says Satakarni Makkapati, President and Business Head, Biologics, Aurobindo. "What differentiates us is that we have in-licensed five high quality biosimilars and cell line technology platforms that allow us to compete in developed mar-

kets on both quality and cost effectiveness," he says. Makkapati is excited about the emerging opportunities.

"Among the top 50 molecules globally, half are biotech with total revenues of $170 billion. The balance 25 are small molecules with total revenues of $40 billion. Today, biotech drugs are growing at 12 per cent globally against only 2 per cent growth registered by synthetic drugs," says Chudgar of Intas Pharmaceuticals. He says in biotech, the major growth segments are critical care areas like oncology or cancer care and multiple sclerosis. Intas was the first Indian company to get a biosimilar registered – that of the biotech drug Filgratsim, under the brand Accofil – in the EU in February 2015. "We launched pegylated granulocyte-colony stimulating factor biosimilar in Europe last year. We have three more in the pipeline for Europe and two for the US. Of these, we are hopeful of getting our first biosimilar approved in the US in the next eight months or so," he says.

Research firm EvaluatePharma's report *World Preview 2018, Outlook for 2024* predicts that biotechnology products will make up 31 per cent pharma market by 2024, from 25 per cent in 2017. People in the industry estimate the global biotech market at over $200 billion – US alone at $85-100 billion – and expect it to double by 2024. There is limited competition in biotech drugs, higher pricing – 50 to 100 times that of chemical drugs in markets like the US (though the two cannot be strictly compared) – but developing biosimilars also calls for a much heavier investment.

Biosimilars add up to a small sliver of the biotech market – about $5 billion, including $1 billion in India. The EvaluatePharma report predicts they will comprise 52 per cent sales of top-selling 100 pharma products by 2024, up from 49 per cent in 2017.

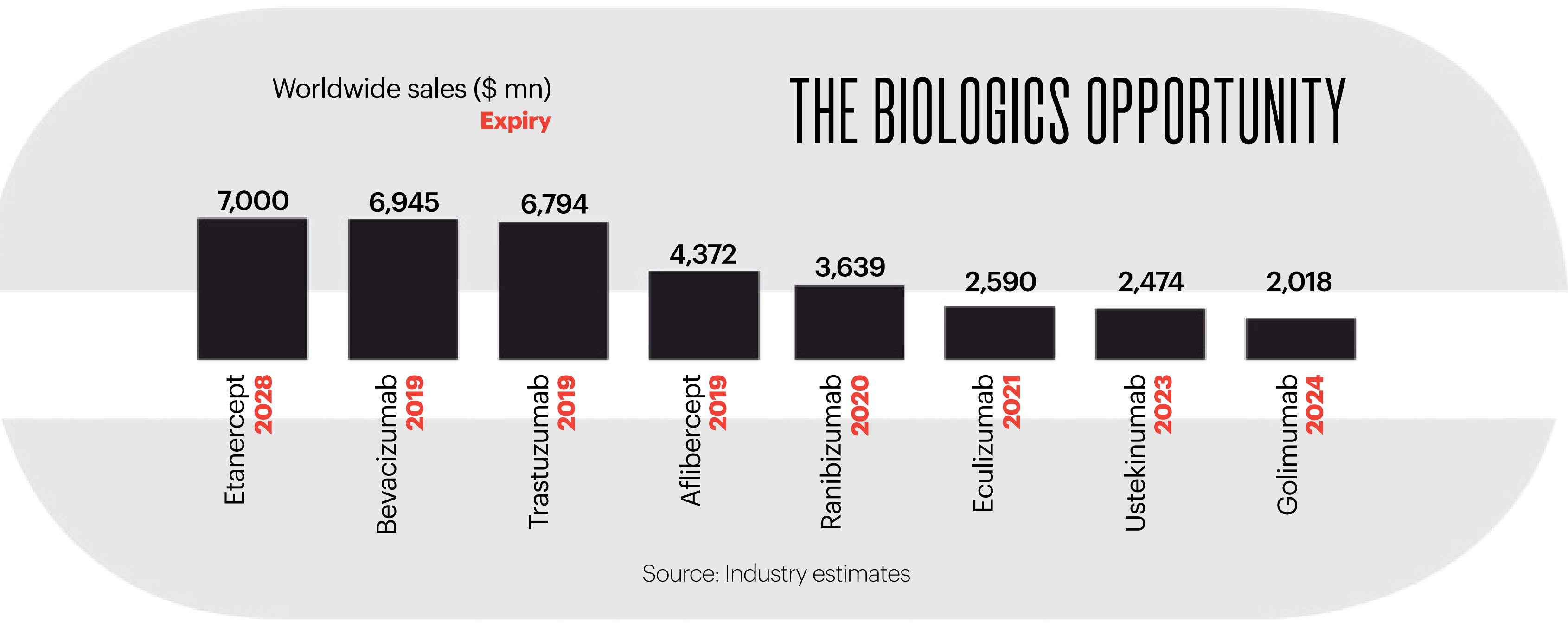
But biosimilars, by their very definition, are not an easy space to be in. A biosimilar is copy of an innovator company's biotech drug. Biotech drugs comprise complex large molecules – unlike the small molecules of chemical drugs – which can be proteins or antibodies, derived from living sources such as plants, bacteria or mammalian cells. Since these are living sources, their characteristics vary. Such a drug manufactured by one company is never an identical copy of that made by another, and hence is called a 'biosimilar', rather than a 'generic'.

The estimated global biotech market – US alone at $85-100 billion – likely to double by 2024

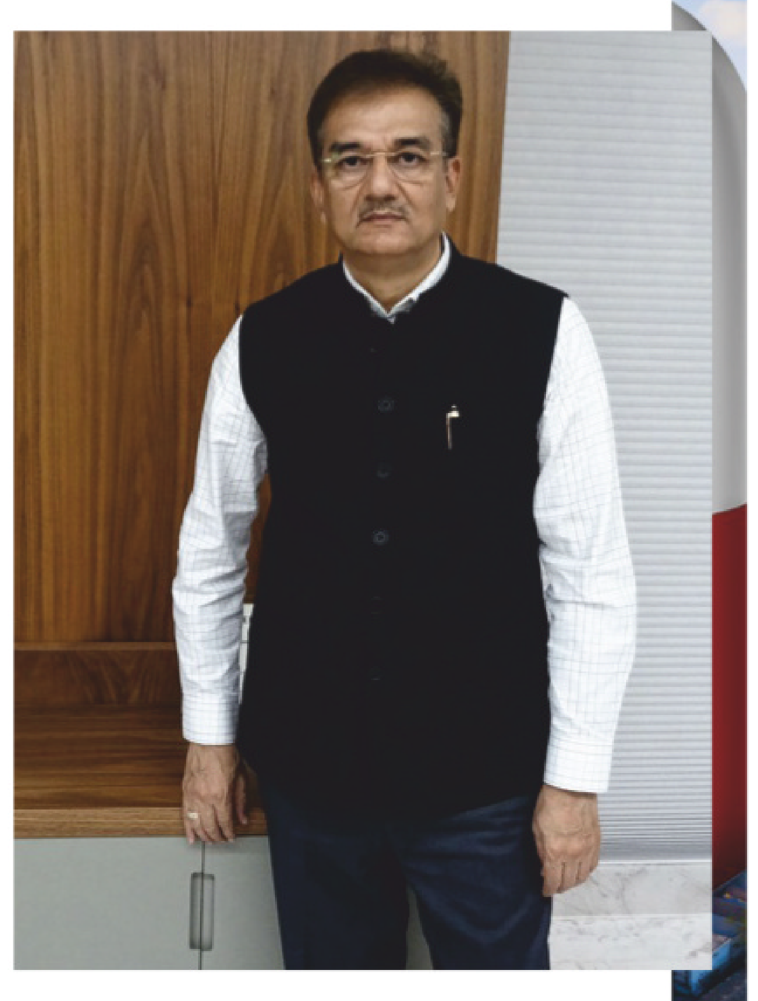
Generics, in which Indian pharma is an important supplier to global markets, are made from chemicals created in the laboratory. Biotech drugs require understanding of living organisms. Their molecules are much heavier, with complex structures that can change depending on the process used to produce them and the environmental conditions in which they are made. Just as, in the making of curd, the process employed affects the taste, even though the end-product is the same, so too the process is as important as the product in biosimilars.

This means getting acceptance and setting regulations for biosimilars has not been easy despite biotech drugs (made by the innovator companies) having been around in the US for a long time now – an early example is Herceptin (used to treat some forms of breast and stomach cancer), manufactured by Genentech, a subsidiary of Roche Holdings, which got USFDA approval in September 1998. Europe has been well ahead of the US in formulating regulations for biosimilars with the European Medicines Agency, introducing the relevant guidelines in 2006. The US passed its Price Competition and Innovation Act in 2010.

"In India, the biosimilar segment is



Source: Industry estimates



“AMONG THE TOP 50 MOLECULES GLOBALLY, HALF ARE BIOTECH WITH TOTAL REVENUES OF $170 BILLION. THE BALANCE ARE SMALL MOLECULES WITH TOTAL REVENUES OF $40 BILLION. TODAY, BIOTECH DRUGS ARE GROWING AT 12 PER CENT”

Nimish Chudgar
CEO & MD, Intas Pharmaceuticals

growing at 25-30 per cent in volume terms, mainly cancer care molecules, and 15 to 20 per cent in value terms in the domestic market,” says Chudgar of Intas. One could argue that the growth rate seems high because the base is small. Nonetheless, this is against 9-10 per cent growth in chemical-based medicines in India, which at best is expected to stabilise at 10-12 per cent. While Indian companies are making their presence felt in India, it is making an impact globally, especially in the markets of US and Europe, that holds the big attraction.

One of the major players from India is Reliance Life Sciences, part of Mukesh Ambani's Reliance Group. “We have 18 biosimilars in the Indian market, the highest number from a single company in the world,” says K.V. Subramaniam, President, Reliance Life Sciences. “Of these, six are monoclonal antibodies, which are more difficult to develop. We also have the largest number of biosimilars under development, around 20. We have the biggest mammalian cell culture manufacturing facility in the country as well.” Reliance has preferred to focus on India and markets other than the US, Europe, Japan and Australia, but does intend to go into the US and Europe through marketing partnerships over the next two to three years. Others have also been adding numbers in India. For instance, Intas talks of 14 biosimilars, while Biocon has nine products in all, including seven biosmilars and two novel biologics. Zydus announced in September that it has received marketing authorisation for TwinrabTM (RabiMabs) from the Drug Controller General of India. It is billed as a novel biologic for rabies.

Partners in Profit

As leading biotech drugs go off-patent, they continue to open doors for biosimilar makers, including Indian companies. Filgrastim, which Intas's subsidiary created a biosimilar of, went off-patent in 2013 and Pegfilgrastim, whose biosimilar Mylan launched in US and Intas in the EU, in 2015. Another 20-odd, with total sales estimated at over $35 million, including blockbuster ones like Herceptin, Avastin and Humira, will go off-patent between 2019 and 2028. (See *The Biologics Opportunity*.) With Herceptin, Mylan and Biocon were able to register their biosimilars even before its patents expired following a settlement and licensing agreement with its manufacturer F. Hoffman-La Roche in March 2017.

Given the large investments involved, partnerships become critical. Some Indian companies have been entering into tie-ups with those in the West, either for product-specific R&D or for marketing. Like Biocon with Mylan and Sandoz, Intas worked with Canadian pharma major Apotex to develop the Filgrastim biosimilar. While Zydus Cadila is going for a partnering approach based on product and geography, Dr. Reddy's, which has Fresenius Kabi as a partner, is choosing partners based on product and geographies. Apart from the West, there are also opportunities in emerging markets, including the domestic one. “Some Indian companies have been early adopters of biosimilars, which is why India has over 50 biosimilars in the market today,” says Palnitkar. But the real value is markets like the US and Europe, where many have not yet been able to make a dent.

Are Indian companies missing the opportunity? “It's not right to say we have missed the bus,” says Palnitkar. “But it could be argued that Indian companies are running the risk of losing out on an opportunity we thought we would capture,” he says. Other than leading companies from South Korea and China investing huge sums in biosimilars, he says, global majors are also moving to the next level of precision medicine. Advances in genomics – used in gene editing – can completely disrupt the way diseases are tested and treated, and it is important for Indian companies to engage with them.

Subramaniam of Reliance agrees. “Biosimilars is still at its infancy and is a huge space with enough opportunity for a number of players,” he says. Will Indian pharma companies leverage this, or will they let it pass? BT

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PHOTOGRAPH BY KRISHNENDU HALDER

END PRACTICES THAT DISCOURAGE GENERICS

On July 29, the $12-billion global pharma major Mylan announced plans to combine with Pfizer's off-patent branded and generic established medicines business, Upjohn, which has brands such as Lipitor (atorvastatin calcium), Celebrex (celecoxib) and Viagra (sildenafil). The new combined entity, named Viatris, hopes to emerge as a $20-billion global behemoth (2020 revenues). **Rajiv Malik**, President, Mylan, who has also been named the president of the new company, spoke with *Business Today*'s **E. Kumar Sharma** about the impact the deal will have on India operations, the challenges in generic drugs and the role that China will play.
Edited excerpts:

hat does the Upjohn deal mean for India operations, and what are the concerns here?

The concern (of teams) is easy to address because everybody is trying to figure out what the new company is going to be, what will be its goals, objectives and strategy, and how they fit into it. The operations in India should not be impacted. If I look at it from 30,000 feet, my answer is that nothing much is going to change from the point of view of India operations. India is also about catering to the rest of the world from here, so we need to understand what they bring to the rest of the markets and how much

will be needed. From that perspective, there might be an element that we still need to figure out and work on. A lot of what India brings is around plant networks, R&D, regulatory and centres for excellence, and I think India will have an opportunity to do more from that perspective. This bigger company will need more of those things, which is an opportunity.

From the point of the Indian market, at the moment, the products of Upjohn are being sold by Pfizer. So, our India selling team will have more to handle. The only place where we will have to go into in more granularity is the team which manages the rest of the world from India. It is a team of about 200 people, of which 150 are into markets where there is no overlap. So, it is going to be more about the realignment of our resources.

How do you see the generics space panning out given the regulatory issues and market dynamics?

Every generic association is grappling with this because we are going through a very critical phase. US FDA (Food and Drug Administration) standards evolved over time. That is why they call it 'Current Good Manufacturing Practices' and every company has to keep pace with that. The Indian companies especially have had to go through the hard phase of the churn. But they have learnt, built their processes and trained their people, and they are doing as well as any global company. The cost of building that has gone into the system.

Also, since healthcare touches the common man, there is a lot of visibility, spotlight and scrutiny of the system. Plus, there has been customer consolidation (in major wholesale chains that buy generic drugs). Over the last three to four years, the system was also tweaked (so even after a generic drug is launched, automatic switch from a branded drug to a generic drug was not happening in the formulary or the list of prescription drugs covered under a healthcare plan). It is vitally important to end practices that discourage the use of generics and biosimilars to ensure lower out-of-pocket expenses.

INDIA WAS ALWAYS AHEAD IN API, GENERICS, QUALITY... BUT CHINA IS LEAP-FROGGING IN INNOVATION AND SCIENCE

What are the financial advantages of the Upjohn deal for Mylan?

The number one advantage is that financially our profile changes completely. From an EBITDA of $3.5-4 billion, we become a $7-8 billion range EBITDA company. We have created a dividend profile for all our investors. The new company is expected to have revenues of $19-20 billion, and the EBITDA is anticipated to be in the range of $7.5-8 billion, including phased synergies of approximately $1 billion annually to be realised by 2023. In addition, the new company intends to initiate a dividend of approximately 25 per cent of free cash flow beginning the first full quarter to our shareholders right after the first quarter of the deal. The deal closes in July. India is still going to be a very integral and key part of our journey. It will have more opportunity to serve the $20-billion company rather than a $12-billion company.

Post-merger, what will be the plans for India and China?

From a sales and commercial point of view, we have a strong foothold in China. The Pfizer-Upjohn team there is one of the best in terms of the strength they bring in this area. I have studied China for last three years. India was always ahead when it came to API (active pharmaceutical ingredient), generics, quality... On all these, India is years ahead of China. But China is leapfrogging in innovation and science. In China, the government has provided so many avenues and incentives to basic R&D in NCEs (new chemical entities). For example, I read that the Zhangjiang hi-tech park is a hub of many start-up companies with many of them being able to list on the Hong Kong stock exchange and raise capital. In 2016, they started a programme called QCE (Quality Consistency Evaluation), which was about consistent evaluation from a quality perspective. Then they launched their 4+7 programme (a drug procurement policy) and expanded to all the provinces. I see China as a great opportunity for us to look for partnerships to further our science and go up the value chain in NCEs – products that we can bring not just to China but also to the rest of the world because we are a global player.

Including Upjohn, how many sites will you have?

On a standalone basis, Mylan has 44 sites across the world, of which 21 sites are in India. Upjohn has a total of eight sites across the world, which will be part of the new company.

You were named in a price collusion case. What has happened to that and where do things stand as of now?

It would be unfair for me to speak on my own behalf. My company has spoken by nominating me again (as the president of the new Mylan-Upjohn combined entity). BT

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Power sector is critical to India's economic growth. At the 5th Mail Today Energy Summit 2019, decision makers, industry professionals and other stakeholders discussed the future of energy and power in India.

At the inaugural address, **Anand Kumar, secretary, union ministry of new and renewable energy, GoI** talked about several energy aspects such as the prime minister's commitment to fight climate change, focus on adoption of renewable energy, revolutionary PM Kisan Urja Suraksha Evam Uttan Mahabhiyan (KUSUM) and rooftop solar schemes among others. Thereafter, **Delhi's Power Minister Satyendra Kumar Jain** spoke about key significant changes in the energy sector ever since Aam Aadmi Party (AAP) has taken charge. He shared, "Since past five years, there has not been any increase in the rate of electricity. With the budget increasing from ₹29,000 crore to ₹60,000 crore, we have efficiently used it into multiple activities such as free 200 units of electricity, installation of 2.8 lakh CCTV cameras, 2.1 lakh street lights, solar panels to be used by farmers in the farm lands in future among others."

Following, **Balraj Joshi, chairman and MD, National Hydroelectric Power Corporation Limited** shared, "Hydro energy is as cheaper as solar energy. Of the 24 operational projects, 22 of those are hydro-based while the remaining two are solar projects." Further on, **Shailendra Shukla, chairman, Chhattisgarh State Power Company Raipur** mentioned, "Chhattisgarh is one of the power surplus states in the country, with five times more power generation than the actual demand. The demand from DISCOM is hardly 5,000 MW and the total generation is about 23,000 MW."

Lastly, **Leenu Sahgal, commissioner planning, Delhi Development Authority** highlighted the design of 6,400 hectares of utility corridor with dedicated areas for gas, cables etc.

ADDING TO THE BUZZ

The midnight black metallic Toyota Camry, the hybrid electric vehicle from the house of Toyota woed the audience with its window trim, badging, evocative design, powerful stance and captivating style at the 5th Mail Today Energy Summit 2019.

A step towards sustainable mobility, eee-Taxi is a green taxi initiative to build an electrical, eco-friendly and economical personal mobility ecosystem that helps eliminate the unhealthy carbon emission and help combat rising air pollution across the country.

Our government's main aim is to make Delhi such a lighthouse that it becomes a benchmark to be copied by other states.

SATYENDRA KUMAR JAIN
Delhi Power Minister

India will not only achieve the renewable energy capacity addition target of 175 GW of by 2022 but will exceed it.

ANAND KUMAR
Secretary, Union Ministry of New and Renewable Energy, GoI

We have recently signed a MoU for setting up 150 MW power storage plant connected with solar in the state. To achieve the mission of affordable power, `4 per unit is being explored.

SHAILENDRA SHUKLA
Chairman, Chhattisgarh State Power Company Raipur

We have invested `21,000 crore in J&K. Eight power stations, with about 2,339 MW, are running in the state with two of those in Leh and Kargil and three each in the valley and J&K.

BALRAJ JOSHI
Chairman and MD, National Hydroelectric Power Corporation Limited

KEY SPEAKERS

DDA plans to achieve sustainable infrastructure through recycled waste water, increased usage of renewable energy and generating clean energy through installation of solar panels and water heaters.

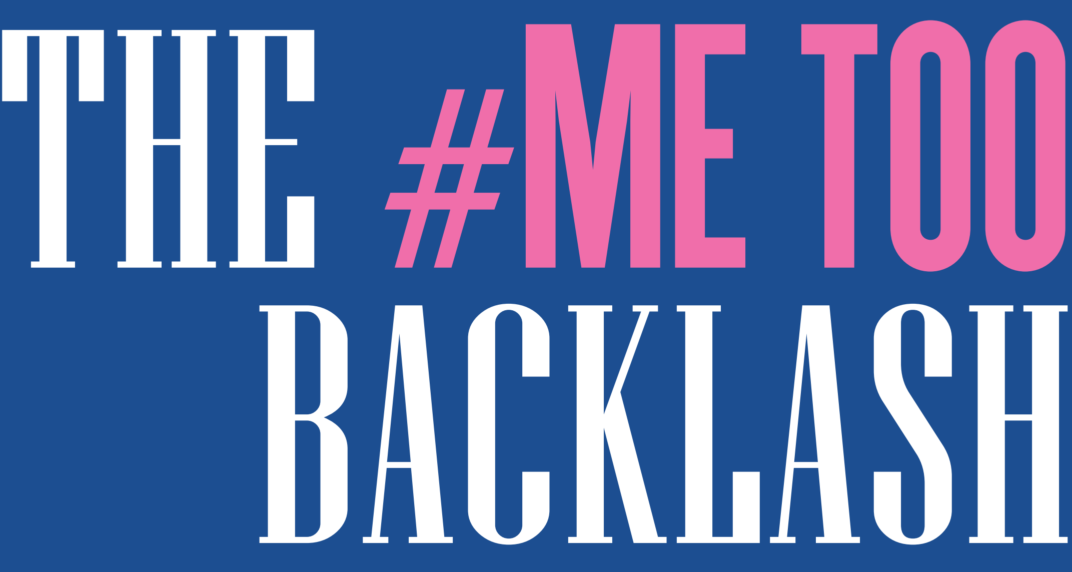
LEENU SAHGAL
Commissioner Planning, Delhi Development Authority

Speedier implementation of schemes like Saubhagya, Deen Dayal Upadhyay Gram Jyoti Yojana and Integrated Power Development Scheme has ensured that electricity reaches every nook and corner of the country.

SANJAY KUMAR BANGA
CEO, Tata Power-DDL

In 2015, we were the first company to launch electric-Verito in India. Our plan is to plant atleast one million trees by our mobility which is equivalent to about 50,000 tonnes of C02.

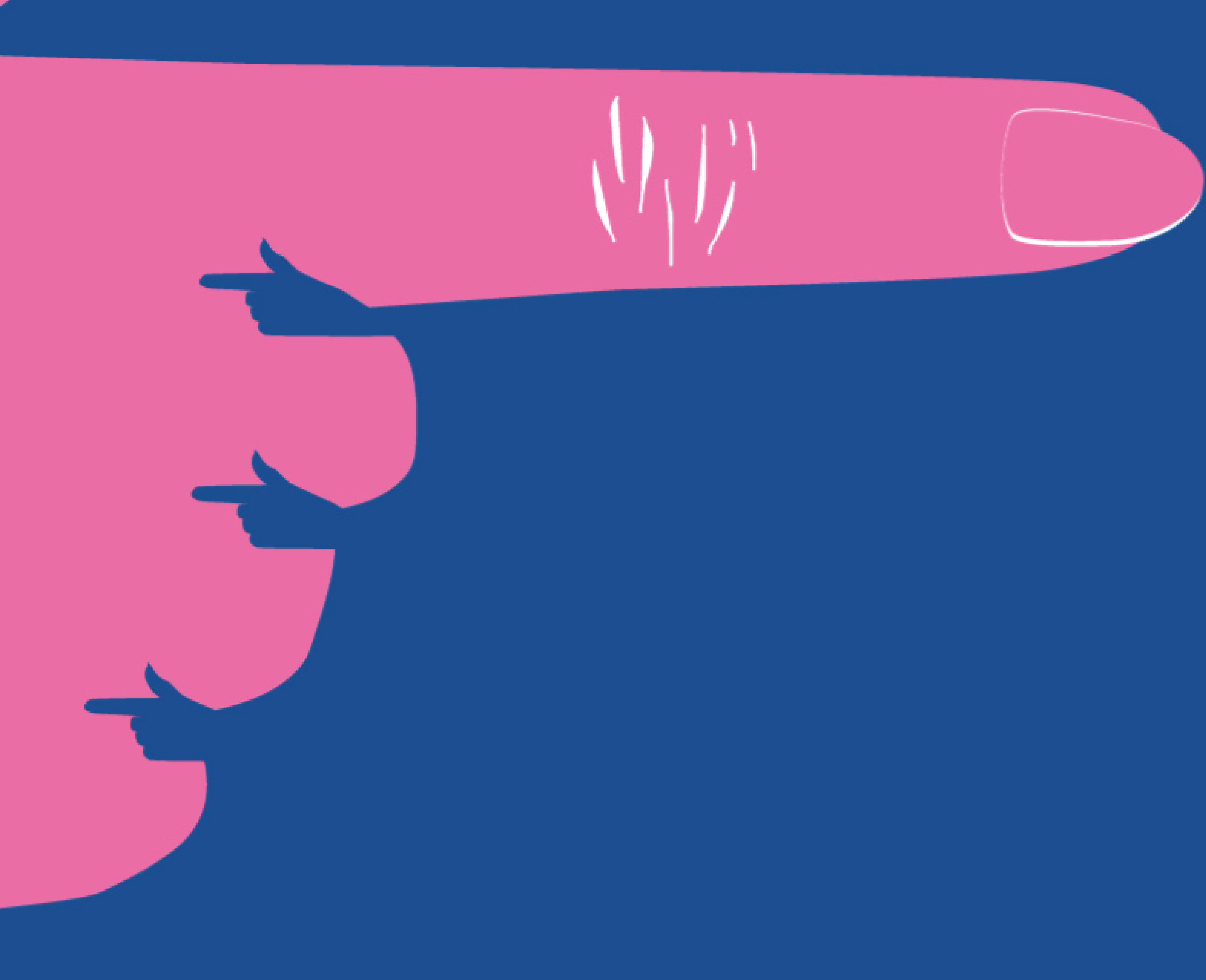
NISHANT SAINI
Founder and Managing Director, eee-Taxi

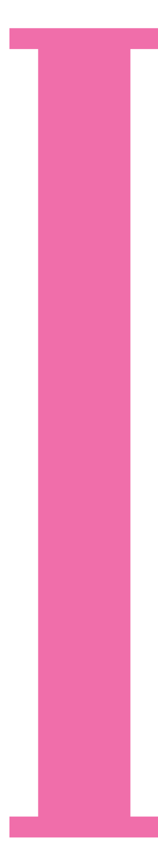


THE #ME TOO BACKLASH

NEW DATA SHOWS NEGATIVE EFFECTS FOR WOMEN.

Illustration by SAFIA ZAHID





N THE FALL of 2017, when the *New York Times* and other media began reporting on widespread sexual harassment and assault by powerful male entertainment figures, many people were heartened. The conventional wisdom was that bringing the issue to light and punishing those responsible would have a deterrent effect. Leanne Atwater, a management professor at the University of Houston, had a different response. "Most of the reaction to #MeToo was celebratory; it assumed women were really going to benefit," she says. But she and her research colleagues were sceptical. "We said, 'We aren't sure this is going to go as positively as people think – there may be some fallout.' "

In early 2018, the group began a study to determine whether their fears were founded. They created two surveys – one for men and one for women – and distributed them to workers in a wide range of industries, collecting data from 152 men and 303 women in all.

First the researchers sought to understand whether men and women held different views about what constitutes sexual harassment. They took this tack because men accused of the behaviour frequently claim they didn't understand how their actions were being perceived, while women who report it are sometimes deemed overly sensitive. The surveys described 19 behaviours – for instance, continuing to ask a female subordinate out after she has said no, e-mailing sexual jokes to a female subordinate, and commenting on a female subordinate's looks – and asked people whether they amounted to harassment. For the most part, the two genders agreed. For the three items on which they differed, men were more likely than women to label the actions harassment. "Most men know what sexual harassment is, and most women know what it is," Atwater says. "The idea that men don't know their behaviour is bad and that women are making a mountain out of a molehill is largely untrue. If anything, women are more lenient in defining harassment."

56%

of women said they expected that men would continue to harass but would take more precautions against getting caught, and 58% of men predicted that men in general would have greater fears of being unfairly accused

Next the researchers explored the incidence of harassment in the workplace. Sixty-three per cent of women reported having been harassed, with 33 per cent experiencing it more than once. A woman's age, the supervisor's gender, whether the woman filled a blue-collar or a white-collar role, and whether she was married had no bearing on the likelihood that she had been harassed. Just 20 per cent of women who had been harassed reported the episode; among those who didn't, the chief deterrents were fear of negative consequences and apprehension that they would be labelled troublemakers. Five per cent of men admitted to having harassed a colleague, and another 20 – said that "maybe" they had done so.

The study's biggest surprise has to do with backlash. Respondents said they expected to see some positive effects of the #MeToo movement: For instance, 74 per cent of women said they thought they would be more willing now to speak out against harassment, and 77 per cent of men anticipated being more careful about potentially inappropriate behaviour. But more than

UNINTENDED CONSEQUENCES

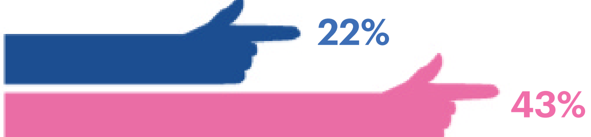
The researchers' 2018 survey results, below, showed that in the wake of #MeToo, many people expected men to become more reluctant to engage with women at work in certain ways – even though such activities can be crucial for advancement. (A follow-up survey in 2019 showed that the backlash was even worse than anticipated.)

I will/would be more reluctant to hire attractive women

I will be more reluctant to hire women for jobs that require close interpersonal interactions with men (for example,travelling)

The more women who come forward about sexual harassment, the more likely it will be that men blame women for the problem

Men in general will be more likely to exclude women from social interactions



Men in general will be more reluctant to have one-on-one meetings with women with no others present

10 per cent of both men and women said they thought they would be less willing than previously to hire attractive women. Twenty-two per cent of men and 44 per cent of women predicted that men would be more apt to exclude women from social interactions, such as after-work drinks; and nearly one in three men thought they would be reluctant to have a one-on-one meeting with a woman. Fifty-six per cent of women said they expected that men would continue to harass but would take more precautions against getting caught, and 58 per cent of men predicted that men in general would have greater fears of being unfairly accused.

Because the data was collected soon after the #MeToo movement gained momentum, and because much of it focussed on expectations, the researchers conducted a follow-up survey (with different people) in early 2019. This revealed a bigger backlash than respondents had anticipated. For instance, 19 per cent of men said they were reluctant to hire attractive women, 21 per cent said they were reluctant to hire women for jobs involving close interpersonal interactions with men (jobs involving travel, say), and 27 per cent said they avoided one-on-one meetings with female colleagues; only one of those numbers was lower in 2019 than the numbers projected the year before. The researchers say that some of the behaviours are manifestations of what is sometimes called the Mike Pence rule – a reference to the US Vice President's refusal to dine with female colleagues unless his wife is present. "I'm not sure we were surprised by the numbers, but we were disappointed," says Rachel Sturm, a professor at Wright State University, who worked on the project. "When men say, 'I'm not going to hire you, I'm not going to send you travelling, I'm going to exclude you from outings' – those are steps backward."

The researchers have several recommendations for organisations looking to reduce harassment, a number of which involve prevention training. Their study shows that traditional sexual harassment training has little effect, perhaps because much of it focusses on helping employees understand what constitutes harassment, and the data shows they already do. Instead, the researchers say, companies should implement training that educates employees about sexism and character. Their data shows that employees who display high levels of sexism are more likely to engage in negative behaviours, and they believe training can reduce those levels. Their data also shows that people of high character – those who display virtues such as courage – are less likely to harass and more likely to intervene when others do. "Though character building in organisations is on the cutting edge and consultants are just learning how to do this, there are training resources available," the researchers write.

ABOUT THE RESEARCH "Looking Ahead: How What We Know About Sexual Harassment Now Informs Us of the Future," by Leanne E. Atwater, Allison M. Tringale, Rachel E. Sturm, Scott N. Taylor, and Phillip W. Braddy (*Organizational Dynamics*, forthcoming). This article was first published in September-October 2019 issue of *HBR* **(www.hbr.org)**. Copyright@2019 Harvard Business School Publishing Corporation. All rights reserved.

"PEOPLE ARE TRYING TO FIGURE OUT HOW TO RESPOND"

In 2015, the Canadian Armed Forces launched Operation HONOUR, aimed at preventing sexual misconduct and assault among military personnel. As part of that effort, **Denise Preston** – a psychologist who has worked with victims and imprisoned sex offenders – was hired in 2017 as the executive director of the Sexual Misconduct Response Centre, which operates outside the military chain of command to support victims of sexual misconduct and lead prevention efforts. She spoke with *HBR* about the centre's work. Edited excerpts follow.

Do you agree with one of the findings of this research – that most men and women understand what constitutes sexual harassment even though the behaviour persists?

When you ask most people about sexual harassment, sexual assault, or issues around consent, they understand on a conceptual level when something is wrong. But they don't see it so clearly when it's their own behaviour. On a theoretical level, perpetrators understand what's wrong, but they have rationalisations for why it doesn't apply to them.

Then what kind of training can help?

There isn't a simple solution. Basic awareness training – making sure people understand what the laws are, what their rights are, and how to access resources if they need them – is important, but it doesn't necessarily change perpetrators' behaviour. We also have to teach specific skills. Create scenarios tailored to the audience – situations that will resonate. If people are comfortable, try role-playing. Talk to people about how they'd handle a given situation – why one person would respond one way and someone else another way – and discuss the best responses. That kind of training, including bystander intervention training, gives people tangible skills to practise, and those skills become an automatic reflex.

Is sexual harassment a bigger problem in the military than in the private sector?

Research shows that two significant risk factors for sexual harassment are male-dominated organisations and hierarchical ones. Both descriptions apply to the military. But sexual harassment is endemic; it occurs in every industry around the world.

Are you seeing a backlash as sexual harassment gets more attention?

According to anecdotes and survey data, some men in the Canadian Armed Forces feel guilt by association – that there's a pervasive message that all men are potential perpetrators. We've heard from male senior officers who are uncomfortable meeting one-on-one with female subordinates. Women in some units report being excluded from certain social events. The reports are unfortunate but not surprising. People are trying to figure out how they fit in, how to respond to these issues, and how to stay safe.

Is the prevention work making a difference?

Statistics Canada, an independent national office, surveyed sexual misconduct in the Canadian Armed Forces in 2016 and 2018. Unfortunately, the rate of self-reported sexual assaults did not drop in that time, consistent with national trends that have stayed steady for 20 years. But there are positive findings, including a 10 per cent decrease in people who have witnessed or experienced sexualised or hostile behaviour. There were reductions in the 15 other types of negative behaviour measured. We attribute that to the training the Canadian Armed Forces has put in place.

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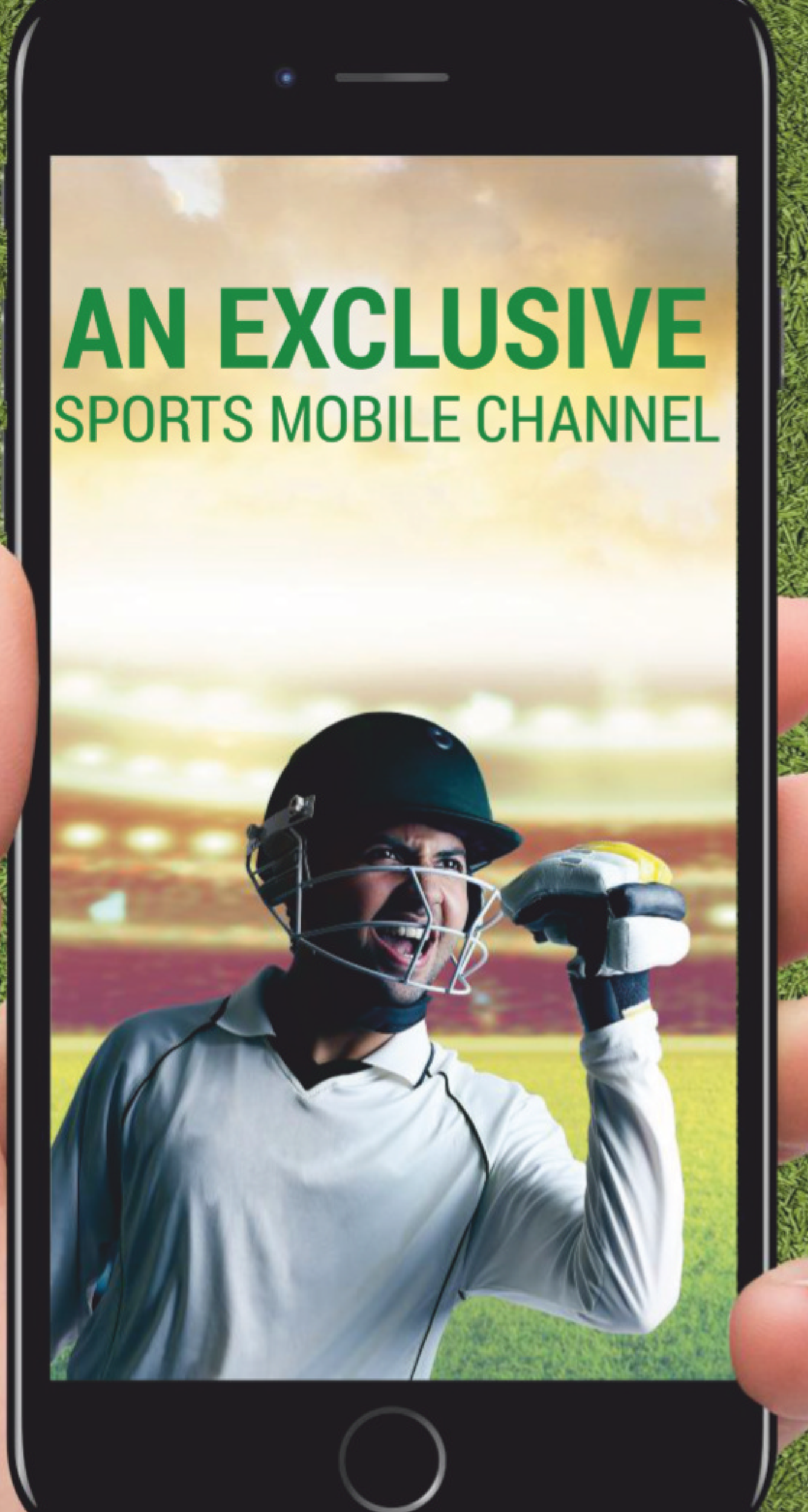

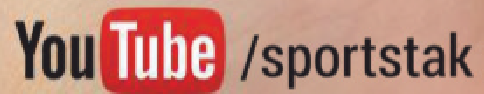

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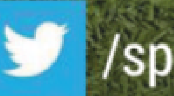
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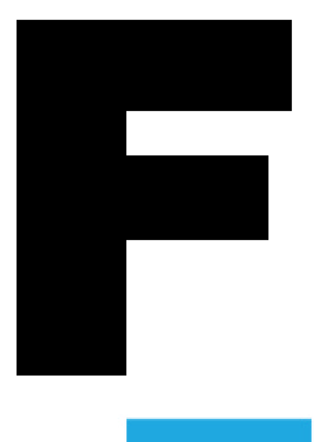
PHOTOGRAPH BY RAJWANT RAWAT

BOOM TIME

Commercial real estate is on a strong footing even as the residential segment flounders.

By GOUTAM DAS
PHOTOGRAPH BY RAJWANT RAWAT



OR NEARLY TWO YEARS, real estate lobbies have been praying for a white knight. Residential developers in India need last-mile capital to finish large projects as nearly six lakh units are stuck in various stages in the country's top cities. On November 6, the Union Cabinet agreed to build a fund whose corpus could add up to ₹25,000 crore. The fund would provide priority debt financing for stalled affordable and middle-income housing projects, raising hope that the residential real estate segment – characterised by lack of trust and confidence in developers due to delivery defaults – could finally see some light at the end of the tunnel. Oversupply of high-end projects added to the woes.

But there is another side to India's real estate coin. Commercial, or office, real estate is booming. The supply is steadily increasing. So are the absorption rates. Vacancies at top-grade buildings are down while rents in many markets have risen. Unlike the residential side,

40%
Rise in new completion of Grade A office spaces in 2018

$2.7 TRILLION
India's economy in 2019. The nation wishes to touch $5 trillion by 2024/25

the office market is characterised by transparency, and in most cases, timely delivery.

Although new completions of Grade A (highest quality) spaces started falling in 2015, there was a significant increase of 40 per cent in 2018, compared with the previous year. The number is expected to rise 13 per cent to 43.3 million sq.ft. in 2019, says a recent report by ANAROCK Property Consultants. "The rise was majorly due to limited availability amid high demand. Similarly, net absorption rose 16 per cent from 29 million sq.ft. in 2017 to 33.5 million sq.ft. in 2018. It is likely to increase 11 per cent in 2019. The major cities of India are expected to witness strong absorption along with rising supply in the coming years," says the report.

Other industry watchers also expect continued growth in absorption. "There is limited ready-to-move-in supply in major markets. If a tenant is looking at a 350,000-400,000 sq.ft. sort of expansion, there is limited availability," says Ram Chandnani, Managing Director, Advisory & Transactions Services, CBRE India – a real estate services company. "If tenants want larger – about half-a-million sq.ft. – space, they are pre-committing to a developer who is going to start work now," he adds.

The vacancy rate has dropped, too, from 16.5 per cent in 2013 to 14.6 per cent in 2018. It is expected to fall further in 2019. The strong demand for offices together with low vacancy rates have led to decent rental growth in Information Technology (IT/ITeS)- dominated cities such as Bengaluru, Hyderabad and Pune, says real estate services provider JLL India. Office rentals grew more than 5 per cent in the third quarter of 2019, compared to the year-ago period.

What makes this growth impressive is the fact that India is in the middle of a slowdown. What explains this? And will this momentum continue over

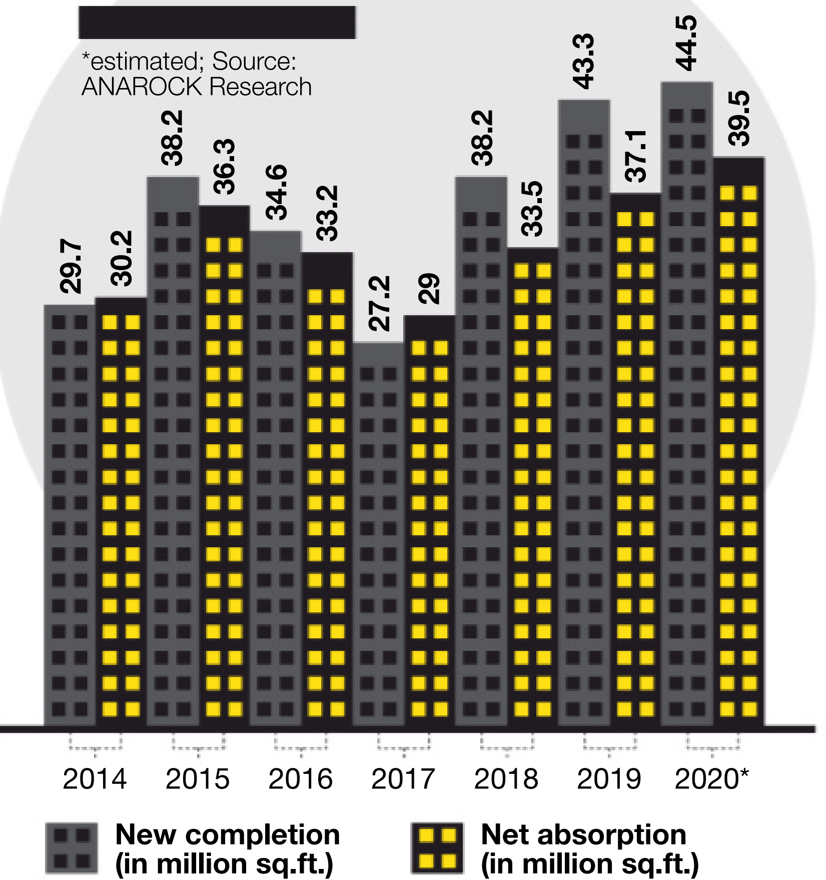
the next few years?

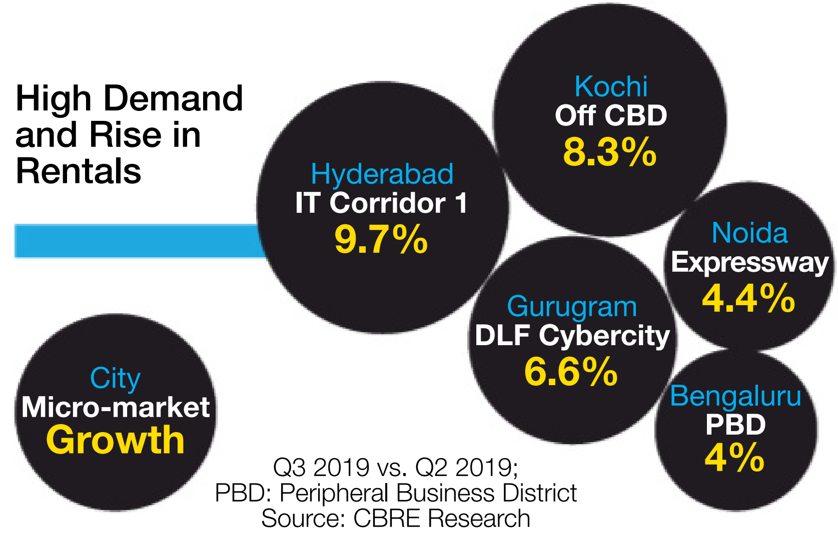
Economy's Depth and Talent

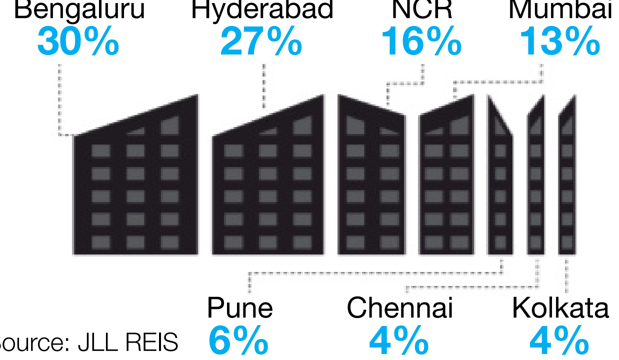
The 30,000-feet view is that the depth of India's economy will continue to drive its commercial real estate. In 2019, India became a $2.7 trillion economy; it wishes to touch $5 trillion by 2024/25. "A low-income nation is becoming a middle-income nation. A $5-trillion economy implies investments. It means more industries, better labour management, better infrastructure. That means demand for office space," says Rajeev Talwar, CEO of DLF and Chairman of industry body National Real Estate Development Council (NAREDCO). He adds that growing ease of doing business and integrity coefficient of the government, as perceived by people, have boosted foreign direct investments, leading to an uptick in demand for commercial spaces. DLF is India's largest real estate developer.

Niranjan Hiranandani, Managing Director of Hiranandani Group and National President of NAREDCO, explains the current boom through the lens of stock markets. "If the stock market is looking up, commercial real estate will look up, too. There is a great linkage," he says. Around November 8, 2017, the BSE Sensex was around 33,218 points. By November 8, 2019, it had climbed to 40,323. "Two, the corporate tax rate has been cut to 25 per cent, and for new businesses, the rate is 17 per cent (for companies incorporated on or after October 1, 2019, making fresh investment in manufacturing). Businesses, therefore, will continue to grow," he adds.

While low-tax rates are enablers, some of the historical drivers of commercial real estate in India have not changed. One, India is a talent hub, and companies across the world want to hire its relatively cheaper workforce. From low-end voice-based business process outsourcing services, India has now graduated to more high-end services such as analytics. And few countries give multinationals the scale that India does. "We are not seeing the fundamentals driving the need for office spaces being disturbed because of the slowdown. International companies which move to India look at it as an incredible talent source. They can't really find this in other markets," says Aditya Virwani, COO of Bengaluru-based Embassy Group – a developer. "The cheap talent that you get here is unmatched. There is







SOLUTION FOR
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a health care company that is consolidating from the Philippines and taking space with us. Nowhere in the world can they hire 700 PhDs and scale it up to 3,000 in the next five years," he says.

Much of India's office market is, therefore, catering to international corporates or those focussed on export of high-value services. The export-oriented demand has offset the slowdown in some domestic industries. This is primarily why the commercial real estate sector continues to grow in 2019. "In the last five years, we have seen a lot of European companies entering the Indian market. Korean, Japanese, Taiwanese, and Australian firms are also looking at India in a big way," says CBRE's Ram Chandnani. And companies already with a presence in India are expanding. In July, DLF sold nine acres to American Express for setting up its office campus in New Gurugram for ₹33 crore an acre.

PHOTOGRAPH BY SUDHIR DAMERLA

"International companies come to India for talent-at-scale. That is why the office market is growing"

Mike Holland
Chief Executive Officer, Embassy Office Parks REIT

The Tech Pie

A recent CBRE research found that technology companies are now a major driver of real estate, not just in India but also in other parts of the Asia Pacific. "Technology firms accounted for 23 per cent of leasing activity in 2018 in the Asia Pacific. They have constructed over eight million sq.ft. of new headquarter space over the past two years," says the report. "Tech companies are increasingly seeking locations that provide ecosystems capable of accommodating best-in-class tech giants as well as start-ups and unicorns specialising in innovative products," it added. The report identified Asia Pacific's leading tech cities by assessing 15 markets according to their business conditions, innovation environment, cost and availability. Leading cities of the region included Beijing, Bengaluru, Shanghai, Singapore and Gurugram.

No doubt, within India, Bengaluru's rise – first as the IT services capital of India and then as a start-up hub – has fuelled hectic commercial real estate activity. A JLL-CII report says Bengaluru's position as the top city driving the office market remained unchallenged with net absorption of 6.5 million sq.ft. in the first half of 2019. "Interestingly, Hyderabad saw a significant surge in net absorption, almost four times, from 1.5 million sq.ft. in H1 2018 (first half of 2018) to 5.8 million sq.ft. in H1 2019. This was led by strong expansion of IT/ITeS, BFSI and co-working occupiers amid strong business sentiments," said the report.

Manish Aggarwal, Managing Director, North & East, JLL India, told *BT* that about 37 per cent demand for commercial real estate is being generated by IT/ITES companies. About 15 per cent is coming from co-working spaces. Many established technology companies and start-ups use co-working facilities offered by nearly 300 providers in India as they provide greater flexibility. Investing in own facilities involves an opportunity cost as it takes time to buy/lease and then fit out the facility. Co-working enables one to just move in with laptops and start working. Companies can add or

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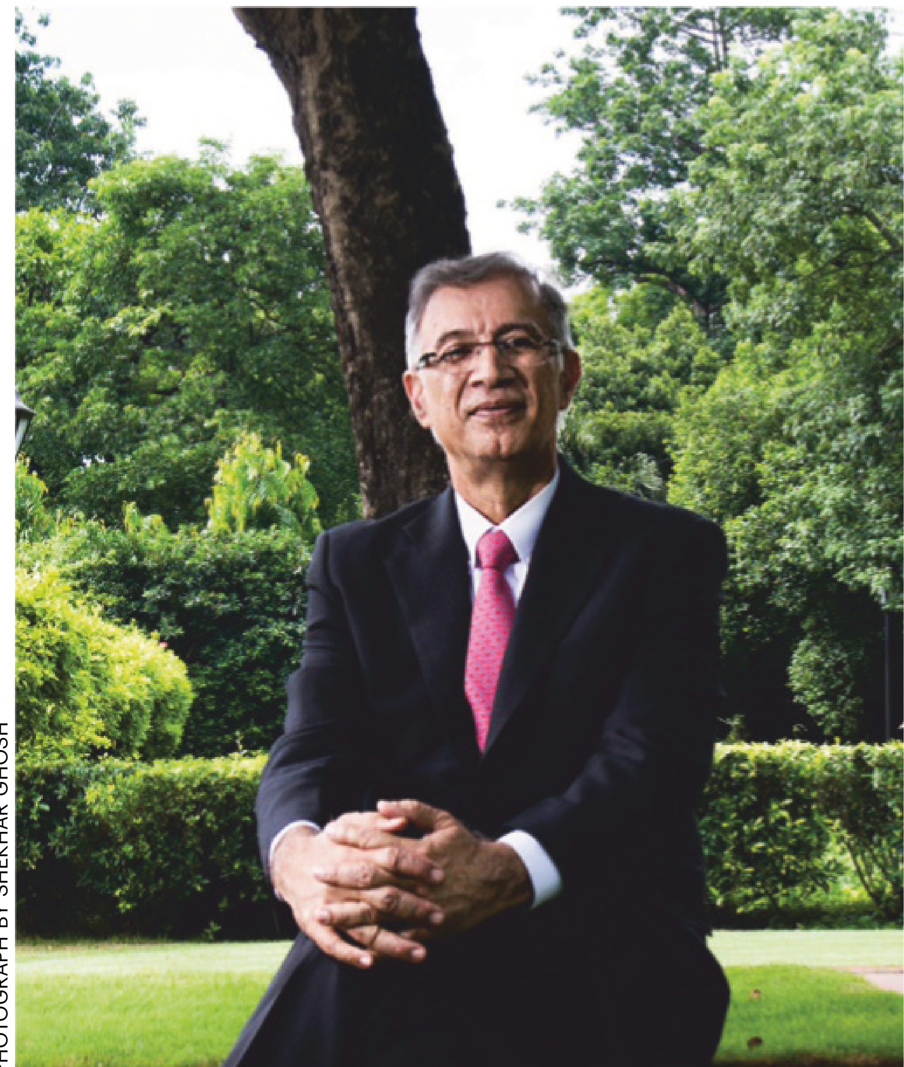

PHOTOGRAPH BY SHEKHAR GHOSH

reduce the number of seats depending on need.

Aggarwal says the office market has remained buoyant as the technology sector hasn't seen any slowdown in the last two years. Although some of the IT industry's bigger companies had a mixed year, the IT/ITeS industry, overall, ended up hiring 170,000-175,000 people in 2018/19. In the first quarter of 2019/20, the industry hired about 85,000 on a net basis. The current year appears to be better than the previous in terms of employment, says a representative of IT industry body NASSCOM. "BFSI has taken a hit in the last eight-10 months, but besides that there is robust demand. Second, many companies are looking at consolidation," says Aggarwal. Large start-ups and e-commerce companies, for instance, had multiple offices and are now consolidating to become more efficient. "This has led to growth in demand. The initial spaces they had taken were low on specification and cost. Now, many have consolidated to good Grade A properties," he adds.

"If the stock market is looking up, commercial real estate will look up, too"

Niranjan Hiranandani
Managing Director,
Hiranandani Group

PE Playground

International companies and Indian technology firms are fuelling another trend. They prefer larger commercial parks rather than standalone buildings. There are good reasons why.

Mike Holland, Chief Executive Officer, Embassy Office Parks REIT, says as companies are trying to attract talent, they want to be in an environment that provides employees not just basic office space but a business lifestyle. "The demographic is mid-20s and early-30s. We, therefore, have a lot of sports zones in our business parks. We have a food court, amenities for working moms and health care facilities. That pushes the industry to larger scale kind of proposition. It is not enough to provide a small-scale building," he says.

International companies are also serious about safety, compliance and governance, and look for developers who follow international standards in these aspects. This needs scale. Also, business parks have a long gestation period. So, access to capital is important. To build a 100-acre park, for instance, a developer has to first buy the land, a major exercise. This can take anything between three and 10 years. Delivering the first phase might take another three years. "The whole park can take 10-15 years to reach maturity. That is why such projects need patient capital. Most larger players, therefore, have institutional capital or relationships," says Holland.

As per ANAROCK research, commercial office space saw PE inflows of $10 billion-plus between 2015 and third quarter of 2019. The retail segment saw investments of over $2 billion. Logistics and warehousing saw inflows of $1.2 billion during the period.

"In value terms, US-based Blackstone, Canada-based Brookfield and Singapore-based GIC are among the leading PE players that have invested in Indian real estate since 2015," says Shobhit Agarwal, MD & CEO, ANAROCK Capital. GIC invested about $1.4 billion in DLF in 2017; Brookfield invested $1 billion in Hiranandani group in 2016; Blackstone invested over $850 million in Indiabulls Real Estate in 2019.

Blackstone, meanwhile, has emerged as India's largest office landlord, owning 115.1 million sq.ft. As of October 2019, it had invested $7.7 billion across 35 transactions in the Indian real estate market. Of this, $2.5 billion was invested in 2019 alone. Of the $7.7 billion, about $6.5 billion has been invested in commercial office space.

The bottom line is that developers with PE backing have the staying power and the ability to supply the right product is getting concentrated in fewer hands. This is one huge reason why the mess of residential real estate – surplus supply – is unlikely to surface on the commercial side. It is a big boy's playground. BT

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LOOKING UP

With residential sales hitting the trough and prices stagnant, the realty market can look forward to better times.

By RASHMI PRATAP
Photograph by YASIR IQBAL

AFTER HITTING ROCK BOTTOM, residential real estate sales are showing signs of recovery as fence-sitters realise that property prices may not fall further. "Price points cannot go down any more. From a technical as well as market perspective, prices have bottomed out and there is no scope for decline in the near future," says Siva Krishnan, Head – Residential Services, Developer Solutions and Strategic Consulting, JLL India.

One reason is the cost incurred by developers, which has three main components – land, construction and interest. "Today, if you add up these three, without even including inflation and minimal

margin for developers, prices are lower than the total. This shows there is no scope for further reduction in prices," says Krishnan.

According to data from real estate consultancy Liases Foras, property prices have not increased in the last two years. In fact, the weighted average price in the top eight cities of India has been stagnant at around ₹6,800 per sq.ft. for the last two years. And the unsold inventory will take more than three years to be cleared up. "An efficient market maintains 8-12 months of inventory. An inventory overhang of 40 months indicates pressure on prices in all the major cities of India," says Pankaj Kapoor, Founder and MD, Liases Foras.

"The market has hit the bottom and can go up in terms of sales but not in terms of prices. With high levels of unsold inventory, pricing will be under pressure, and new supply will add to it. We believe that prices will not go up for the next two years," adds Kapoor.

The average price in NCR, for example, was ₹4,627 per sq.ft. in the September 2019 quarter compared to ₹4,732 in the year-ago period. For MMR, the price declined from ₹13,130 to ₹12,471 per sq. ft during the period, according to Liases Foras.

Sales Inching Ahead

Tier-I cities recorded sales of 115,073 units during January-September 2019, an increase of 14 per cent over the year-ago period, according to data from JLL. Mumbai, Delhi, Bengaluru and NCR continued to drive sales, with Mumbai alone witnessing more than 20 per cent rise in the nine-month period.

According to Knight Frank, at the end of the January-June 2019 period, sales picked up moderately. The first half recorded sales of 129,285 units in top eight cities, up 4 per cent year-on-year.

"The festive season this year has been rather good compared to last year. So, I feel that the sector is gradually regaining strength, and our experience in the last two months has been encouraging. We see significantly better demand in the months to come," says Aspan Cooper, Founder and Chairman, Spenta Corporation.

What is clearly visible now is that most projects that were launched between 2010 and 2012, and were struggling, are also seeing better days, says JLL's Krishnan. Most of these projects were either offering houses with the wrong size or at price points that were not correct that time. Price appreciation was so sharp that it led to wrong price discovery for many projects. "But now, some of them have reached a level of completion as developers or institutions are pumping in money. Besides, the price points have not moved up and we are seeing traction as they (projects) are nearing completion. These are green shoots and it is a welcome sign," he adds.

The second welcome sign for the realty market is that after 2015/16, when prices began to decline or stagnate, developers started moving into middle income housing and affordable housing segments. That also led to a price correction.

As things stand, affordable housing has been the silver lining – while 32 per cent of total sales were in the affordable category in the December 2015/16 quarter, the number is over 50 per cent now.

The sub-₹50 lakh segment is seeing most of the action. "Most of the sales have been generated in the affordable segment backed by government sops to buy-

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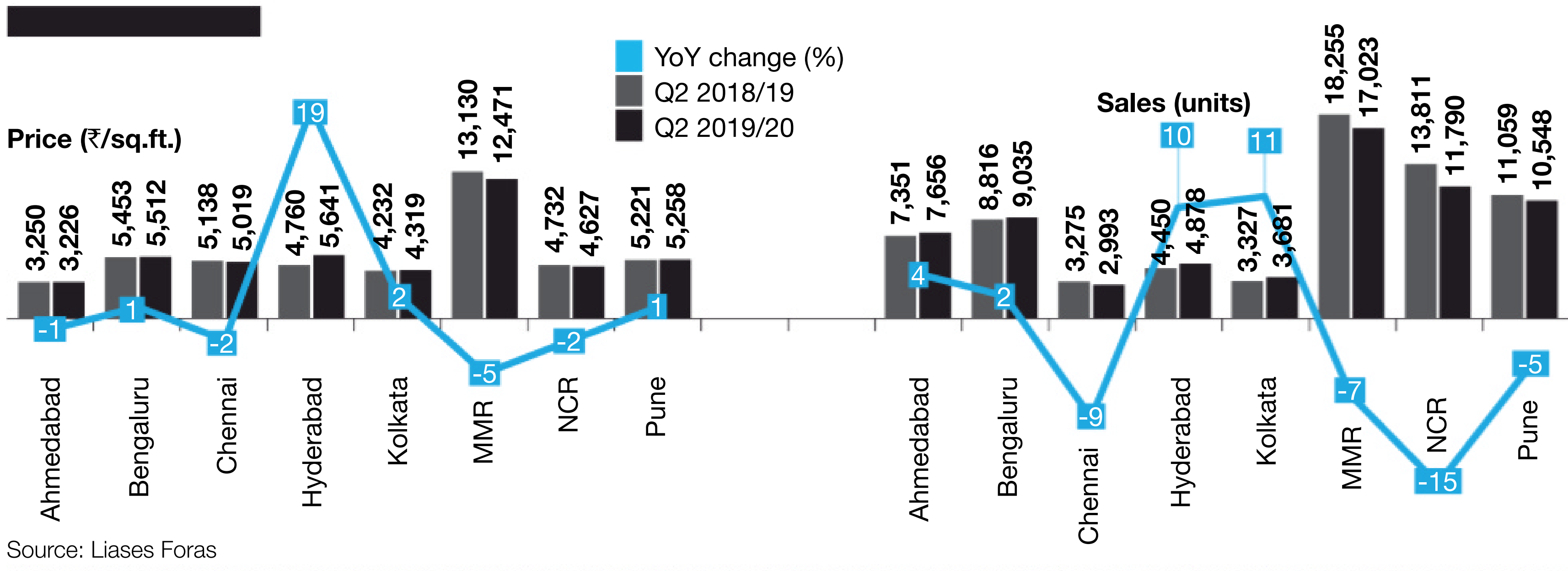
Signs of Life

In many cities, stagnant prices of residential units have convinced buyers to take the plunge



Source: Liases Foras

ers," says Shishir Baijal, Chairman and MD, Knight Frank India. Under the PM Awas Yojana (PMAY), households with annual income of up to ₹18 lakh can avail of ₹2.3 lakh upfront subsidy for a home. Buyers are also eligible for income tax exemption on housing loans. Developers, under Section 80-IAB, also get 100 per cent deduction on profits generated from an affordable housing project for flats up to 30 square metres in four metro cities and 60 square metres in other cities. This also gave a boost to supply in the segment. In tune with the demand, 55 per cent of new launches in the January-September 2019 period was in the sub-₹50 lakh bracket.

The affordable segment is currently doing far better than the luxury segment because there is usually more demand, says Cooper.

Government's Helping Hand

While it is a good time for homebuyers to take the plunge, many developers have been struggling since the NBFC crisis broke out in September 2018 post the collapse of IL&FS. Since banks don't offer loans for land, developers had been dependent on NBFCs for most of the financing, including construction. But with the NBFC crisis, developers are not able to access funding and NBFCs themselves are struggling to roll over debt.

For the period ended June 30, 421 developers were under the corporate insolvency resolution process, as against 209 at the end of September 2018 (as per the Insolvency and Bankruptcy Board of India).

Kapoor says builders need to go back to basics to solve this problem of liquidity. "In the pre-liberalisation days and before the sector was opened up for foreign direct investments, builders were mostly dependent on customer advances. It was only later that they started borrowing big money and increasing prices... It is now time for them to focus (again) on financing using customer advances."

Alongside, government measures have helped. "The government has taken many significant steps to help both demand and supply, including rationalisation of home loan rates, repo rate reduction and setting up stressed asset and alternative investment fund (AIF)," says Baijal of Knight Frank.

With a corpus of ₹25,000 crore, the AIF will provide priority debt financing for completion of stalled housing projects in the affordable and mid-income housing sector. The RBI has cut repo rate five times so far this year, a move that will encourage homebuyers.

Yet, the effectiveness of all these measures is dependent on customer sentiment. "While things are looking up for the sector, the only dampener could be the overall economic scenario and caution among customers about whether they should invest or not. If customer sentiment was good, the volumes would have been much higher," says JLL's Krishnan.

Baijal agrees that the real issue continues to be creating customer confidence which can translate into sales. "The current economic scenario, marred by poor employment rate, reduced GDP growth and low industrial output, continues to remain subdued, impacting buying decisions." According to him, a full-fledged recovery will depend on demand picking up for the sector. BT

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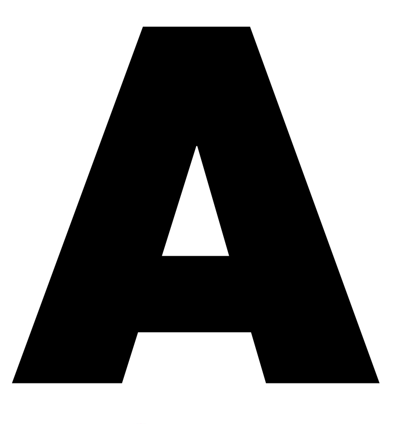
FLEXIBLE WORKING

The WeWork IPO debacle has not hit the optimism of Indian co-working players.

By RUKMINI RAO



DAM NEUMANN, CEO OF WEWORK, the American poster boy of co-working spaces, was forced to quit after the company's IPO flopped spectacularly. In just one month, the company brought down its valuation from $47 billion to $10 billion, before postponing the issue indefinitely. Investor SoftBank and its Vision Fund collectively wrote down $8.2 billion on WeWork investments, forcing its head, Masayoshi Son, to admit that investing in WeWork was a mistake.

The tremors of the WeWork debacle were felt in India too. Some started questioning the feasibility of the boom in co-working spaces that India has been seeing over the last few years. The future of WeWork India, too, became a hotly debated topic. Realising the gravity of the worries, Jitendra Virwani, Chairman and Managing Director of the Bengaluru-based Embassy Group — which runs WeWork's India franchise, managed by his son and CWeo (Chief Wework Executive Officer) — called a select media briefing in Bengaluru to stress that the company was upbeat about the future. In spite of Embassy being India's leading office space builder, he emphatically said that if he had money today, he would invest in his son's business than his own (traditional office space). "WeWork India has grown much faster than the other WeWork entities," he said. While the global valuation of WeWork took a massive hit when the company launched its IPO, Virwani said even if WeWork had gone for an IPO at a valuation of $14 billion, the India business would have still been worth $3 billion. Embassy was looking to sell its 70 per cent stake in the Indian entity through the IPO for nearly $2.7 billion. However, with the current turn of events, an exit is unlikely in the near future. But Virwani still believes that with huge opportunities ahead, the co-working business will keep going strong, with or without the WeWork IPO.

"The past two years were about building the business and making the market aware. Now, the focus will be on profitability," said Karan Virwani, CWeO, WeWork India. At a corporate level, the company hopes to achieve profitability by the middle of next year, even though it has largely broken even at the unit level. The demand is robust. The company said it closed over 10,000 desks in the last quarter, the highest ever for a three-month period. WeWork India has around 45,000 desks. It plans to expand to 70,000 by the end of 2019. While the average commitment per desk has gone up to 20 months, the company is also getting long-term deals of three to six years. It plans to raise $200 million once dust settles on future expansion.

CO-WORKING OFFERS ALL FACILITIES OFFICES HAVE. IT HAS OPTIONS TO RENT A FLOOR, JUST SEATS BY THE HOUR OR DAY AND IS A BASE FOR NETWORKING

Most operators of co-working spaces share WeWork India's optimism. A JLL–FICCI report, 'Co-Working, Reshaping Indian Workplaces', in June said there are 325 to 330 co-working operators in top seven cities in India. "The average size of transactions in the co-working segment increased

77,000
SQ. FT
Average size of transactions in Q1 of 2019 compared to 52,000 sq. ft. in 2018

8
PER CENT
The co-working share in office leasing in 2018, up from 5% in 2017

14%
The proportion of co-working space to total office leasing in Mumbai, the highest in India

325-330
Number of co-working operators in top seven cities

Source: Co-Working-Reshaping Indian Workplaces (A JLL-FICCI Report–June 2019)

from 52,000 sq. ft. in 2018 to 77,000 sq. ft. in Q1 of 2019. The cumulative space take-up by the co-working segment from 2017 to Q1 of 2019 is 6.9 mn sqft," it said. The share of co-working in total office leasing increased from 5 per cent in 2017 to 8 per cent in 2018. "In 1Q 2019, it increased further to 12 per cent, and we expect the trend to move upwards," said the report.

So, what's the reason for this optimism? Shobhit Agarwal, MD & CEO, ANAROCK Capital, says, "The massive demand for co-working spaces in the country from budding entrepreneurs, tech start-ups and even the big multinationals is beyond dispute. Given this growth potential, the impact of WeWork's global troubles will not be significant, and the big, sound players will continue to thrive." While co-working is still at a nascent stage in this country, "it has massive demand and witnessed 23 per cent growth in Q2 of 2019 over the preceding quarter across the top seven cities," he added.

RMZ-backed Cowrks, founded in 2016, is another example of a traditional office space player taking the co-working segment seriously and making it a part of the group portfolio. "While changing needs of enterprise clients and emergence of new-age businesses are strong drivers of change in the business mix for traditional players, if run prudently, without the discounting game, it's also a profitable business," says Abhishek Goenka, CFO, CoWrks. "In general, 30-40 per cent of all office market has become flex. Most evolved developers are beginning to ensure 5-15 per cent flex space in every campus," he says. Large enterprises now want that only 50-60 per cent office space should be permanent, while another 20 per cent should be for the medium term, while the rest should be short-term flex spaces. The shift to co-working mitigates contract tenure and under-utilisation risks as against the traditional leasing model. This is one of the biggest reasons for the optimism in the co-working space, he says.

Another Bengaluru-based co-working solutions provider, IndiQube, which offers both per sq. ft. and per seat billing options, says it saw nearly 130 per cent growth last year. "One company cannot define the entire space," says Meghna Agarwal, Co-founder, IndiQube, which operates a total of three million sq. ft. and aims to ramp up to five million in two years. By one estimate nearly a 580 million sq. ft. opportunity is knocking at the doors of co-working companies as India is facing a supply crunch. Agarwal is not too worried about competition from big builders. "Unless they convert a rent arbitrage business into a complete services business, success will be difficult," she says, even as she points out that this is why big developers are tying up with service providers in the sector. (Rent arbitrage is actual revenue realisation for the space against the cost of space with or without other services. In a complete services business, the space provider also manages the facilities.)

"Unless they (traditional players) convert a rent arbitrage business into a services business, success will be difficult"

Meghna Agarwal,
Co-founder, IndiQube

"The past two years were about building the business and making the market aware. Now, the focus will be on profitability"

Karan Virwani,
CWeO, WeWork India

But are these spaces expensive for clients? "Co-working players provide services on top of the underlying real estate. They are eyeing a premium for that. They are buying long and selling short. That is the risk that the co-working providers take," says Viral Desai, National Director, Occupier Solutions, Knight Frank.

To get over cost constraints, companies such as GoFloaters, BHIVE and 91 springboard are coming up with affordable shared working spaces catering to the gig economy. GoFloaters is tying up with cafes, unutilised commercial office spaces and standalone functional commercial properties. It has curated over 350 spaces into shared working spaces. It works on a revenue-sharing model with property owners. The cost of inventory is almost zero, which helps keep costs for end–users low, says Shyam Sundar, Founder & CEO of GoFloaters. "Our hourly rate at co-working cafes is ₹35. This falls to ₹20-22 for three purchases. Conference rooms start at ₹150-200 an hour and shared seat rates at ₹2,500 per month," he says.

By 2029, suburban flex spaces will add nearly $14.6 billion to India's national economy as big companies adopt flexi working policies, moving away from a central headquarter and increasingly having employees in non-metros, while local economies stand to gain a gross added value of $5.7 billion creating jobs from inside and around the centre, says a recent report by Regus. This further strengthens the expectation of co-working spaces in India being the next growth story. BT

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IMPROVE RERA IMPLEMENTATION

RERA has increased transparency but it lacks in leveraging technology and a large inventory of real estate projects remains outside its purview.

By SHISHIR BAIJAL

The real estate sector got its most efficient cleansing agent in the form of the Real Estate (Regulation and Development) Act (RERA), 2016, on May 1, 2017. This was expected to be a major step towards decoding the unregulated sector, ensuring transparency and quality and redressing buyer grievances.

RERA was introduced to ensure that consumers' interests are protected and that builders are held responsible. The national regulation provided for tribunals and ombudsmen for redressing disputes. The Act also provided for protection to developers from defaulting buyers and ensured a level of fairness. With proper planning and details of every stage of construction available to buyers, RERA ushered in an era of full disclosure.

However, after nearly two-and-a-half years since RERA was implemented, the response has been mixed.

Implementation in states has been the biggest challenge, mostly due to dilution of various clauses in the Centre's model Act. While many states have notified their rules under RERA, some have not. For instance, Arunachal Pradesh, Meghalaya, Nagaland and Sikkim are yet to do so, mainly due to issues related to land belonging to certain communities. So far, RERA rules have been notified in 23 states and seven union territories. Nineteen states have active online portals.

As per the central RERA, promoters had to register ongoing projects by July 31, 2017, but the registrations are still going on. As on September 14 this year, 44,577 projects were registered.

Maharashtra has stood out as a model case study of RERA, and the state has witnessed signs of uptick in residential sales and overall consumer sentiment. The state accounts for 50 per cent of the total projects registered and 60 per cent of the total real estate agents registered under RERA. Uttar Pradesh, Karnataka, Haryana and Gujarat are the other more active states from a RERA compliance perspective.

In terms of cases disposed, Uttar Pradesh leads the chart, disposing of 10,069 cases as of September 14, 2019, which accounts for 38 per cent of the total cases disposed. Maharashtra comes in a close second with 5,674 case disposals (22 per cent).

RERA has increased transparency in some states but it lacks in leveraging technology to create informative and user-friendly portals for consumers. Many state level RERA portals are yet to make available quarterly updates of developers. Unless the huge amount of data that the state level authorities have collected, is analysed efficiently and made available in interesting formats in public domain, little can be done to bring about a real change or identify problem areas.

Unless the huge amount of data with state-level authorities is analysed and made available in the public domain, little can be done

Also, due to the slow pace of implementation across the country, a large inventory of real estate projects remains outside RERA purview.

There have been encouraging changes as well. Projects launched after RERA came into existence are doing relatively well and are expected to be completed on time due to improved speed of construction thanks to availability of funds in escrow accounts. Compliance has also been a prominent factor in price rationalisation in the housing segment as it has stopped pre-sales activities and fund diversion during the once popular 'soft launch' stage.

The central government needs to step in and create a platform to address the challenges in different states. The government had announced its intention to set up a common online platform for buyers, developers and RERA authorities for all states and Union Territories, but it remains to be seen how far this helps in addressing the issue of lack of uniformity in laws and capabilities of different RERA authorities.

Nevertheless, the situation is improving, with builders and agents becoming far more accountable. In several instances, developers have had to pay penalty to buyers. Complaint redressal might not be satisfactory for many, but consumers are coming forward to register complaints across states. All in all, with RERA, 'The Wild West' days of real estate are over. BT

The writer is Chairman and MD of Knight Frank India

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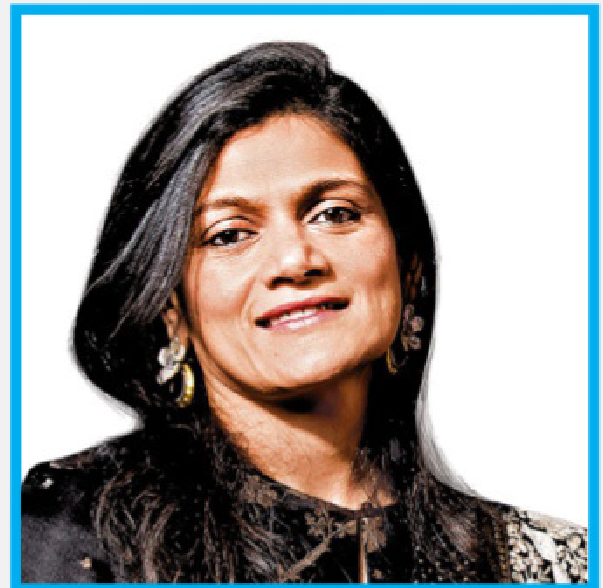

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THE BREAKOUT ZONE

P.118 RESTRICTING GOOGLE FROM SAVING DATA

P.126 LEADERSPEAK: RAJAN AIYER

WEARABLE TECH

WHEN A DEVICE COMMANDS YOUR BODY

Wearable devices which interact more directly with the human body can stimulate muscles into performing a task.

Illustration By AJAY THAKURI

M

OVE OVER, iWatch. Pedro Lopes, Assistant Professor at the University of Chicago and Head of the Human-Computer Integration Lab, predicts a whole new future for wearables. Lopes says that the next step lies in integrating these devices with the human body to ensure better control over our involuntary physical activities. In fact, he and his team have been working on such devices for some time. The new-age wearables, known as electrical muscle stimulation (EMS) devices, are designed to control body muscles with the help of electrical impulses instead of passively recording their activities as fitness trackers and smartwatches currently do. But here is the most amazing thing: These EMS devices can help one perform a task one has never done before, according to a *CNBC* report. Simply put, an EMS device can make you play the guitar or operate machinery or enhance your reflexes by moving your muscles as and when required. The technology was recently demonstrated at the CNBC Evolve Summit in Chicago.

The EMS device developed by the team is worn like a sleeve on the arm from where it has access to the wearer's muscles. Electrical and non-painful impulses can be passed through to make the person change arm positions and execute hand gestures and movements.

"The wearables you buy today are pretty much a reduced smartphone. You shrink the smartphone display, put it on a wristwatch, and you have it," *CNBC* quoted Lopes as saying. "But what if we take that to the next step. What if these devices can not only read signals from the human body but also intersect and interject signals into the human body? If a wearable is able to move our muscles, we've just unlocked a very different way to learn a physical skill."

Research on human interaction with objects also involves affordance or action possibilities – things we can do with objects. The research team headed by Lopes is now trying to extend those object properties to enhance 'actionability' and user experience. For example, a spray can shakes when touched or sprays only after touching and does not allow shaking or spraying when empty. "But rather than enhancing objects directly, we implement this concept by enhancing the user. We call this affordance++," Lopes wrote in a research paper. "By stimulating the user's arms using electrical muscle stimulation, our prototype allows objects not only to make the user actuate them but also perform the required movements while merely approaching the object, such as not to touch objects that do not 'want' to be touched. In our user study, affordance++ helped participants successfully operate devices of poor natural affordance such as a multifunctional slicer tool or a magnetic nail sweeper and to stay away from cups filled with hot liquids."

IF EMS DEVICES BECOME PART OF THE EVERYDAY WORLD, TRAINING TIME MAY COME DOWN DRAMATICALLY OR MAY NOT BE NECESSARY IN MANY CASES. WE MAY ALSO SEE ENHANCED SAFETY STANDARDS

The research has interesting implications for training. If these concepts become part of the everyday world, training time may come down dramatically or may not be necessary in many cases. We may also see enhanced safety standards when an object does not allow being touched or manipulated under defined conditions. The scope can expand further as there are many methods of implementing affordance, especially by integrating sensors and actuators with the human body.

ROBOTICS

MEET THE HUMANOID ANDROID

UNSETTLING as it may sound, a Russian company called Promobot is offering to create a robot clone to help you achieve a bizarre form of digital immortality. Robo-C, as the new entity is called, will not be as mobile as a human, but it will not lack in personality and skills. Besides, Promotbot is set to mass-produce Robo-C, and the sky is the limit for the uses one can put it to. For instance, it can be developed to act as a digital companion or a service robot in a public place. Or it can be put to work in an office where it can be immensely helpful. In fact, the company thinks that the new robo may replace human workers in many situations. "Everyone will now be able to order a robot with any appearance – for professional or personal use. Thus, we open a huge market in service, education and entertainment," says Aleksei Iuzhakov, Chairman of the Board of Directors at Promobot. "Imagine a replica of Michael Jordan selling basketball uniforms and William Shakespeare reading his own texts in a museum."

Robo-C has over 600 facial expressions which are quite fluid, making it very human-like. It also has artificial skin, created by the company that has a large component base. BT

PERSONAL TECH

HOW TO RESTRICT GOOGLE FROM SAVING DATA

SELECTIVE ACCOUNT MANAGEMENT CAN MAKE YOUR PRESENCE MORE PERSONAL.

By NIDHI SINGAL
Illustration by AJAY THAKURI

Ever wondered how Google knows the last time you visited your favourite bakery and then asks you to review it, even when you have not searched for it on any Google service? Does it surprise you when Google suggests the estimated arrival time to your office as soon as you step out of your house? Well, that's just a small bit of your data that Google has access to. Most of us do not realise that while signing up for various services, apps or even while setting up an Android smartphone, we unknowingly accept most of their conditions, agreements and grant them permission to access our data

automatically delete the saved data. This works in real time. However, you can opt for automatic deletion after a period of three or 18 months. Earlier, this had to be done manually.

Look for the 'Manage Activity' option within 'Activity Controls'. By default, the option of 'keeping activity until you delete it manually' was saved in my account; I switched it to delete after three months.

(who reads the long list of agreement clauses?). If Google's omnipresence bothers you and you want to take a U-turn, here is a quick guide on how to revoke most of the controls Google has access to.

Google has created a page that allows you to glance through such permissions and change them. Within 'My Accounts', there is a dedicated tab for 'Privacy and Personalization' that allows you to manage data and choose what activity is saved to personalise the Google experience.

Personal Information

You can start by checking your personal information that Google has made available in public (others using Google services) and what is not shared publicly. The 'Personal Info' tab under 'My Account' lists photo, nickname, date of birth, gender, email ID, phone number, and more. Hit the 'Go About Me' option at the bottom of the page and all your information available both publicly as well as hidden will be displayed. You can make the necessary changes right then and there.

Search

Clearing browser history does not mean that your searches are removed from Google servers too. For quick search results, Google offers to save the activity, such as searches and associated info like location, across Google sites and apps, in the Google Account. But if you want Google to stop tracking and saving all activities such as the apps you use, your Chrome history, and which sites you visit on the Web, you can turn off the toggle from the 'Web and App Activity' option. However, Google says that pausing this may limit or disable more personalised experiences. For example, you may stop seeing more relevant search results or recommendations about places you care about.

Automatically Delete Search and App Activity

If you do not intend to turn off the above settings or wish there was an automatic way of deleting history, you are in luck as Google recently announced a new option to

Location History

If the location history setting is turned on for your account, Google will save all the information, including where you go with your devices, even when you aren't using a specific Google service. This helps Google give you personalised maps, recommendations based on places you've visited, and more. This can be paused within 'Activity Control' on the 'Data and Personalization' page. Another easy way to keep your location a secret is by turning on the new 'Incognito Mode' in Google Maps. On Android devices, you can select the profile icon on the top right in Google Maps, and select 'Turn on Incognito Mode'. In this mode, Google will not save the maps activity to the Google Account and won't automatically show information about, say, your commute. While the incognito mode is not available on Google Maps for iPhone, users can choose 'Use Maps Without an Account' option.

YouTube History

With the YouTube history setting turned on, Google will save the videos you have searched for and videos streamed on this platform, offer better recommendations and even remember where you left off. You can turn off this setting within 'Web and App Activity'. The 'Manage Activity' option within YouTube History can be used to automatically remove YouTube history between three or 18 months. BT

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SHIFU ORBOOT

THE FUN OF LEARNING

By NIDHI SINGAL

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SHIFU ORBOOT is a knowledge-building toy for children. Using augmented reality, it helps children learn not just names of countries, their capitals and cities but also explore local culture, monuments, animals, and more.

Shifu Orboot is primarily a globe that comes to life with the Orboot app. Unlike a traditional globe that has borders and names of countries and popular cities, this one has a graphical representation of the regions along with visuals depicting cultures, monuments, animals, weather, and more. For instance, India was represented with Taj Mahal, a Kathakali dance figure, a tiger and more. All countries have a 'star' icon which audio-visually shares a lot of information about the country. For instance, when pointed the camera at the Taj Mahal icon on the globe, a 3D image of the same appeared on the phone's display. A tap on the image triggered display of more information. In all, over 400 highlights and 1,000 facts are available.

The app isn't just restricted to the icons on the globe. It has other interactive modes too. 'Mysteries with Shifu' has close to nine interactive lessons such as the ancient wonders' quest, the Russian adventure, trip to Asia, the crown jewel and the desert adventure. Using onscreen clues, the camera has to be pointed at the graphical representation on the globe that helps in exploring new places.

While exploring cultures, I learned about the Thai Songkran Water Festival, and the Harbin Ice and Snow festival celebrated in China. There are quizzes to be played and an Oko National Park that can be explored.

Frankly, without the Orboot app, the globe isn't of any use. The Orboot app works smoothly on both Android and Apple devices. While the app works well enough on a smartphone, the experience is far superior on the big display of an iPad.

The globe's build quality is nice. It comes with a 'passport' that can be filled in and stamped when one is through with a particular country.

Shifu Orboot is an addictive learning tool. Once a child gets the hang of Orboot, she is likely to continue exploring. With parents concerned about reducing the screen time of their kids, Shifu Orboot can convert the existing screen time into a productive and educational one. BT

@nidhisingal

DIPITR STRACK

Correct Your Posture

By NIDHI SINGAL

MOST WEARABLES are focussed towards tracking activities – steps, calories burnt, workout and sleep. Dipitr's Strack is a small wearable that helps correct posture.

This is a very small device that can be attached to a person's back; it gives vibration alerts every time that person slouches. Measuring just 47x31x9 mm, the Strack houses an LED indicator with a multi-purpose button at the front. One can wear it using supplied magnets (on the shirt) or adhesive tapes (pasted on the back). Between the two, I found the adhesive tape better. With the magnet, the device slips due to the vibrations. Plus, the vibration feedback is stronger when attached to the back. The adhesive strip is a little difficult to peel off but the company says it is replacing it with a better-quality one.

Setting up is easy – just install the app, answer a few questions (height, weight, how often you experience back pain), pair the device and calibrate it. Once set up and pasted on the back, Strack gave vibration alerts every time I slouched. It also has a coach mode that has small sessions on improving the sitting posture.

As I don't suffer from back pain, the automatic coach-mode started with a five-minute session and increased the time gradually. All the data – minutes of straight posture, number of slouches and more – is accessible within the app. The data is categorised on an hourly and weekly basis.

You can customise the settings – from the vibration intensity (low, medium and high) to alert time (after 0, 5 or 10 seconds). While most of the features are accessible using the app, you can also control using the multi-purpose physical button. When turned on, pressing the button once turns off the vibration and pressing it again activates the vibration again. This feature comes handy while having meals as that's the time when one bends forward often. As the position of the Strack might change every time you wear it, the same can be calibrated just by pressing the button twice.

Strack packs in a rechargeable battery that lasted me over two days on a single charge. As the functionality is vibration-driven, the battery life may vary from user to user.

Is it good? Yes, because it makes you cautious about slouching and helps correct the sitting posture. **BT**

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EXECUTIVE HEALTH

WHEN HEARTBURN DRUGS TURN DEADLY

SELF-MEDICATION AND INDISCRIMINATE USE OF DRUGS TO TREAT ACIDITY AND GAS WILL CAUSE MORE HARM THAN GOOD. THEIR PROLONGED USE MAY HAVE SERIOUS CONSEQUENCES.

By E. Kumar Sharma

DO YOU GORGE on spicy foods, stay stuck to your office chair all day long, drink way too much caffeine and never get enough sleep because you bring your work home or love late-night binge-watching on Netflix? Any of these can trigger acidity, gas or heartburn, which we tend to treat with a handful of over-the-counter pills. The instant relief they bring has made them popular, but the problem starts, say doctors, when you self-medicate and take multiple pills a day to treat your symptoms. Of course, you have never connected these medicines to fatal health risks such as cancer, chronic kidney disease or even dementia. However, they have hit the headlines due to potential health risks, making it all the more essential to exercise caution.

The US Food and Drug Administration has already alerted patients on the possible dangers of some cancer-causing impurities in ranitidine, an old molecule widely prescribed for intestinal and stomach ulcers, acid reflux (where stomach acid flows into the food pipe) and more. Several companies voluntarily recalled it from the market. In another case, the Drug Controller General of India asked some antacid makers to mention the risk of kidney damage on packets and patient information leaflets. Most of these drugs fall under a class called H2 (histamine 2) blockers – ranitidine is one of them – but you will also come across proton-pump inhibitors (PPIs) such as omeprazole and pantoprazole, mostly used for long-lasting reduction of stomach acid production and treating ulcers and gastroesophageal reflux disease (GERD).

According to doctors, prolonged use of PPIs, for three years or more, has adverse effects on health. To start with, these drugs aggravate diminished bone mineral density in postmenopausal women and may lead to fractures in some cases. "The PPIs are used rather freely," affirms Dr Devi Prasad Shetty, a leading cardiac surgeon and Founder and Chairman of Narayana Health, a chain of multispeciality hospitals. "I treat cardiac patients, and I have found a good number of them on PPIs. Now, that is not always prescribed by their doctors. A doctor might have prescribed those at some stage, perhaps a few years ago, but the patient keeps taking it after experiencing a dramatic relief. That is why PPIs are used so indiscriminately. It is a common medicine that heart patients take along with regular cardiac drugs."

> **THE US FOOD AND DRUG ADMINISTRATION ALERTED PATIENTS ON THE POSSIBLE DANGERS OF SOME CANCER-CAUSING IMPURITIES IN RANITIDINE**

Some may need them, though, as part of the treatment. "Most cardiac patients tend to be on aspirin, and it is notorious for causing hyperacidity and heartburn. Hence, some do have a reason to take them but not for a long time. Doctors normally prescribe it for a few days or a few weeks," says Dr Shetty.

Is there a way to stop PPI dependence? You can do it if you are cautious about food and lifestyle. "If you have hyperacidity, try and identify what type of food is causing it. In people with lactose intolerance, it could be yoghurt and milk. If you have spicy food in the afternoon, you tend to develop acid reflux later in the day. The real and easy solution is to modify the diet. Most of the times, dietary changes alone will address the issue unless people have an acid-peptic disease, which is not very common," says Dr Shetty.

Dr Kiran Reddyvari, a Consultant Gastroenterologist at Narayana Health, is also in favour of a 'stop strategy' whenever it is possible. "In 50 per cent cases that we handle, there is no indication that patients need to be on these drugs on a long-term basis. They need to stop immediately while others must restrict the use to a limited period as prescribed," he adds.

Nevertheless, PPI dependence continues to thrive, and the antipeptic ulcerants market (includes plain PPIs as well as combination drugs apart from H2 blockers) is estimated to be around ₹6,000 crore in India (per annum sales). Also, sales are growing at an annual rate of 10 per cent, similar to overall medicine sales in India. This indicates widespread usage, but now that you know the pros and cons, consult your doctor instead of routinely taking the little pills. They may cause serious side effects. BT

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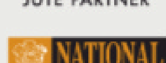

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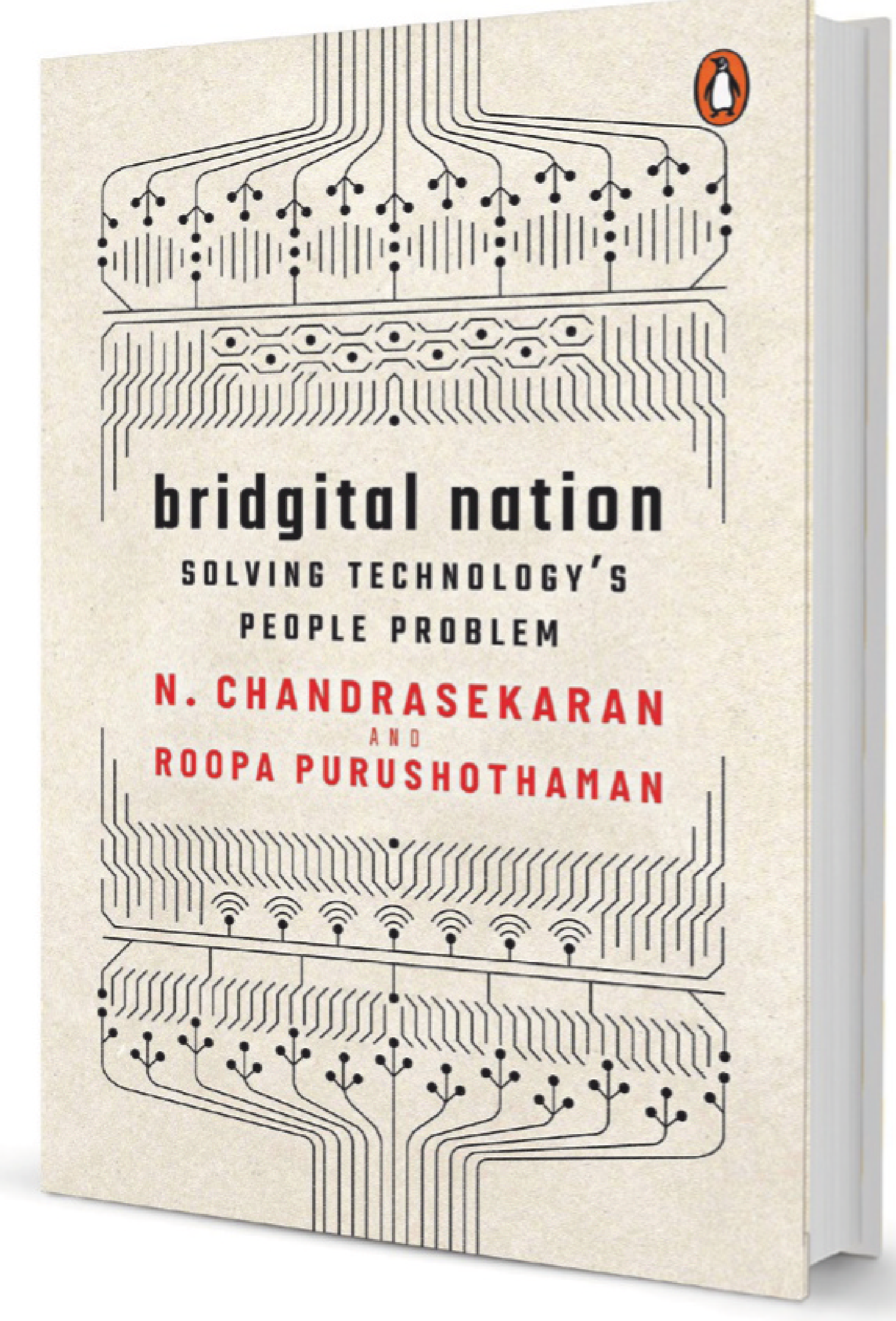
A BRIDGE NOT TOO FAR

THE BLUEPRINT TO CONNECT *BHARAT* AND INDIA TO CREATE A 'BRIDGITAL NATION' IS TIMELY, INCISIVE AND IMAGINATIVE.

By Srivatsa Krishna



Bridgital Nation: Solving Technology's People Problem

By N. Chandrasekaran and Roopa Purushothaman

Publisher: **Penguin Allen Lane**

Pages: **344**

Price: **₹799**

THE STANDARD operating procedure in most, but not all, technology companies is that they have a solution (or sometimes a box) while looking at a problem. In other words, they have products and try to force-fit those solutions to address some pain points. And then, of course, there is "my box is bigger and better than his box" syndrome.

Bridgital Nation does exactly the opposite. Perhaps for the first time, one of India's major business leaders (N. Chandrasekaran wrote the book with Roopa Purushothaman) has come up with a pragmatic and implementable solution for one of India's most pressing challenges – namely, jobs and digital transformation – via a unique bridgital model. But the irony could not be starker. How do you thrive, or at least begin to understand, a world that is getting more and more interconnected because of technology, and still operates in silos as everyone is becoming more and more protectionist?

At the heart of the book is a fundamental belief that we have an impatient India and time is not on our side to throw more money at the problem or create more capacity for more jobs. Instead, the book reimagines automation, not as a zero or one binary problem but as the facilitator of jobs in the 'missing middle' in both traditional and service sectors.

How can technology bridge the gap between the overwhelming demand for top-quality services and an overwhelming supply of human capital? Or, as the bridgital strategy argues, how can automation work with humans in synergistic ways to help the latter serve their clients in superior ways? What is left unsaid is that India's digital transformation requires deeper engagement between the government and the private sector in every possible dimension. For example, there are interesting start-ups which solve tough public problems such as non-functional streetlights, potholed roads or access to temporary jobs and workers. But the government's minimum prequalification criteria often exclude them from working with the authorities. Nevertheless, it is eminently doable (and doable quickly) to design a social media citizen command centre to invite (from any and every online platform

and thus solve the issue of easy access to the government) a list of citizen grievances, direct the same to appropriate authorities, chase them and ensure redressal.

What intrigues me most are the small cases studies, no more than three-four pages each, which introduce us to several real-life protagonists – Amit, Jasleen, Saju and Nikhil, to name a few. Helped by simple tech tools, their entrepreneurial talent has solved everyday problems of teeming millions.

Chandrasekaran's blueprint also bridges the gap between government and governance in simple yet innovative ways. Consider this: A bridgital cluster can operate as a platform of platforms and provide district-level entrepreneurs access to services. As India has a single online platform or service for delivering passports or MCA21 or income-tax e-filing (all implemented by TCS when Chandra was its CEO) or a centralised IT processing centre (set up by Infosys), there is no reason why it cannot have a 'one nation, one platform' for entrepreneurs to change the red tape to red carpet.

My only gripe: Apart from the small case studies, the book could have included the transformational work done by other companies in India and abroad. For instance, Mastek helps with congestion pricing in London through its cameras and algorithms and Onward has automated NABARD's (National Bank For Agriculture and Rural Development's) rural branches. Besides, it could have given the readers a sneak peek into what the much-anticipated Tata Digital's distinctive charter and strategy are likely to be in a world where each organisation wants to be labelled as a digital company.

Chandrasekaran has the unique advantage of first leading TCS to great heights and then heading the $145 billion Tata Group (I think only General Electric comes close to it in terms of scale and market cap), thus observing both digital and real worlds at close quarters. So, his blueprint might be just right for the Indian government, which is pushing the power of digital technology across all quarters for rapid implementation and better engagement. We are all waiting for the action to unfold. **BT**

The reviewer is an IAS officer; views are personal

EXECUTIVE READ

HAVE YOU ALWAYS WONDERED WHAT NEW-AGE ENTREPRENEURS LIKE TO READ? DO THEY EVER VENTURE BEYOND THE WORKS OF CEO WHISPERERS, OR DO THEY ALSO READ FOR FUN? *BUSINESS TODAY* WILL CHAT WITH THEM NOW AND AGAIN TO UNDERSTAND WHAT ROLE BOOKS PLAY IN THEIR LIVES.

ANEESH REDDY

CO-FOUNDER AND CEO, CAPILLARY TECHNOLOGIES, AN INDIA AND SINGAPORE-BASED CRM AND RETAIL TECH START-UP OPERATING GLOBALLY.

For you, is reading for business or pleasure?

At first, I used to read books like *Built to Last* and *Good to Great*, which gave me a lot of insights. But then, *Harry Potter*, *A Song of Ice and Fire* and *The Secret* were some of the books I grew up with. So, for me, reading is a mix of knowledge and fun.

What are you reading now?

Books by Ben Horowitz. He is the author of the *New York Times* bestseller, *The Hard Thing About Hard Things*. Based on his experience, Horowitz does his best to fill the knowledge gap of other CEOs regarding founding, managing, buying and selling and investing in tech companies. *Hard Thing* offers practical wisdom needed to navigate through some of the toughest problems which B-schools do not cover. I also want to read his next book, *What You Do Is Who You Are*.

One book you can't forget.

What They Don't Teach You At Harvard Business School by Mark McCormack. What matters more than numbers and excel sheets are personal interactions and self-discipline. To be successful, you not only have to recognise the foibles of others but also your own. If you focus on quality and timeliness, you are sure to make things work. The book shares details of high-profile business people, and it is eye-opening how many of them came from non-business backgrounds.

One book all CEOs must read

Business Adventures by John Brooks. CEOs can discover 12 surprising and entertaining case studies which feature insights into some significant moments of business history.

As told to Sanghamitra Mandal

RAJAN AIYER

VICE PRESIDENT AND MANAGING DIRECTOR, TRIMBLE, INDIA AND SAARC REGION

Trimble, a $3.1 billion company based in California, provides hardware and software services across industry segments such as construction and agriculture and started India operations in 2006. Under Aiyer, Trimble's India revenue increased 12 times over the past decade and staffing went up more than 70 per cent in 2014-19.

PHOTOGRAPH BY RACHIT GOSWAMI

Q. The biggest challenge in your career

A. Life always throws a series of challenges, and each one appears to be the biggest at the time until you overcome it. Then the next one will be at your doorstep. It was the same with me. Getting the first job in a top firm in the US in spite of severe visa restrictions and an economic downturn, raising $40 million-plus from top-notch VCs as a young entrepreneur, growing a nascent technology business in India, creating business success out of acquisitions, building an A-plus team and keeping it motivated were the most significant challenges I had to face.

Q. Your best teacher in business

A. In business, your best teacher is the breadth and depth of your life experiences. That is why I encourage future leaders to seek challenges and take calculated risks without worrying too much about success. Failures can teach you more valuable and long-lasting lessons. Not even the best MBA programme can prepare us for life's eventualities, and our experiences are the best and the most immersive classrooms.

Q. One lesson for young people

A. Always hire people who are smarter than you and let them give their input. It is a difficult thing to do if you are a young leader and it will require a lot of conscious practice. But a leader has to become a generalist, and in this age of rapid digital transformation, smart and timely input is the key to survival.

Q. Two essential qualities of a leader

A. A leader should be able to communicate his/her vision and mission very clearly and must be as transparent as possible so that everyone can march to the same tune without worrying about hierarchy. Second, practise what you preach. Authenticity builds trust among members of the organisation, and they will go the extra mile to deliver success. BT

"PRACTISE WHAT YOU PREACH. AUTHENTICITY BUILDS TRUST AMONG MEMBERS OF THE ORGANISATION, AND THEY WILL GO THE EXTRA MILE TO DELIVER SUCCESS."

Vol. 28, No. 25, for the fortnight December 2 - 15, 2019. Released on December 2, 2019. Total number of pages 128 (including cover)

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